

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

**MERIDIAN DEVELOPMENT CORPORATION  
TABLE OF CONTENTS  
YEAR ENDED SEPTEMBER 30, 2016**

<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>3</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>9</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>10</b>
<b>GOVERNMENTAL FUNDS BALANCE SHEET</b>	<b>11</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND     BALANCES – GOVERNMENTAL FUNDS</b>	<b>12</b>
<b>RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET     TO THE STATEMENT OF NET POSITION</b>	<b>13</b>
<b>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,     AND CHANGES IN FUND BALANCES TO THE STATEMENT OF     ACTIVITIES</b>	<b>14</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>15</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND     BALANCES – BUDGET AND ACTUAL – GENERAL FUND</b>	<b>21</b>
<b>NOTES TO REQUIRED SUPPLEMENTARY INFORMATION</b>	<b>22</b>
<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></b>	<b>23</b>



## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Meridian Development Corporation (MDC), a component unit of the City of Meridian, Idaho, as of September 30, 2016, and the related statement of activities and governmental fund statement of revenues, expenditures, and changes in fund balances for the year then ended, and the related notes to the financial statements, which collectively comprise MDC's basic financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

(1)

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meridian Development Corporation, as of September 30, 2016, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued a report dated December 6, 2016 on our consideration of MDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That reports is an integral part of an audit performed in accordance with Government Auditing Standards in considering MDC's internal control over financial reporting and compliance.

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

Boise, Idaho  
December 6, 2016

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

This section of the Meridian Development Corporation's (MDC or Corporation) annual financial report presents management's discussion and analysis of MDC's financial performance during the year ended September 30, 2016. Please use this information in conjunction with the information furnished in MDC's financial statements.

**Financial Highlights**

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

**Overview of the Financial Statements**

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

**Government - Wide Financial Statements**

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

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

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

Statement of Activities – Reports all of the Corporation's revenues and expenses for the year by function. MDC currently has two functions, the community development and public education and marketing functions.

**Fund Financial Statements**

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

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

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

**Fund Financial Statements (continued)**

MDC has two governmental funds:

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

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

**Notes to the Financial Statements**

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

**Required Supplementary Information**

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

**FINANCIAL ANALYSIS OF MERIDIAN DEVELOPMENT CORPORATION AS A WHOLE**

**Net Position**

Net Position measures the difference between what the entity owns (assets) versus what the entity owes (liabilities) and future revenues (deferred inflows). At September 30, 2016, MDC's combined assets exceeded liabilities and deferred inflows by \$1,772,396.

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

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

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

**Changes in Net Position**

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

The following condensed financial information was derived from the government-wide statement of activities and shows how MDC's net position changed during the year.

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

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

**FINANCIAL ANALYSIS OF MDC'S FUNDS**

**Governmental Fund**

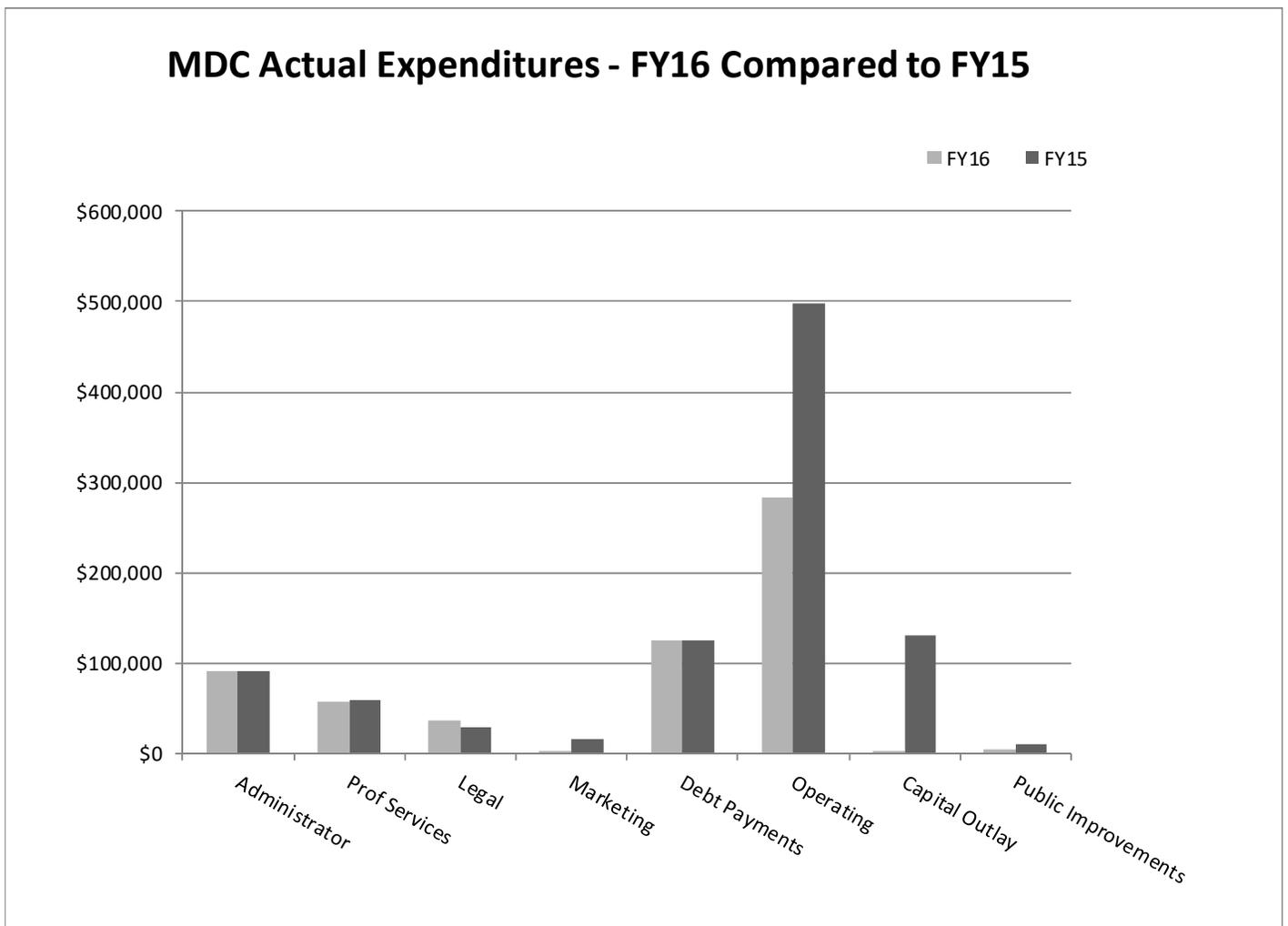
Fiscal year 2016 was the thirteenth full year that MDC received property tax revenue. At September 30, 2016 the fund balance was \$916,077 as compared to \$619,459 at September 30, 2015. Of the fund balance, \$5,725 is nonspendable and \$910,352 is restricted. Fund balance increased in fiscal year 2016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

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

**Budgetary Highlights**

There were no amendments made to the original fiscal year 2016 budget. MDC budgeted \$250,000 for Pine Avenue building improvements. Total capital outlay was \$1,100 for the replacement of sidewalks. As an end result, combined actual capital outlay expenditures and operating expenses were under budget.

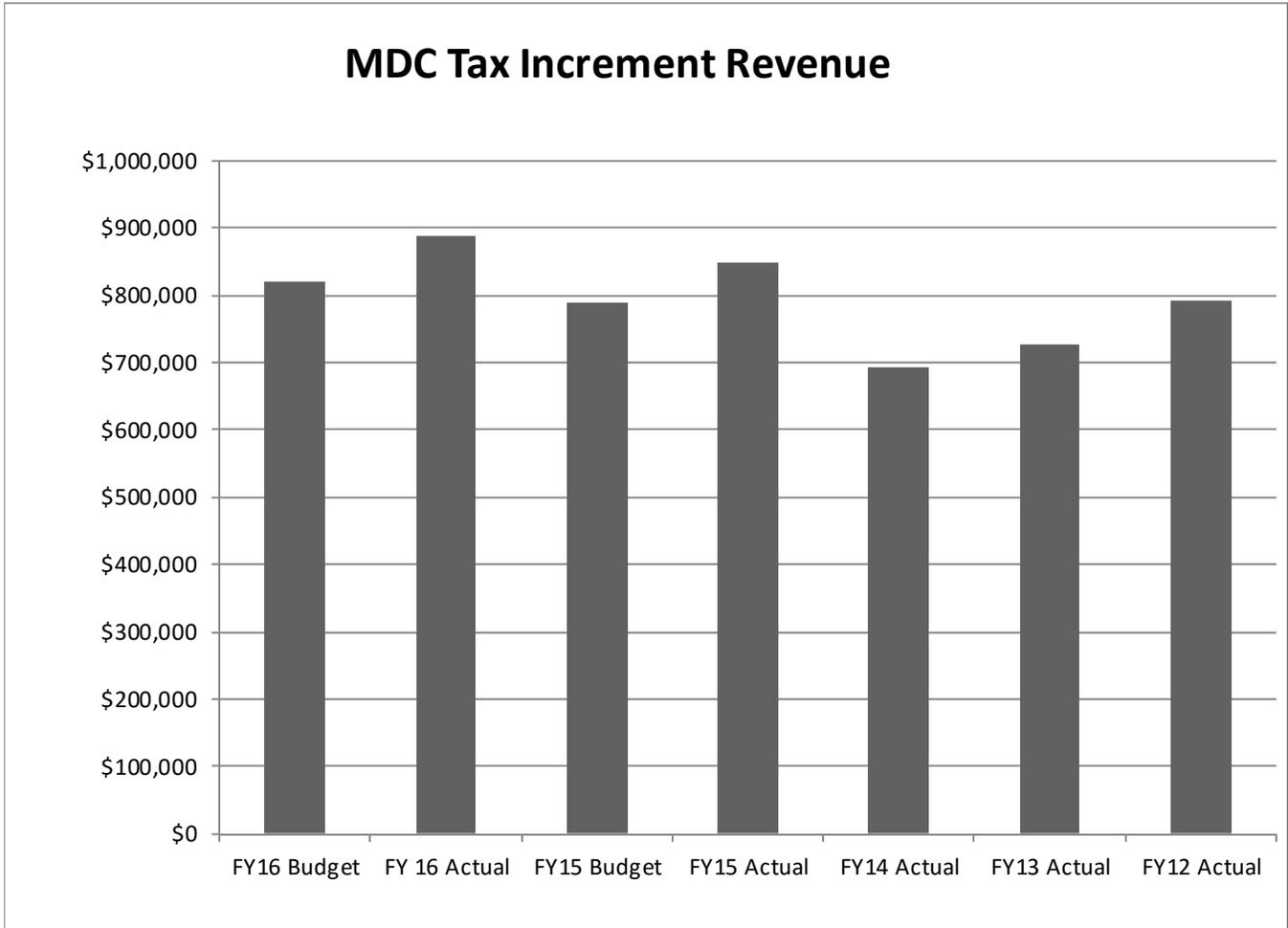
MDC does not have any employees and relies on professional service contracts for the administrator, legal, and marketing, etc. 31% of actual operating expenditures were for professional service contractors. MDC spent 77% of its operating budget.



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

**Budgetary Highlights (continued)**

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



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

**Capital Asset and Debt Administration**

**Capital Assets**

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

**Long-Term Debt**

During Fiscal Year 2011, MDC took out a promissory note with Washington Trust Bank, totaling \$1,274,000. The note payable was incurred in order to complete the building to be sold as condominium and office space units. The note matures on March 5, 2022. Proceeds from the sales of the units will be used to repay principal and interest on the note. As of September 30, 2016, the balance on the remaining note was \$608,606. See Note 4 for further explanation of the changes in long-term debt.

**Fiscal Year 2016 Budgetary Considerations**

For fiscal year 2017, MDC will continue downtown rehabilitation efforts by purchasing properties for redevelopment and parking and by participating in a variety of community downtown projects and programs. MDC will partner with the City of Meridian for downtown decorations, help fund public art and the split corridor lighting, and assist businesses with streetscape and façade improvements.

Property tax revenue is expected to be higher than the amount collected in fiscal year 2016.

**Requests for Information**

This report is designed to provide a general overview of Meridian Development Corporation's finances for our citizens and customers. If you have questions about this report or need additional financial information contact the Finance Office: 800 W. Main Street, Suite 1220, Boise, ID 83702. Phone 208-387-6400.

**MERIDIAN DEVELOPMENT CORPORATION**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2016**

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

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

**MERIDIAN DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

The accounting and reporting policies of MDC relating to the funds included in the accompanying basic financial statements conform to GAAP applicable to state and local governments.

**Financial Reporting Entity**

MDC is included as a component unit in the City's financial statements. MDC provides urban renewal services to the City and its citizens. These statements present only the funds of MDC and are not intended to present the financial position and results of operations of the City in conformity with GAAP.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**MERIDIAN DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

MDC reports the following major governmental funds:

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

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

**Capital Assets**

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. All material fixed assets are valued at cost. Donated fixed assets are valued at their estimated fair value on the date donated. Capital assets are depreciated on the straight-line basis with the half-year convention over useful lives of 3 to 30 years.

**Property Taxes Receivable**

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

Available tax proceeds include property tax receivables expected to be collected within sixty days after year-end. Property taxes attach as liens on properties on January 1, and are levied in September of each year. Tax notices are sent to taxpayers during November, with tax payments scheduled to be collected on or before December 20. Taxpayers may pay all or one half of their tax liability on or before December 20, and if one half of the amount is paid, they may pay the remaining balance by the following June 20.

**MERIDIAN DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Inflow of Resources and Advanced Revenue**

Unavailable revenue is considered a deferred inflow of resources in accordance with the modified accrual basis of accounting for the fund financial statements. Deferred inflows of resources are measurable but do not represent available expendable resources for the fund financial statements for the fiscal year ended September 30, 2016. Since MDC is on a September 30 fiscal year end, property taxes levied during September for the succeeding year's collection are recorded as unavailable revenues at the MDC's year-end and recognized as revenue in the following fiscal year. Ada County bills and collects taxes for MDC.

**Risk Management**

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

**Fund Balances**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the MDC is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

*Nonspendable* – Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at September 30, 2016 by MDC are nonspendable in form. This includes prepaid expenses of \$2,826 and miscellaneous receivables of \$2,899. MDC has not reported any amounts that are legally or contractually required to be maintained intact.

*Restricted* – This fund balance is constrained for a specific purpose and legally restricted by external parties, such as state or federal agencies. MDC had \$922,069 in restricted fund balance at September 30, 2016.

*Committed* – This fund balance constraint is self-imposed by the board of directors. Formal action is required by the board of directors to commit funds and must occur prior to year-end; however, the actual dollar amount may be determined in the subsequent period.

*Assigned* – This fund balance is intended for a specific purpose and the authority to "assign" is delegated to the administrator. Formal action is not necessary to impose, remove, or modify an assigned fund balance.

**MERIDIAN DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Unassigned* – This is the remaining fund balance that has no internal or external restrictions. Unassigned amounts are available for any purpose. Although there is generally no set spending plan, there is a need to maintain a certain funding level. The unassigned fund balance is commonly used for emergency expenditures or reserves needed to ensure cash flow.

MDC has a policy regarding minimum fund balance for a stabilization arrangement to reserve 8% of the current year budget of tax revenues in order to ensure there is sufficient cash flow to maintain services between property tax receipts (the Resolution).

This Resolution states that it shall be the policy of MDC that this reserve will be in the unassigned fund balance unless the administrator designates otherwise. The policy also requires that the restricted, committed, assigned fund balances are to be expended first, followed by the unassigned, unless the board of directors approves to do otherwise through the budget process.

**NOTE 2 DEPOSITS – CUSTODIAN CREDIT RISK**

**Cash and Cash Equivalents**

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

**MERIDIAN DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 3 CAPITAL ASSETS**

Changes to capital assets are as follows:

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

**MERIDIAN DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 4 CHANGES IN LONG-TERM DEBT**

MDC has a promissory note for \$1,274,000 that matures on March 5, 2022 with a fixed interest rate of 3.89% collateralized by real property.

The following is a summary of changes in debt of MDC for the year ended September 30, 2016.

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

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

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

**NOTE 5 RELATED PARTY TRANSACTIONS**

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

**NOTE 6 LINE OF CREDIT**

MDC extended a revolving line of credit with Washington Trust Bank that provides for available borrowings up to \$100,000. The agreement matures on July 31, 2017 and is unsecured. Borrowings under the line of credit bear variable interest rates at 3.25% per annum. There were no amounts outstanding on the line as of September 30, 2016. Borrowings under the line of credit are subject to certain covenants and restrictions on indebtedness and dividend payments.

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

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

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

**NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING**

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

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

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

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

Budgets are adopted on a basis consistent with GAAP for the funds. All annual appropriations lapse at fiscal year-end. Revisions that alter the total expenditure appropriation of any fund must be approved by the board of commissioners. State law does not allow fund expenditures to exceed fund appropriations.

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



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standard**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, and the major fund of Meridian Development Corporation (MDC), a component unit of the City of Meridian, Idaho as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Meridian Development Corporation's basic financial statements, and have issued our report thereon dated December 6, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered MDC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MDC's internal control. Accordingly, we do not express an opinion on the effectiveness of MDC's internal control.

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Boise, Idaho  
December 6, 2016