

**FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**



**CITY OF MERIDIAN, IDAHO**

# CITY OF MERIDIAN, IDAHO

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## INDEPENDENT AUDITORS' REPORT

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Mayor and Members of the City Council  
**City of Meridian, Idaho**  
Meridian, Idaho

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Meridian, Idaho, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Meridian, Idaho'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 the 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, the business-type activities, the discretely presented component unit, and each major fund of the City of Meridian, Idaho, as of September 30, 2009, and the respective changes in financial position and where applicable, cash flows, thereof 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 17, 2010, on our consideration of City of Meridian, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the 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 17, 2010

**CITY OF MERIDIAN, IDAHO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**

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This section of the City of Meridian's (City's) annual financial report presents management's discussion and analysis of the City's financial performance during the year ended September 30, 2009. Please use this information in conjunction with the information furnished in the City's financial statements.

**Financial Highlights**

- The total assets of the City exceeded its liabilities at September 30, 2009 by \$283,157,512. Of this amount \$47,552,089 is unrestricted and available to meet the City's on-going obligations to citizens and creditors.
- During fiscal year 2009 the City's total net assets increased \$11,741,632 as compared to an increase of \$21,501,450 during fiscal year 2008. Net assets of the governmental activities increased \$4,859,123 and net assets of business-type activities increased \$6,882,509.
- Total fund balance of governmental funds at September 30, 2009 was \$22,411,123 compared to a total governmental fund balance at September 30, 2008 of \$23,336,871. Of the September 30, 2009 balance, \$1,739,920 is restricted for park, police, and fire impact fee capital expenditures, \$1,741,933 is reserved for capital projects, \$1,522,860 is reserved for public safety capital projects and \$400,000 is reserved due to a long-term lease agreement. The remaining \$17,006,410 is unreserved.
- The City has \$930,000 in long-term debt due to a capital lease and trust agreement with Wells Fargo Bank for the construction of the police station. The agreement was executed in fiscal year 2002 and has a term of ten years.

**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 the City 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 the City'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 City is improving or deteriorating.

Statement of Activities – Reports all of the City's revenues and expenses for the year by function. Examples of functions are public safety, administration, and water and sewer activities. Revenues, such as property tax which cannot be traced to a specific function, are reported as General Revenues.

**CITY OF MERIDIAN, IDAHO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2009**

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**Fund Financial Statements**

The Fund financial statements provide information about the City's major *funds*, not the City as a whole. The City uses a method of accounting, called fund accounting, to separate specific sources of funds and corresponding expenditures. Funds may be required by law or may be established by the City Council.

The City has the following funds:

Governmental Funds: These funds encompass the City's basic services, public safety, community planning and development, administration, and parks and recreation. 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.

The City has two governmental funds:

General Fund – The general fund is the general operating fund of the City. It derives most of its income from property tax and funds the operations of the City. It includes the Special Services Fund, used to account for revenue and expenses of the community planning and development function and the Park Impact Fee Fund, used to account for the park impact fee revenue and park development costs.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition of major capital facilities.

Proprietary Fund: User fees finance activities in these funds. The City of Meridian only has one type of propriety fund, the enterprise fund. The water and sewer utilities and all the activities necessary to support their operation are accounted for in this fund. Accounting for this fund is the same as a private business on a full accrual basis.

**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 City'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 City owns (assets) versus what the City owes (liabilities). At September 30, 2009 the City's combined assets exceeded liabilities by \$283,157,512. In comparison at September 30, 2008 combined assets exceeded liabilities by \$271,415,880.

**CITY OF MERIDIAN, IDAHO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**

The largest portion of the City's net assets, 82%, is invested in capital assets net of related debt. Capital assets include land, building, equipment and machinery, and sewer and water utility infrastructure. This percentage is virtually unchanged from FY2008. In proceeding years the percentage of investment in fixed assets has increased as the City has undertaken several construction projects. In FY05 the City's investment in fixed assets was only 62%, increasing to 66% in FY06, and 74% in FY07.

Assets restricted to a particular use are 1% of net assets. The City's restricted funds are principally the park, police and fire impact fee fund (portion of building permit collected for construction of new assets to retain existing service levels). The City has \$400,000 held at Wells Fargo bank as required by the police building bond covenants. The City has established a reserved fund called the Capital Improvements Fund. The City puts excess funds generated from building permit sales into a fund marked specifically for general fund capital projects.

Unrestricted net assets equal 17% of net assets, little change from 16% last year. The City's net assets increased by \$11.7 million, 4% from the prior year, with little change in the composition between capital assets, and restricted and unrestricted funds. Reflective of the downturn in economic growth the City's increase in net assets has been declining in recent years, from an increase in FY06 of 15%, to 12% in FY07, to 9% in FY08, and finally 4% in FY09.

Some portion of the unrestricted net asset balance has been designated by the City Council for specific purposes. The table below has been condensed from the Statement of Net Assets.

	Primary Government					
	Governmental Activities		Business - type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 44,153,456	\$ 44,428,780	\$ 31,575,831	\$ 28,954,406	\$ 75,729,287	\$ 73,383,186
Capital Assets	61,691,933	56,791,974	170,961,637	166,974,685	232,653,570	223,766,659
<b>Total Assets</b>	<b>105,845,389</b>	<b>101,220,754</b>	<b>202,537,468</b>	<b>195,929,091</b>	<b>308,382,857</b>	<b>297,149,845</b>
Current Liabilities	21,289,621	21,165,271	2,422,119	2,726,605	23,711,740	23,891,876
Long-term Liabilities	1,372,620	1,731,458	140,985	110,631	1,513,605	1,842,089
<b>Total Liabilities</b>	<b>22,662,241</b>	<b>22,896,729</b>	<b>2,563,104</b>	<b>2,837,236</b>	<b>25,225,345</b>	<b>25,733,965</b>
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	60,761,933	55,421,974	170,961,637	166,974,685	231,723,570	222,396,659
Restricted	3,881,853	5,955,710	-	-	3,881,853	5,955,710
Unrestricted	18,539,362	16,946,341	29,012,727	26,117,170	47,552,089	43,063,511
<b>Total Net Assets</b>	<b>\$ 83,183,148</b>	<b>\$ 78,324,025</b>	<b>\$ 199,974,364</b>	<b>\$ 193,091,855</b>	<b>\$ 283,157,512</b>	<b>\$ 271,415,880</b>

**Changes in Net Assets**

During the year the City's financial position improved by \$11,741,632. The following condensed financial information was derived from the government-wide Statement of Activities and shows how the City's net assets changed during the year.

**CITY OF MERIDIAN, IDAHO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**

Changes in Net Assets  
for Fiscal Year Ending September 30, 2009

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY09	FY08	FY09	FY08	FY09	FY08
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 5,025,148	\$ 6,916,337	\$ 14,426,488	\$ 12,179,084	\$ 19,451,636	\$ 19,095,421
Operating grants and contributions	551,946	187,000	3,288,083	4,577,125	3,840,029	4,764,125
Capital Grants and Contributions	1,034,186	3,896,461	2,374,385	6,318,732	3,408,571	10,215,193
General Revenue:						
Property taxes	17,606,294	15,975,455			17,606,294	15,975,455
Franchise fees	1,510,674	1,427,227			1,510,674	1,427,227
Sales tax and other governmental	3,623,844	4,027,232			3,623,844	4,027,232
Unrestricted Investment Earnings	604,653	869,966	907,521	1,141,833	1,512,174	2,011,799
Other Revenue	41,047	(88,500)	243,804	204,203	284,851	115,703
<b>Total Revenues</b>	<b>29,997,792</b>	<b>33,211,178</b>	<b>21,240,281</b>	<b>24,420,977</b>	<b>51,238,073</b>	<b>57,632,155</b>
<b>Expenses</b>						
General Government						
Administration	4,772,542	3,305,739			4,772,542	3,305,739
Law Enforcement	9,332,085	8,681,734			9,332,085	8,681,734
Fire Department	7,361,588	6,333,494			7,361,588	6,333,494
Parks and Recreation	2,459,117	2,340,099			2,459,117	2,340,099
Community Planning and Devlp	2,192,738	2,860,661			2,192,738	2,860,661
Interest on long-term debt	54,317	73,942			54,317	73,942
Enterprise - sewer and water			13,324,054	12,535,036	13,324,054	12,535,036
<b>Total Expenses</b>	<b>26,172,387</b>	<b>23,595,669</b>	<b>13,324,054</b>	<b>12,535,036</b>	<b>39,496,440</b>	<b>36,130,705</b>
Excess of revenues over expenditures before transfers	3,825,405	9,615,509	7,916,227	11,885,941	11,741,632	21,501,450
Transfers - internal activities	1,033,718	5,247,913	(1,033,718)	(5,247,913)	-	-
Increase in net assets	4,859,123	14,863,422	6,882,509	6,638,028	11,741,632	21,501,450
Net Assets, Beginning of Year	78,324,025	63,460,603	193,091,855	186,453,827	271,415,880	249,914,430
<b>Net Assets, Ending of Year</b>	<b>\$ 83,183,148</b>	<b>\$ 78,324,025</b>	<b>\$ 199,974,364</b>	<b>\$ 193,091,855</b>	<b>\$ 283,157,512</b>	<b>\$ 271,415,880</b>

- **Governmental Charges for Services include:**
  - Building permits and filing fees
  - Court fines
  - Rural Fire District service reimbursement
  - Park and Recreation Fees

**CITY OF MERIDIAN, IDAHO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**

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- **Governmental Capital Grants and Contributions include:**
  - Impact fees for Parks, Fire, and Police
  - Park land donations
  - Grant revenues
  - Cash donations
- **Business Type Charges for Services include:**
  - Water and Sewer sales
  - Engineering review fees
  - Trash Administration fees
- **Business Type Operating Grants and Contributions include:**
  - Water and Sewer connection fees
  - Cash donations
- **Business Type Capital Grants and Contributions are developer donated water and sewer lines**

**Governmental Activities:**

Although revenues were down 10% from the prior year the City was still able to increase net assets by \$4,859,123. This does represent a significant reduction in growth from prior years. The City expected the decrease in revenues and budgeted accordingly. Total expenses did increase 11% over the prior year. When comparing the increase in net assets in FY2008 of \$14.8 million dollars it is important to note that \$4.5 million dollars was due to a one-time transfer from the Enterprise Fund towards the construction of a new City Hall.

The Planning and Building departments are isolated in a fund called Development Services. Development Services is part of the general fund and is contained in the audited financials which is rolled into the general fund. By City Ordinance any excess of revenues over cost is transferred to the Capital Improvement Fund. Between 2003 and 2007 the City was able to transfer \$8.2 million dollars into the Capital Improvement Fund. Due to the drop-off of construction in the last two years the City has not been able to make transfers to the Capital Improvement Fund.

Revenue in this program equal 47% of Charges for Services revenues and are primarily commercial and residential building permit sales. The City sold 562 residential building permits and no multi-family permits in FY09 compared to 606 residential and 30 multifamily the year before. This is a 7% decrease in residential building permit sales. Commercial building permit sales were \$659,439 in FY09, down 50% down from FY08. The City did not expect the Development Services fund to be self sustaining in FY09 and planned to cover deficits with general fund revenues. Although Development Services revenues decreased, expenses also decreased 23% from FY2008 to FY2009. The City uses contracted building inspectors rather than employees so when construction slows and there are fewer new buildings to inspect the cost of conducting inspections also decreases.

When building permit sales increase and decrease, impact fees, part of capital grants and contributions, also increase or decrease. Impact fees are charged when the building permit is sold, they can be used only for construction or capital equipment related directly to maintaining current service levels for new growth. Park impact fees are charged only on residential permits and police and fire impact fees are charged for both residential and commercial building permits. Impact fees decreased from almost \$1.7 million in FY08 to \$1.1 million in FY09. The park impact fee revenue came in as budgeted while the fire and police impact fees were less than

**CITY OF MERIDIAN, IDAHO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2009**

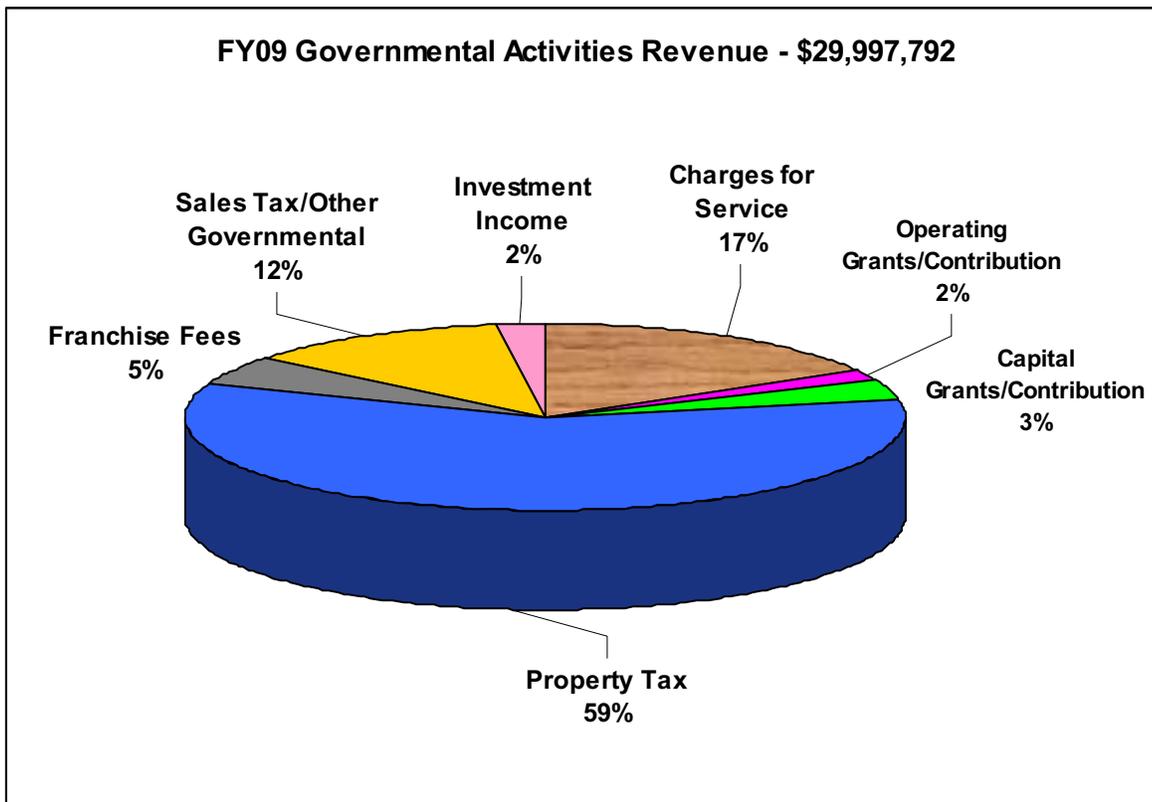
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expected. This is due to a combination of two factors, one commercial building permit sales were down and two, the City Council waived charging the police and fire impact fee on commercial building permits for the last six months of the fiscal year.

Property tax is the single greatest source of governmental revenue. During the past decade property tax has shown substantial increases from year to year, for example it increased 27% from FY05 to FY06. The primary driver for substantial increases in property tax is the utilization of new construction in the property tax levy formula, followed to a lesser extent by annexations. In spite of the construction downturn that started in the summer of 2006 new construction value for tax year 2008 was still robust at \$679,756,216. When the new construction value was calculated for the property tax to be collected in FY2009 value had dropped to \$409,725,009. However property tax revenue still increased 10% between FY2008 and FY2009. The City annexed properties with a taxable value of \$41,623,668 down from prior year annexations of \$103,970,136.

Governmental capital grants and contributions decreased. This category is principally impact fees collected for parks, police, and fire, donations and grants. As discussed above impact fees continued to decrease with the decrease in new building.

The City received a little over \$500,000 in operating grants and contribution. This included several smaller donations for various community programs and small park projects. The largest single donation was \$100,000 from Idaho Power for building an energy efficient City Hall building. The City had just under \$300,000 in grant revenue, principally a grant in the Police Department for community anti-drug programs and a small community block grant.



**CITY OF MERIDIAN, IDAHO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**

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Public Safety (Fire and Police) are by far the largest governmental function: 64% of total governmental expenses. Police personnel and operating expenses increased 7% from FY08 to FY09 and Fire operating and personnel expenses increased 16%. The increase in the Police Department expenses was in personnel which increased 11% from \$6,988,729 to \$7,782,261. The department was able to fill virtually all vacant positions (8.5 FTE) as well as adding a school resource officer, and someone to administer the community anti-drug grant. A change in the way the sworn officer pay plan is administered resulted in pay increases. Operating expenses actually decreased 10%.

Fire Department personnel cost increased 11% while operating cost increased 40%. The increase in operating costs was due to an impact fee reimbursement made to the Meridian Rural Fire Protection District. The Meridian Fire Department has a shared services agreement with the Rural Fire District. Meridian City provides services for both the City and the Rural District geographical areas and the Rural Fire District pays 20% of the total operating costs and has also provided the funding for several capital projects. The Rural Fire District provided the initial funding for a \$1.4 million dollar training tower. As the City collects impact fees from building permit sales the City is reimbursing the Rural Fire District for those costs that are impact fee eligible.

Community Planning and Development expenses were 8% of governmental expenses. Included in Community Planning and Development are building inspections, building administration, Planning Department, and economic development. The City uses contract building inspectors who are paid only when a permit is sold. Therefore when building permit revenue decreases the cost also decreases. Additionally some expenses were moved from the Planning Department to the department Other Government. Personnel costs were virtually unchanged.

Administration includes several general support functions, Information Technology, Accounting and Finance, Human Resources, City Clerk, Mayor's Office, City Council, Other Government (general expenses not assigned to other departments), and City Hall. One half of Human Resources, Information Technology, and Finance costs are transferred to the enterprise fund since these functions support all funds. The City Hall expenses are split among the departments who are housed in the building.

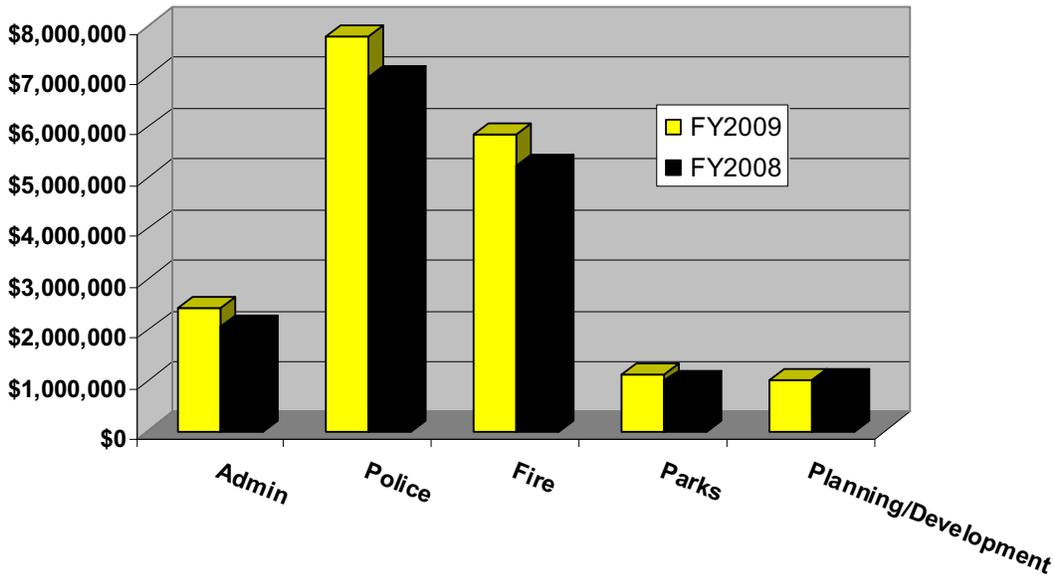
Administration costs increased 44% from the prior year. Personnel increased 18%. During FY09 Administration added two new positions and two positions approved in FY2008 started at the start of FY2009. New positions included an employee in Information Technology, a receptionist in the Legal Department, a construction manager in Other Government, and a building maintenance supervisor for City Hall. There were also some employee salary adjustments outside the merit program.

Administration operating expenses increased a million dollars or 87%. One-time expenses associated with the new City Hall account for a portion of that. The City purchased \$270,000 worth of furniture and spent \$62,000 to move from the old City Hall and other locations. Due to some matters of contract dispute the City spent almost \$200,000 on outside legal services, an increase of \$180,000 over FY2008. Other Government increased by absorbing Treasure Valley Transit dues of \$100,000 (previously in the Planning Department), a new storm water program for \$63,000, and an increase in grant expenditures of \$92,000. Costs for operating the new City Hall are greater than those for the much smaller old City Hall, increasing more than \$300,000 in FY09.

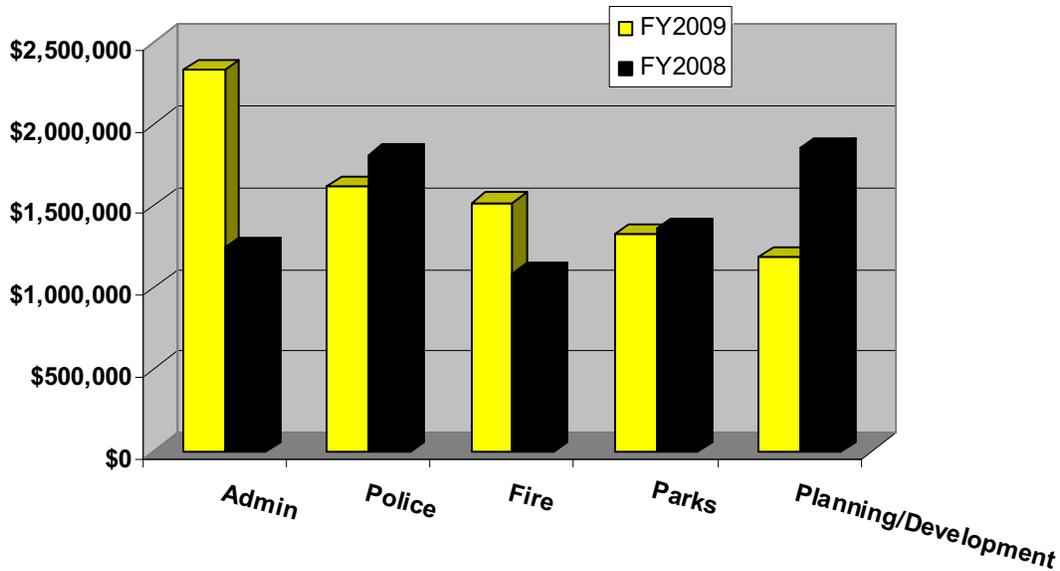
The Parks and Recreation Department personnel cost increased 14% however operating costs decreased 3% with the result that total department costs increased 5%. The Park's Department hired some additional seasonal maintenance employees due to increases in park acreage.

**CITY OF MERIDIAN, IDAHO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**

**Personnel Expense - Governmental Activities**



**Operating Expenses - Governmental Activities**



**CITY OF MERIDIAN, IDAHO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**

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**Business-Type Activities:**

Business-type activities, the provision of water and sewer services, increased net assets by \$6.8 million in FY09 almost identical to a \$6.6 million dollar increase in FY08. Capital assets net of depreciation increased \$3.98 million. Unrestricted net assets increased \$2.89 million compared to a decrease last year of \$10.8 million.

Business activities have three principal sources of revenue. Operating revenue from selling water and sewer services (charges for services), fees that new homes pay to connect to the utility system and “donated” revenue, the value of the developer connected lines. Developer contributions are not a cash inflow. Operating revenue is available to pay operating costs, donated lines are obviously not.

Charges for service revenue are matched to the operating costs of providing water and sewer service. Connection revenue is the revenue that the business fund directs toward new construction and toward reimbursing developers for lines. Interest income is largely directed toward construction.

Total propriety revenue for FY09 as compared to FY08 and FY07 is as follows:

	<b>FY2009</b>	% of Total Revenue	<b>FY2008</b>	% of Total Revenue	<b>FY2007</b>	% of Total Revenue
Charges for Service	\$ 13,725,410	61%	\$ 11,768,336	48%	\$ 10,434,108	38%
Connection Fees	3,423,956	15%	4,577,125	19%	5,289,653	19%
Interest Income	907,521	4%	1,141,833	5%	2,228,460	8%
Other	944,882	4%	614,951	3%	965,621	4%
<b>TOTAL REVENUES</b>	<b>19,001,769</b>		<b>18,102,245</b>		<b>18,917,842</b>	
Donated Lines	3,423,956	15%	6,318,732	26%	8,592,670	31%
<b>GRAND TOTAL</b>	<b>\$ 22,425,725</b>		<b>\$ 24,420,977</b>		<b>\$ 27,510,512</b>	

Rate increases between February and April of FY2009 helped boost the usage revenue 17% over FY2008 revenue. The base rate for water was increased 19% to \$4.81 with the cost per 1000 gallons increasing 19% to \$1.66. The sewer base fee increased 42% to \$6.73 and the cost per 1000 gallons for sewer increased 42% to \$4.31. Over the last three years operating revenue has increased between 13 and 15 percent annually. In addition to the FY2009 rate increase there was a small rate increase in both FY2008 and FY2007. The annual increase in the number of new accounts decreased substantially the last few fiscal years: from a 12% jump in accounts in FY2006 to a 3% increase in FY2009. Weather also plays a part in the gallons of water sold.

Connection fees are the fees that new properties pay to “connect” to the utility system. In FY2005 connection fees were 51% of total revenue at over \$10 million dollars. By FY2009 connection fees were only 15% of revenue at \$3.4 million dollars. This decrease in “new growth” revenue has changed the distribution of the Enterprise Revenue pie, the reliance on charges for services, has increased, from 39% of total revenue in FY2005 to 61% of total revenue in FY2009.

**CITY OF MERIDIAN, IDAHO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**

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Interest income continues to decrease as interest rates steadily decline. Donated water and sewer line revenue is almost one half of what it was last year at \$3.4 million in FY09 compared to \$6.3 million in FY2008. This contrasts to a high of \$9.9 million in FY2006 when development and construction was at a peak.

Isolating the income related just to water and sewer sales (not including connection fees, contributed capital, and interest income) and comparing it to the applicable costs results in an operating income of \$1.3 million dollars. This is quite a contrast to last year's operating loss of \$125,000. The increase in usage fees resulted in \$1.9 million dollars in additional sales revenue alone.

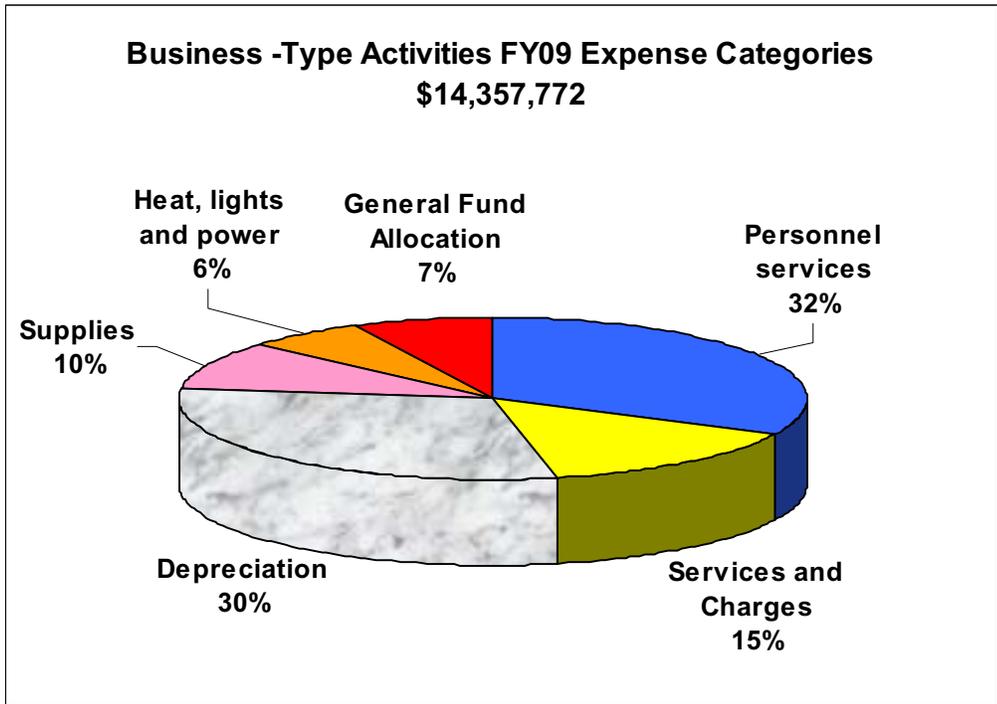
The following graph illustrates the change in expenses used to calculate operating income from FY2007 to FY2009. The two most significant expenses are depreciation and personnel. Both had moderate increases from FY2008 to FY2009. The need for infrastructure expansion has decreased as development has decreased consequently construction projects.

***OPERATING EXPENSES***

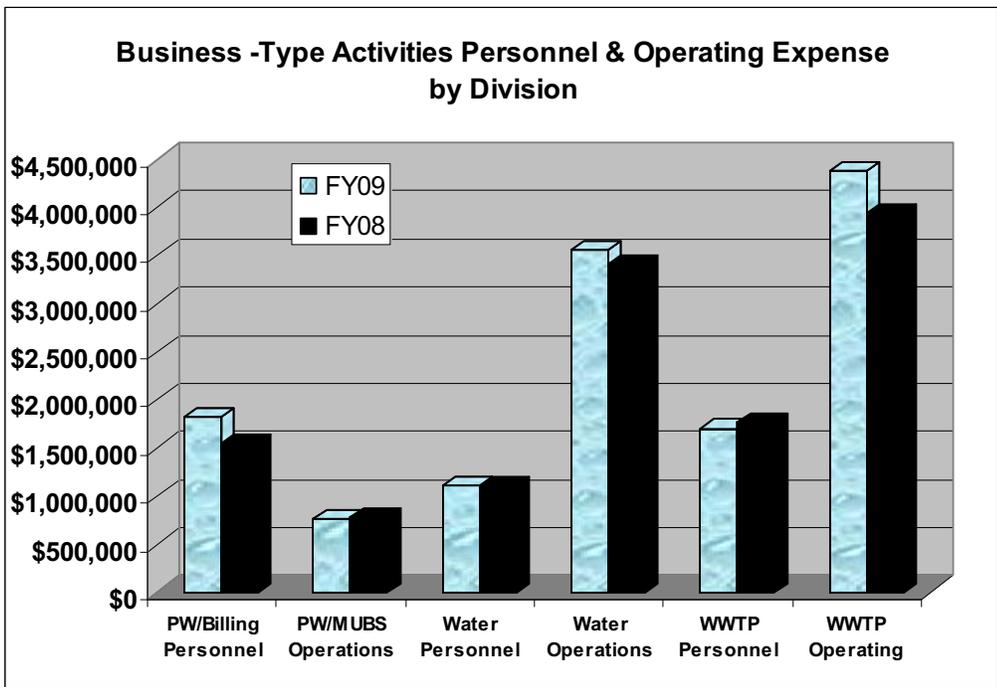
	% Change		% Change		
	FY2009	FY08 to FY09	FY2008	FY07 to FY08	FY2007
Personnel	\$ 4,631,746	5%	\$ 4,414,471	11%	\$ 3,978,372
Other Services/Charges	2,087,738	12%	1,860,306	-1%	1,876,779
Depreciation	4,316,283	8%	3,995,452	25%	3,189,795
Supplies	1,404,316	-4%	1,468,973	10%	1,341,445
Heat, Lights, Power	883,971	11%	795,834	46%	546,414
<b>TOTAL operating expense</b>	<b>13,324,054</b>	<b>6%</b>	<b>12,535,036</b>	<b>15%</b>	<b>10,932,805</b>
General fund transfer	1,033,718	38%	747,913	21%	616,501
<b>TOTAL business-type expense</b>	<b>\$ 14,357,772</b>		<b>\$ 13,282,949</b>		<b>\$ 11,549,306</b>

The formula for calculating operating income does not take into account internal transfers. The administrative functions for accounting, human resources, information technology, and some other support activities are expenses of the general fund. Half of the cost of these functions is transferred from the general fund to the business fund. Last year in addition to the standard transfer for administration, there was an amount of \$4.5 million for the cost of building the City Hall. Removing the effect of the City Hall construction transfer the internal transfer increased about \$285,000 between FY2008 and FY2009. The FY2009 transfer of one million dollars included some one time furniture purchases, additionally the business fund now pays "rent" in the form of a transfer to general fund for actual City Hall building expenses instead of paying an outside vendor for rental expenses.

**CITY OF MERIDIAN, IDAHO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**



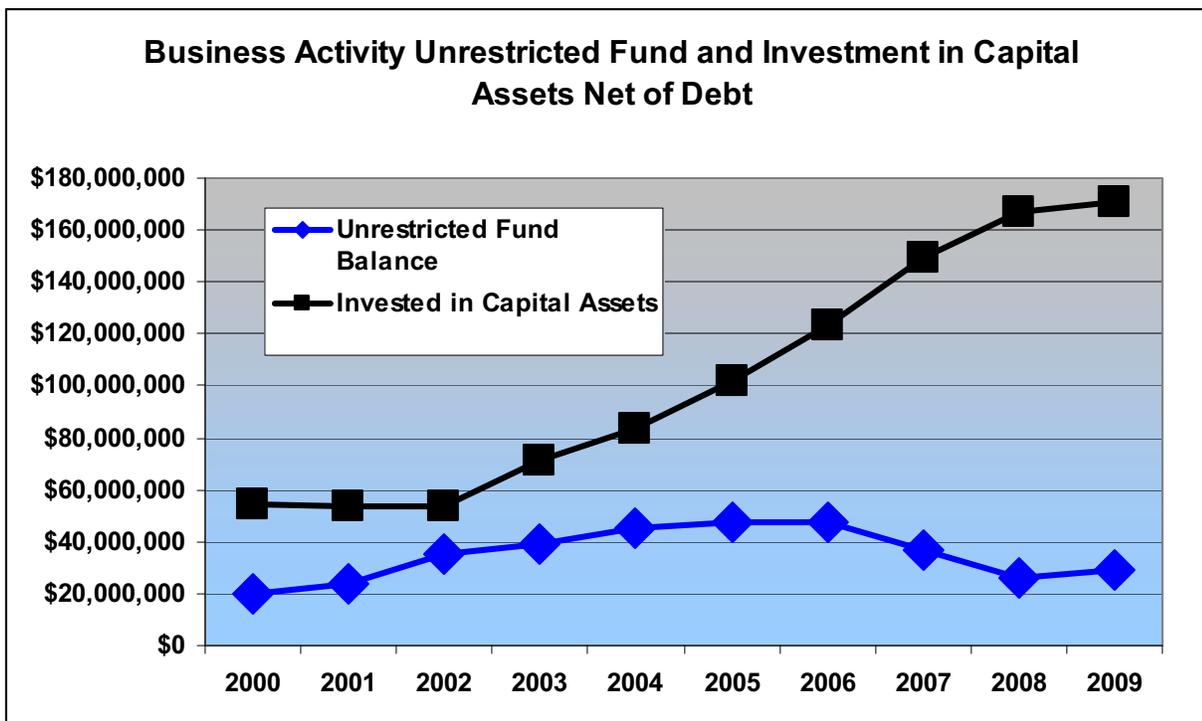
The Sewer Division expenses are more than the Water Division with Water spending \$4.7 million in personnel and operating in FY09 and Sewer spending \$6 million. Public Works and Administrative costs were about \$2.6 million.



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Although internally the City accounts for operating sales and expenses, and construction revenue and costs separately there are no existing restrictions directing sources of revenue to one particular purpose. During FY2009 the Utility increased the unrestricted fund balance by \$2,895,557 and the investment in capital assets by \$3,986,952.

The increase in unrestricted assets is a departure from the annual decreases of unrestricted fund balance that started in FY2006. The combination of declining revenue from new growth, significant increases in infrastructure and rising operating costs resulted in a decrease in unrestricted fund balance last year of about \$10 million dollars. In FY2009 the increase in usage revenue and a slow down in capital construction stopped the decrease in unrestricted fund balance.

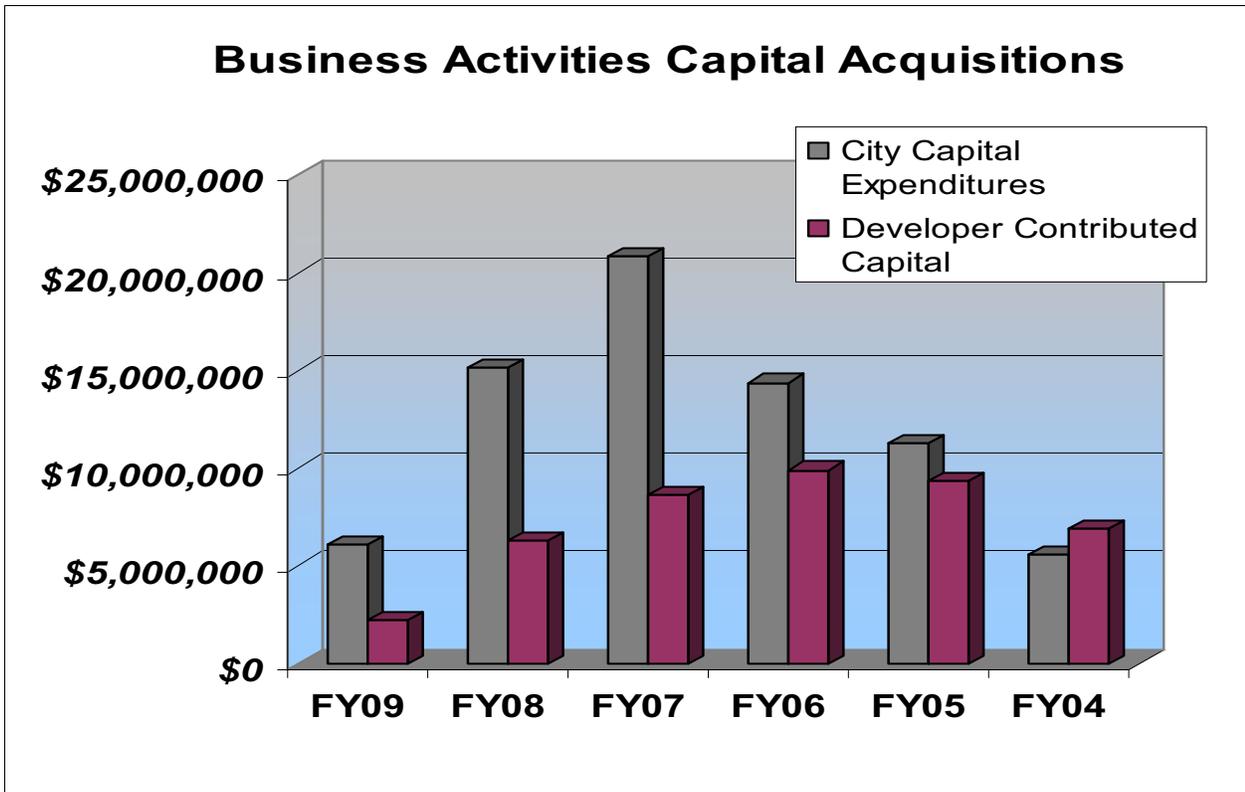


The Water Department closed \$3.6 million dollars out of construction in progress and the Waste Water Treatment Plant closed \$2.7 million dollars of construction in progress. Larger Water Department projects completed include several well rehabilitations, the Black Cat water main, and the Water Department office building and shop. Larger Waste Water Treatment Plant projects completed include phase four of the Black Cat Trunk project.

Overall the Utility spent \$6 million dollars on capital acquisitions. Depreciation expense increased from \$3,995,452 in FY2008 to \$4,316,283 in FY2009. The Utility still has \$32 million dollars in construction in progress. \$30.9 million represents the Waste Water Treatment Plant, principally components of the ongoing expansion of the treatment plant.

The last few years the proprietary fund has budgeted and planned for several large projects to serve Meridian's growing population. Projects have been funded with connection fee revenue that accumulated during Meridian's rapid growth. As discussed above basically all the available fund balance has now been directed toward specific projects. Although most projects take several years from budget to completion, the graph below illustrates the decrease in dollars actually spent for construction during FY2009. Developer contributed capital is water and sewer lines.

**CITY OF MERIDIAN, IDAHO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

**Governmental Funds**

The general fund is the principal fund used for the City's major operations including public safety, planning and development, parks, and City administration. The total governmental fund balance at September 30, 2009 was \$22,411,123 a decrease of \$925,748 from the prior year fund balance of \$23,336,871. The governmental fund balance is distributed among reserved and unreserved balances as follows:

<b>FUND BALANCES</b>	<b>FY2009 Total Governmental Funds</b>	<b>FY2008 Total Governmental Funds</b>	<b>Change in Fund Balance</b>
Reserved for Impact Fee Improvements	\$ 1,739,920	\$ 2,169,687	\$ (429,767)
Reserved for Capital Improvements	1,741,933	3,386,023	(1,644,090)
Reserved for Debt Service	400,000	400,000	-
Designated for Public Safety Purchases	1,522,860	52,482	1,470,378
Unreserved	17,006,410	17,328,679	(322,269)
<b>TOTAL FUND BALANCES</b>	<b>\$ 22,411,123</b>	<b>\$ 23,336,871</b>	<b>\$ (925,748)</b>

**CITY OF MERIDIAN, IDAHO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**

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The reserve for impact fee improvements can only be spent on Police, Fire, and Parks capital projects that sustain the level of service existing when the fees were adopted. Charging this fee at the time a building permit is sold is considered to be a way to make growth help pay for itself. The fund balance decreased 20% from FY08. Although revenues were down from the prior year the City did collect about a million dollars in new impact fees. The City spent about a million dollars on park projects and reimbursed the Rural Fire Protection District \$450,000 toward the training tower the district constructed. A small amount was spent for a command trailer for Public Safety. The remaining balance has been budgeted for Parks projects that were initiated several years ago, therefore the City is not budgeting any new projects until the fund balance builds back up.

The Capital Improvement fund balance ended FY2009 at half of what it was at the end of FY2008. Although the bulk of the City Hall construction project was finished in FY2008 there were additional expenditures from the Capital Improvement Fund in FY2009 of \$2,332,533.

Historically the Capital Improvement Fund has increased through transfers from the Development Services Fund. The City has designated that any building permit revenues left after Building and Planning Department costs be set aside for capital construction projects. Due to the construction slow down no excess revenue has been available for transfer since FY2007. The Development Services net change for the year was a negative \$326,511. The City leaves a balance of \$750,000 to \$1,000,000 as an emergency reserve to cover three to four months of operating expenses for the Development Services functions.

The \$400,000 reserved for debt service is required by bond covenants in the bond issued to build the Police Station. The amount is held by Wells Fargo Bank, the bonding trustee.

Designated for Public Safety Purchases is the fund that was previously used to purchase fire trucks. The City has decided to use it to save for public safety construction or large capital projects. The City made a transfer from the General Fund to the Public Safety of \$1,470,000. This was approximately the amount the Police and Fire Departments saved from their budgets in FY2008, largely due to vacant positions in the Police Department.

The Unreserved General Fund balance experienced a slight 2% decline between FY2009 and FY2008. Looking at only the general fund before intra fund transfers, and excluding Development Services and the Impact Fee Fund FY2009 revenues exceeded FY2009 expenses by \$477,790. The General Fund made transfers of \$1,000,000 to the Capital Improvement Fund and \$1,470,000 to the Public Safety Fund. There were transfers in of \$1,521,084 to include the Enterprise Fund's split of administrative services and City Hall expenses and Development Services share of the Legal Department and City Hall expenses.

### **General Fund Budgetary Highlights**

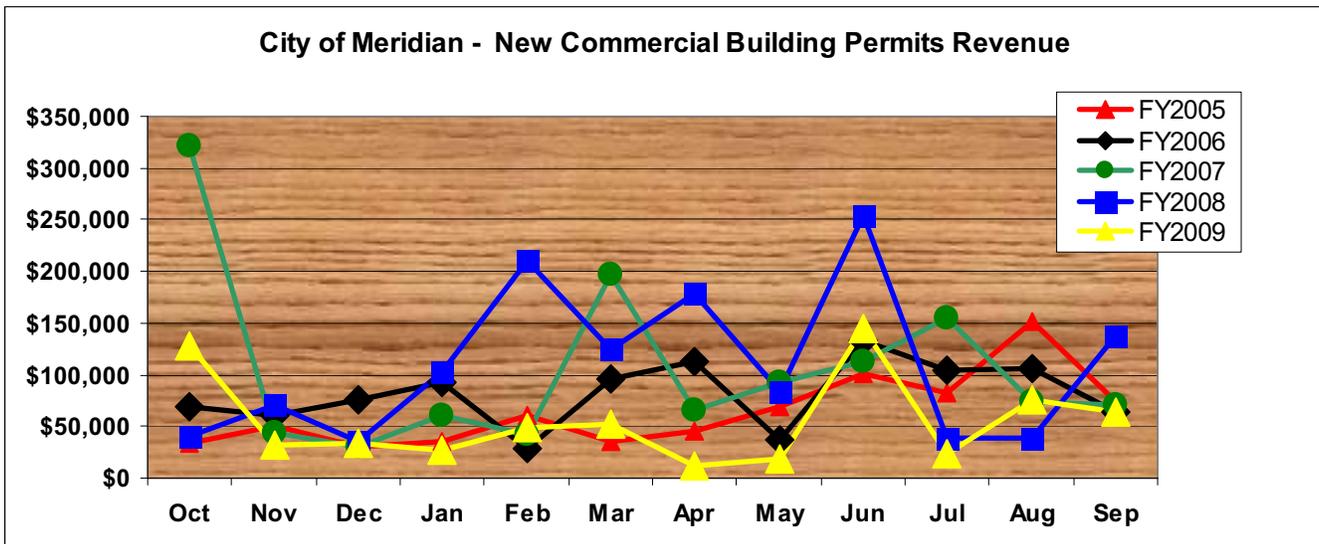
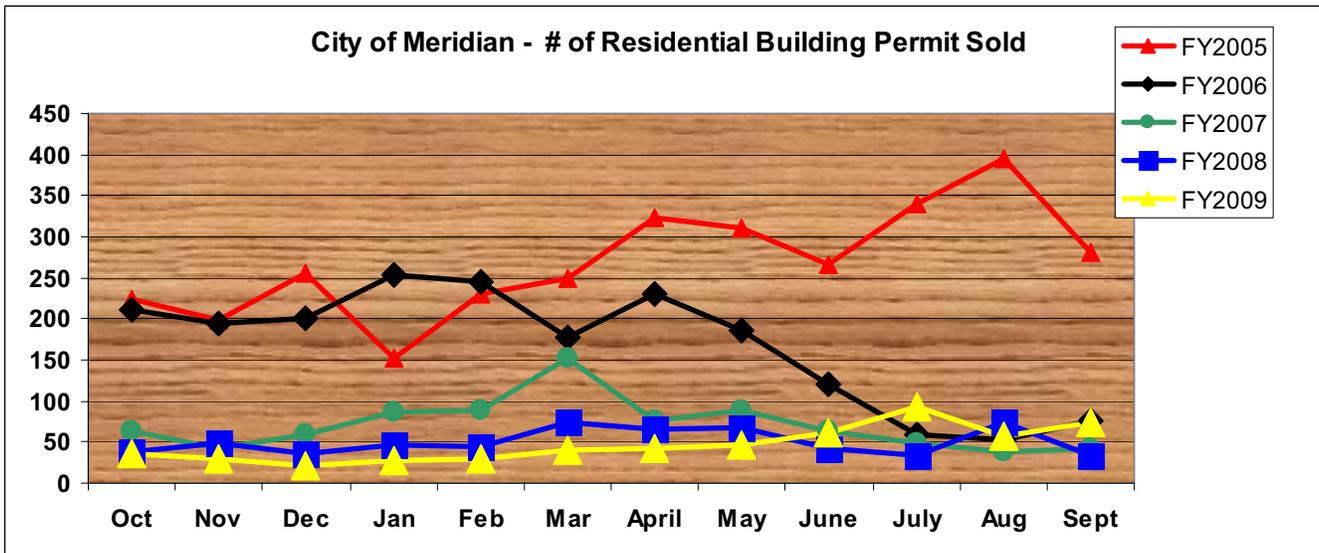
The total of all governmental funds actual revenues were 4% less than the amended revenue budget. The bulk of the discrepancy can be traced to the Development Services Fund and the Impact Fee Fund. Both funds are dependent on new construction for income. Building permit fees (licenses and permits) were budgeted at \$2,981,000 which was considerably under the prior year actual of \$3.4 million dollars. However actual Building Department revenue for FY2009 was \$2,212,242, 26% less than budgeted.

Park impact fees (charges for services) did come in almost exactly at the \$750,000 amount budgeted for them. On the other hand public safety impacts fees were budgeted at \$620,000 with actual only being \$296,638. This is a combination of two factors. One, unlike park impact fees which are only collected on residential building permit fees, public safety can be collected on commercial as well. Commercial construction remained fairly strong in FY2008 but fell off sharply in FY2009. Second, the City Council waived collection of public safety fees on commercial permits sold the last half of the fiscal year.

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Building permits (Development Services Fund) and impact fees (impact fee fund) alone account for \$1,084,372 of the total government funds shortfall of \$1,146,652. The shortfall in these two revenue areas did not have a negative impact on the City's operations because the City did not budget to spend the funds. The general fund revenues were only \$62,000 less than budget.

The following graphs illustrate the continuing decline in residential and commercial construction in FY2009.



As discussed above those revenues specific to just the general fund came in equal to the budget. Property tax is the general fund's largest revenue source, anywhere between 59% and 64% of the City's general fund revenue. Delinquent taxes resulted in the City not collecting just under 1% of the amount of property tax levied for

**CITY OF MERIDIAN, IDAHO**  
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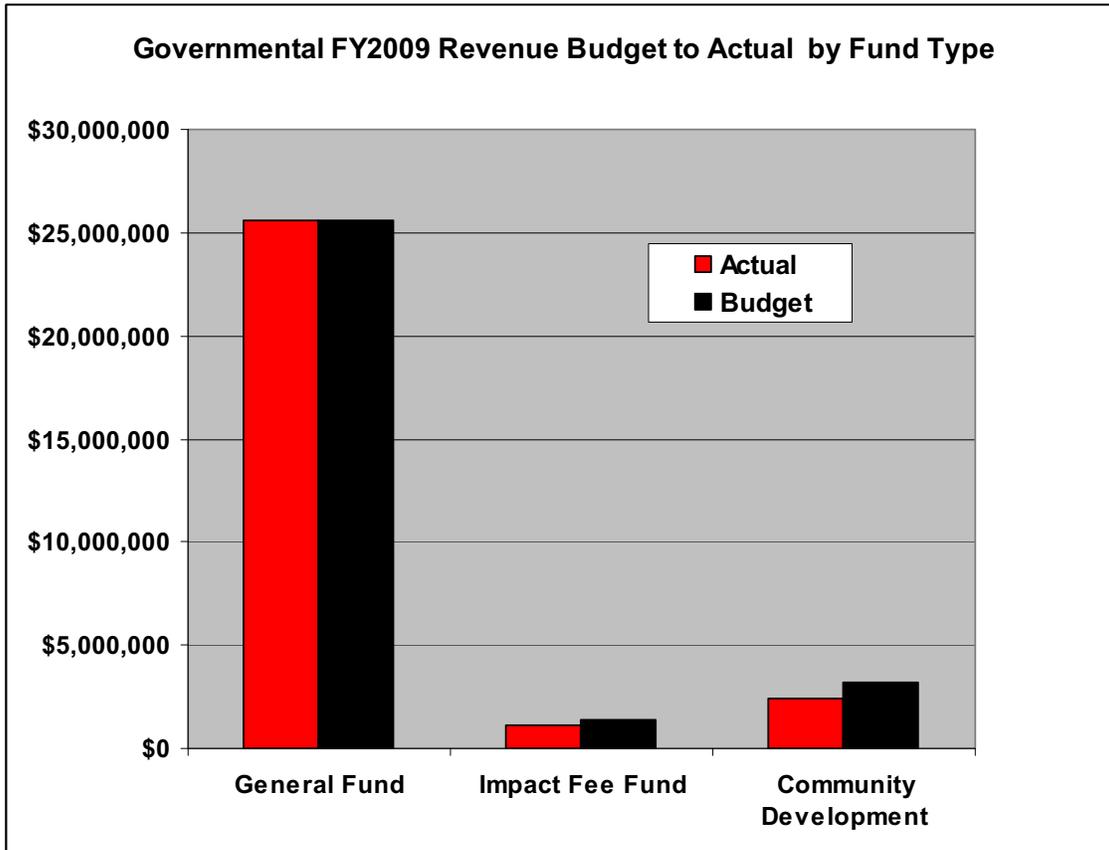
FY2009. The second most significant revenue in the general fund is state revenue sharing. The City predicted that consumer spending would decrease in FY2009 as the result of the economic downturn and therefore budgeted conservatively. State revenue sharing revenues were just 2% less than budget.

Three additional sources of intergovernmental revenue are grants, state liquor sales sharing, and the Meridian Rural Fire Protection District. Liquor sales and Rural Fire revenue were more than budgeted. Grant revenue accounts for the shortfall between budget and actual in intergovernmental revenue. The City budgeted almost \$600,000 for grant revenue but only spent and received \$288,000.

**CITY OF MERIDIAN, IDAHO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**

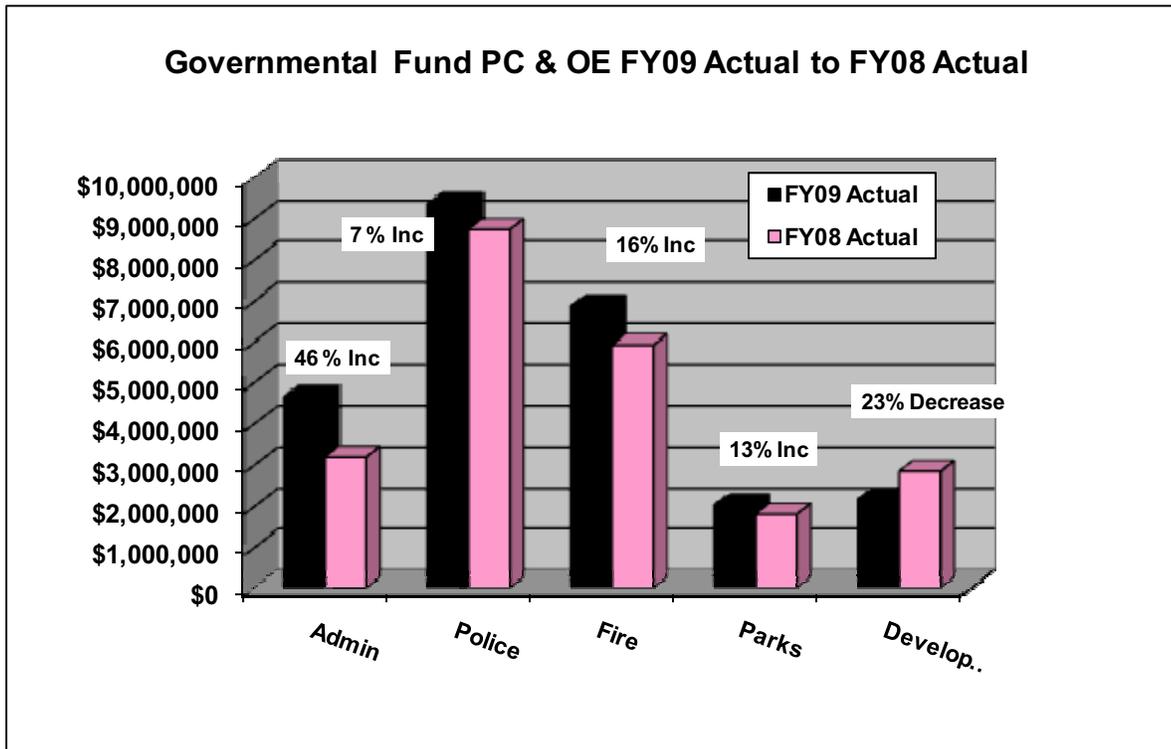
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The charts below illustrate the performance of the individual funds within the general fund against budget and the total general fund against budget and prior years.



**CITY OF MERIDIAN, IDAHO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**

Total Governmental personnel and operating costs increased 12% from FY08 to FY09. General Government, Police, Parks, and Fire all increased while Development Services decreased.



Administration or General Government includes the elected officials, Finance, Human Resources, Information Technology, Legal, City Hall Building Operations and Maintenance, Street Lighting, and other general functions of the governments such as community partnerships. The cost of Administration personnel and operating expense increased 46% from FY2008 to FY2009 however did end FY2009 just under \$1,000,000 under the final budget.

Administration added three positions to the budget. One position was held and not filled during FY2009. A department specifically for the operating and maintenance costs of the City Hall was added to the budget. The City incurred a little over \$530,000 in one-time costs to move into the City Hall, to include moving company costs, and furniture for the City Hall. Operating costs for the new City Hall are about \$300,000 more than for the old City Hall. Some programs were moved in the budget to Administration such as Street Lights and storm water management. The City budgeted over \$400,000 in grant revenue in Administration.

There were several small amendments made to the Administration budget. The amendments were small projects largely offset by sources of revenue such as donations. All of the departments in Administration came in under budget in personnel and almost all departments were under budget in their operating costs. The City budgeted for an enterprise software system which was put on hold in FY2009 saving \$165,000 in software license expense, \$303,468 of the \$434,344 budgeted for grants was not expended and some planned community projects such as the Ada County Detox Center did not take place as planned in FY2009.

**CITY OF MERIDIAN, IDAHO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**

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Police Department personnel and operating costs increased 7% or about \$1,000,000 from FY2008 to FY2009. This was due to increases in personnel costs. The Police Department has had at least eight to twelve vacant positions for several years. FY2009 was the first year they were able to end the fiscal year with almost every position filled. Additionally a new sworn officer step pay plan went into effect at the end of FY2008 that increased officer pay. The Police Department did end the year with personnel expense \$839,000 under budget. New items in the FY2009 budget request included an additional school resource officer, specialty work assignment pay, and an administrative assistant. Operating expense for the Police Department actually decreased and was under budget.

Fire Department personnel and operating expense increased 16% (\$955,625) from FY08 to FY09. Personnel expenses increased about 11% due to the contracted increases and a full year of personnel at Station 5. The rest of the increase was the one time reimbursement of impact fees to the Meridian Rural Fire Protection District for the impact fee eligible portion of the training tower built by the Rural Fire District. The Fire Department's operating expenses came in under budget by about \$162,000. The Fire Department only amended their budget for a couple of small items. New FY2009 operating budget items in addition to the Rural Fire repayment were also small, part-time office help, some software and minor remodeling.

The Parks Department personnel and operating expense increased 13% from FY2008 to FY2009. The increase was in personnel primarily in additional seasonal labor. In the FY2009 the Parks Department also added a part time maintenance employee, some small pieces of equipment and items for the recreation programs. Operating expenses came in just slightly under budget. The Parks Department had some small operating budget amendments to purchase playground equipment with donated funds.

As discussed previously Community Planning and Development operating costs decreased because as building decreases the need for building inspections decreases. Since the inspectors are contractors and paid based on the number of inspections cost goes down when new construction declines.

The City budgeted \$6.4 million for general fund capital projects and spent \$3.9 million. The Capital Improvement Fund is not included in the Schedule of Revenues, Expenditures, and Changes in Fund Balance and Actual - General Fund but the City spent an additional \$2.3 million from the Capital Improvement Fund on the new City Hall building. Larger capital purchases from the general fund included a ladder truck for the Fire Department, purchase of a 77 acre piece of land for a park in south Meridian, close to a million dollars in park development, and replacement of police cars. The funds in the budget not spent will be carried forward to future years as they are for future planned park development projects. The purchase of the land for a south Meridian park required a budget amendment for \$1.2 million dollars. It was funded half by general fund and half by the impact fee fund.

**CITY OF MERIDIAN, IDAHO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2009**

**Capital Asset and Debt Administration**

**Capital Assets**

At the end of fiscal year 2009 the City had \$232.6 million invested in capital assets (net of accumulated depreciation). During fiscal year 2009 the City's total investment in net assets increased 4%. 55% of that increase was due to governmental activities and 45% due to business activities. See table below:

	<b>Capital Assets as of September 30, 2009</b>					
	<b>(net of depreciation)</b>					
	<b>Governmental Activities</b>		<b>Business - Type Activities</b>		<b>Total Primary Government</b>	
	2009	2008	2009	2008	2009	2008
Land	\$14,253,022	\$ 13,043,410	\$ 951,656	\$ 947,113	\$ 15,204,678	\$ 13,990,523
Buildings and Improvements other than buildings	13,066,282	8,632,286	15,276,873	13,430,333	28,343,155	22,062,619
Sewer and Water Lines			110,371,671	107,106,174	110,371,671	107,106,174
Equipment	3,628,246	3,025,205	12,026,577	11,610,507	15,654,823	14,635,712
Construction in Progress	30,744,383	32,091,073	32,334,860	33,880,558	63,079,243	65,971,631
<b>TOTALS</b>	<b>\$61,691,933</b>	<b>\$ 56,791,974</b>	<b>\$170,961,637</b>	<b>\$166,974,685</b>	<b>\$ 232,653,570</b>	<b>\$ 223,766,659</b>

The City's investment in capital assets includes land, buildings, sewer and water lines, buildings, automobiles and equipment and street lights. Sidewalks, bridges, and roads belong to the Ada County Highway District.

Major capital asset events in the general government funds in FY09 included:

- \$2.5 million added to construction in progress for City Hall
- \$30.7 million in construction in progress in total at 9/30/09
- \$974 thousand added to construction in progress for park development
- Meridian Youth Baseball and Adventure Island were completed and moved out of construction in progress
- \$1.2 million invested into future park land.

Major capital asset events in the business-type funds in FY09 included:

- Sewer trunk and sewer main expansion for \$3.1 million
- \$582 thousand in donated waterlines
- \$1.3 million in donated sewer lines
- \$3.8 for Waste Water Treatment Plant expansion
- \$27 million in construction in progress for Wastewater Treatment Plant expansion

**CITY OF MERIDIAN, IDAHO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**

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The City booked \$1,359,120 in depreciation expense for governmental City functions and \$4,316,283 for business-type activities.

**Long-Term Debt**

The City has a capital lease and trust agreement with Wells Fargo Bank. This agreement was entered into, as the result of a judicial review on August of 2001 in the amount of \$4,000,000 for the purpose of constructing a police station. At September 30, 2009 the long-term balance was \$930,000.

**FY2010 Budgetary Considerations**

The City of Meridian bases the budget on a revenue analysis and projection. The City starts the budget process in the spring of the year for the next fiscal year. The residential building slow down that started in FY2007 continued into FY2008 became worse in FY2009 and the City predicts it will continue into FY2010 and FY2011.

The City has to closely monitor the Development Service Fund whose revenue streams are completely dependant on building activity. Part of the Development Service Fund costs will drop with revenue, the costs incurred for contracted building inspections. Some programs that were in the Development Services Fund were moved to the general fund in the FY2008 and FY2009 budget. In the FY2010 budget the City moved three Planning Department staff from the Development Services Fund to the General Fund. The City based Development Services budgeting on the assumption that residential building permit sales would be half of actual FY2009 and commercial sales would be one third less.

The City was very conservative with all revenue estimates for the budget. Although we were able to accurately predict state revenue sharing in FY2009 we actually lowered our estimate for FY2010 by another 19%. Impact fee revenue follows building permit revenue and has been decreased beyond FY2009 levels. Interest income for all funds is expected to remain minimal due to rock bottom market interest rates.

Because the City has worked to keep it's maintenance of service base budget low the City was able to add some program enhancements to the FY2010 budget. Administration added a couple of technical staff to enhance information technology and analytical services, the Park's Department added a recreation coordinator to keep up with increased enrollment in City recreation programs, and the Fire Department added three Fire Fighter positions and a training instructor. The City did suspend the employee merit pay program.

The Parks Department added \$400,000 to their budget for park development, the Police Department will replace several vehicles and the Impact Fee Fund will reimburse the General Fund for the impact fee eligible portion of the ladder truck purchased in FY2009.

Population and commercial growth in the last decade have allowed the City to build and staff five fire stations in partnership with the Rural Fire District, build a new Police station and increase the number of sworn officers to 81, develop numerous neighborhood parks as well as partner with community groups to build a large park with a state of the art universally accessible playground and youth baseball. In FY2009 the City was able to purchase 77 acres of land in south Meridian for a future large urban park. The City moved into the new City Hall early in FY2009. The building received silver Leeds certification.

**CITY OF MERIDIAN, IDAHO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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The general fund's primary source of revenue, property tax had the lowest year to year change in several years, increasing just 7.6%. New construction growth dropped significantly from \$400,000,000 plus to approximately \$255,000,000. The City has also experienced an increase in tax delinquency rates.

Despite the revenue downturns the City is well positioned for the future. At the end of the budgeting process the City was able to direct \$1,000,000 toward the Capital Improvement Fund and the Public Safety Fund. The City's philosophy for capital projects is to save for them in advance of construction. The City's fund balances are strong and are double the recommended three to four month operating reserve.

During the last few periods the proprietary fund has supported development by aggressively building out infrastructure and undertaking a major Wastewater Treatment Plant expansion. Accumulated fund balances have been spent down or budgeted. In FY2010 the Enterprise Fund still budgeted \$4.5 million into the fund balance. A rate increase in FY09 bolstered operating revenue and the fund was able to increase the fund balance in FY2009. The capital budget is being reexamined in FY2010 to eliminate some projects budgeted years ago that might no longer be needed and to prioritize those that are necessary.

**Requests for Information**

This report is designed to provide a general overview of the City of Meridian's finances for our citizens and customers. If you have questions about this report or need additional financial information, contact:

City of Meridian  
Finance Office  
33 E. Broadway Ave.  
Meridian, Idaho 83642

Phone: (208) 888-4433

**CITY OF MERIDIAN, IDAHO**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2009**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 1,469,010	\$ 1,604,573	\$ 3,073,583	\$ 778,948
Restricted cash and cash equivalents	749,881	-	749,881	-
Investments	18,406,796	27,162,387	45,569,183	-
Restricted investments	1,521,474	-	1,521,474	-
Receivables				
Accounts (net of \$36,000 allowance for enterprise fund uncollectibles)	811,767	2,374,072	3,185,839	127
Property taxes	19,528,479	-	19,528,479	1,202,639
Assessments	-	6,164	6,164	-
Due from other governmental units	1,463,792	-	1,463,792	-
Interest	110,945	91,038	201,983	-
Prepays	91,312	337,597	428,909	2,725
Total current assets	44,153,456	31,575,831	75,729,287	1,984,439
<b>NONCURRENT ASSETS</b>				
Capital assets				
Land, infrastructure, and other assets not depreciated	44,997,405	33,286,516	78,283,921	1,350,971
Buildings, improvements and equipment, net of depreciation	16,694,528	137,675,121	154,369,649	494,142
Total noncurrent assets	61,691,933	170,961,637	232,653,570	1,845,113
<b>TOTAL ASSETS</b>	<b>\$ 105,845,389</b>	<b>\$ 202,537,468</b>	<b>\$ 308,382,857</b>	<b>\$ 3,829,552</b>

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 1,339,103	\$ 2,114,889	\$ 3,453,992	\$ 207,517
Accrued payroll and taxes	714,323	176,196	890,519	-
Accrued vacation, current portion	99,735	15,665	115,400	-
Interest payable	13,175	-	13,175	-
Deferred revenue	18,395,873	-	18,395,873	1,127,988
Customer deposits	272,412	115,369	387,781	-
Capital leases - current portion	455,000	-	455,000	16,206
<b>Total current liabilities</b>	<b>21,289,621</b>	<b>2,422,119</b>	<b>23,711,740</b>	<b>1,351,711</b>
<b>NONCURRENT LIABILITIES</b>				
Accrued vacation - less current portion	897,620	140,985	1,038,605	-
Capital leases - less current portion	475,000	-	475,000	454,254
<b>Total liabilities</b>	<b>22,662,241</b>	<b>2,563,104</b>	<b>25,225,345</b>	<b>1,805,965</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	60,761,933	170,961,637	231,723,570	1,374,653
Restricted for:				
Impact Funds	1,739,920	-	1,739,920	-
Capital improvements	1,741,933	-	1,741,933	-
Police center debt service	400,000	-	400,000	-
Unrestricted	18,539,362	29,012,727	47,552,089	648,934
<b>Total net assets</b>	<b>\$ 83,183,148</b>	<b>\$199,974,364</b>	<b>\$ 283,157,512</b>	<b>\$2,023,587</b>

**CITY OF MERIDIAN, IDAHO**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
<b>GOVERNMENTAL ACTIVITIES</b>				
General government				
Administration	\$ 4,772,542	\$ 137,770	\$ 324,898	\$ 4,748
Public safety			-	
Law Enforcement	9,332,085	710,111	142,081	54,824
Fire Department	7,361,588	1,490,172	12,748	241,814
Parks and Recreation	2,459,117	326,233	66,719	732,800
Community Planning and Development	2,192,738	2,360,862	5,500	-
Interest on long-term debt	54,317	-	-	-
Total governmental activities	26,172,387	5,025,148	551,946	1,034,186
<b>BUSINESS-TYPE ACTIVITIES</b>				
Water and wastewater	13,324,054	14,426,488	3,288,083	2,374,385
<b>TOTAL PRIMARY GOVERNMENT COMPONENT UNIT</b>	<b>39,496,441</b>	<b>19,451,636</b>	<b>3,840,030</b>	<b>3,408,571</b>
Downtown development	\$ 990,540	\$ -	\$ -	\$ -

General revenues  
 Shared revenues  
 Property taxes, levied for general purposes  
 Franchise fees  
 Sales tax and other governmental  
 Unrestricted investment earnings  
 Net increase (decrease) in fair value of investments  
 Miscellaneous  
 Gain (loss) on sale of fixed assets  
 Transfers - internal activities

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET ASSETS

NET ASSETS, BEGINNING OF YEAR

NET ASSETS, ENDING OF YEAR

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	
\$ (4,305,126)	\$ -	\$ (4,305,126)	\$ -
(8,425,069)	-	(8,425,069)	-
(5,616,854)	-	(5,616,854)	-
(1,333,365)	-	(1,333,365)	-
173,624	-	173,624	-
(54,317)	-	(54,317)	-
(19,561,107)	-	(19,561,107)	-
-	6,764,902	6,764,902	-
(19,561,107)	6,764,902	(12,796,205)	-
-	-	-	(990,540)
17,606,294	-	17,606,294	1,255,064
1,510,674	-	1,510,674	-
3,623,844	-	3,623,844	-
461,140	672,301	1,133,441	9,425
143,513	235,220	378,733	-
37,931	243,804	281,735	28,117
3,116	-	3,116	-
1,033,718	(1,033,718)	-	-
24,420,230	117,607	24,537,837	1,292,606
4,859,123	6,882,509	11,741,632	302,066
78,324,025	193,091,855	271,415,880	1,721,521
\$ 83,183,148	\$ 199,974,364	\$ 283,157,512	\$ 2,023,587

**CITY OF MERIDIAN, IDAHO**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2009**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,463,793	\$ 5,217	\$ 1,469,010
Investments	17,825,643	581,153	18,406,796
Receivables			
Accounts	811,767	-	811,767
Property taxes	19,528,479	-	19,528,479
Assessments	-	-	-
Due from other funds	-	-	-
Due from other governmental units	1,384,770	-	1,384,770
Grants	79,022	-	79,022
Interest	110,835	110	110,945
Prepaid items	91,312	-	91,312
Restricted assets			
Cash and cash equivalents	749,881	-	749,881
Investments	1,521,474	-	1,521,474
Total assets	<u>\$ 43,566,976</u>	<u>\$ 586,480</u>	<u>\$ 44,153,456</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,310,610	\$ 28,493	\$ 1,339,103
Accrued payroll and taxes	714,323	-	714,323
Due to other funds	-	-	-
Accrued vacation	-	-	-
Deferred revenue	19,416,495	-	19,416,495
Customer deposits	272,412	-	272,412
Total liabilities	<u>21,713,840</u>	<u>28,493</u>	<u>21,742,333</u>
<b>Fund balances</b>			
Reserved for police, fire & park improvements	1,739,920	-	1,739,920
Reserved for capital improvements	1,183,946	557,987	1,741,933
Reserved for police center debt service	400,000	-	400,000
Designated for public safety purchases	1,522,860	-	1,522,860
Unreserved	17,006,410	-	17,006,410
Total fund balances	<u>21,853,136</u>	<u>557,987</u>	<u>22,411,123</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 43,566,976</u></u>	<u><u>\$ 586,480</u></u>	<u><u>\$ 44,153,456</u></u>

**CITY OF MERIDIAN, IDAHO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2009**

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Fund balance - total governmental funds \$ 22,411,123

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 61,691,933

Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds. 1,020,622

Long-term debt is not due and payable in the current period and therefore is not reported in the funds. (930,000)

Accrued vacation is not due and payable in the current period and therefore is not reported in the funds. (997,355)

Interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds. (13,175)

Net assets of governmental activities \$ 83,183,148

**CITY OF MERIDIAN, IDAHO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2009**

	General	Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 17,060,769	\$ -	\$ 17,060,769
Licenses and permits	2,336,626	-	2,336,626
Intergovernmental	5,401,190	-	5,401,190
Franchise fees	1,510,674	-	1,510,674
Fines and forfeitures	436,655	-	436,655
Charges for services	1,807,356	-	1,807,356
Interest	446,617	14,523	461,140
Miscellaneous	286,027	-	286,027
Total revenues	<u>29,285,914</u>	<u>14,523</u>	<u>29,300,437</u>
<b>EXPENDITURES</b>			
General government	4,673,496	-	4,673,496
Public safety	15,750,478	-	15,750,478
Parks and recreation	2,044,518	-	2,044,518
Community planning and development	2,183,611	-	2,183,611
Debt service			
Principal	440,000	-	440,000
Interest	60,550	-	60,550
Capital outlay	3,936,231	2,332,533	6,268,764
Total expenditures	<u>29,088,884</u>	<u>2,332,533</u>	<u>31,421,417</u>
EXCESS OF REVENUES OVER(UNDER) EXPENDITURES	197,030	(2,318,010)	(2,120,980)
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfer in	1,033,718	1,000,000	2,033,718
Operating transfer out	(1,000,000)	-	(1,000,000)
Unrealized gain (loss) on investments	143,082	431	143,513
Proceeds from sale of capital assets	18,001	-	18,001
Total other financing sources (uses)	<u>194,801</u>	<u>1,000,431</u>	<u>1,195,232</u>
NET CHANGE IN FUND BALANCES	391,831	(1,317,579)	(925,748)
FUND BALANCE, BEGINNING OF YEAR	<u>21,461,305</u>	<u>1,875,566</u>	<u>23,336,871</u>
FUND BALANCE, END OF YEAR	<u>\$ 21,853,136</u>	<u>\$ 557,987</u>	<u>\$ 22,411,123</u>

**CITY OF MERIDIAN, IDAHO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2009**

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Net change in fund balances - total governmental funds \$ (925,748)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$6,268,764) exceeded depreciation (\$1,359,120) and loss on sale of assets (\$14,885) in the current 4,894,759

Capital assets contributed by developers are not a source of financial resources and thus, are not recognized in the governmental funds. 5,200

Some property tax revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds. 545,525

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net assets. 440,000

In the statement of activities, accrued vacation is measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This is the amount by which benefits earned exceeded benefits paid in the current year. (106,846)

Interest expense accrued but not paid reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds. 6,233

Change in net assets of governmental activities \$ 4,859,123

**CITY OF MERIDIAN, IDAHO**  
**STATEMENT OF NET ASSETS – PROPRIETARY FUND**  
**SEPTEMBER 30, 2009**

	<u>Enterprise Fund</u> <u>Water and Sewer</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 1,604,573
Investments	27,162,387
Receivables	
Accounts (net of \$36,000 allowance for uncollectibles)	2,380,236
Interest	91,038
Prepaid items	<u>337,597</u>
Total current assets	31,575,831
<b>NONCURRENT ASSETS</b>	
Capital assets	
Land	951,656
Construction in progress	32,334,860
Buildings and improvements other than buildings	25,241,141
Sewer and water lines	129,717,541
Machinery and equipment	18,976,331
Less accumulated depreciation	<u>(36,259,892)</u>
	<u>\$ 202,537,468</u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 2,114,889
Accrued payroll and taxes	176,196
Accrued vacation, current portion	15,665
Customer deposits	<u>115,369</u>
Total current liabilities	2,422,119
<b>NONCURRENT LIABILITIES</b>	
Accrued vacation - less current portion	140,985
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	170,961,637
Unrestricted	<u>29,012,727</u>
Total net assets	<u>199,974,364</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 202,537,468</u></u>

**CITY OF MERIDIAN, IDAHO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS-**  
**PROPRIETARY FUND**  
**YEAR ENDED SEPTEMBER 30, 2009**

	<u>Enterprise Fund</u> <u>Water and Sewer</u>
<b>OPERATING REVENUES</b>	
Charges for services	
Water revenues	\$ 5,862,448
Sewer revenues	7,862,962
Sale of meters	153,663
Latecomers fees	-
Trash billing service	475,587
Engineering fees	71,828
Miscellaneous	<u>243,804</u>
Total operating revenues	14,670,292
<b>OPERATING EXPENSES</b>	
Personnel services	4,631,746
Other services and charges	2,087,738
Depreciation	4,316,283
Supplies	1,404,316
Heat, lights and power	<u>883,971</u>
Total operating expenses	<u>13,324,054</u>
<b>OPERATING INCOME</b>	1,346,238
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest revenue	672,301
Connection assessment fees and donations	3,423,956
Loss on sale of fixed assets	-
Net increase in fair value of investments	<u>235,220</u>
Total nonoperating revenues (expenses)	<u>4,331,477</u>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	5,677,715
Donated waterlines and sewerlines	2,238,512
Operating transfers out	<u>(1,033,718)</u>
<b>CHANGE IN NET ASSETS</b>	6,882,509
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>193,091,855</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 199,974,364</u></u>

**CITY OF MERIDIAN, IDAHO**  
**STATEMENT OF CASH FLOWS-PROPRIETARY FUND**  
**YEAR ENDED SEPTEMBER 30, 2009**

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	<u>Enterprise Fund Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 14,294,883
Payments to suppliers	(5,045,703)
Payments to employees	<u>(4,570,584)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,678,596
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfer to general fund	<u>(1,033,718)</u>
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(1,033,718)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Connection assessment fees	3,423,956
Proceeds from sale of capital assets	-
Acquisition of capital assets	<u>(6,064,723)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,640,767)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(23,919,001)
Sale of investments	21,706,363
Interest received	<u>773,730</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,438,908)</u>
NET DECREASE IN CASH	(434,797)
CASH, BEGINNING OF YEAR	<u>2,039,370</u>
CASH, END OF YEAR	<u><u>\$ 1,604,573</u></u>

**CITY OF MERIDIAN, IDAHO**  
**STATEMENT OF CASH FLOWS-PROPRIETARY FUND**  
**YEAR ENDED SEPTEMBER 30, 2009**

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	<u>Enterprise Fund</u> <u>Water and Sewer</u>
RECONCILIATION OF OPERATING INCOME TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 1,346,238
Adjustments to reconcile operating income to net	
cash provided by operating activities	
Depreciation	4,316,283
Changes in assets and liabilities	
Accounts receivable	(375,409)
Due from other governments	-
Prepaid items	(334,384)
Accounts payable	(260,877)
Accrued payroll and taxes	61,162
Customer deposits	<u>(74,417)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 4,678,596</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Developer and customer contributed	
sewer and water lines	\$ 2,238,512

**CITY OF MERIDIAN, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

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

City of Meridian, Idaho (the City) was incorporated August, 1903. The City operates under a mayor and council form of government and provides the following services as authorized by its charter: public safety (police and fire), community planning and development, parks and recreation, and general administrative services.

The financial statements of the City 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 significant accounting policies are described below.

The accounting and reporting policies of the City 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*, the City 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*

As required by generally accepted accounting principles, these basic financial statements present the City in conformance with GASB Statement No. 39, *"Determining Whether Certain Organizations are Component Units."* Under Statement No. 39, component units are organizations that are included in the reporting entity because of the significance of their operational or financial relationships with the City.

The component unit column in the combined financial statements is the financial data of the City's single component unit, the Meridian Development Corporation (MDC). MDC is a separate and distinct legal entity created by state statute. The directors of MDC are appointed by the Mayor and approved by the City Council. MDC provides urban development services for the citizens of the City. Complete financial statements can be obtained from the City of Meridian Division of Financial Management, 33 East Broadway Avenue, Meridian, Idaho.

The City contributes to the multi-employer Public Employer Retirement System of Idaho (the System). The System is administered by the State of Idaho and the City is not the major participant in the plan; therefore, the plans financial statements are not included in this report.

## NOTES TO FINANCIAL STATEMENTS

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### GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### 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*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

*General Fund* - The General Fund is the general operating fund of the City. It is used for all financial resources except those required to be accounted for in another fund.

## NOTES TO FINANCIAL STATEMENTS

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*Capital Projects Fund*- The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The City reports the following major proprietary fund:

*Enterprise Fund* – The Enterprise Fund is used to account for operations financed and operated in a manner similar to private business when the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or the governing body has decided that periodic determination of revenues earned, expenditures incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between various functions of the government when elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds distinguished operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and products and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges for services to customers for sales and services. The Water and Sewer Funds also recognizes as operating revenue the portion of connection assessment fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### *Cash and Cash Equivalents*

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

### *Investments*

Idaho Code provides authorization for the investment of funds as well as specific direction as to what constitutes an allowable investment. City policy is consistent with this direction. The City currently invests in interest bearing bank accounts, certificates of deposit and U.S. Government and U.S. Government Agency bonds.

### *Property Taxes Receivable and Deferred Revenue*

Within the governmental fund financial statement, property taxes are recognized as revenue when the amount of taxes levied is measurable, and proceeds are available to finance current period expenditures.

## NOTES TO FINANCIAL STATEMENTS

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

### *Customer Services Receivable*

Amounts owed to the City for customer services are due from area residents and businesses and relate to water, sewer and trash services provided by the City.

### *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns 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. Public domain fixed assets consisting of roads, bridges, streets and sidewalks, and lighting systems are also reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Depreciation is recorded by use of the straight-line method. The book value of each asset is reduced by equal amounts over its estimated useful life as follows:

	<u>Estimated Useful Life (Years)</u>
Buildings	30
Sewer plant	25
Sewer and water lines	50
Improvements other than buildings	10-50
Equipment	5-20
Public domain infrastructure	40

Maintenance, repairs and minor renewals are charged to operations as incurred. When an asset is disposed of, accumulated depreciation is deducted from the original cost, and any gain or loss arising from its disposal is credited or charged to operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred during construction of capital assets of business-type activities are capitalized when they are material. There were no interest costs included as part of the costs of capital assets under construction in the current year.

## NOTES TO FINANCIAL STATEMENTS

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### *Compensated Absences Payable*

The City provides vacation and sick leave to its full-time employees. Earned vacation is paid to employees when taken or paid to employees or beneficiaries upon the employees' termination, retirement or death. The City does not pay earned sick pay upon the employees' termination, retirement or death for non-union employees. The fire department union members are paid ten percent of their sick leave accrual upon the employees' termination, retirement or death. The amount of unused vacation accumulated by City employees is accrued as expense when incurred in the Proprietary Fund, which use the accrual basis of accounting. In the Governmental Funds, only the amount that normally would be liquidated with expendable available financial resources is accrued as current year expenditures. Unless it is anticipated that compensated absences will be used in excess of a normal year's accumulation, no additional expenditures are accrued.

### *Capital Leases*

The City is the lessee under a capital lease and trust agreement with Wells Fargo Bank for the law enforcement building. Under the terms of the agreement the City constructed the project on behalf of the lessor. The lease requires annual payments. The City will acquire the asset at the end of the lease for a bargain purchase price of \$1.

### *Risk Management*

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

### *Equity*

In the fund financial statements, reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of retained earnings are limited to enabling legislation or outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions from developers, customers or other funds. It is the government's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available, unless otherwise required.

The City has established reserves to account for the resources received from impact fees to be used for future police, fire and park development. The City has also established a reserve for the police center and has designated funds for future fire and police capital purchases.

In the government-wide financial statements, restrictions of net assets are limited to enabling legislation or outside third-party restrictions. As of September 30, 2009, \$3,881,853 of the restricted net assets was restricted due to enabling legislation.

### *Encumbrances*

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

## NOTES TO FINANCIAL STATEMENTS

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### *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **NOTE 2 - CASH AND INVESTMENTS**

Cash and investments as of September 30, 2009 are classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 3,073,583
Cash and cash equivalents - restricted	749,881
Total cash and cash equivalents	<u>\$ 3,823,464</u>
Investments carried at fair value	\$ 41,425,289
Investments - restricted carried at fair market value	1,521,474
Investments carried at amortized cost	4,143,894
	<u>\$ 47,090,657</u>

The investments carried at their amortized cost are certificates of deposit as of September 30, 2009.

### *Investments Authorized by the State of Idaho and the City of Meridian's Investment Policy*

Investment types that are authorized for the City of Meridian by the Idaho Code and the City's investment policy are as follows:

1. Local and State Agency Bonds
2. U. S. Agency Bonds
3. U. S. Agency Securities
4. Certificates of Deposit

### *Disclosures Relating to Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely impact the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the City manages its exposure to interest rate risk is by purchasing a combination of long and short-term investments. The City keeps funds needed for operations in short-term liquid investments while maintaining a stable longer-term investment portfolio with duration matched to expected completion of capital projects. Generally, overall portfolio duration is maintained between 3 and 3.5, but the City has no specific limitations.

## NOTES TO FINANCIAL STATEMENTS

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### *Disclosures Relating to Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy requires a rating of A or better by Standard & Poor's or other nationally recognized rating agency. The ratings of investments subject to credit risk are as follows:

### *Disclosures Relating to Credit Risk*

Investments subject to credit risk:	<u>Fair Value</u>	<u>Rating</u>
Agency Bonds	\$ 28,060,019	AAA
Idaho Local Government Investment Pool (LGIP)	14,886,742	AAAf
Money Market Fund	<u>2,341,475</u>	Not rated
Total deposits and investments subject to duration measurement	<u><u>\$ 45,288,236</u></u>	

### *Concentration of Credit Risk*

Deposit and investments subject to duration measurement:	<u>Fair Value</u>	<u>Duration</u>
Agency Bonds	\$ 28,060,019	3.4
Certificates of Deposit	4,143,894	1.9
Idaho Local Government Investment Pool (LGIP)	<u>14,886,742</u>	<u>0.1</u>
Total deposits and investments subject to duration measurement	47,090,655	2.2
Deposits and investments not subject to duration measurement:		
Money Market Fund	2,341,475	
Other Cash and Cash Equivalents	<u>1,481,991</u>	
Total deposits and investments not subject to duration measurement	<u><u>3,823,466</u></u>	
Total deposits and investments	<u><u>\$ 50,914,121</u></u>	

## NOTES TO FINANCIAL STATEMENTS

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The City's investment policy has no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than State investment pools) that represents 5% or more of total City investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percentage</u>
Federal Home Loan Bank	U.S. Agency Bond	\$ 9,780,327	21%
Fannie Mae	U.S. Agency Bond	5,800,750	12%
Freddie Mac	U.S. Agency Bond	7,085,111	15%
Federal Farm Credit Bank	U.S. Agency Bond	5,393,831	11%

### *Custodial Credit Risk*

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City does not have a policy restricting the amount of deposits and investments subject to custodial credit risk.

At year end, the carrying amount of the City's deposits was \$3,823,464 and the bank balance was \$4,065,532. Of the bank balance, \$1,324,043 was covered by federal depository insurance, \$400,014 was insured under the Securities Investor Protection Corporation (SPIC) and \$2,341,475 held in six distinct money market accounts with Charles Schwab as the custodian is covered by the Securities Investor Protection Corporation. None of the money market accounts exceed one million dollars. In addition to the SPIC protection Charles Schwab carries insurance with Lloyds of London in the event of a fraud or failure. No amount of the bank balance was uninsured. All cash is held in Bank of the Cascades, Wells Fargo National Bank, Washington Federal Savings Bank and Charles Schwab & Co located in Ada County, Idaho.

The City minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be identified as to City of Meridian ownership and be held in the City's name. All commercial paper, agency bonds and money market funds are held in custody by Charles Schwab & Co. in the City's name. The City further reduces the exposure to credit risk by confining investment to insured levels in any one institution.

### *Investment in State Investment Pools*

The City is a voluntary participant in the State of Idaho Local Government Investment Pool (LGIP) and the State of Idaho Diversified Bond Fund (DBF). Both the LGIP and the DBF are regulated by State of Idaho code under the oversight of the Treasurer of the State of Idaho. The rating of the LGIP as of September 30, 2009, was AA Af. The fair value of the City's investment in the pool is reported in the accompanying financial statements at amounts based on the City's pro-rata share of the fair market value provided by the fund for the entire portfolio. The DBF is not currently rated by a nationally recognized statistical rating organization.

## NOTES TO FINANCIAL STATEMENTS

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The LGIP and DBF are managed by the State of Idaho Treasurer's office. The funds of the pool are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank. Interest income earned on pooled investments is allocated to the various funds of the City in proportion to each fund's respective investment balances.

### NOTE 3 - DUE FROM OTHER GOVERNMENTAL UNITS

The following summarizes the intergovernmental receivables at September 30, 2009:

State of Idaho	
State Liquor Dispensary	\$ 89,949
State Tax Commission	716,316
Idaho Transportation Department	4,400
Workers Comp	736
Federal agencies	78,142
Other Governmental Agencies	1,000
Meridian Rural Fire District	398,126
Boise Fire Department	870
Ada County	174,253
	<hr/>
Total due from other governmental units	\$ 1,463,792
	<hr/>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4 - CAPITAL ASSETS

Changes to capital assets are as follows:

	Balance Oct. 1, 2008	Additions	Deletions	Transfers	Balance Sept. 30, 2009
Governmental activities:					
Capital assets, not depreciated:					
Land	\$ 13,043,410	\$ 1,209,612	\$ -	\$ -	\$ 14,253,022
Construction in progress	32,091,073	3,562,959	-	(4,909,649)	30,744,383
Total capital assets, not depreciated	45,134,483	4,772,571	-	(4,909,649)	44,997,405
Capital assets, depreciated:					
Buildings	6,531,630	24,799	-	-	6,556,429
Improvements other than buildings	5,678,390	63,721	-	4,907,549	10,649,660
Equipment	7,158,866	1,412,874	186,710	2,100	8,387,130
Total capital assets, depreciated	19,368,886	1,501,394	186,710	4,909,649	25,593,219
Less accumulated depreciation for:					
Buildings	1,803,427	225,198	-	-	2,028,625
Improvements other than buildings	1,774,307	336,875	-	-	2,111,182
Equipment	4,133,661	797,047	171,824	-	4,758,884
Total accumulated depreciation	7,711,395	1,359,120	171,824	-	8,898,691
Total net capital assets, depreciated	11,657,491	142,274	14,886	4,909,649	16,694,528
Governmental activities capital assets, net	\$ 56,791,974	\$ 4,914,845	\$ 14,886	\$ -	\$ 61,691,933

## NOTES TO FINANCIAL STATEMENTS

	Balance Oct. 1, 2008	Additions	Deletions	Transfers	Balance Sept. 30, 2009
Business-type activities					
Capital assets, not depreciated:					
Land	\$ 947,113	\$ 4,543	\$ -		\$ 951,656
Construction in progress	33,880,558	4,800,417	-	(6,346,115)	32,334,860
Total capital assets, not depreciated	34,827,671	4,804,960	-	(6,346,115)	33,286,516
Capital assets, depreciated:					
Buildings and improvements other than buildings	22,648,927	46,565	-	2,545,649	25,241,141
Sewer and water lines	123,873,030	2,667,721	-	3,176,790	129,717,541
Machinery and equipment	17,568,666	783,989	-	623,676	18,976,331
Total capital assets, depreciated	164,090,623	3,498,275	-	6,346,115	173,935,013
Less accumulated depreciation for:					
Buildings and improvements other than buildings	9,218,594	745,674	-		9,964,268
Sewer and water lines	16,766,856	2,579,014	-		19,345,870
Machinery and equipment	5,958,159	991,595	-		6,949,754
Total accumulated depreciation	31,943,609	4,316,283	-	-	36,259,892
Total net capital assets, depreciated	132,147,014	(818,008)	-	6,346,115	137,675,121
Business-type activities capital assets, net	\$ 166,974,685	\$ 3,986,952	\$ -	\$ -	\$ 170,961,637

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$ 101,333
Public safety	834,832
Community planning and development	12,338
Parks and recreation	410,617
Total depreciation expense - governmental activities	<u>\$ 1,359,120</u>
Business-type activities:	
Water and Sewer	<u>\$ 4,316,283</u>
Total depreciation expense - business-type activities	<u>\$ 4,316,283</u>

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – INTERFUND BALANCES AND TRANSFERS**

The following transfers were made for the purpose of funding operations:

	Transfer In:		
	General Fund	Capital Projects Fund	Total
Transfer out:			
General fund	\$ -	\$ 1,000,000	\$ 1,000,000
Enterprise fund	1,033,718	-	1,033,718
Total transfers	<u>\$ 1,033,718</u>	<u>\$ 1,000,000</u>	<u>\$ 2,033,718</u>

The transfers from the general fund to the capital projects fund was to cover the expenditures related to the construction of the new city hall. The transfer from the enterprise fund to the general fund was related to personnel and operating costs that were paid by the general fund during FY2009.

As of September 30, 2009, there were no internal balances due to or from other funds.

**NOTE 6 – CHANGES IN LONG-TERM DEBT**

The City is the lessee under a capital lease and trust agreement with Wells Fargo Bank for the law enforcement building. Under the terms of the agreement the City constructed the project on behalf of the lessor. The lease requires annual payments. At the end of the lease, the City has the option to purchase the facility for \$1. The lease has a term of ten years with annual principal payments of \$405,000 to \$475,000 and interest rates of 4.0% to 4.5%.

The following is a summary of changes in long-term debt of the City for the year ended September 30, 2009.

	Balance Oct. 1, 2008	Debt Issued	Debt Retired	Sept. 30, 2009	Due Within One Year
Governmental activities:					
Capital leases					
Building	\$ 1,370,000	\$ -	\$ 440,000	\$ 930,000	\$ 455,000
Accrued vacation	890,509	106,846	-	997,355	99,736
Governmental activities long-term liabilities	<u>\$ 2,260,509</u>	<u>\$ 106,846</u>	<u>\$ 440,000</u>	<u>\$ 1,927,355</u>	<u>\$ 554,736</u>
Business-type activities:					
Accrued vacation	<u>\$ 122,923</u>	<u>\$ 33,727</u>		<u>\$ 156,650</u>	<u>\$ 15,665</u>

**NOTES TO FINANCIAL STATEMENTS**

The future minimum lease obligation and the net present value of the minimum lease payments as of September 30, 2009 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 455,000	\$ 41,850	\$ 496,850
2011	475,000	21,375	496,375
	<u>\$ 930,000</u>	<u>\$ 63,225</u>	<u>\$ 993,225</u>

The City leases the law enforcement building under a non-cancelable capital lease. The cost and accumulated depreciation by funds/account activity group are as follows at September 30, 2009:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Governmental activities	<u>\$ 3,582,021</u>	<u>\$ 845,744</u>

**NOTE 7 – LEASE AGREEMENTS**

The City leases land, office equipment, and a tower under operating leases. The various lease agreements cover various periods starting February 1, 1999 through August 30, 2013 and the minimum annual payments range from \$1,363 to \$14,532. Total rental expense in FY2009 for all operating leases was approximately \$60,090.

Future minimum annual lease payments for operating leases with remaining lease terms in excess of one year are as follows:

2010	\$ 59,660
2011	48,707
2012	35,063
2013	20,691
2014	15,895
Total minimum obligations	<u>\$ 180,016</u>

**NOTE 8 - DEFINED BENEFIT PENSION PLAN**

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed

**NOTES TO FINANCIAL STATEMENTS**

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as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available on the PERSI website or in print upon request.

After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

The contribution requirements of the City of Meridian and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2009, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.65% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members.

For PERSI’s year ended June 30, 2009, the required contribution rates, as determined by PERSI, are as follows:

	<u>Employee</u>	<u>Employer</u>
General Member	6.23%	10.39%
Police and Fire Member	7.65%	10.73%

Contributions required and paid for the last three years were:

	FY2007	FY2008	FY2009
	\$ 1,364,374	\$ 1,537,725	1,699,494

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9 - OTHER COMMITMENTS

The City has the following commitments at September 30, 2009:

<u>Commitment</u>	<u>Purpose of Agreement</u>	<u>Amount</u>
ACHD	cooperative agreements for water and sewer lines	\$ 66,019
AME Electric	waterline pressure valve SCADA install	13,969
Carollo Engineers	biosolids improvement at Wastewater Plant	17,417
CH2M Hill	engineering services for water and sewer projects	192,034
Challenger Company	well #27 construction	229,986
Civil Survey	engineering services for water and sewer projects	130,209
DC Engineering	engineering services for water and sewer projects	133,515
Ewing Co	biosolids improvement at Wastewater Plant	63,878
HDR Engineering	engineering services for water and sewer projects	36,228
Hillside Landscape	Heroes Park construction	1,003,337
Hydo Logic	hydrogeologic engineering service for water projects	197,912
JC Constructors	wastewater plant expansion projects	2,009,892
JUB Engineers	engineering services for water and sewer projects	19,700
Murray, Smith	well #23 engineering services	23,853
Pipeline Inspection	sewerline cleaning and inspections service	43,730
SPF Water Engineer	well #9 rehab engineering service	13,000
	Total Commitments	<u>\$ 4,194,679</u>

### NOTE 10 - CONTINGENT LIABILITIES

The City has been named as a defendant in various legal actions, the results of which are not presently determinable. However, in the opinion of the City Attorney, the amount of losses that might be sustained, if any, would not materially affect the City's financial position.

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Any disallowed claims, including amounts already collected, could become a liability of the City. City management believes disallowances, if any, will not be material.

### NOTE 11 - COMPONENT UNIT

The Meridian Development Corporation (MDC) is created by and exists under the Idaho Urban Renewal Law of 1965, as amended, and is a separate and legal entity.

The following is a summary of the disclosures required for a fair presentation of the component unit in the City's financial statements.

## NOTES TO FINANCIAL STATEMENTS

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### *Cash*

At year end, the bank balance and carrying amount of deposits, reported as cash was \$180,058, of which \$0 was uninsured and uncollateralized and exposed to custodial credit risk. All cash is held in a financial institution located in Idaho. MDC also participates in the State of Idaho Local Government Investment Pool (LGIP). The amount invested in the LGIP is considered a cash equivalent and as of September 30, 2009 was \$605,140.

The pool is an internal investment pool managed by the State Treasurer's Office on behalf of participants. The LGIP is a part of the Joint Powers Investment Pool managed by the State of Idaho Treasurer's Office and was established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield. The funds of the Pool are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank.

An annual audit of the Joint Powers Investment Pool is conducted by the State Legislative Auditors Office. The Legislative Auditor of the State of Idaho has full access to the records of the Pool. The amount invested in the LGIP is considered a cash equivalent and as of September 30, 2009 was \$605,140.

For purposes of efficient cash flow management and the management of temporary investments, MDC utilizes the LGIP for its cash.

### *Investments Authorized by the State of Idaho and MDC's Investment Policy*

Investment types that are authorized for MDC by the Idaho Code and MDC's investment policy are as follows:

1. Local and State Agency Bonds
2. U. S. Agency Bonds
3. U. S. Agency Securities
4. Time Deposit Accounts

### *Credit Risk*

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's and Fitch's. MDC's investment policy requires a rating of A or better by Standard & Poor's or other nationally recognized rating agency. The rating of the LGIP as of September 30, 2009 was AAAF.

### *Interest Rate Risk*

Interest rate risk is the risk that the changes in market interest rates will adversely impact the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to change in market interest rates. The Board is invested in LGIP and does not have a policy concerning maturities of investments. The LGIP had a weighted average maturity of 50 days as of September 30, 2009.

## NOTES TO FINANCIAL STATEMENTS

### *Custodial Credit Risk*

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. The Board does not have a policy for custodial credit risk outside of the deposit and investment agreements.

### *Concentration of Credit Risk*

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Governmental Accounting Standards Board has adopted a principal that governments should provide note disclosure when five percent of the total entities investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. MDC places no limit on the amount it may invest in any one issuer.

### *Capital Assets*

Changes to capital assets are as follows:

	Balance Oct. 1, 2008	Additions	Deletions	Balance Sept. 30, 2009
Governmental Activities:				
Capital assets, not depreciated:				
CIP	\$ 33,388	\$ 6,225	\$ -	\$ 39,613
Land	1,138,675	172,683	-	1,311,358
Total capital assets, not depreciated	1,172,063	178,908	-	1,350,971
Capital assets, depreciated:				
Buildings	-	502,517	-	502,517
Less accumulated depreciation for:				
Buildings	-	8,375	-	8,375
Total net capital assets, depreciated	-	494,142	-	494,142
Governmental activities capital assets, net	<u>\$ 1,172,063</u>	<u>\$ 673,050</u>	<u>\$ -</u>	<u>\$ 1,845,113</u>

## NOTES TO FINANCIAL STATEMENTS

### *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 16<sup>th</sup>, 2007 and has a maturity date of November 1<sup>st</sup>, 2017. The note has an interest rate of 5.115 % and requires monthly payments of \$3,332 and is collateralized with future tax revenues. The following is a summary of changes in long-term debt of MDC for the year ended September 30, 2009.

	Balance Oct. 1, 2008	Debt Issued	Debt Retired	Balance Sept. 30, 2009
Governmental Activities:				
Note Payable				
Building	\$ 487,702	\$ -	\$ 17,242	\$ 470,460
Governmental activities long-term liabilities	<u>\$ 487,702</u>	<u>\$ -</u>	<u>\$ 17,242</u>	<u>\$ 470,460</u>

The future debt service payments are as follows:

Fiscal Year	Principal	Interest	Total
2010	\$ 16,206	\$ 23,782	\$ 39,988
2011	17,054	22,933	39,987
2012	17,885	22,102	39,987
2013	18,884	21,103	39,987
2014	19,873	20,114	39,987
2015 - 2018	380,558	55,307	435,865
Totals	<u>\$ 470,460</u>	<u>\$ 165,341</u>	<u>\$ 635,801</u>

### *Related Party*

Until September 2009 MDC contracted with the City of Meridian to provide accounting services. Pursuant to their agreement MDC paid the City of Meridian \$7,500 for the year. As of September 30, 2009 total expenditures were \$7,500. MDC also partners with the City for various downtown improvements. As of September 30, 2009 total expenditures were \$34,800. In addition, MDC has a contract with V&G Ventures, LLC for administrative services through the end of Fiscal Year 2009. Pursuant to the agreement, MDC pays \$10,417 per month, and total expenses for the year were \$125,000, of which \$10,417 was outstanding as a payable as of September 30, 2009.

**CITY OF MERIDIAN, IDAHO**

***REQUIRED SUPPLEMENTARY INFORMATION***

**CITY OF MERIDIAN, IDAHO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET**  
**AND ACTUAL – GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 17,231,000	\$ 17,231,000	\$ 17,060,769	\$ (170,231)
Licenses and permits	3,071,450	3,071,450	2,336,626	(734,824)
Intergovernmental	5,385,886	5,582,441	5,401,190	(181,251)
Franchise fees	1,276,400	1,276,400	1,510,674	234,274
Fines and forfeitures	500,000	500,000	436,655	(63,345)
Charges for services	2,151,000	2,161,754	1,807,356	(354,398)
Interest	412,500	412,500	446,617	34,117
Miscellaneous	4,000	197,021	286,027	89,006
<b>Total revenues</b>	<b>30,032,236</b>	<b>30,432,566</b>	<b>29,285,914</b>	<b>(1,146,652)</b>
<b>EXPENDITURES</b>				
General government	4,725,990	5,651,169	4,673,496	977,673
Public safety				
Police	9,832,067	9,876,203	8,863,498	1,012,705
Fire	7,207,186	7,221,135	6,886,980	334,155
Parks and recreation	2,163,960	2,201,890	2,044,518	157,372
Community planning and development	3,433,199	3,330,449	2,183,611	1,146,838
Debt service				
Principal	405,000	405,000	440,000	(35,000)
Interest	94,600	94,600	60,550	34,050
Capital outlay				
General government	1,409,452	985,980	291,120	694,860
Public safety				
Police	527,500	542,342	283,915	258,427
Fire	1,059,950	1,072,568	1,012,070	60,498
Parks and recreation	3,354,107	3,624,740	2,304,776	1,319,964
Community planning and development	195,298	195,298	44,350	150,948
<b>Total expenditures</b>	<b>34,408,309</b>	<b>35,201,374</b>	<b>29,088,884</b>	<b>6,112,490</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,376,073)</b>	<b>(4,768,808)</b>	<b>197,030</b>	<b>4,965,838</b>

**CITY OF MERIDIAN, IDAHO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET**  
**AND ACTUAL – GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Operating transfer in	1,358,198	358,198	1,033,718	675,520
Operating transfer out	(31,431)	(31,431)	(1,000,000)	(968,569)
Unrealized gain(loss) on investments	-	-	143,082	143,082
Gain on sale of capital assets	-	-	18,001	18,001
Total other financing sources (uses)	<u>1,326,767</u>	<u>326,767</u>	<u>194,801</u>	<u>(131,966)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES	<u>(3,049,306)</u>	<u>(4,442,041)</u>	<u>391,831</u>	<u>4,833,872</u>
FUND BALANCE, BEGINNING OF YEAR	<u>21,461,305</u>	<u>21,461,305</u>	<u>21,461,305</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 18,411,999</u>	<u>\$ 17,019,264</u>	<u>\$ 21,853,136</u>	<u>\$ 4,833,872</u>

**CITY OF MERIDIAN, IDAHO**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2009**

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*Budgets and Budgetary Accounting*

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

Prior to September 1, the Finance Officer, Mayor and City Council 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. Budgets for enterprise funds are not legally required but are adopted on a non-GAAP basis. All annual appropriations lapse at fiscal year end. Revisions that alter the total expenditure appropriation of any fund must be approved by the City Council. State law does not allow fund expenditures to exceed fund appropriations. The budget presented in the report has been amended.

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

**CITY OF MERIDIAN, IDAHO**

***OTHER INFORMATION***

**CITY OF MERIDIAN, IDAHO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET**  
**AND ACTUAL – CAPITAL PROJECTS FUND**  
**YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 14,523	\$ 14,523
Miscellaneous				-
Total revenues	<u>-</u>	<u>-</u>	<u>14,523</u>	<u>14,523</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Capital outlay				
General government	6,431,938	2,996,049	2,332,533	663,516
Total expenditures	<u>6,431,938</u>	<u>2,996,049</u>	<u>2,332,533</u>	<u>663,516</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(6,431,938)</u>	<u>(2,996,049)</u>	<u>(2,318,010)</u>	<u>678,039</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in	-	1,000,000	1,000,000	-
Operating transfer out	-	-	-	-
Unrealized gain(loss) on investments	-	-	431	431
Gain(Loss) on Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>1,000,000</u>	<u>1,000,431</u>	<u>431</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES</b>	<u>(6,431,938)</u>	<u>(1,996,049)</u>	<u>(1,317,579)</u>	<u>678,470</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>1,875,566</u>	<u>1,875,566</u>	<u>1,875,566</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ (4,556,372)</u>	<u>\$ (120,483)</u>	<u>\$ 557,987</u>	<u>\$ 678,470</u>

**CITY OF MERIDIAN, IDAHO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET**  
**AND ACTUAL – BUSINESS-TYPE ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Water sales	\$ 5,644,000	\$ 5,644,000	\$ 5,862,448	\$ 218,448
Sewer sales	7,059,960	7,059,960	7,862,962	803,002
Sale of meters	200,000	200,000	153,663	(46,337)
Trash billing service	-	480,000	475,587	(4,413)
Engineering fees	-	-	71,828	71,828
Assessment revenue and cash donations	3,530,000	4,030,000	3,423,956	(606,044)
Interest	600,000	600,000	672,301	72,301
Miscellaneous	400,000	400,000	243,804	(156,196)
<b>Total revenues</b>	<b>17,433,960</b>	<b>18,413,960</b>	<b>18,766,549</b>	<b>352,589</b>
<b>EXPENDITURES</b>				
Administration	2,898,117	2,969,291	2,581,626	387,665
Water	5,055,409	5,418,409	4,670,876	747,533
Wastewater	6,832,137	7,272,491	6,071,552	1,200,939
Capital outlay	19,653,781	16,970,577	5,767,636	11,202,941
Water				
Wastewater				
Capital reimbursements	-	-	297,087	(297,087)
less depreciation	(4,276,965)	(4,276,965)	(4,316,283)	39,318
<b>Total expenditures</b>	<b>30,162,479</b>	<b>28,353,803</b>	<b>15,072,494</b>	<b>13,281,309</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(12,728,519)</b>	<b>(9,939,843)</b>	<b>3,694,055</b>	<b>13,633,899</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in	-	-	-	-
Operating transfer out	(1,358,197)	(1,358,197)	(1,033,718)	324,479
Unrealized gain(loss) on investments	-	-	235,220	235,220
Gain(loss) on Sale of capital assets	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(1,358,197)</b>	<b>(1,358,197)</b>	<b>(798,498)</b>	<b>559,699</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES</b>	<b>(14,086,716)</b>	<b>(11,298,040)</b>	<b>2,895,557</b>	<b>14,193,598</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>26,117,170</b>	<b>26,117,170</b>	<b>26,117,170</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 12,030,454</b>	<b>\$ 14,819,130</b>	<b>\$ 29,012,727</b>	<b>\$ 14,193,598</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  
GOVERNMENT AUDITING STANDARDS**

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Mayor and Members of the City Council  
**City of Meridian, Idaho**  
Meridian, Idaho

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of City of Meridian, Idaho, as of and for the year ended September 30, 2009, which collectively comprise the City of Meridian, Idaho's basic financial statements and have issued our report thereon dated February 17, 2010. 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 City of Meridian, Idaho's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Meridian, Idaho's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Meridian, Idaho'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 City of Meridian, Idaho'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 City of Meridian, Idaho's financial statements that is more than inconsequential will not be prevented or detected by the City of Meridian, Idaho's internal control.

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 City of Meridian, Idaho'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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether City of Meridian, Idaho'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*.

This report is intended solely for the information and use of the audit committee, management, City Council and federal awarding agencies and pass-through entities 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 Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
February 17, 2010