

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**



CITY OF MERIDIAN, IDAHO

CITY OF MERIDIAN, IDAHO

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Independent Auditor's Report

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 aggregate discretely presented component unit, and each major fund of City of Meridian, Idaho (the City), as of and for the year ended September 30, 2010, 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 aggregate discretely presented component unit, and each major fund of the City as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, 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 23, 2011, on our consideration of the 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of City of Meridian, Idaho. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Boise, Idaho
February 23, 2011

**CITY OF MERIDIAN, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010**

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, 2010. 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, 2010 by \$301,113,988. Of this amount \$52,192,779 is unrestricted and available to meet the City's on-going obligations to citizens and creditors.
- During fiscal year 2010 the City's total net assets increased \$17,956,476 as compared to an increase of \$11,741,632 during fiscal year 2009. Net assets of the governmental activities increased \$4,052,693 and net assets of business-type activities increased \$13,903,783.
- Total fund balance of governmental funds at September 30, 2010 was \$26,199,963 compared to a total governmental fund balance at September 30, 2009 of \$22,411,123. Of the September 30, 2010 balance, \$1,964,241 is restricted for park, police and fire impact fee capital expenditures, \$2,519,705 is reserved for capital projects and \$2,070,983 is reserved for public safety capital projects. The remaining \$19,654,034 is unreserved.
- The City retired outstanding debt of \$930,000 with Wells Fargo bank for construction of the police station one year early. This long-term debt was a capital lease and trust agreement with Wells Fargo. The agreement was executed in fiscal year 2001 and had 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
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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 Development Services Fund, used to account for revenue and expenses of the community planning and development function, and the Public Safety Fund used to set aside funds for police and fire capital projects. It also includes the Impact Fee Fund used to account for park and public safety impact fee revenue and capital acquisitions.

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 proprietary 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, 2010 the City's combined assets exceeded liabilities by \$301,113,988. In comparison at September 30, 2009 combined assets exceeded liabilities by \$283,157,512.

The largest portion of the City's net assets, 81%, is invested in capital assets net of related debt. Capital assets

CITY OF MERIDIAN, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

include land, building, equipment and machinery, and sewer and water utility infrastructure. This percentage is virtually unchanged from FY2009. In FY2005 the City's investment in fixed assets was only 62%, however during the last five years the City completed several large construction projects including a major Waste Water Treatment Plant expansion and a new City Hall.

Assets restricted to a particular use are 1% of net assets. The City's restricted fund is 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 established a reserved fund called the Capital Projects 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, unchanged from the prior year. The City's net assets increased by \$17.9 million or 6% from the prior years net assets. There was little change in the composition between capital assets, and restricted and unrestricted funds.

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	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 48,111,591	\$ 44,153,456	\$ 34,016,047	\$ 31,575,831	\$ 82,127,638	\$ 75,729,287
Capital Assets	60,989,679	61,691,933	183,447,584	170,961,637	244,437,263	232,653,570
TOTAL Assets	109,101,270	105,845,389	217,463,631	202,537,468	326,564,901	308,382,857
Current Liabilities	20,913,008	21,289,621	3,439,182	2,422,119	24,352,190	23,711,740
Long-term Liabilities	952,421	1,372,620	146,302	140,985	1,098,723	1,513,605
TOTAL Liabilities	21,865,429	22,662,241	3,585,484	2,563,104	25,450,913	25,225,345
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	60,989,679	60,761,933	183,447,584	170,961,637	244,437,263	231,723,570
Restricted	4,483,946	3,881,853	-	-	4,483,946	3,881,853
Unrestricted	21,762,216	18,539,362	30,430,563	29,012,727	52,192,779	47,552,089
TOTAL Net Assets	\$ 87,235,841	\$ 83,183,148	\$ 213,878,147	\$ 199,974,364	\$ 301,113,988	\$ 283,157,512

Changes in Net Assets

During the year the City's financial position improved by \$17,956,476. 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, 2010

Changes in Net Assets
for Fiscal Year Ending September 30, 2010

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY2010	FY2009	FY2010	FY2009	FY2010	FY2009
Revenues						
Program Revenues						
Charges for services	\$ 4,848,721	\$ 5,025,148	\$ 17,562,418	\$ 14,426,488	\$ 22,411,139	\$ 19,451,636
Operating grants and contributions	644,190	551,946	3,061,634	3,288,083	3,705,824	3,840,029
Capital Grants and Contributions	1,540,825	1,034,186	9,118,085	2,374,385	10,658,910	3,408,571
General Revenue:						
Property taxes	18,868,397	17,606,294			18,868,397	17,606,294
Franchise fees	1,373,872	1,510,674			1,373,872	1,510,674
Sales tax and other governmental	3,486,360	3,623,844			3,486,360	3,623,844
Investment Earnings	475,805	604,653	489,414	907,521	965,219	1,512,174
Other Revenue	3,328	41,047	261,862	243,804	265,190	284,851
Total Revenues	31,241,498	29,997,792	30,493,413	21,240,281	61,734,911	51,238,073
Expenses						
General Government						
Administration	6,121,229	4,772,542			6,121,229	4,772,542
Law Enforcement	10,109,081	9,332,085			10,109,081	9,332,085
Fire Department	7,434,205	7,361,588			7,434,205	7,361,588
Parks and Recreation	2,781,748	2,459,117			2,781,748	2,459,117
Community Planning and Devlp	1,782,263	2,192,738			1,782,263	2,192,738
Interest on long-term debt	28,675	54,317			28,675	54,317
Enterprise - sewer and water			15,521,234	13,324,054	15,521,234	13,324,054
Total Expenses	28,257,201	26,172,387	15,521,234	13,324,054	43,778,435	39,496,441
Excess of revenues over expenditures before transfers	2,984,297	3,825,405	14,972,179	7,916,227	17,956,476	11,741,632
Transfers - internal activities	1,068,396	1,033,718	(1,068,396)	(1,033,718)	-	-
Increase in net assets	4,052,693	4,859,123	13,903,783	6,882,509	17,956,476	11,741,632
Net Assets, Beginning of Year	83,183,148	78,324,025	199,974,364	193,091,855	283,157,512	271,415,880
Net Assets, Ending of Year	\$ 87,235,841	\$ 83,183,148	\$ 213,878,147	\$ 199,974,364	\$ 301,113,988	\$ 283,157,512

- **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
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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:

Governmental net assets increased by \$4 million. This is slightly less than the prior year's increase of \$4.8 million. Total revenues increased 4% over the prior year while expenses increased 8% over the prior 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 very robust at \$679,756,216. When the new construction value was calculated for the property tax to be collected in FY2009 the value had dropped to \$409,725,009 and the new construction value used for FY2010 property tax collections dropped to \$255,016,183. However property tax revenue still increased \$1.2 million dollars from FY2009 to FY2010.

The category Capital Grants and Contributions (impact fees and capital donations) increased \$500,000 from FY2009 to FY2010. Noteworthy events in FY2010 include the Fire Department receiving emergency equipment from Ada County as a pass down of an emergency readiness grant and the Parks Department receiving money from the Meridian Development Corporation to install an irrigation pump for the new downtown split corridor. In accordance with implementation of GASB statement number 51 requiring recording of intangible assets, the City recorded Park pathway easements of \$217,864.

Revenue from development services charged for services performed by the Planning or Building Department decreased almost \$300,000. Although residential building permit sales were consistent with FY2009 sales, commercial building permit revenue continued to drop. Investment income also dropped, 2% from \$604,653 to \$475,805 as interest rates stayed near zero during the fiscal year.

Other governmental revenue sources did not experience significant changes between FY2009 and FY2010. Intergovernmental revenue which includes revenue sharing from several sources; state sales tax state liquor revenue, and county court revenue did not change appreciably. Franchise fees dropped a bit over \$100,000 while

CITY OF MERIDIAN, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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monies collected from operating grants increased about \$100,000. The City drew down \$354,000 from the CDBG grant, the largest operating grant in FY2010.

Public Safety (Fire and Police) are by far the largest governmental function: 62% of total governmental expenses. The Police Department alone is 36% of all governmental expenses. Police Department personnel and operating expenses increased 8% from FY2009 to FY2010. Personnel costs increased over \$600,000 due to filling vacant positions and increases in the Police step payment plan. Operating expenses increased just over \$100,000 with the bulk of that being additional fuel costs and some equipment purchases.

Fire Department personnel costs increased 7% from FY2009 to FY2010. The Fire Department added three Paramedic/Firefighters to increase staffing at existing stations and a training instructor. Overall operating expenses appeared to have decreased from FY2009 to FY2010 but this is due to a one-time reimbursement in FY2009 of \$449,415 to the Meridian Rural Fire District because they provided the initial monies to build a 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. In actuality Fire operating expenses went up slightly due to increased fuel costs and some increases in building maintenance.

Community Planning and Development expenses were 6% of governmental expenses. Included in Community Planning and Development are building inspections, building administration, the Planning Department, and economic development. The Development services personnel and operating costs decreased 19%. 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.

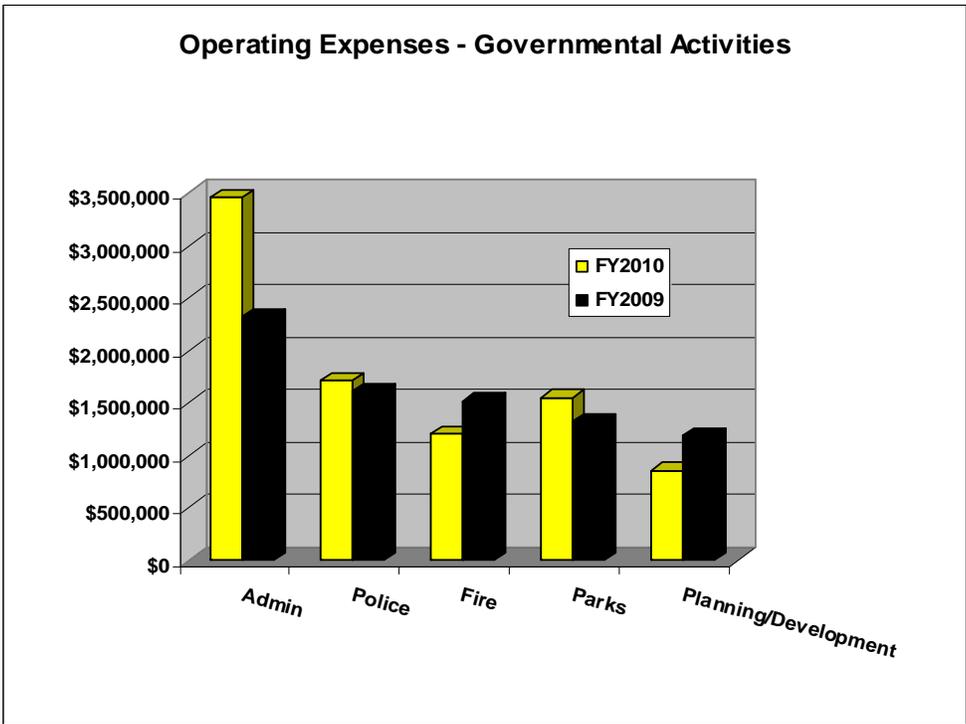
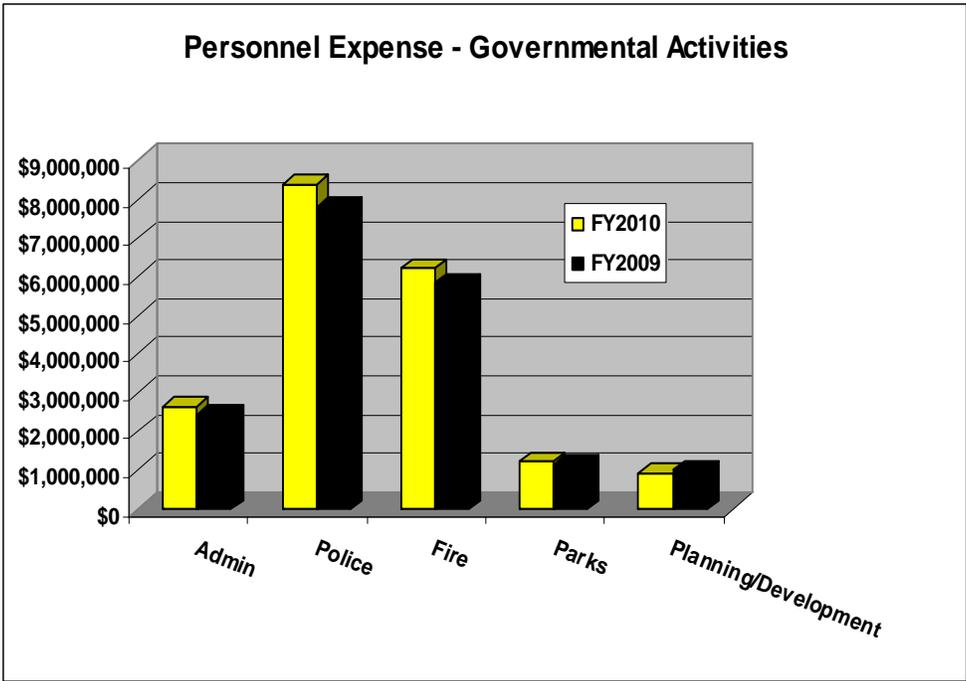
Administration includes several general support functions, Information Technology, Accounting and Finance, Human Resources, City Clerk, Mayor's Office, City Council, Other Government (general expenses not assigned to other departments), Street Lighting and City Hall. One half of Human Resources, Information 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 28% from the prior year. Personnel increased 9% as a result of adding two new positions and additional interns. Administration operating expenses increased \$1.1 million dollars or 49%. In FY2009 there were one-time expenses from the move into the City Hall and one-time purchases of furniture. FY2010 is the first year depreciation was expensed for the City Hall which adds \$823,024 to operating costs. Ongoing litigation issues associated with the City Hall building increased legal costs from \$194,905 to \$661,613 in FY2010.

The Parks and Recreation Department personnel cost increased 8% largely due to the addition of maintenance and recreation staff positions and some increase in overtime. Parks and Recreation operating costs increased 17%. While some maintenance and operation expense categories actually decreased Parks had a 60% increase in depreciation due to completed parks moving out of construction in progress.

The implementation of GASB 51 in FY2010 requires that governments identify and book all identifiable intangible assets back to 1980. In the governmental fund these assets were easements for park pathways, right of ways and in-house developed software totaling \$264,891.

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Business-Type Activities:

Business-type activities, the provision of water and sewer services, increased net assets by \$13.9 million in FY2010 compared to a \$6.8 million dollar increase in FY2009. Capital assets net of depreciation increased \$12.5 million and unrestricted net assets increased \$1.4 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 (operating grants and contributions) and “donated” revenue, the value of the developer connected lines and easements (capital grants and contributions). Developer contributions are not a cash inflow. Operating revenue is available to pay operating costs, donated lines are obviously not.

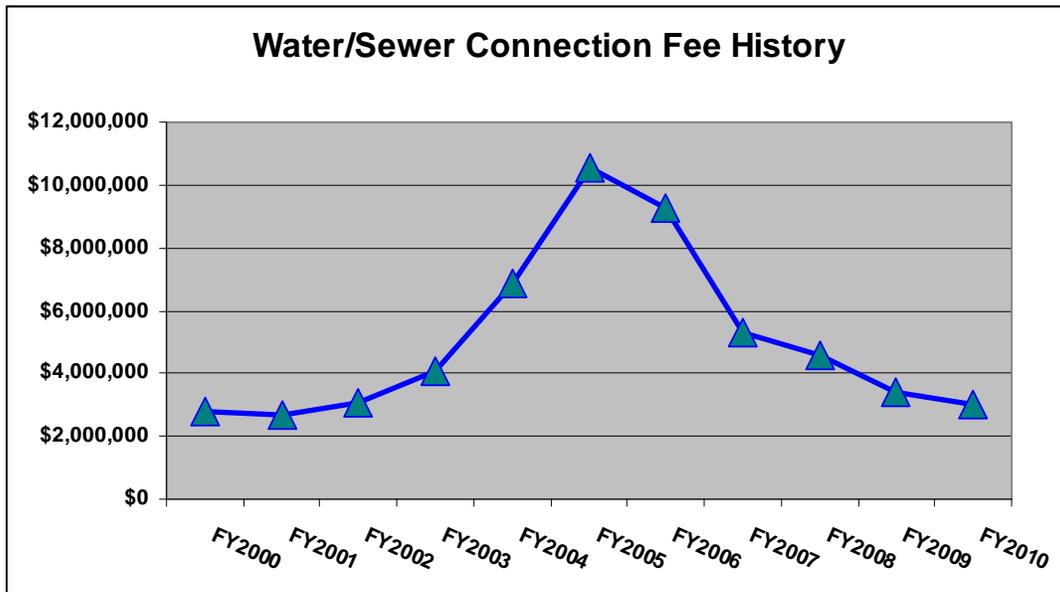
The bulk of the charges for services revenue category is utility sales. The City also receives an administrative fee for handling the trash billing for the contractor who provides solid waste removal services for City residents. Sales revenue increased between FY2008 and FY2009 and FY2009 and FY2010 due to a rate increase enacted in FY2008. This is a three year rate increase with increases of 19% for water usage and 42% for sewer usage planned for each year.

Charges for Services increased 21.7% between FY2009 and FY2010 with the individual components changing as follows;

<i>Charges for Services</i>			
	<i>FY2010</i>	<i>FY2009</i>	
Water Sales	\$ 6,415,738	\$ 5,862,448	9.4%
Sewer Sales	10,438,103	7,862,962	32.8%
Meter Sales	141,479	153,663	-7.9%
Trash Billing Service	483,148	475,587	1.6%
PW Review Fees	83,950	71,828	16.9%
TOTAL	\$ 17,562,418	\$ 14,426,488	21.7%

When a new residence or commercial building connects to the City’s utility system they pay a “connection” fee. Initially this fee was developed to be used to build out infrastructure to accommodate new development. During the middle of the last decade connection revenue soared with the building boom. Connection revenue outpaced expenditures for capital projects allowing the unrestricted fund balance to steadily increase. Of course when new construction shut off in 2006 connection revenue decreased dramatically and the amount of annual revenue in the last year of the decade was close to what it was at the start of the decade.

CITY OF MERIDIAN, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The value of developer donated water and sewer lines has followed the same path as connection revenue. Donated lines peaked in FY2006 at \$9.9 million dollars. In contrast in FY2010 contributed capital was \$2.2 million. The FY2010 Statement of Activities Business-type Activities Capital Grants and Contributions number includes the standard developer donated lines AND a one time recording due to GASB 51 of \$6.9 million dollars in identifiable utility line and well lot easements held by the City.

The graphs below illustrate the change in expenses from FY2008 to FY2010. The proprietary fund's operating expenses increased by 16%. The category Other Service and Charges increased 50%. This category is the bulk of the utility's operating expenses including; repairs and maintenance for plant, building, equipment and utility lines, professional and consulting expenses, purchases of equipment and software, and employee training and travel.

The Waste Water Division had increases in several accounts most notably in plant and equipment repair and maintenance and consulting and professional services. The most material increase was in professional services and consulting with a year over year increase of over \$800,000. The largest project was work on a Sewer Master Plan and a Facility Plan Update. The City spent slightly over \$450,000 on these two projects in FY2010.

The largest single increase in Water was an increase of \$285,000 for the purchase of water meters. A portion of this expense is a pass through, the meters are purchased and installed at new buildings and the property owner pays the City for the meter. Another portion of this expense is due to the City's on-going program of exchanging older manual read meters for newer radio read meters.

Waste Water Treatment Plant depreciation increased by \$454,580. The City closed the multi-year \$25 million dollar Treatment Plant expansion from construction in progress so FY2010 was the first year of depreciation.

The general fund transfer is for half of the total cost of the administrative and support functions for accounting, human resources, information technology, construction management, and a share of the costs to maintain the City Hall building.

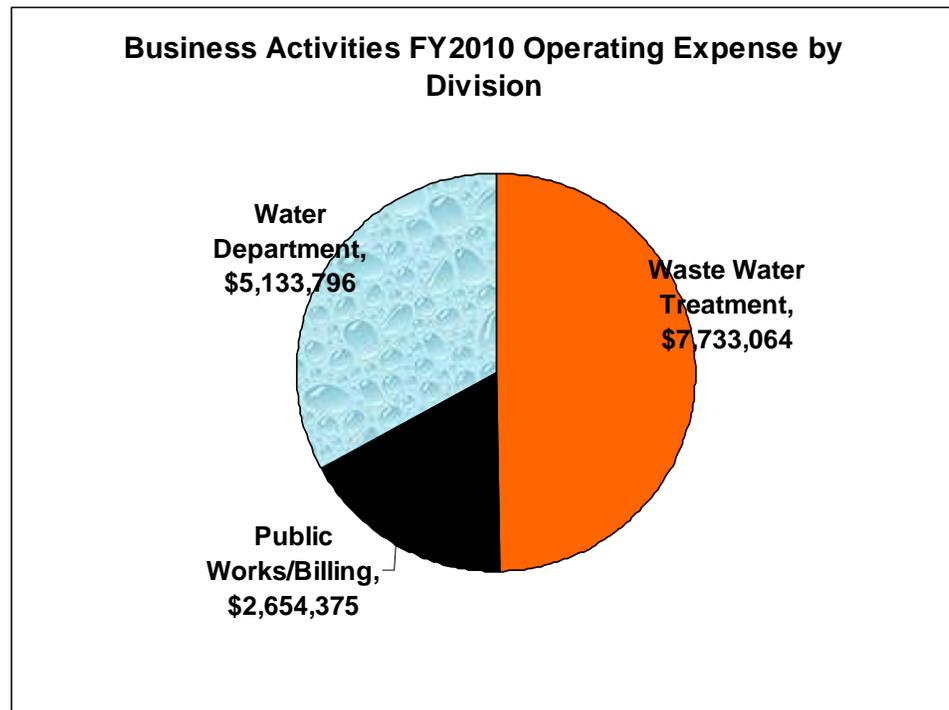
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OPERATING EXPENSES

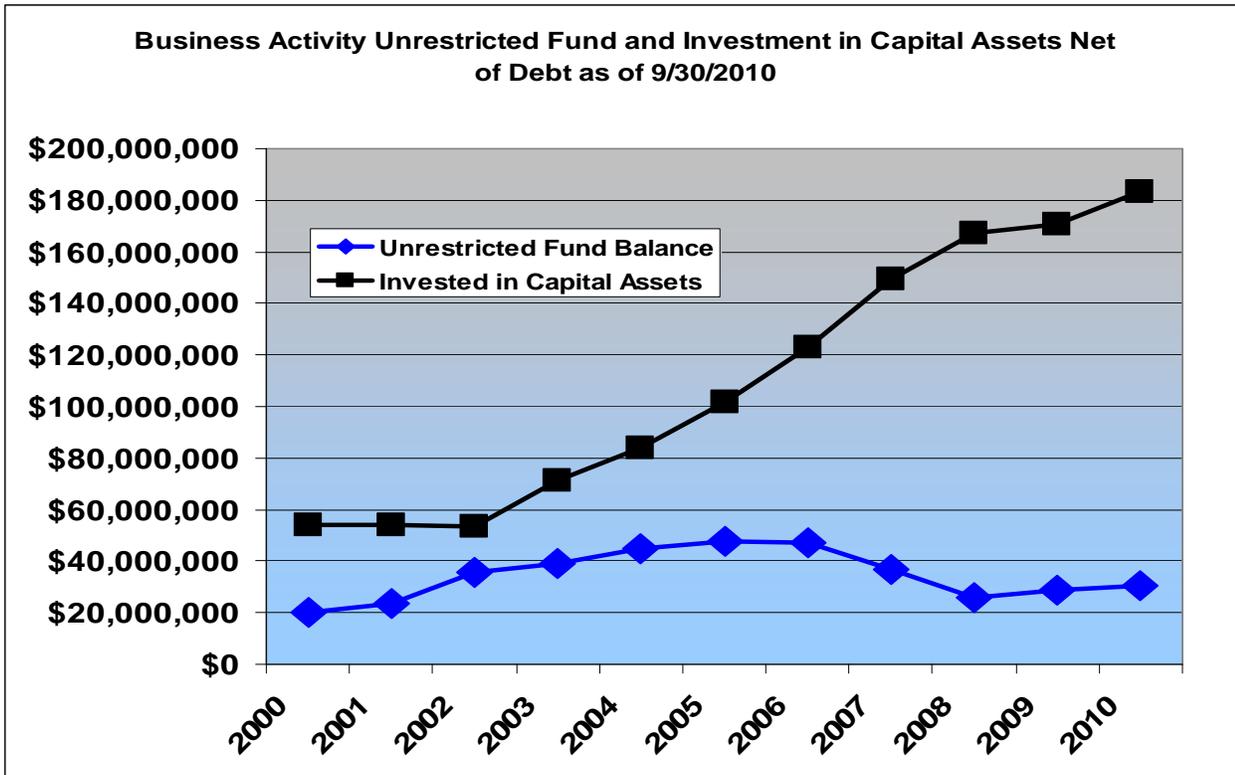
	FY2010	% Change FY09 to FY10	FY2009	% Change FY08 to FY09	FY2008
Personnel	\$ 5,070,348	9%	\$ 4,631,746	5%	\$ 4,414,471
Other Services/Charges	3,121,815	50%	2,087,738	12%	1,860,306
Depreciation	4,824,482	12%	4,316,283	8%	3,995,452
Supplies	1,581,534	13%	1,404,316	-4%	1,468,973
Heat, Lights, Power	923,055	4%	883,971	11%	795,834
TOTAL operating expense	15,521,234	16%	13,324,054	6%	12,535,036
General fund transfer	1,068,396	3%	1,033,718	38%	747,913
TOTAL business-type expense	\$ 16,589,630		\$ 14,357,772		\$ 13,282,949

The Proprietary Fund is divided into four basic divisions; Waste Water, Water, Public Works, and Utility Billing. Public Works and Utility Billing provide support services to both the Water and Waste Water divisions. Waste Water is the largest Division in the fund as illustrated by the following graph.

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 FY2010 the Utility increased the unrestricted fund balance by \$1,417,836 and the investment in capital assets by \$12,485,947. As discussed above the Utility is not generating unrestricted fund balance at the rate it did during the mid-decade building boom but increases in operating revenue have helped stabilize the unrestricted cash balance enabling continued infrastructure growth and providing a reserve for operating expenses.



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The Water Department closed \$890,000 out of construction in progress and the Waste Water Department closed \$29 million dollars of construction in progress. Larger Water Department projects completed include well number 27, split corridor development, and various line and well rehabilitation projects. The Waste Water Department closed \$25 million dollars worth of treatment plant improvements that varied from filters to optimization projects.

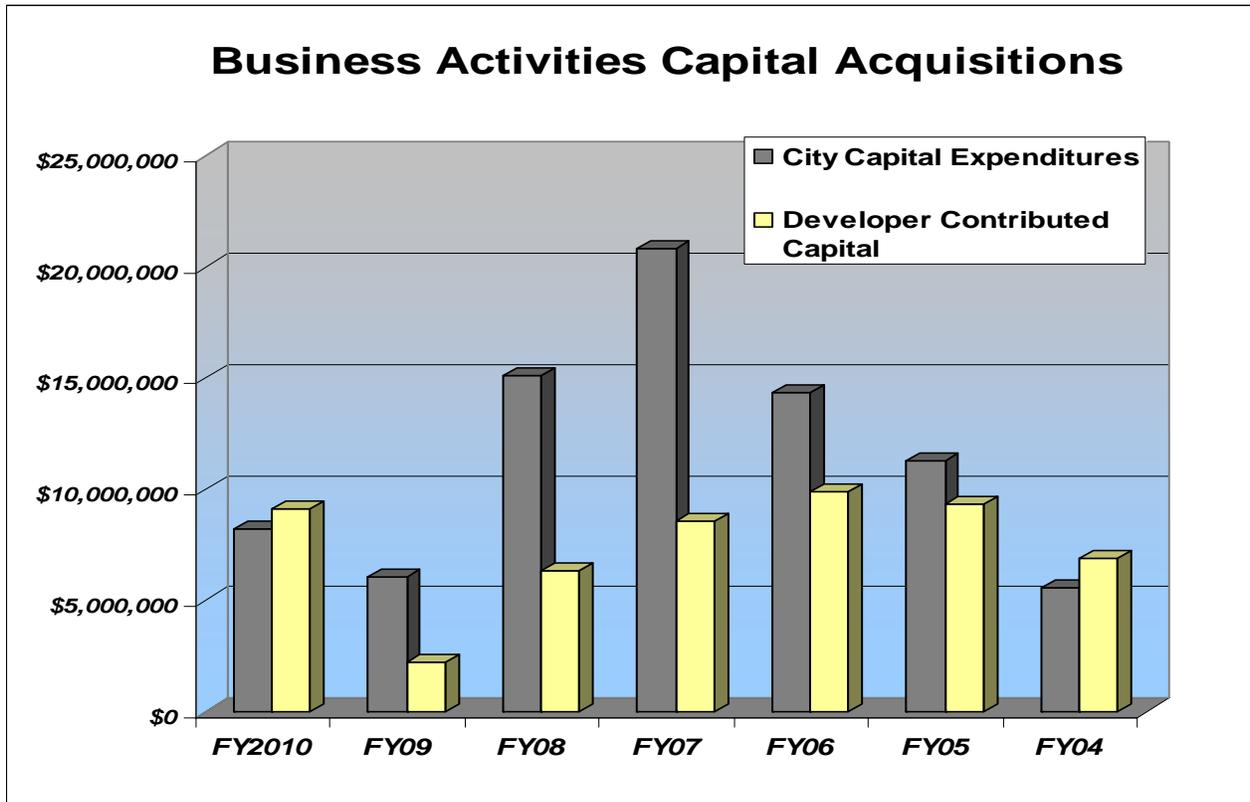
As discussed above the implementation of GASB 51 in FY2010 requires the City record all intangible assets that it can identify retroactive to 1980. For the Enterprise Fund the City determined identified easements for a total of \$6,921,118.

Overall the Utility spent \$8.2 million dollars on capital acquisitions. Depreciation expense increased from \$4,316,283 in FY2009 to \$4,824,482 in FY2010. The Utility still has \$8.5 million dollars in construction in progress.

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 amounts spent annually on capital equipment and construction.

It is important to note again that the \$9,098,753 in contributed capital for FY2010 includes \$6,921,118 for all City easements recognized at one time in FY2010 due to the implementation of GASB 51.

CITY OF MERIDIAN, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010



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, 2010 was \$26,199,963 an increase of \$3,788,840 from the prior year fund balance of \$22,411,123. The governmental fund balance is distributed among reserved and unreserved balances as follows:

FUND BALANCES	FY2010 Total Governmental Funds	FY2009 Total Governmental Funds	Change in Fund Balance
Reserved for Impact Fee Improvements	\$ 1,964,241	\$ 1,739,920	\$ 224,321
Reserved for Capital Improvements	2,519,705	1,741,933	777,772
Reserved for Debt Service	-	400,000	(400,000)
Designated for Public Safety Purchases	2,070,983	1,522,860	548,123
Unreserved	19,645,034	17,006,410	2,638,624
TOTAL FUND BALANCES	\$ 26,199,963	\$ 22,411,123	\$ 3,788,840

**CITY OF MERIDIAN, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010**

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. The fund balance changed little from FY2009 to FY2010. Revenue collections sustained the amounts spent on park improvements.

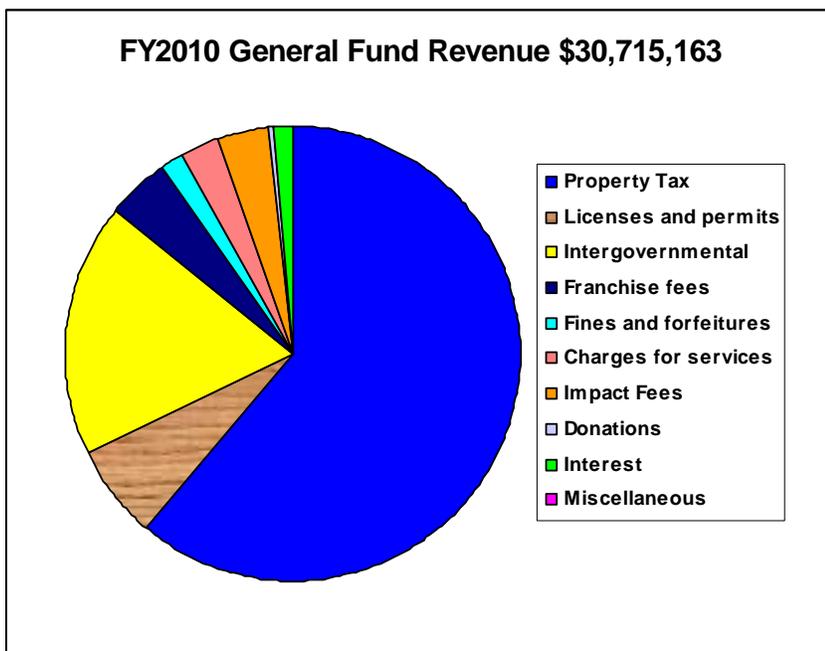
The Development Services Fund, the fund used for the Building and Planning Department operations, is combined with the Capital Projects Fund to result in the fund balance Reserved for Capital Improvements. During the FY2010 budget appropriation the City set aside \$560,000 to transfer to the Capital Projects Fund. No other transfers were made to the Capital Projects Fund.

In FY2010 the City paid off the debt service used to finance the police station so the \$400,000 reserve for debt is no longer necessary.

Designated for Public Safety Purchases is the fund that was previously used to save for public safety construction or large capital purchases. During the FY2010 budget appropriation the City set aside the amount of the 3% allowable property tax revenue increase to transfer from the General Fund to the Public Safety. This transfer was \$515,000.

The Unreserved General Fund balance increased 15% between FY2010 and FY2009. This is a combination of revenues exceeding expenditures and the transfer of the \$400,000 debt reserve into the unrestricted fund since the debt has been retired.

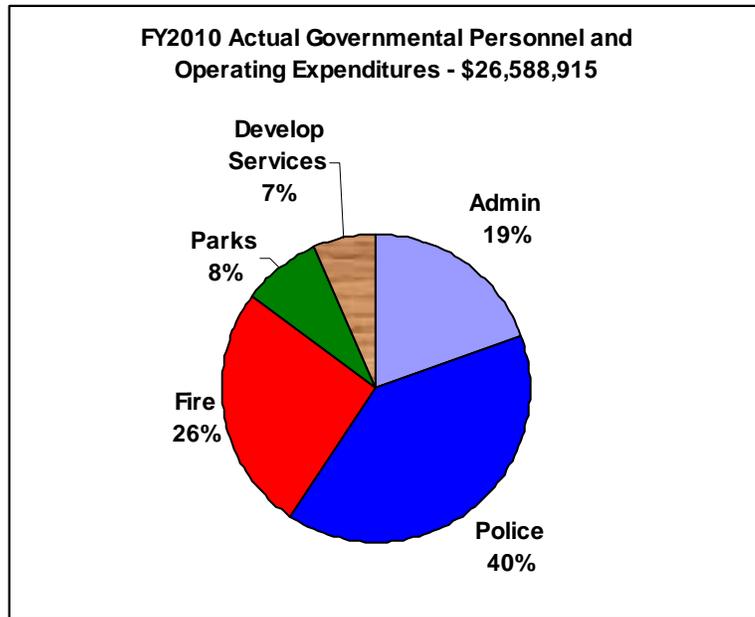
General Fund Budgetary Highlights



Actual general fund revenue exceeded the final budget amount by 4.6% which is about \$1.3 million dollars. The original revenue budget was amended upward during the fiscal year to reflect about \$650,000 in additional revenue from grants and donations. The City was conservative in preparation of the FY2010 revenue forecast used in the budget, expecting levels of economic activity to be at or below those of FY2009.

CITY OF MERIDIAN, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

Governmental personnel and operating costs increased 6% from FY2009 to FY2010. As illustrated by the tables and graphs below public safety is the largest component of the general fund with Police being by far the largest single department.



General Government Personnel Expenditures

	FY2010		
	Final Budget	FY2010 Actual	% of Total
Admin	\$ 2,932,355	\$ 2,700,911	14%
Police	8,587,718	8,375,766	43%
Fire	6,600,646	6,179,139	32%
Parks	1,371,301	1,222,294	6%
Develop Services	1,089,100	919,140	5%
TOTAL	\$ 20,581,120	\$ 19,397,250	

General Government Operating Expenditures

	FY2010		
	Final Budget	FY2010 Actual	% of Total
Administration	\$ 3,303,144	\$ 2,453,601	34%
Police	2,543,221	2,249,027	31%
Fire	1,174,570	744,009	10%
Parks	1,138,463	894,543	12%
Develop Services	972,060	850,485	12%
TOTAL	\$ 9,131,458	\$ 7,191,665	

The Police personnel and operating expenditures increased 13% from FY2009 to FY2010. The Police Department only added two new positions in the FY2010 budget but they continued to fill positions that had never been filled going from nine vacancies at one point in FY2009 to three vacancies in FY2010. The other

**CITY OF MERIDIAN, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010**

factor in their personnel cost increase is the step plan pay schedule implemented in FY2008 which anticipated an increase to personnel costs for FY2010.

The Police operating budget was amended in FY2010 for \$451,325 to make the FY2011 Police building debt payment early. This retired the debt.

The Fire Department personnel and operating budget increased 1% from FY2009 to FY2010. Personnel costs actually increased more but a large one-time payment in FY2009 skews the year to year change. The one-time payment was to reimburse the Meridian Rural Fire District with impact fees for the impact fee eligible portion of the training tower. The Rural Fire District paid to build the training tower. The Fire Department added four employees in FY2010; three firefighter/paramedics and a training instructor.

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 and grants. Administration personnel and operating increased 10% from FY2009 to FY2010. Administration added two positions in FY2010, an accountant and an information technology programmer. There were some budget amendments in Administration. Significant amendments included \$750,000 for contracted legal expenses for litigation concerning the construction of the City Hall, and \$249,947 for CDBG grant revenues and corresponding expenditures.

The Parks Department personnel and operating expense increased 4% from FY2009 to FY2010. The Parks Department added a recreation coordinator and additional maintenance staff.

Community Planning and Development personnel and operating costs decreased 19% with decreases in a variety of different accounts related to the level of building activity. As with all departments in City Hall the Building and Planning Departments had operating expenditures for furniture and moving costs removed from their FY2010 budget which also is a factor in the year-to-year expenditure decrease.

The City budgeted \$4 million for general fund capital projects and spent \$1.4 million. Larger capital projects and purchases include \$265,500 for Police cars and \$588,700 in development for Hero's Park.

**CITY OF MERIDIAN, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010**

CAPITAL ASSET and DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2010 the City had \$244.4 million invested in capital assets (net of accumulated depreciation). During fiscal year 2010 the City's total investment in net assets increased 5%. See table below:

**Capital Assets as of September 30, 2010
(net of depreciation)**

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Land	\$ 14,819,704	\$ 14,253,022	\$ 1,037,055	\$ 951,656	\$ 15,856,759	\$ 15,204,678
Easements	217,864		6,921,118		7,138,982	
Intangibles	42,324				42,324	
Buildings and Improvements other than buildings	39,597,535	13,066,282	39,911,428	15,276,873	79,508,963	28,343,155
Sewer and Water Lines			110,384,946	110,371,671	110,384,946	110,371,671
Equipment	4,108,209	3,628,246	16,707,061	12,026,577	20,815,270	15,654,823
Construction in Progress	2,204,043	30,744,383	8,485,976	32,334,860	10,690,019	63,079,243
TOTALS	\$ 60,989,679	\$ 61,691,933	\$ 183,447,584	\$ 170,961,637	\$ 244,437,263	\$ 232,653,570

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 FY2010 included:

- City Hall completed and moved from construction in progress for \$24.1 million
- \$2.2 million in construction in progress in total at September 30, 2010
- \$661,000 added to construction in progress for park development
- Settlers Park Phase I, II, and III and Gordon Harris Park completed and moved out of construction in progress
- \$264,000 in park pathways, in-house developed software and right of ways added as intangible assets in accordance with the requirements of GASB #51

Major capital asset events in the business-type funds in FY2010 included:

- Sewer trunk and water main expansions for \$829 thousand
- \$2.18 million in donated and contributed capital water and sewer infrastructure
- \$261,000 in Waste Water Plant expansion
- \$25 million Waste Water Plant expansion completed and moved out of construction in progress

**CITY OF MERIDIAN, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010**

- \$6.9 million in easements added as intangible assets in accordance with the requirements of GASB #51
- \$8.4 million dollars in construction in progress in total at September 30, 2010

The City booked \$2,597,604 in depreciation expense for governmental City functions and \$4,824,482 for business-type activities.

Long-Term Debt

The City had 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. In August of 2010 the City paid the entire remaining balance of \$930,000. At September 30, 2010 the City has no debt balances.

FY2011 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 FY2011 revenue forecast was based on the assumption that that economic slowdown of the past few years would continue into FY2011.

The City was very conservative with all revenue estimates for the budget. The City did not take the allowable 3% property tax increase. Additionally due to a new law in effect in 2010 the amount of property tax the City is entitled to for new construction and annexation was reduced. This legislation allows developers and landowners to go back and change the tax status of land that was under development back to agriculture if the development was not completed.

The City did add additional public safety staff. The Police Department added seven sworn officers and an animal control officer. Four of those positions will be supported by grant funds for three years. In addition to vehicles for the new positions the Police Department received \$317,500 to replace existing vehicles. The Fire Department added a Division Chief and also received funds to refurbish a fire engine.

The Parks Department added just over million dollars for new park development and maintenance building construction. Park staff was expanded to include a City Arborist and another full time Park Maintenance employee.

Despite the revenue downturns the City is well positioned for the future. 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.

The proprietary fund had a rate increase in April of 2010 and is scheduled for another one in FY2011. However to stay on the safe side we did not consider the third rate increase in the sales revenue budget for Water and Sewer. The assessment revenue budget (revenue collected when new development connects to the utility system) was conservative; we did not anticipate any uptick in building for FY2011.

The Utility used a combination of fund balance and new revenue to budget \$6.5 million in new capital for water and sewer construction projects and some additional equipment. Some of the largest projects include water and sewer main replacements, waterline and sewer line extensions, a new well, a \$1.25 million dollar building to cover the tertiary filters at the wastewater plant and \$700,000 for reclaimed water lines.

CITY OF MERIDIAN, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

The largest operating additions include master plans for source water, and the SCADA system. The SCADA system monitors the operations of the City's network of wells and waste water distribution systems.

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, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,585,533	\$ 1,428,931	\$ 3,014,464	\$ 748,739
Restricted cash and cash equivalents	41,829	-	41,829	-
Investments	22,140,121	29,573,384	51,713,505	-
Restricted investments	1,932,879	-	1,932,879	-
Receivables				
Accounts (net of \$36,000 allowance for enterprise fund uncollectible	676,311	2,632,240	3,308,551	923
Property taxes	20,052,292	-	20,052,292	947,350
Assessments	-	-	-	-
Due from other governmental units	1,391,613	6,429	1,398,042	-
Interest	84,558	104,693	189,251	-
Deposits and prepaid expenses	206,455	270,370	476,825	3,035
Total current assets	48,111,591	34,016,047	82,127,638	1,700,047
NONCURRENT ASSETS				
Capital assets				
Land, infrastructure, and other assets not depreciated	17,241,611	16,444,149	33,685,760	1,495,568
Buildings, improvements and equipment, net of depreciation	43,748,068	167,003,435	210,751,503	763,825
Total noncurrent assets	60,989,679	183,447,584	244,437,263	2,259,393
TOTAL ASSETS	\$ 109,101,270	\$ 217,463,631	\$ 326,564,901	\$ 3,959,440

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 899,478	\$ 2,867,413	\$ 3,766,891	\$ 139,495
Accrued payroll and taxes	763,603	190,684	954,287	-
Accrued vacation, current portion	105,825	16,256	122,081	-
Interest payable	-	-	-	-
Deferred revenue	18,735,372	-	18,735,372	853,534
Customer deposits	408,730	364,829	773,559	-
Capital leases - current portion	-	-	-	19,714
Total current liabilities	20,913,008	3,439,182	24,352,190	1,012,743
NONCURRENT LIABILITIES				
Accrued vacation - less current portion	952,421	146,302	1,098,723	-
Capital leases - less current portion	-	-	-	433,825
TOTAL LIABILITIES	21,865,429	3,585,484	25,450,913	1,446,568
NET ASSETS				
Invested in capital assets, net of related debt	60,989,679	183,447,584	244,437,263	1,805,854
Restricted for:				
Impact Funds	1,964,241	-	1,964,241	-
Capital improvements	2,519,705	-	2,519,705	-
Police center debt service	-	-	-	-
Unrestricted	21,762,216	30,430,563	52,192,779	707,018
Total net assets	\$ 87,235,841	\$ 213,878,147	\$ 301,113,988	\$ 2,512,872

CITY OF MERIDIAN, IDAHO
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES				
General government				
Administration	\$ 6,121,229	\$ 133,002	\$ 288,893	\$ -
Public safety				
Law Enforcement	10,109,081	823,484	206,894	78,292
Fire Department	7,434,205	1,413,449	16,042	433,559
Parks and Recreation	2,781,748	387,351	132,361	1,028,974
Community Planning and Developme	1,782,263	2,091,435	-	-
Interest on long-term debt	28,675	-	-	-
Total governmental activities	28,257,201	4,848,721	644,190	1,540,825
BUSINESS-TYPE ACTIVITIES				
Water and wastewater	15,521,234	17,562,418	3,061,634	9,118,085
TOTAL PRIMARY GOVERNMENT COMPONENT UNIT	\$ 43,778,435	\$ 22,411,139	\$ 3,705,824	\$ 10,658,910
Downtown development	\$ 592,642	\$ -	\$ -	\$ -
General revenues				
Shared revenues				
Property taxes, levied for general purposes				
Franchise fees				
Sales tax and other governmental				
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	
\$ (5,699,334)	\$ -	\$ (5,699,334)	\$ -
(9,000,411)	-	(9,000,411)	-
(5,571,155)	-	(5,571,155)	-
(1,233,062)	-	(1,233,062)	-
309,172	-	309,172	-
(28,675)	-	(28,675)	-
(21,223,465)	-	(21,223,465)	-
-	14,220,903	14,220,903	-
<u>\$ (21,223,465)</u>	<u>\$ 14,220,903</u>	<u>\$ (7,002,562)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (592,642)</u>
18,868,397	-	18,868,397	1,063,915
1,373,872	-	1,373,872	-
3,486,360	-	3,486,360	-
419,111	430,820	849,931	1,493
56,694	58,594	115,288	-
11,993	256,670	268,663	16,519
(8,665)	5,192	(3,473)	-
1,068,396	(1,068,396)	-	-
25,276,158	(317,120)	24,959,038	1,081,927
4,052,693	13,903,783	17,956,476	489,285
83,183,148	199,974,364	283,157,512	2,023,587
<u>\$ 87,235,841</u>	<u>\$ 213,878,147</u>	<u>\$ 301,113,988</u>	<u>\$ 2,512,872</u>

CITY OF MERIDIAN, IDAHO
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,579,609	\$ 5,924	\$ 1,585,533
Investments	21,056,487	1,083,634	22,140,121
Receivables			
Accounts	676,311	-	676,311
Property taxes	20,052,292	-	20,052,292
Assessments	-	-	-
Due from other funds	-	-	-
Due from other governmental units	1,281,733	-	1,281,733
Grants	109,880	-	109,880
Interest	84,443	115	84,558
Prepaid items	206,455	-	206,455
Restricted assets			
Cash and cash equivalents	41,829	-	41,829
Investments	1,932,879	-	1,932,879
TOTAL ASSETS	<u><u>\$ 47,021,918</u></u>	<u><u>\$ 1,089,673</u></u>	<u><u>\$ 48,111,591</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 887,851	\$ 11,627	\$ 899,478
Accrued payroll and taxes	763,603	-	763,603
Due to other funds	-	-	-
Accrued vacation	-	-	-
Deferred revenue	19,839,817	-	19,839,817
Customer deposits	408,730	-	408,730
TOTAL LIABILITIES	<u>21,900,001</u>	<u>11,627</u>	<u>21,911,628</u>
Fund balances			
Reserved for police, fire & park improvements	1,964,241	-	1,964,241
Reserved for capital improvements	1,441,659	1,078,046	2,519,705
Reserved for police center debt service	-	-	-
Designated for public safety purchases	2,070,983	-	2,070,983
Unreserved	19,645,034	-	19,645,034
TOTAL FUND BALANCES	<u>25,121,917</u>	<u>1,078,046</u>	<u>26,199,963</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 47,021,918</u></u>	<u><u>\$ 1,089,673</u></u>	<u><u>\$ 48,111,591</u></u>

CITY OF MERIDIAN, IDAHO
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

Fund balance - total governmental funds	\$ 26,199,963
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.	60,989,679
Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds.	1,104,445
Accrued vacation is not due and payable in the current period and therefore is not reported in the funds.	<u>(1,058,246)</u>
Net assets of governmental activities	<u><u>\$ 87,235,841</u></u>

CITY OF MERIDIAN, IDAHO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2010

	General	Capital Projects	Total Governmental Funds
REVENUES			
Taxes	\$ 18,784,574	\$ -	\$ 18,784,574
Licenses and permits	2,075,698	-	2,075,698
Intergovernmental	5,497,288	-	5,497,288
Franchise fees	1,373,872	-	1,373,872
Fines and forfeitures	511,560	-	511,560
Charges for services	867,617	-	867,617
Interest	417,454	1,657	419,111
Miscellaneous	11,993	-	11,993
Donations	82,108	-	82,108
Impact revenues	1,092,999	-	1,092,999
Total revenues	<u>30,715,163</u>	<u>1,657</u>	<u>30,716,820</u>
EXPENDITURES			
General government	5,154,512	-	5,154,512
Public safety	16,576,115	-	16,576,115
Parks and recreation	2,116,837	-	2,116,837
Community planning and development	1,769,625	-	1,769,625
Debt service			
Principal	930,000	-	930,000
Interest	41,826	-	41,826
Capital outlay	1,428,918	42,923	1,471,841
Total expenditures	<u>28,017,833</u>	<u>42,923</u>	<u>28,060,756</u>
EXCESS OF REVENUES OVER(UNDER) EXPENDITURES	2,697,330	(41,266)	2,656,064
OTHER FINANCING SOURCES (USES)			
Operating transfer in	1,765,190	560,000	2,325,190
Operating transfer out	(1,256,794)	-	(1,256,794)
Unrealized gain (loss) on investments	55,369	1,325	56,694
Proceeds from sale of capital assets	7,686	-	7,686
Total other financing sources (uses)	<u>571,451</u>	<u>561,325</u>	<u>1,132,776</u>
NET CHANGE IN FUND BALANCES	3,268,781	520,059	3,788,840
FUND BALANCE, BEGINNING OF YEAR	<u>21,853,136</u>	<u>557,987</u>	<u>22,411,123</u>
FUND BALANCE, END OF YEAR	<u>\$ 25,121,917</u>	<u>\$ 1,078,046</u>	<u>\$ 26,199,963</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, 2010

Net change in fund balances - total governmental funds \$ 3,788,840

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 exceeded depreciation and loss on sale of assets in the current period.

	new capital \$ 1,471,841	
	depreciation (2,597,604)	
	loss on fixed asset <u>(16,345)</u>	
	TOTAL	(1,142,108)

Capital assets contributed by citizens or developers are not a source of financial resources and thus, are not recognized in the governmental funds. 392,826

Internally developed software is an intangible asset recorded by reducing information technology wages in the statement of activities. 47,028

Some property tax revenue in the statement of activities does not provide current financial resources and is not reported as revenue in the funds. 83,823

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. 930,000

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. (60,891)

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. 13,175

Change in net assets of governmental activities \$ 4,052,693

CITY OF MERIDIAN, IDAHO
STATEMENT OF NET ASSETS – PROPRIETARY FUND
SEPTEMBER 30, 2010

	<u>Enterprise Fund</u> <u>Water and Sewer</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,428,931
Investments	29,573,384
Receivables	
Accounts (net of \$36,673 allowance for uncollectibles)	2,632,240
Due from other governmental units	6,429
Interest	104,693
Prepaid items	270,370
Total current assets	<u>34,016,047</u>
NONCURRENT ASSETS	
Capital assets	
Land	1,037,055
Easements	6,921,118
Construction in progress	8,485,976
Buildings and improvements other than buildings	50,938,065
Sewer and water lines	132,364,700
Machinery and equipment	24,634,039
Less accumulated depreciation	(40,933,369)
	<u>\$ 217,463,631</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 2,867,413
Accrued payroll and taxes	190,684
Accrued vacation, current portion	16,256
Customer deposits	364,829
Total current liabilities	<u>3,439,182</u>
NONCURRENT LIABILITIES	
Accrued vacation - less current portion	146,302
NET ASSETS	
Invested in capital assets, net of related debt	183,447,584
Unrestricted	30,430,563
Total net assets	<u>213,878,147</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 217,463,631</u>

See Notes to Financial Statements

CITY OF MERIDIAN, IDAHO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS-
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2010

	<u>Enterprise Fund Water and Sewer</u>
OPERATING REVENUES	
Charges for services	
Water revenues	\$ 6,415,738
Sewer revenues	10,438,103
Sale of meters	141,479
Trash billing service	483,148
Engineering fees	83,950
Miscellaneous	<u>256,670</u>
Total operating revenues	17,819,088
OPERATING EXPENSES	
Personnel services	5,070,348
Other services and charges	3,121,815
Depreciation	4,824,482
Supplies	1,581,534
Heat, lights and power	<u>923,055</u>
Total operating expenses	<u>15,521,234</u>
OPERATING INCOME	2,297,854
NONOPERATING REVENUES	
Interest revenue	430,820
Connection assessment fees and donations	3,080,966
Gain on sale of fixed assets	5,192
Net increase in fair value of investments	<u>58,594</u>
Total nonoperating revenues	<u>3,575,572</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	5,873,426
Donated waterlines and sewerlines	9,098,753
Operating transfers out	<u>(1,068,396)</u>
CHANGE IN NET ASSETS	13,903,783
NET ASSETS, BEGINNING OF YEAR	<u>199,974,364</u>
NET ASSETS, END OF YEAR	<u><u>\$ 213,878,147</u></u>

CITY OF MERIDIAN, IDAHO
STATEMENT OF CASH FLOWS-PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2010

	Enterprise Fund Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 17,567,084
Payments to suppliers	(4,557,193)
Payments to employees	<u>(5,049,952)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,959,939
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfer to general fund	<u>(1,068,396)</u>
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(1,068,396)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Connection assessment fees	3,074,537
Proceeds from sale of capital assets	6,243
Acquisition of capital assets	<u>(8,212,726)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(5,131,946)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(28,657,404)
Sale of investments	26,305,000
Interest received	<u>417,165</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,935,239)</u>
NET DECREASE IN CASH	(175,642)
CASH, BEGINNING OF YEAR	<u>1,604,573</u>
CASH, END OF YEAR	<u><u>\$ 1,428,931</u></u>

CITY OF MERIDIAN, IDAHO
STATEMENT OF CASH FLOWS-PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2010

	<u>Enterprise Fund</u> <u>Water and Sewer</u>
RECONCILIATION OF OPERATING INCOME TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 2,297,854
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	4,824,482
Changes in assets and liabilities	
Accounts receivable	(252,004)
Prepaid items	67,227
Accounts payable	752,524
Accrued payroll and taxes	20,396
Customer deposits	<u>249,460</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 7,959,939</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Developer and customer contributed sewer and water lines	\$ 9,098,753

CITY OF MERIDIAN, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Meridian, Idaho (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.

Component units are legally separate organizations for which the City is financially accountable. 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.

CITY OF MERIDIAN, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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.

CITY OF MERIDIAN, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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.

CITY OF MERIDIAN, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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 one year. 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.

In FY2010 the City implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets". GASB 51 establishes accounting and financial reporting requirements for intangible assets. Intangible assets are defined as assets having the characteristics of lacking physical substance, non-financial in nature, useful lives or benefits exceeding one or more years. Intangible assets consist of software, assets associated with property such as easements, water rights that can be identified separately from the land.

The City's threshold for recording intangible assets is \$25,000. In FY2010 the City booked the following assets meeting the threshold and retroactive to 1980 in accordance with Statement No. 51. Easements are not amortized as they have an indefinite life, and the software is amortized over a period of five years.

Easements:	
Park Pathways	\$ 30,476
Cross Access for Emergency Vehicles	187,388
Water and Sewer Easements	6,921,118
Internally Developed Software:	
Incident Tracking Software	47,027

CITY OF MERIDIAN, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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 and software	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.

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 financed the construction of a law enforcement building by issuing certificates of participation and entering into a lease and trust agreement with Wells Fargo Bank for the law enforcement building. The City completely retired the debt in FY2010 and has no other capital leases.

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.

CITY OF MERIDIAN, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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, 2010, \$4,483,946 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.

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, 2010 are classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 3,014,464
Cash and cash equivalents - restricted	41,829
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 3,056,293</u>
Investments	\$ 51,713,505
Investments - restricted	1,932,879
TOTAL INVESTMENTS	<u>\$ 53,646,384</u>

CITY OF MERIDIAN, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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.

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:

Investments subject to credit risk:	Fair Value	Rating
Agency Bonds	\$ 38,812,593	AAA
Municipal Bonds	415,960	AAA
Idaho Local Government Investment Pool (LGIP)	8,462,800	Not rated
Money Market Fund	1,955,890	Not rated
Total deposits and investments subject to duration measurement	\$ 49,647,243	

CITY OF MERIDIAN, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

Concentration of Credit Risk

Deposit and investments subject to duration measurement:	<u>Fair Value</u>	<u>Duration</u>
Agency Bonds	\$ 38,812,593	3.8
Municipal Bonds	415,960	1.8
Certificates of Deposit	5,955,031	2.4
Idaho Local Government Investment Pool (LGIP)	<u>8,462,800</u>	<u>0.3</u>
Total deposits and investments subject to duration measurement	53,646,384	3.1
Deposits and investments not subject to duration measurement:		
Money Market Fund	1,955,890	
Other Cash and Cash Equivalents	<u>1,100,403</u>	
Total deposits and investments not subject to duration measurement	<u>3,056,293</u>	
Total deposits and investments	<u>\$ 56,702,677</u>	

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 represent 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	\$ 11,159,144	21%
Fannie Mae	U.S. Agency Bond	19,229,482	36%
Freddie Mac	U.S. Agency Bond	4,805,214	9%
Federal Farm Credit Bank	U.S. Agency Bond	3,618,754	7%

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.

At year end, the carrying amount of the City's deposits was \$3,056,293 and the bank balance was \$3,054,744. Of the bank balance, \$1,098,854 was covered by federal depository insurance, and \$1,955,890 held in six distinct money market accounts with Charles Schwab as the custodian is covered by the Securities Investor Protection Corporation (SIPC). None of the money market accounts exceeds one million dollars. In addition to the SIPC 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 The Bank of the Cascades, 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

CITY OF MERIDIAN, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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 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. Neither the LGIP nor the DBF are rated by a nationally recognized statistical rating organization.

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, 2010:

State of Idaho	
State Liquor Dispensary	\$ 93,286
State Tax Commission	697,159
Idaho Transportation Department	7,427
Federal agencies	108,881
Other Governmental Agencies	55,581
Meridian Rural Fire District	254,965
Ada County	180,743
	<hr/>
TOTAL DUE FROM OTHER GOVERNMENTAL UNITS	<u>\$ 1,398,042</u>

CITY OF MERIDIAN, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 4 - CAPITAL ASSETS

Changes to capital assets are as follows:

	Balance Oct. 1, 2009	Additions	Deletions	Transfers	Balance Sept. 30, 2010
Governmental Activities:					
Capital assets, not depreciated:					
Land	\$ 14,253,022	\$ 3,522	\$ -	\$ 563,160	\$ 14,819,704
Easements	-	217,864	-	-	217,864
Construction in progress	30,744,383	661,734	-	(29,202,074)	2,204,043
Total capital assets, not depreciated	44,997,405	883,120	-	(28,638,914)	17,241,611
Capital assets, depreciated:					
Buildings	6,556,429	42,923	-	24,127,574	30,726,926
Improvements other than buildings	10,649,660	219,310	-	3,772,171	14,641,141
Internally developed software	-	47,027	-	-	47,027
Equipment	8,387,130	719,315	214,503	739,169	9,631,111
Total capital assets, depreciated	25,593,219	1,028,575	214,503	28,638,914	55,046,205
Less accumulated depreciation for:					
Buildings	2,028,625	1,049,402	-	-	3,078,027
Improvements other than buildings	2,111,182	581,323	-	-	2,692,505
Internally developed software	-	4,703	-	-	4,703
Equipment	4,758,884	962,176	198,158	-	5,522,902
Total accumulated depreciation	8,898,691	2,597,604	198,158	-	11,298,137
Total net capital assets, depreciated	16,694,528	(1,569,029)	16,345	28,638,914	43,748,068
Governmental activities capital assets, net	\$ 61,691,933	\$ (685,909)	\$ 16,345	\$ -	\$ 60,989,679

CITY OF MERIDIAN, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

	Balance Oct. 1, 2009	Additions	Deletions	Transfers	Balance Sept. 30, 2010
Business-type activities					
Capital assets, not depreciated:					
Land	\$ 951,656	\$ 64,150	\$ -	\$ 21,249	\$ 1,037,055
Easements	-	6,921,118	-	-	6,921,118
Construction in progress	32,334,860	6,473,430	-	(30,322,314)	8,485,976
Total capital assets, not depreciated	33,286,516	13,458,698	-	(30,301,065)	16,444,149
Capital assets, depreciated:					
Buildings and improvements					
other than buildings	25,241,141	261,915	2,140	25,437,149	50,938,065
Sewer and water lines	129,717,541	2,112,758	-	534,401	132,364,700
Machinery and equipment	18,976,331	1,478,109	149,916	4,329,515	24,634,039
Total capital assets, depreciated	173,935,013	3,852,782	152,056	30,301,065	207,936,804
Less accumulated depreciation for:					
Buildings and improvements					
other than buildings	9,964,268	1,063,948	1,579	-	11,026,637
Sewer and water lines	19,345,870	2,633,884	-	-	21,979,754
Machinery and equipment	6,949,754	1,126,650	149,426	-	7,926,978
Total accumulated depreciation	36,259,892	4,824,482	151,005	-	40,933,369
Total net capital assets, depreciated	137,675,121	(971,700)	1,051	30,301,065	167,003,435
Business-type activities capital assets, net	\$ 170,961,637	\$ 12,486,998	\$ 1,051	\$ -	\$ 183,447,584

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

Governmental activities:

General government	\$ 1,015,620
Public safety	911,720
Community planning and development	11,355
Parks and recreation	658,909

Total depreciation expense - governmental activities \$ 2,597,604

Business-type activities:

Water and Sewer	\$ 4,824,482
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Total depreciation expense - business-type activities \$ 4,824,482

CITY OF MERIDIAN, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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	\$ -	\$ 560,000	\$ 560,000
Enterprise fund	1,068,396	-	1,068,396
Total transfers	<u>\$ 1,068,396</u>	<u>\$ 560,000</u>	<u>\$ 1,628,396</u>

The transfer from the general fund to the capital projects fund was a transfer of cash funds requested by City Council. 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 FY2010.

As of September 30, 2010, there were no internal balances due to or from other funds.

NOTE 6 – CHANGES IN LONG-TERM DEBT

The City financed the construction of a law enforcement building by issuing certificates of participation and entering into a 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 required annual payments. The lease had 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 City completely retired the debt in FY2010.

The following is a summary of changes in long-term debt of the City for the year ended September 30, 2010.

	Balance Oct. 1, 2009	Debt Issued	Debt Retired	Sept. 30, 2010	Due Within One Year
Governmental activities:					
Capital leases					
Building	\$ 930,000	\$ -	\$ 930,000	\$ -	\$ -
Accrued vacation	997,355	60,891	-	1,058,246	105,825
Governmental activities long-term liabilities	<u>\$ 1,927,355</u>	<u>\$ 60,891</u>	<u>\$ 930,000</u>	<u>\$ 1,058,246</u>	<u>\$ 105,825</u>
Business-type activities:					
Accrued vacation	<u>\$ 156,650</u>	<u>\$ 5,908</u>	<u>\$ -</u>	<u>\$ 162,558</u>	<u>\$ 16,256</u>

CITY OF MERIDIAN, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 7 – LEASE AGREEMENTS

The City leases land, office equipment, and a tower under operating leases. The lease agreements cover various periods starting February 1, 1999 through December 30, 2013 and the minimum annual payments range from \$1363 to \$15,879. Total rental expense in FY2010 for all operating leases (which include rental, maintenance and usage) was approximately \$94,500. Future minimum annual lease payments for operating leases with remaining lease terms in excess of one year are as follows:

Operating Leases	
2011	\$ 73,552
2012	59,022
2013	39,026
2014	18,169
2015	17,872
Total minimum obligations	<u><u>\$ 207,641</u></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 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, 2010, the required contribution rates as a percentage of covered payroll for members are as follows:

	<u>Employee</u>	<u>Employer</u>
General Member	6.23%	10.39%
Police and Fire Member	7.69%	10.73%

Contributions required and paid for the last three years were:

	FY2008	FY2009	FY2010
\$	1,537,725	\$ 1,699,494	\$ 1,812,183

CITY OF MERIDIAN, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 9 - OTHER COMMITMENTS

The City has the following commitments at September 30, 2010:

Commitment	Purpose of Agreement	Amount
ACHD	Cooperative agreements for water and sewer lines	\$ 309,813
Alta Construction	Well 28 pumphouse construction	186,506
Aqua Aerobic	WWTP aquadiamond filter upgrades	32,801
Bodiford Construction	Construction of Bittercreek liftstation	96,065
Boise Office	Copier lease	48,286
Brown & Caldwell	Engineering services for water and sewer projects	60,193
Cascade Pipeline	Construction of various water & sewer line replacements	384,577
CH2MHill	Engineering services for water and sewer projects	293,608
Civil Survey	Engineering services for water and sewer projects	178,082
DC Engineering	Engineering services for water and sewer projects	13,150
Eskel Porter Consulting	Consulting services for Hansen 8 implementation	9,018
HDR Engineering	Engineering services for water and sewer projects	103,922
Hillside Landscape	Heroes Park construction	32,581
Horrocks Engineers	Engineering services for water and sewer projects	13,022
HydroLogic	Hydrogeologic engineering for water projects	164,046
IKON	Copier lease	11,699
JC Constructors	WWTP plant expansion projects	511,489
Johnson Architects	Architectural and design services for parks projects	12,400
JUB Engineers	Engineering services for water and sewer projects	56,599
Lawn Co	Landscape maintenance service for parks and fire	89,859
Murray, Smith & Associates	Engineering services for water and sewer projects	157,386
Parametrix	Architectural and design services for parks projects	30,004
Resource Data Inc	Engineering and consulting service for GIS projects	48,486
Riverside Welding	Construction of Heroes Park trellis	23,000
SPF Water Engineering	Engineering services for water and sewer projects	36,487
Star Construction	WWTP plant improvement projects	187,568
T-O Engineers	Engineering services for water and sewer projects	22,882
Xerox	Copier lease	41,355
TOTAL COMMITMENTS		\$ 3,154,884

CITY OF MERIDIAN, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 10 - CONTINGENT LIABILITIES

The City has been named as a defendant in various legal actions, the results of which are not presently determinable, except as described below. 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.

The City does have one potential contingent liability where there is a possibility of incurring a claim of \$1.7 million dollars. This stems from litigation concerning the construction of a City building. The likelihood of an unfavorable outcome is undeterminable and an accrual for the potential liability has not been recorded as of September 30, 2010. 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 – RELATED PARTY

The City partners with Meridian Development Corporation (MDC) for various downtown improvements. As of September 30, 2010, total revenues were \$58,622, of which \$55,000 was an outstanding receivable as of September 30, 2010.

NOTE 12 - COMPONENT UNIT

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

MDC - Deposits –Custodial Credit Risk

Cash and Cash Equivalents

As of September 30, 2010, the account balance of the bank account was \$30,240. At September 30, 2010, the balance was fully insured and collateralized by FDIC. MDC also participates in the State of Idaho Local Government Investment Pool (LGIP). Idaho State Treasurer's Pooled Idle Fund. 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 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 commercial paper, corporate bonds, money market funds and U.S. government securities.

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, 2010 was \$718,499. Copies of the report may be obtained from the Idaho State Treasurer's Office, 700 West Jefferson Street, Suite 126, Boise, Idaho 83702.

CITY OF MERIDIAN, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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. As of December 31, 2009, rating on the LGIP was removed, however at the time of withdrawal, the LGIP was managed in a manner consistent with an AAf rating. The LGIP was unrated as of September 30, 2010.

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 107 days as of September 30, 2010.

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 principle 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.

CITY OF MERIDIAN, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

MDC - Capital Assets

Changes to capital assets are as follows:

	Balance Oct. 1, 2009	Additions	Deletions	Transfers	Balance Sept. 30, 2010
Governmental Activities					
Capital assets, not depreciated					
Construction in process	\$ 39,613	\$ 184,210	\$ -	\$ (39,613)	\$ 184,210
Land	1,311,358	-	-	-	1,311,358
Total capital assets, not depreciated	<u>1,350,971</u>	<u>184,210</u>	<u>-</u>	<u>(39,613)</u>	<u>1,495,568</u>
Capital assets, depreciated					
Buildings	502,517	-	-	-	502,517
Equipment	-	57,106	-	39,613	96,719
Leasehold improvements	-	83,023	-	-	83,023
Intangibles	-	135,048	-	-	135,048
Total capital assets, depreciated	<u>502,517</u>	<u>275,177</u>	<u>-</u>	<u>39,613</u>	<u>817,307</u>
Less accumulated depreciation					
Buildings	(8,375)	(16,751)	-	-	(25,126)
Equipment	-	(8,577)	-	-	(8,577)
Leasehold improvements	-	(6,298)	-	-	(6,298)
Intangibles	-	(13,481)	-	-	(13,481)
Total accumulated depreciation	<u>(8,375)</u>	<u>(45,107)</u>	<u>-</u>	<u>-</u>	<u>(53,482)</u>
Total net capital assets, depreciated	<u>494,142</u>	<u>230,070</u>	<u>-</u>	<u>39,613</u>	<u>763,825</u>
Governmental activities capital assets, net	<u>\$ 1,845,113</u>	<u>\$ 414,280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,259,393</u>

(continued on next page)

CITY OF MERIDIAN, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

MDC - Changes in Long-Term Debt

MDC has a \$500,000 promissory note with the Bank of the Cascades to acquire property for redevelopment and public parking. The note was issued October 16, 2007 and has a maturity date of November 1, 2017. The note has an interest rate of 5.115 % and requires monthly payments of \$3,332 and is collateralized with future tax revenues.

MDC entered into a lease for a copier for the business incubator for a period of 19 months. Payments are \$213 per month beginning in February 2010 for a total cost of \$4,043. The carrying amount is \$2,752 (\$3,875, net of accumulated depreciation of \$1,123) as of September 30, 2010.

The following is a summary of changes in long-term debt of MDC for the year ended September 30, 2010.

	Balance Oct. 1, 2009	Debt Issued	Debt Retired	Balance Sept. 30, 2010
Governmental Activities:				
Note Payable				
Lease payable - copier	\$ -	\$ 3,875	\$ (1,123)	\$ 2,752
Building	470,460	-	(19,673)	450,787
	<u>470,460</u>	<u>-</u>	<u>(19,673)</u>	<u>450,787</u>
Governmental activities long-term liabilities	<u>\$ 470,460</u>	<u>\$ 3,875</u>	<u>\$ (20,796)</u>	<u>\$ 453,539</u>

The future debt service payments are as follows:

Fiscal Year	Principal	Interest	Total
2011	\$ 19,714	\$ 22,741	\$ 42,455
2012	18,385	21,817	40,202
2013	19,113	20,805	39,918
2014	20,113	19,805	39,918
2015	21,167	18,751	39,918
2016 - 2018	355,047	35,517	390,564
Totals	<u>\$ 453,539</u>	<u>\$ 139,436</u>	<u>\$ 592,975</u>

MDC - Related Party Transactions

MDC partners with the City of Meridian for various downtown improvements. As of September 30, 2010, total expenditures were \$58,622, of which \$55,000 was an outstanding payable as of September 30, 2010. In addition, MDC had a contract with V&G Ventures, LLC for administrative services and management of the business incubator property (beginning in February) through the end of Fiscal Year 2010. The administrator of MDC during fiscal year 2010 works for V&G Ventures, LLC. Pursuant to the agreement, MDC paid \$10,417 per month for administration and \$3,000 per month for property management. Total expenses for the year were \$125,000 for administration and \$22,179 for property management. As of September 30, 2010, \$14,567 was outstanding as a payable to V&G Ventures, LLC.

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, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 18,566,705	\$ 18,566,705	\$ 18,784,574	\$ 217,869
Licenses and permits	2,080,000	2,080,000	2,075,698	(4,302)
Intergovernmental	4,715,803	5,282,447	5,497,288	214,841
Franchise fees	1,300,000	1,300,000	1,373,872	73,872
Fines and forfeitures	405,000	405,000	511,560	106,560
Charges for services	617,250	633,570	867,617	234,047
Impact revenues	753,000	753,000	1,092,999	339,999
Donations	9,000	80,440	82,108	1,668
Interest	260,000	260,000	417,454	157,454
Miscellaneous	-	-	11,993	11,993
Total revenues	28,706,758	29,361,162	30,715,163	1,354,001
EXPENDITURES				
General government Personnel Costs	2,890,855	2,932,355	2,700,911	231,444
General government Operating Expense	2,392,650	3,303,144	2,453,601	849,543
Public safety				-
Police Personnel Costs	8,582,924	8,587,718	8,375,766	211,952
Police Operating Expenses	1,433,974	1,592,296	1,277,201	315,095
Fire Personnel Costs	6,603,546	6,600,646	6,179,139	421,507
Fire Operating Expenses	1,150,158	1,174,570	744,009	430,561
Parks and recreation Personnel Costs	1,371,301	1,371,301	1,222,294	149,007
Parks and recreation Operating Expenses	1,097,176	1,138,463	894,543	243,920
Community planning and development Personnel Costs	1,022,396	1,089,100	919,140	169,960
Community planning and development Operating Expenses	1,026,023	972,060	850,485	121,575
Debt service				
Principal	457,750	909,075	930,000	(20,925)
Interest	41,850	41,850	41,826	24
Capital outlay				
General government	831,908	825,406	78,093	747,313
Public safety				
Police	560,500	733,257	301,236	432,021
Fire	139,319	149,295	141,255	8,040
Parks and recreation	2,000,099	2,061,733	908,334	1,153,399
Community planning and development	150,000	150,000	-	150,000
Total expenditures	31,752,429	33,632,269	28,017,833	5,614,436
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,045,671)	(4,271,107)	2,697,330	6,968,437

CITY OF MERIDIAN, IDAHO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Operating transfer in	1,026,195	2,615,690	1,765,190	(850,500)
Operating transfer out	(273,885)	(1,863,380)	(1,256,794)	606,586
Unrealized gain(loss) on investments	-	-	55,369	55,369
Gain on sale of capital assets	-	-	7,686	7,686
Total Other Financing Sources (Uses)	<u>752,310</u>	<u>752,310</u>	<u>571,451</u>	<u>(180,859)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES	<u>(2,293,361)</u>	<u>(3,518,797)</u>	<u>3,268,781</u>	<u>6,787,578</u>
FUND BALANCE, BEGINNING OF YEAR	<u>21,853,136</u>	<u>21,853,136</u>	<u>21,853,136</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 19,559,775</u>	<u>\$ 18,334,339</u>	<u>\$ 25,121,917</u>	<u>\$ 6,787,578</u>

CITY OF MERIDIAN, IDAHO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2010

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 not 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 IMPROVEMENT FUND
YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 1,657	\$ 1,657
Total revenues	-	-	1,657	1,657
EXPENDITURES				
General government capital outlay	755,976	663,515	42,923	620,592
Total expenditures	755,976	663,515	42,923	620,592
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(755,976)	(663,515)	(41,266)	622,249
OTHER FINANCING SOURCES (USES)				
Operating transfer in	-	559,495	560,000	505
Operating transfer out	(559,495)	-	-	-
Unrealized gain(loss) on investments	-	-	1,325	1,325
Total Other Financing Sources (Uses)	(559,495)	559,495	561,325	1,830
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES	(1,315,471)	(104,020)	520,059	624,079
FUND BALANCE, BEGINNING OF YEAR	557,987	557,987	557,987	-
FUND BALANCE, END OF YEAR	\$ (757,484)	\$ 453,967	\$ 1,078,046	\$ 624,079

CITY OF MERIDIAN, IDAHO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL - ENTERPRISE FUND
YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Water sales	\$ 6,783,000	\$ 6,783,000	\$ 6,415,738	(367,262)
Sewer sales	9,303,000	9,303,000	10,438,103	1,135,103
Sale of meters	100,000	100,000	141,479	41,479
Trash billing service	480,000	480,000	483,148	3,148
Engineering fees	35,000	35,000	83,950	48,950
Assessment revenue and cash donations	2,562,000	3,107,000	3,080,966	(26,034)
Interest	200,000	240,000	430,820	190,820
Miscellaneous	200,000	200,000	256,670	56,670
Total revenues	19,663,000	20,248,000	21,330,874	1,082,874
EXPENDITURES				
Administration personnel costs	2,357,270	2,357,270	2,030,950	326,320
Administration operating expenses	802,636	799,036	623,424	175,612
Water personnel costs	1,354,131	1,354,131	1,147,779	206,352
Water operating expenses	5,088,438	5,032,716	3,986,017	1,046,699
Wastewater personnel costs	1,975,387	1,975,387	1,891,619	83,768
Wastewater operating expenses	6,385,665	6,384,227	5,841,445	542,782
Capital outlay	14,604,743	13,695,501	8,212,726	5,482,775
less depreciation	(3,995,109)	(3,995,109)	(4,825,532)	830,423
Total expenditures	28,573,161	27,603,159	18,908,428	8,694,731
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(8,910,161)	(7,355,159)	2,422,446	9,777,605
OTHER FINANCING SOURCES (USES)				
Operating transfer out	(1,311,804)	(1,311,804)	(1,068,396)	243,408
Unrealized gain(loss) on investments	-	-	58,594	58,594
Gain(loss) on Sale of capital assets	-	-	5,192	5,192
Total Other Financing Sources (Uses)	(1,311,804)	(1,311,804)	(1,004,610)	307,194
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES	(10,221,965)	(8,666,963)	1,417,836	10,084,799
FUND BALANCE, BEGINNING OF YEAR	29,012,727	29,012,727	29,012,727	-
FUND BALANCE, END OF YEAR	\$ 18,790,762	\$ 20,345,764	\$ 30,430,563	\$ 10,084,799

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SINGLE AUDIT SECTION



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*

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of the City of Meridian, Idaho (the City), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 23, 2011. 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 the City of Meridian, Idaho's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 the 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 result of our tests disclosed no instances of noncompliance or other matters that are not required to be reported under Government Auditing Standards except as disclosed in the accompanying Schedule of Findings and Questioned Costs as item 2010-01.

This report is intended solely for the information and use of the Mayor and the members of City Council, federal awarding agencies and pass-through entities, and management of the City of Meridian, Idaho, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned below the text "Very truly yours,".

Boise, Idaho
February 23, 2011



Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the City of Meridian, Idaho's (the City's) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. City of Meridian, Idaho's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Meridian, Idaho, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2010-01.

Internal Control Over Compliance

Management of the City of Meridian, Idaho, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City of Meridian, Idaho's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Mayor and the members of City Council, federal awarding agencies and pass-through entities, and management of the City of Meridian, Idaho and is not intended to be and should not be used by anyone other than these specified parties.

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

Boise, Idaho
February 23, 2011

CITY OF MERIDIAN, IDAHO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2010

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weakness(es)?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weakness(es)?	None Reported
Type of auditors’ report issued on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in Accordance with Circular A-133, Section .510(a)?	Yes

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
U.S. Department of Housing & Urban Development Community Development Block Grant	14.218
ARRA – Community Development Block Grant	14.253
U.S. Department of Homeland Security Homeland Security Grant Program	97.067
Dollar threshold used to distinguish between Type A and Type B programs?	\$300,000
Auditee qualified as low-risk auditee?	No

CITY OF MERIDIAN, IDAHO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2010

Section II – Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

09-1 – CFDA 14.218 – Community Development Block Grant (CDBG)

Condition – During testing of grant reporting it was noted that neither SF-425, Federal Financial Report, nor its predecessor SF-272, Federal Cash Transaction Report, have been prepared by City of Meridian (the City) for the CDBG grant for and during the past three grant years.

Criteria – In accordance 24 CFR 85.41, the Standard Form 272 (SF-272) is required unless the “terms of the award exempt the grantee from this requirement.” The terms of CDBG awards are mentioned in general terms on the Funding Approval/Agreement form issued with each CDBG award under the “Grant Agreement” section. That part says that the awarded funds must be used “in compliance with all applicable requirements.” Applicable requirements are primarily given in 24 CFR 570 – Community Development Block Grants which at 24 CFR 570.502(a)(15) says “Section 85.41, “Financial reporting,” except paragraphs (a), (b), and (e)” apply to recipients and subrecipients. The City is required to prepare and submit SF-425 and its predecessor SF-272 Federal Cash Transaction Report on a quarterly basis.

Cause – Prior to 1996 (and the establishment of IDIS), receipt of SF-272s was entered into the Line of Credit and Control System by HUD staff. Failure to submit the report on time would result in LOCCS automatically suspending access to an account, which would be visible in a “Late Submission” report. Once the form would be received the suspension would be lifted. Since the establishment of IDIS, the entering of SF-272s is no longer an available action in LOCCS so there is no report generated or automatic suspension made for non-receipt. IDIS also does not accommodate receipt of the report. This has meant that HUD staff must rely on routine desk monitoring practices to ensure the reports are received on time and that grant recipients must self regulate for compliance with this requirement.

With the implementation of IDIS and its greater reporting capacity, HUD staff can generate detailed grantee disbursement, withdrawal and program income information with ease. The SF-272, which was developed before LOCCS or IDIS, was most useful in a non-electronic world. The form’s reduced usefulness in the present environment was partly recognized by the revision of the form into the SF-425.

Effect – SF reports were not prepared and submitted as required. The impact of a grantee not completing the SF-272 or SF-425 is minimal per HUD’s Portland office because the primary purpose of the form is to provide HUD with a confirmation from the recipient that it has received the payments transferred to its bank account as HUD can already see in their accounting systems what payments were made and if the payments were successfully delivered electronically. Also, grantees perform regular accounting reconciliations, which compare requests to receipts and are thus aware if any payments have not been received.

CITY OF MERIDIAN, IDAHO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2010

Recommendation – Client should utilize A-133 circulars available at OMB.gov and grant information at CFDA.gov to search for any additional requirements not specified in the individual grant agreement to ensure that no legislated requirements are not addressed formally.

Corrective Action Plan (CAP)

Actions Planned in Response to Finding - The SF-425 preparation for the CDBG grant will be added to the schedule of grant reporting duties and go through the same set process tracked by the grant accountant.

Explanation of Disagreement – There is no disagreement with the audit finding.

Official Responsible for Ensuring Corrective Action – Jenny Ma, Grant Accountant

Planned Completion for Correction Action - This will be ongoing.

Plan to Monitor Completion of Corrective Action – The filing of the quarterly SF-425 has been implemented starting Q1 of FY2011 and will be added to the normal process for the CDBG grant.

CITY OF MERIDIAN, IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2010

Federal Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
US Dept of Energy			
ARRA - Energy Efficiency and Conservation Block Grant	81.128		\$ 60,356
Total US Dept of Energy			60,356
US Dept of Health & Human Services			
Drug Free Communities Support Program	93.276		136,149
Total US Dept of Health & Human Services			136,149
US Dept of Housing & Urban Development			
Community Development Block Grant - entitlement grant	14.218*		353,781
ARRA Community Development	14.253		24,565
<i>Passed Through Idaho State Dept of Commerce</i>			
Community Development Block Grant -	14.228*	B-05DC-16-0001	460
Total US Dept of Housing & Urban Development			378,806
US Dept of Homeland Security			
<i>Passed Through Idaho State Dept Military Division</i>			
Homeland Security Grant Program	97.067	2008GET80044	178,589
Total US Dept of Homeland Security			178,589
US Dept of Justice			
Bulletproof Vest Partnership Program	16.607		8,589
<i>Passed Through Ada County Sheriff's Office</i>			
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.804	2009-G0551-ID-SB	19,750
Total US Dept of Justice			28,339
US Dept of Transportation			
<i>Passed Through Idaho State Dept of Transportation</i>			
State and Community Highway Safety	20.600		
Aggressive Enforcement Mobilization	20.600	PT-2010-01-00-00	5,976
Youth School Zone	20.600	PT-2010-21-00-00	4,400
Seat Belt Mobilization	20.600	OP-2010-01-00-00	5,000
Alcohol Impaired Driving Countermeasures	20.601	K8-2010-01-00-00	2,000
Total US Dept of Transportation			17,376
Total Expenditures of Federal Awards			\$ 799,615

* Denotes a major program cluster

CITY OF MERIDIAN, IDAHO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2010

NOTE 1 – GENERAL

This schedule includes the federal grant activity for the City of Meridian and is presented on the modified accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

The City of Meridian reporting entity is defined in Note 1 of the City’s basic financial statements.

NOTE 2 – SUBRECIPIENTS

The City administers certain federal awards programs through subrecipients. Of the federal expenditures presented in this schedule, City of Meridian provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Sub-Recipients</u>
Community Development Block Grant - Entitlement	14.218	\$ 120,198