

*the city of*  
**MERIDIAN,**  
MISSISSIPPI

CITY OF MERIDIAN, MISSISSIPPI  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

# **CITY OF MERIDIAN, MISSISSIPPI**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2012**

Prepared by:  
Department of Finance and Records  
L.E. Skipper, Director

**CITY OF MERIDIAN, MISSISSIPPI**  
 Comprehensive Annual Financial Report  
 For the Fiscal Year Ended September 30, 2012

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## **INTRODUCTORY SECTION**

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April 26, 2013

**Mayor:**

**CHERI BARRY**  
(601) 485-1927  
FAX: (601) 485-1911

To the Honorable Members of the City Council  
and Citizens of the City of Meridian, Mississippi:

**Council Members:**

**GEORGE M THOMAS**  
Ward 1

**MARY A. B. PERRY**  
Ward 2

**BARBARA HENSON**  
Ward 3

**JESSE E. PALMER, SR.**  
Ward 4

**BOBBY R. SMITH**  
Ward 5

**COUNCIL CLERK**  
(601) 485-1959  
FAX: (601) 485-1913

State of Mississippi law requires that every municipality in the state shall have its books audited annually, prior to the close of the next succeeding fiscal year, either by a competent accountant approved by the State Auditor or by a certified public accountant. The audit shall be made in accordance with regulations promulgated by the State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Meridian, Mississippi ("City") for the fiscal year ended September 30, 2012.

**CITY DEPARTMENTS:**

**Chief Administrative Officer**  
(601) 485-1929  
FAX: (601) 485-1911

**Community Development:**  
(601) 485-1910  
FAX: (601) 484-6813

**Finance and Records:**  
(601) 485-1946  
FAX: (601) 485-1979

**Fire:**  
(601) 485-1922  
FAX: (601) 485-1035

**Homeland Security:**  
(601) 484-6890  
FAX: (601) 484-6895

**Parks and Recreation:**  
(601) 485-1802  
FAX: (601) 485-1851

**Police:**  
(601) 485-1841  
FAX: (601) 484-6832

**Public Works:**  
(601) 485-1920  
FAX: (601) 485-1864

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited in accordance with auditing standards generally accepted in the United States of America by Breazeale, Saunders & O'Neil, Ltd., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are presented in the Single Audit section of this report.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

The City, incorporated in 1860, is located in east central Mississippi, and is the county seat of Lauderdale County. The City currently occupies a land area of approximately 54.3 square miles and has an official 2010 population of 41,148. The City is empowered to levy a property tax on real and personal properties, utilities and motor vehicles located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing authorities and approved by the appropriate court of jurisdiction.

The City has operated under the mayor-council form of government since 1985. Legislative authority is vested in a part-time governing city council consisting of five council members elected by wards. The city council is responsible, among other things, for passing ordinances, adopting the budget and hiring an independent accountant to provide a full and complete examination of all books of the City at the end of each fiscal year. Executive authority is vested in a full-time mayor elected at-large. The mayor is responsible, among other things, for enforcing the charter and ordinances of the municipality and all general laws applicable thereto, for overseeing day-to-day operation of the City, appointing the heads of the various departments subject to council confirmation, annually reporting to council and the public on the work of the previous year, making recommendations for action by the council and supervising all of the departments of the City. The mayor may approve ordinances adopted by the council or veto such action within ten (10) business days, stating the reasons for such veto. No ordinance so vetoed shall take effect unless council within ten (10) business days resolves to override the veto by a vote of two-thirds (2/3) of the members present and voting to override. If the mayor takes no action to approve or veto an ordinance, there is a period of fifteen (15) business days before the ordinance could become effective. The mayor and council serve concurrent, four-year terms.

The City provides a full range of services, including police and fire protection; general administration; construction and maintenance of streets, drainage ways and other infrastructure; waste and trash collection and disposal; water and sewer services; community and economic development services; and recreational activities and cultural events. Discretely presented

component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Meridian Airport Authority, the Meridian Transportation Commission and, the Meridian and Bonita Lakes Development Authority are reported as discretely presented component units. The Meridian Redevelopment Agency is reported as a blended component unit.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City submit requests for appropriations to the mayor in May of each year. The mayor uses the requests as a starting point for developing a proposed budget. The mayor then presents this proposed budget to the council for review in July. The council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than September 15. The budget is prepared by fund and department. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is adopted by major expenditure classifications within departments or funds. These major classifications are: personnel services, supplies and expenses, capital outlay, and transfers and other charges. Department heads, with approval from the Chief Administrative Officer, may make transfers of appropriations within one of the major classifications within a department. A transfer of appropriations between classifications, however, requires a budget amendment approved by the council.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

**Local economy.** The City continues to have a diverse economy with industries ranging from electronic music and sound equipment to aircraft parts and steel fabrication to distribution centers for office products, flower bulbs, and beverages. Meridian is located at the intersection of five US highways and two major interstates: I-20, which runs from western Texas to South Carolina and I-59, which connects southeast Louisiana to northern Georgia. Meridian is the center of a large trade area and continues to meet the medical, retail, industrial, cultural and recreational needs of hundreds of thousands of people in east Mississippi and west Alabama.

The City serves as a regional health center, with five hospitals that employ over 6,000 healthcare professionals and staff. The federal government has a major presence in the area with the Meridian Naval Air Station (“NAS Meridian”), which provides training for both naval carrier pilots and technical training for various enlisted personnel. NAS Meridian also provides the RCTA or Regional Counter-Drug Training Academy. The RCTA offers training for a variety of law enforcement entities from throughout the southeast in the war on drugs. Meridian is also home to the G.V. "Sonny" Montgomery National Guard Complex.

The City's Public Safety Training Facility is situated on approximately 99 acres and is recognized as a Level 2 law enforcement academy by the Mississippi Police Board of Standards

and Training. The facility provides training in a variety of courses for multiple entities both from within the state and out of state. Additionally, the Public Safety Training Facility has a three-story drill tower with live fire capabilities, a driving track, firing ranges and a working Amtrak rail site complete with rail cars. The facility is one of the only active training sites in the country for passenger rail rescue courses. The City is also home to the first municipal Department of Homeland Security in the state and is included in a nine county regional response team that serves central Mississippi. The team is part of a 27 county task force that is supported by the Mississippi Department of Homeland Security.

The City of Meridian worked with Mississippi State University and the Riley Foundation to donate the Kress Building to the University. This donation, along with the Riley Foundation's donation to the University of the Newberry Building, allowed Mississippi State to greatly expand their presence in downtown Meridian. The first classes of the University's downtown campus began in January 2012 with the opening of the Business School in the Newberry building. Plans are currently in the works to create a new school at the University that would be housed in the Kress Building.

The restoration of historic 1915 City Hall opened for business in February, 2012. This project returned the National Register of Historic Places building to its original look while integrating modern technology. Another significant project completed in November, 2011 was a major computer and software conversion of the water, sewer and garbage billing and collection systems to replace and improve the City's information technology systems. Other projects completed during the year include the rehabilitation of the Bonita Lakes Dam, pump station construction at the Waste Water Treatment Plant and a sanitary sewer line rehabilitation project.

**Long-term financial planning.** With the current economic conditions, greater emphasis will be on provision of basic services. Revenue will be allocated as needed toward the basic governmental services of water and sewer and public safety. Emphasis will be placed on long term financing and grant procurement to address capital needs of the water and sewer system and law enforcement needs.

**Relevant financial policies.** In addition to the establishment of a comprehensive internal control framework and formal budgetary procedures, the City's management is also committed to conservatism in projecting annual revenues and allocating one time revenues. These policies prevent drastic reductions due to under budgeted or unbudgeted costs and ensure that operating expenses are not increased for one time revenues.

**Major initiatives.** Two significant ongoing projects at September 30, 2012 include construction of a new fire station in the annexed north portion of the City, which opened in March, 2013 and acquisition of a new police complex. Significant projects to be addressed include continued replacement and maintenance of aging water and sewer plants and lines to be financed through grants and bond issues.

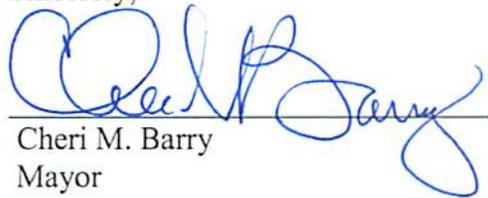
## Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report ("CAFR") for the fiscal year ended September 30, 2011. This was the sixteenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

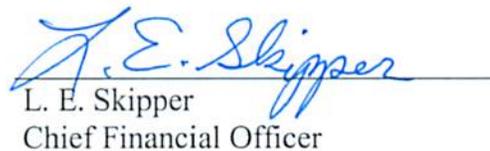
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance and Records Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the city council for its unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Sincerely,



Cheri M. Barry  
Mayor



L. E. Skipper  
Chief Financial Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Meridian  
Mississippi

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2011

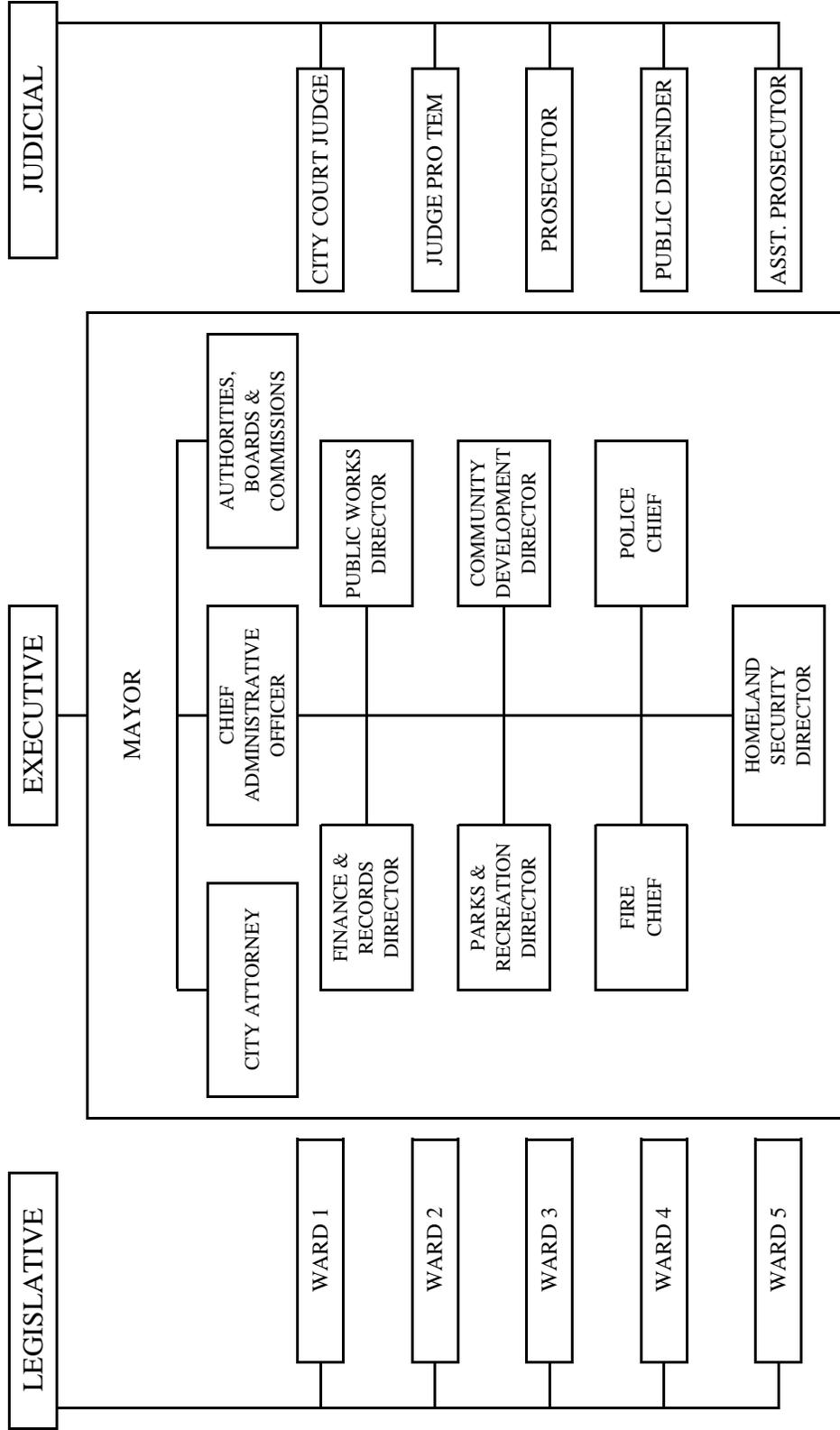
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Christopher P. Howell*  
President

*Jeffrey R. Enev*  
Executive Director

**CITY OF MERIDIAN, MISSISSIPPI**  
 Organizational Structure  
 September 30, 2012



**CITY OF MERIDIAN, MISSISSIPPI**

Listing of City Officials

September 30, 2012

**Elected Officials**

Mayor .....	Cheri M. Barry
Council Member - Ward 1 .....	George M Thomas
Council Member - Ward 2 .....	Mary A. B. Perry
Council Member - Ward 3 .....	Barbara Henson
Council Member - Ward 4 .....	Jesse E. Palmer, Sr.
Council Member - Ward 5 .....	Bobby R. Smith

**Appointed Officials**

Chief Administrative Officer .....	Tim Miller
Finance & Records Director/City Clerk .....	Ed Skipper
Public Works Director .....	Monty Jackson
Parks & Recreation Director .....	Mark Naylor
Community Development Director .....	Connie Royal
Fire Chief .....	Anthony Clayton
Police Chief .....	James M. Reed
City Attorney .....	Ronnie L. Walton

**FINANCIAL SECTION**

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**INDEPENDENT AUDITORS' REPORT**

**The Honorable Mayor Cheri M. Barry and  
Honorable Members of the City Council  
City of Meridian, Mississippi:**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Meridian, Mississippi ("City") as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Meridian Airport Authority, which represent 99.97 percent, 100 percent, and 98.58 percent, respectively, of the assets, net assets, and operating revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for this component unit, are based on the report of the other auditors.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, 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 units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

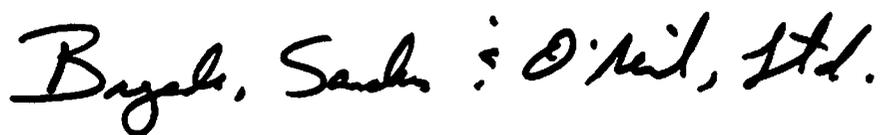
In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2013, on our consideration of the City's internal control over financial reporting and our tests of its

**The Honorable Mayor Cheri M. Barry and  
Honorable Members of the City Council  
City of Meridian, Mississippi:  
Page two**

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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 24 and the schedule of funding progress on page 94 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The combining and individual nonmajor fund financial statements and schedules, other supplementary information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Jackson, Mississippi  
April 26, 2013

**CITY OF MERIDIAN, MISSISSIPPI**  
Management's Discussion and Analysis  
Fiscal Year Ended September 30, 2012

As management of the City of Meridian, Mississippi ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3 - 7 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$116,445 (*net assets*). Of this amount, \$9,143 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$4,137. This change in net assets is largely attributable to a \$986 increase in water and sewer capital grants, an \$820 increase in public works capital grants, a \$783 increase in water and sewer charges, and a \$1,172 decrease in culture and recreation expenses.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$24,853, an increase of \$3,940 in comparison with the prior year. Approximately 30 percent of this total amount, \$7,494, is *available for spending* at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$7,494 or 28 percent of total general fund expenditures.
- The City's total debt increased by \$626 (1.03 percent) during the current fiscal year. During the year, the City issued \$6,318 in new debt and retired \$5,692 of previously issued debt.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on 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.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, and economic development. The business-type activities of the City include water and sewer services, waste collection and disposal, a golf course, Union Station, and citywide concessions.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the following legally separate entities for which the City is financially accountable: (1) Meridian Airport Authority, (2) Meridian Transportation Commission, and (3) Meridian and Bonita Lakes Development Authority. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The Meridian Redevelopment Agency, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 26 - 29 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 21 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and 2012 General Obligation Bonds fund all of which are considered to be major funds. Data from the other 18 nonmajor governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages 30 - 37 of this report.

**Proprietary funds.** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer fund, waste collection and disposal fund, golf course fund, Union Station fund and a citywide concessions fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds (1) to account for service and maintenance costs for its fleet of vehicles, (2) to account for office supplies, (3) to account for health and life insurance claims, and (4) to account for unemployment insurance and claims. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the business-type activities of the water and sewer fund and the waste collection and disposal fund, which are considered to be major funds of the City. Data from the nonmajor enterprise funds are combined into a single, aggregate presentation. The internal service funds are also combined into a single, aggregate presentation in the proprietary fund financial statements. Individual fund data for the three nonmajor enterprise funds and the four internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary funds financial statements can be found on pages 38 - 43 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statement can be found on page 44 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47 - 92 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 93 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, internal service funds, fiduciary funds, and nonmajor component units are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 95 - 127 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$116,445 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (82 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Meridian's Net Assets

<u>Description</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 30,915	26,580	14,207	14,629	45,122	41,209
Capital assets, net	<u>106,033</u>	<u>107,235</u>	<u>35,332</u>	<u>32,832</u>	<u>141,365</u>	<u>140,067</u>
<b>Total assets</b>	<u>136,948</u>	<u>133,815</u>	<u>49,539</u>	<u>47,461</u>	<u>186,487</u>	<u>181,276</u>
Long-term liabilities outstanding	46,811	45,905	16,133	16,506	62,944	62,411
Other liabilities	<u>4,728</u>	<u>4,373</u>	<u>2,370</u>	<u>2,184</u>	<u>7,098</u>	<u>6,557</u>
<b>Total liabilities</b>	<u>51,539</u>	<u>50,278</u>	<u>18,503</u>	<u>18,690</u>	<u>70,042</u>	<u>68,968</u>
Net assets:						
Invested in capital assets, net of related debt	75,049	74,694	20,841	19,795	95,890	94,489
Restricted	5,755	6,519	5,657	5,151	11,412	11,670
Unrestricted	<u>4,605</u>	<u>2,324</u>	<u>4,538</u>	<u>3,825</u>	<u>9,143</u>	<u>6,149</u>
<b>Total net assets</b>	<u>\$ 85,409</u>	<u>83,537</u>	<u>31,036</u>	<u>28,771</u>	<u>116,445</u>	<u>112,308</u>

An additional portion of the City's net assets (10 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,143 in *unrestricted net assets* may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City was able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

There was an increase of \$506 in restricted net assets reported in connection with the City's business-type activities. This is a result of increased grant funds available for capital projects in the water and sewer system.

The City's net assets increased \$4,137 during the current fiscal year. This change in net assets is largely attributable to a \$986 increase in water and sewer capital grants, an \$820 increase in public works capital grants, a \$783 increase in water and sewer charges, and a \$1,172 decrease in culture and recreation expenses.

**Governmental activities.** Governmental activities increased the City's net assets by \$1,872. Key elements of these changes in net assets are as follows:

**City of Meridian's Changes in Net Assets**

<b><u>Description</u></b>	<b><u>Governmental Activities</u></b>		<b><u>Business-type Activities</u></b>		<b><u>Total</u></b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,778	1,720	15,453	14,604	17,231	16,324
Operating grants and contributions	515	608	-	-	515	608
Capital grants and contributions	1,812	1,654	1,314	328	3,126	1,982
General revenues:						
Property taxes	14,439	14,722	40	400	14,479	15,122
Other taxes	17,345	17,238	-	-	17,345	17,238
Grants and contributions not restricted to specific programs	75	70	-	-	75	70
Unrestricted investment earnings	<u>123</u>	<u>194</u>	<u>103</u>	<u>105</u>	<u>226</u>	<u>299</u>
Total revenues	<u>36,087</u>	<u>36,206</u>	<u>16,910</u>	<u>15,437</u>	<u>52,997</u>	<u>51,643</u>
<b>Expenses:</b>						
General government	6,874	6,907	-	-	6,874	6,907
Public safety	15,584	15,528	-	-	15,584	15,528
Public works	7,671	7,877	-	-	7,671	7,877
Culture and recreation	2,051	3,223	-	-	2,051	3,223
Economic development	169	124	-	-	169	124
Sanitation	-	-	1,876	1,825	1,876	1,825
Interest on long-term debt	1,908	2,061	-	-	1,908	2,061
Other	24	19	846	838	870	857
Water and sewer	<u>-</u>	<u>-</u>	<u>11,857</u>	<u>11,742</u>	<u>11,857</u>	<u>11,742</u>
Total expenses	<u>34,281</u>	<u>35,739</u>	<u>14,579</u>	<u>14,405</u>	<u>48,860</u>	<u>50,144</u>
<b>Excess of revenues over expenses before transfers</b>	1,806	467	2,331	1,032	4,137	1,499
Transfers	<u>66</u>	<u>(936)</u>	<u>(66)</u>	<u>936</u>	<u>-</u>	<u>-</u>
<b>Change in net assets</b>	1,872	(469)	2,265	1,968	4,137	1,499
<b>Net assets - beginning</b>	<u>83,537</u>	<u>84,006</u>	<u>28,771</u>	<u>26,803</u>	<u>112,308</u>	<u>110,809</u>
<b>Net assets - ending</b>	\$ <u>85,409</u>	<u>83,537</u>	<u>31,036</u>	<u>28,771</u>	<u>116,445</u>	<u>112,308</u>

- Property taxes decreased \$643 or four percent in 2012 compared to 2011. This decrease in property tax receipts is primarily due to the acquisition of a for-profit hospital with a 2011 taxable assessed value of \$4,900 by a nonprofit hospital. Additionally, there was a 0.2 percent decrease in the City's 2012 combined tax rate from 118.35 mills in 2011 to 118.15 mills, or \$118.15 per \$1,000 of assessed valuation.
- Charges for services increased \$907 or six percent in 2012 compared to 2011.
- Operating grants and contributions decreased \$93 or fifteen percent in 2012 compared to 2011. This was mostly due to a decrease in operating grants for public safety and public works.
- Capital grants and contributions increased \$1,144 or 58 percent in 2012 compared to 2011. This was mostly due to an increase in capital grants for public works.
- Other taxes (which include sales taxes) increased \$107 or one percent.
- Total revenues increased \$1,354 or three percent.
- Total expenses decreased \$1,284 or three percent. This was mainly due to a \$1,172 decrease in culture and recreation expenses.

**Business-type activities.** Business-type activities increased the City's net assets by \$2,265. This is primarily due to an \$849 increase in charges for services and a \$986 increase in capital grants.

### **Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$24,853, an increase of \$3,940 in comparison with the prior year. Of this total, \$13,456 is *restricted* due to external limitations on its use, such as by debt covenants, legal restrictions, or intention of grantors or donors. A total of \$1,594 is considered *nonspendable* because it has been used for inventory and assets held for resale. A total of \$1,961 has been assigned, meaning there are limitations resulting from its intended use. A total of \$348 has been *committed* through formal action of the City Council for construction or acquisition of capital assets. The remaining \$7,494 of the fund balance is *unassigned*, which is available for spending at the City's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,494, while total fund balance was \$11,021. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 28 percent of total general fund expenditures, while total fund balance represents 41

percent of that same amount. The fund balance of the City's general fund increased by \$1,662 during the current fiscal year. This was primarily due to a \$374 increase in sales taxes, a \$277 increase in transfers in from other funds, a \$501 decrease in general government expenditures, and a \$128 decrease in debt service expenditures.

The debt service fund has a total fund balance of \$2,721, all of which is restricted for the payment of debt service. The net decrease of \$20 during the current year in the debt service fund is a result of the \$626 increase in total outstanding debt during the current year and the timing of payment due dates of long-term debt. The 2012 General Obligation Bonds fund has a total fund balance of \$4,184, all of which is restricted for street paving projects throughout the City. The fund balance of the 2012 General Obligation Bonds fund increased \$4,184 during the current fiscal year. This increase is from the proceeds of the bond issue less expenditures for the street paving projects.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer fund at the end of the year amounted to \$3,761, and those for the waste collection and disposal fund amounted to \$531. The total decrease in net assets for the waste collection and disposal fund is \$5 and the water and sewer fund net assets increased by \$2,250.

### **General Fund Budgetary Highlights**

There was no difference between the original budget and the final amended budget in total expenditures. Further, there were no changes within the levels of expenditures.

Actual revenues exceeded the final amended budget by \$870.

The final amended budgeted expenditures exceeded the actual in all departments. Differences between the final amended budgeted expenditures and actual are as follows:

<u>Description</u>	<u>Actual Under Budget</u>
General government	\$ 759
Finance and records	248
Community development	154
Parks and recreation	183
Public works	569
Police	480
Fire	276
Homeland security	189
Arts district parking garage	<u>38</u>
<b>Total</b>	<b>\$ <u>2,896</u></b>

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2012, amounts to \$141,365 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset events during the current fiscal year included the following:

- Milling, leveling and overlay of various City streets.
- Repair of gabions along Gallagher Creek in Highland Park.
- Construction of Fire Station Number 9 in the newly annexed northeast part of the City.
- Continued replacing and upgrading the supervisory control and data acquisition (“SCADA”) system at the Freshwater Treatment Plants.
- Continued replacement of South Waste Water Treatment Plant air blowers, digester blowers, process pumps, and associated electrical upgrades
- Completed renovation and restoration of City Hall.
- Completed installation of an integrated financial, customer, and maintenance management software system.
- Completed repairs to and stabilization of the Bonita Lakes Dam.

### City of Meridian's Capital Assets (net of depreciation)

<u>Description</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 8,078	8,055	248	248	8,326	8,303
Right of ways	3	3	30	-	33	3
Building and system	34,122	17,373	30,541	30,598	64,663	47,971
Improvements other than buildings	2,894	2,023	25	25	2,919	2,048
Machinery and equipment	5,071	3,837	698	572	5,769	4,409
Infrastructure	54,636	57,191	-	-	54,636	57,191
Construction in progress	<u>1,229</u>	<u>18,753</u>	<u>3,790</u>	<u>1,389</u>	<u>5,019</u>	<u>20,142</u>
<b>Total</b>	\$ <u>106,033</u>	<u>107,235</u>	<u>35,332</u>	<u>32,832</u>	<u>141,365</u>	<u>140,067</u>

Additional information on the City's capital assets can be found in note 5 on pages 71 - 74 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$48,875. Of this amount, \$33,520 comprises debt backed by the full faith and credit of the City, \$4,670 is special obligation bonds, \$4,475 is tax increment financing bonds and \$1,505 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City's total bonded debt increased by \$480 (one percent) during the current fiscal year. The increase is due to the issuance of new bonds exceeding retirements.

**City of Meridian's Outstanding Debt  
General Obligation and Revenue Bonds**

<u>Description</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 33,520	31,170	-	-	33,520	31,170
Special obligation bonds	4,670	4,985	-	-	4,670	4,985
Limited obligation tax increment financing bonds	4,475	5,100	-	-	4,475	5,100
Special assessment debt with governmental commitment	1,505	1,720	-	-	1,505	1,720
Revenue bonds	-	-	4,705	5,420	4,705	5,420
<b>Total</b>	\$ <u>44,170</u>	<u>42,975</u>	<u>4,705</u>	<u>5,420</u>	<u>48,875</u>	<u>48,395</u>

The City maintains excellent bond ratings for both general obligation and revenue bond debt. The general obligation bonds maintain an "Aa3" rating from Moody's Investors Service. The revenue bonds of the water and sewer fund are rated "Baa1" by Moody's Investors Service.

State statutes limit the amount of general obligation debt a government entity may issue to 15 percent of its total assessed valuation. The current debt limitation of the City is \$51,362 which is significantly in excess of the City's net outstanding general obligation debt of \$32,621 applicable to the debt limitation.

Additional information on the City's long-term debt can be found in note 8 on pages 78 - 83 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the City is currently 13.6 percent, which is a slight increase from the rate of 13.3 percent a year ago. The statewide average is 9.9 percent as compared to the national average of 8.1 percent.
- The revitalization of the City continued with the issuance of 687 building permits with a construction value of \$17 million.

- Inflationary trends in the City are slightly higher than the national average. The change in CPI in the past year for the City was an increase of 3.3 percent versus the national average increase of 2.0 percent.
- Sales tax collections year to date in fiscal year 2013 are up 4.63 percent from the previous fiscal year. During the first six months of fiscal year 2013, the City has received \$7,155 in sales tax collections, compared to \$6,838 received during the same period of fiscal year 2012.

All of these factors were considered in preparing the City's budget for the 2013 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund increased to \$7,494. The City has appropriated \$2,650 of this amount for spending in the 2013 fiscal year budget.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Financial Officer, City of Meridian, P. O. Box 1430, Meridian, Mississippi 39302.

**BASIC FINANCIAL STATEMENTS**

## CITY OF MERIDIAN, MISSISSIPPI

## Statement of Net Assets

September 30, 2012

<u>ASSETS</u>	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Cash and cash equivalents	\$ 7,734,452	4,228,107	11,962,559	1,360,544
Investments	1,550,000	-	1,550,000	-
Receivables, net:				
Taxes	1,264,174	-	1,264,174	-
Accounts	709,406	1,247,063	1,956,469	817,416
Special assessments	754,025	-	754,025	-
Intergovernmental	133,629	170,895	304,524	301,795
Interest	3,872	-	3,872	-
Miscellaneous	42,188	-	42,188	-
Due from component units	6,244	-	6,244	-
Internal balances	440,647	(440,647)	-	-
Inventory	53,302	497,419	550,721	350,197
Prepaid items	192,580	33,791	226,371	47,659
Deferred charges	914,536	274,264	1,188,800	-
Temporarily restricted assets:				
Cash and investments	14,268,838	8,196,319	22,465,157	111,205
Taxes receivable	29,769	-	29,769	-
Intergovernmental receivables	1,415,132	-	1,415,132	-
Assets held for resale	1,401,802	-	1,401,802	-
Capital assets not being depreciated:				
Land	8,078,610	247,787	8,326,397	2,427,975
Right of ways	2,600	30,610	33,210	-
Collections - historical treasures	141,250	-	141,250	-
Construction in progress	1,228,787	3,789,771	5,018,558	3,086,686
Capital assets net of accumulated depreciation:				
Buildings	34,122,383	3,800	34,126,183	8,901,628
Water and sewer system	-	30,537,016	30,537,016	-
Improvements other than buildings	2,893,942	24,975	2,918,917	16,180,980
Machinery and equipment	4,930,508	697,534	5,628,042	1,089,071
Infrastructure	<u>54,635,727</u>	<u>-</u>	<u>54,635,727</u>	<u>-</u>
<b>Total assets</b>	<u>136,948,403</u>	<u>49,538,704</u>	<u>186,487,107</u>	<u>34,675,156</u>

(Continued)

## CITY OF MERIDIAN, MISSISSIPPI

## Statement of Net Assets

September 30, 2012

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
<b><u>LIABILITIES</u></b>				
Accounts payable and other current liabilities	\$ 1,519,513	954,952	2,474,465	1,406,558
Accrued interest	592,338	-	592,338	-
Accrued salaries	966,871	204,837	1,171,708	-
Accrued sales tax	-	11,825	11,825	-
Liabilities payable from restricted assets	1,648,628	1,198,251	2,846,879	-
Unearned revenue	-	-	-	3,311
Noncurrent liabilities:				
Due within one year:				
Deferred revenue forward invested funds	-	37,390	37,390	-
Bonds, loans and leases payable	3,841,446	85,005	3,926,451	234,763
Bonds and loans payable from restricted assets	-	1,961,748	1,961,748	-
Compensated absences	453,934	61,828	515,762	-
Claims and judgments	1,207	-	1,207	-
Due in more than one year:				
Deferred revenue forward invested funds	-	76,490	76,490	-
Bonds, loans and leases payable	41,607,797	13,784,569	55,392,366	1,155,983
Compensated absences	907,867	125,530	1,033,397	-
<b>Total liabilities</b>	<b><u>51,539,601</u></b>	<b><u>18,502,425</u></b>	<b><u>70,042,026</u></b>	<b><u>2,800,615</u></b>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	75,049,235	20,840,772	95,890,007	31,686,340
Restricted for:				
Debt service	2,153,766	4,923,809	7,077,575	-
Sowashee Creek maintenance	346,385	733,658	1,080,043	111,205
Construction/acquisition of capital assets	396,543	-	396,543	-
Flood damage repairs	76,465	-	76,465	-
Purposes of grantors/donors	131,722	-	131,722	-
Law enforcement	2,649,623	-	2,649,623	-
Unrestricted	4,605,063	4,538,040	9,143,103	76,996
<b>Total net assets</b>	<b><u>\$ 85,408,802</u></b>	<b><u>31,036,279</u></b>	<b><u>116,445,081</u></b>	<b><u>31,874,541</u></b>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF MERIDIAN, MISSISSIPPI**  
Statement of Activities  
For the Fiscal Year Ended September 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 6,848,484	411,594	-	39,040
Public safety	15,584,259	1,039,165	351,630	8,750
Public works	7,670,520	-	-	819,999
Culture and recreation	2,051,139	326,960	14,000	131,667
Economic development	169,095	-	150,000	786,828
Other	23,479	-	-	-
Interest on long-term debt	<u>1,908,428</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total governmental activities</b>	<u>34,255,404</u>	<u>1,777,719</u>	<u>515,630</u>	<u>1,786,284</u>
Business-type activities:				
Water and sewer	11,856,981	13,187,356	-	1,314,463
Waste collection and disposal	1,875,997	1,870,819	-	-
Golf course	466,316	295,564	-	-
Union Station	352,864	64,325	-	-
Concessions	<u>26,495</u>	<u>35,224</u>	<u>-</u>	<u>-</u>
<b>Total business-type activities</b>	<u>14,578,653</u>	<u>15,453,288</u>	<u>-</u>	<u>1,314,463</u>
<b>Total primary government</b>	<u>\$ 48,834,057</u>	<u>17,231,007</u>	<u>515,630</u>	<u>3,100,747</u>
<b>Component units:</b>				
Meridian Airport Authority	\$ 13,015,737	11,976,881	26,638	4,190,645
Nonmajor component units	<u>423,321</u>	<u>25,508</u>	<u>208,334</u>	<u>-</u>
<b>Total component units</b>	<u>\$ 13,439,058</u>	<u>12,002,389</u>	<u>234,972</u>	<u>4,190,645</u>

**General revenues:**

Property taxes  
Sales taxes  
Franchise taxes  
County road taxes  
Motor fuel taxes  
Grants and contributions not restricted to specific programs  
Unrestricted investment earnings

**Transfers**

**Total general revenues and transfers**

**Change in net assets**

**Net assets, October 1, 2011, as previously reported**

**Prior period adjustment**

**Net assets, October 1, 2011, as restated**

**Net assets, September 30, 2012**

*The notes to the financial statements are an integral part of this statement.*

**Net (Expense) Revenue and Changes in Net Assets**

<b>Primary Government</b>			
<b>Governmental</b>	<b>Business-type</b>		<b>Component</b>
<b>Activities</b>	<b>Activities</b>	<b>Total</b>	<b>Units</b>
(6,397,850)	-	(6,397,850)	-
(14,184,714)	-	(14,184,714)	-
(6,850,521)	-	(6,850,521)	-
(1,578,512)	-	(1,578,512)	-
767,733	-	767,733	-
(23,479)	-	(23,479)	-
<u>(1,908,428)</u>	<u>-</u>	<u>(1,908,428)</u>	<u>-</u>
<u>(30,175,771)</u>	<u>-</u>	<u>(30,175,771)</u>	<u>-</u>
-	2,644,838	2,644,838	-
-	(5,178)	(5,178)	-
-	(170,752)	(170,752)	-
-	(288,539)	(288,539)	-
<u>-</u>	<u>8,729</u>	<u>8,729</u>	<u>-</u>
<u>-</u>	<u>2,189,098</u>	<u>2,189,098</u>	<u>-</u>
<u>(30,175,771)</u>	<u>2,189,098</u>	<u>(27,986,673)</u>	<u>-</u>
-	-	-	3,178,427
<u>-</u>	<u>-</u>	<u>-</u>	<u>(189,479)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,988,948</u>
14,438,746	39,643	14,478,389	-
14,082,172	-	14,082,172	-
2,462,323	-	2,462,323	-
780,778	-	780,778	-
19,562	-	19,562	-
75,127	-	75,127	-
122,739	102,605	225,344	6,588
<u>66,450</u>	<u>(66,450)</u>	<u>-</u>	<u>-</u>
<u>32,047,897</u>	<u>75,798</u>	<u>32,123,695</u>	<u>6,588</u>
<u>1,872,126</u>	<u>2,264,896</u>	<u>4,137,022</u>	<u>2,995,536</u>
83,536,676	28,771,383	112,308,059	28,762,358
<u>-</u>	<u>-</u>	<u>-</u>	<u>116,647</u>
<u>83,536,676</u>	<u>28,771,383</u>	<u>112,308,059</u>	<u>28,879,005</u>
\$ <u>85,408,802</u>	<u>31,036,279</u>	<u>116,445,081</u>	<u>31,874,541</u>

**CITY OF MERIDIAN, MISSISSIPPI**

Balance Sheet  
Governmental Funds  
September 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>2012 General Obligation Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 7,502,631	-	-	19,950	7,522,581
Investments	1,350,000	-	-	200,000	1,550,000
Receivables, net:					
Taxes	1,264,174	-	-	-	1,264,174
Accounts	709,406	-	-	-	709,406
Intergovernmental	127,012	-	-	-	127,012
Interest	1,368	2,280	-	224	3,872
Miscellaneous	37,825	-	-	4,363	42,188
Due from other funds	1,008,566	-	-	603,140	1,611,706
Due from component units	5,837	-	-	-	5,837
Prepaid items	192,580	-	-	-	192,580
Asset held for resale	1,401,802	-	-	-	1,401,802
Restricted assets:					
Cash and cash equivalents	347,548	2,292,971	4,396,805	6,831,514	13,868,838
Investments	-	400,000	-	-	400,000
Receivables, net:					
Taxes	-	29,769	-	-	29,769
Special assessments receivable	-	754,025	-	-	754,025
Intergovernmental receivables	-	-	-	1,415,132	1,415,132
<b>Total assets</b>	<b>\$ 13,948,749</b>	<b>3,479,045</b>	<b>4,396,805</b>	<b>9,074,323</b>	<b>30,898,922</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities:</b>					
Accounts payable	\$ 1,103,513	-	-	3,105	1,106,618
Accrued salaries	966,871	-	-	-	966,871
Due to other funds	510,272	-	212,347	847,262	1,569,881
Liabilities payable from restricted assets:					
Accounts payable	-	3,982	-	1,218,839	1,222,821
Accrued salaries	-	-	-	2,716	2,716
Deposits payable	347,548	-	-	-	347,548
Deferred revenue	-	754,025	-	75,543	829,568
<b>Total liabilities</b>	<b>2,928,204</b>	<b>758,007</b>	<b>212,347</b>	<b>2,147,465</b>	<b>6,046,023</b>
<b>Fund balances:</b>					
Nonspendable:					
Prepaid items	192,580	-	-	-	192,580
Asset held for resale	1,401,802	-	-	-	1,401,802
Restricted for:					
Sowashee Creek maintenance	-	-	-	346,385	346,385
Construction/acquisition of capital assets	-	-	4,184,458	3,321,756	7,506,214
Flood damage repairs	-	-	-	76,465	76,465
Debt service	-	2,721,038	-	25,066	2,746,104
Purposes of grantors/donors	-	-	-	131,722	131,722
Law enforcement	-	-	-	2,649,623	2,649,623
Committed to:					
Software conversion	1,980	-	-	-	1,980
Urban renewal and redevelopment	-	-	-	345,786	345,786
Assigned to:					
General government activities	1,328,870	-	-	-	1,328,870
Public safety	245,030	-	-	21,565	266,595
Public works	327,469	-	-	-	327,469
Sports events and other recreation	29,183	-	-	8,490	37,673
Unassigned	7,493,631	-	-	-	7,493,631
<b>Total fund balances</b>	<b>11,020,545</b>	<b>2,721,038</b>	<b>4,184,458</b>	<b>6,926,858</b>	<b>24,852,899</b>
<b>Total liabilities and fund balances</b>	<b>\$ 13,948,749</b>	<b>3,479,045</b>	<b>4,396,805</b>	<b>9,074,323</b>	<b>30,898,922</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF MERIDIAN, MISSISSIPPI**  
 Reconciliation of the Balance Sheet of Governmental Funds  
 to the Statement of Net Assets  
 September 30, 2012

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

<b>Fund balances - total governmental funds</b>	\$ 24,852,899
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	106,033,807
Other long-term assets (special assessments) are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds balance sheet.	754,025
Bond issuance costs are amortized over the life of the bonds on the statement of net assets.	914,536
Long-term liabilities, including bonds and interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	(47,404,589)
Internal service funds are used to charge the costs of certain activities, such as garage services, office supplies, and unemployment compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets (net of amount allocated to business-type activities of \$11,941).	<u>258,124</u>
<b>Net assets of governmental activities</b>	<b>\$ <u>85,408,802</u></b>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF MERIDIAN, MISSISSIPPI**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended September 30, 2012

	<u>General</u>	<u>Debt Service</u>	<b>2012 General Obligation Bonds</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>					
Taxes:					
Property	\$ 9,694,512	4,618,951	-	-	14,313,463
Sales	14,082,172	-	-	-	14,082,172
Franchise	2,462,323	-	-	-	2,462,323
County road	780,778	-	-	-	780,778
Motor fuel	19,562	-	-	-	19,562
Licenses and permits	250,688	-	-	-	250,688
Intergovernmental	289,561	-	-	1,223,001	1,512,562
Charges for services	156,885	-	-	-	156,885
Fines and forfeitures	1,021,767	-	-	17,398	1,039,165
Special assessments	-	74,475	-	-	74,475
Payments in lieu of taxes	155,619	-	-	-	155,619
Local contributions	-	-	-	440	440
Interest on investments	60,029	12,922	6,805	42,983	122,739
Interest costs and damages	140,942	-	-	-	140,942
Miscellaneous	257,335	2,708	-	41,421	301,464
Total revenues	<u>29,372,173</u>	<u>4,709,056</u>	<u>6,805</u>	<u>1,325,243</u>	<u>35,413,277</u>
<b>Expenditures:</b>					
Current:					
General government	6,190,546	-	-	-	6,190,546
Public safety	14,409,587	-	-	942,069	15,351,656
Public works	4,195,414	-	-	-	4,195,414
Culture and recreation	2,068,736	-	-	116,856	2,185,592
Economic development	-	-	-	231,008	231,008
Other	23,479	-	-	-	23,479
Capital outlay	-	-	-	2,221,002	2,221,002
Debt service:					
Principal retirement	53,796	3,628,013	-	-	3,681,809
Interest and fiscal charges	17,430	1,977,447	-	-	1,994,877
Bond issuance costs	-	-	110,000	-	110,000
Total expenditures	<u>26,958,988</u>	<u>5,605,460</u>	<u>110,000</u>	<u>3,510,935</u>	<u>36,185,383</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>2,413,185</u>	<u>(896,404)</u>	<u>(103,195)</u>	<u>(2,185,692)</u>	<u>(772,106)</u>
<b>Other financing sources (uses):</b>					
Transfers in	726,089	876,200	-	634,118	2,236,407
Transfers out	(1,477,336)	-	(212,347)	(544,274)	(2,233,957)
General obligation bonds issued	-	-	4,500,000	-	4,500,000
Loan proceeds	-	-	-	210,000	210,000
Total other financing sources (uses)	<u>(751,247)</u>	<u>876,200</u>	<u>4,287,653</u>	<u>299,844</u>	<u>4,712,450</u>
<b>Net change in fund balances</b>	1,661,938	(20,204)	4,184,458	(1,885,848)	3,940,344
<b>Fund balances, October 1, 2011</b>	<u>9,358,607</u>	<u>2,741,242</u>	<u>-</u>	<u>8,812,706</u>	<u>20,912,555</u>
<b>Fund balances, September 30, 2012</b>	\$ <u>11,020,545</u>	<u>2,721,038</u>	<u>4,184,458</u>	<u>6,926,858</u>	<u>24,852,899</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MERIDIAN, MISSISSIPPI**  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balances of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended September 30, 2012

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

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 3,940,344</b>
Governmental funds report capital outlays 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 depreciation exceeded capital outlays in the current period.	(1,952,989)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the cost of the capital assets disposed of.	(112,583)
Governmental funds do not report contributed capital assets because they do not provide current financial resources. However, in the statement of activities the fair values of contributed capital assets is recorded as capital contributions.	864,039
Special assessment revenues related to prior periods reported as revenues in the governmental funds are not reported as revenues in the statement of activities.	(75,678)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,037,721)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	228,743
Internal service funds are used to charge the costs of certain activities, such as garage services, office supplies, and unemployment compensation to individual funds. The net earnings of the internal service funds are reported with governmental activities (net of amount allocated to business-type activities of \$535).	<u>17,971</u>
<b>Change in net assets of governmental activities</b>	<b>\$ <u>1,872,126</u></b>

*The notes to the financial statements are an integral part of this statement.*

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## CITY OF MERIDIAN, MISSISSIPPI

## General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual (Budgetary Basis)  
For the Fiscal Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u> <u>Basis)</u> <u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>Revenues:</b>				
Taxes:				
Ad valorem	\$ 9,455,000	9,455,000	9,549,546	94,546
Sales	13,200,000	13,200,000	13,690,338	490,338
County road	500,000	500,000	782,589	282,589
Gasoline	20,000	20,000	19,562	(438)
Payment in lieu of taxes	70,000	70,000	115,041	45,041
Intergovernmental:				
Alcoholic beverage	50,000	50,000	53,950	3,950
State Fire Insurance Fund	200,000	200,000	214,436	14,436
Municipal aid	20,000	20,000	20,601	601
Grants	12,000	12,000	-	(12,000)
Franchise:				
Mississippi Power Company	2,030,000	2,030,000	1,845,723	(184,277)
Atmos Energy	150,000	150,000	117,673	(32,327)
Comcast Cable Company	420,000	420,000	457,449	37,449
East Mississippi Electric Power Assn.	-	-	51,743	51,743
Fines and forfeitures	1,000,000	1,000,000	1,021,767	21,767
Licenses and permits:				
Privilege license	120,000	120,000	142,559	22,559
Building and allied permits	150,000	150,000	108,129	(41,871)
Charges for services:				
Garbage collection	1,800,000	1,800,000	1,828,922	28,922
Recreation	135,000	135,000	127,015	(7,985)
Enterprise Funds	645,500	645,500	344,750	(300,750)
Parking fees	-	-	5,800	5,800
Training fees	-	-	25,070	25,070
Out-of-county tonnage	-	-	46,232	46,232
Miscellaneous	200,000	200,000	409,771	209,771
Interest on investments	80,000	80,000	61,014	(18,986)
Interest costs and damages	110,000	110,000	140,549	30,549
<b>Total revenues</b>	<u>30,367,500</u>	<u>30,367,500</u>	<u>31,180,229</u>	<u>812,729</u>
<b>Expenditures:</b>				
General government:				
Personnel services	1,186,950	1,186,950	1,168,540	18,410
Supplies and expenses	816,439	816,439	747,115	69,324
Capital outlay	5,950	5,950	3,844	2,106
Transfers and other charges	1,618,000	1,618,000	948,638	669,362
<b>Total general government</b>	<u>3,627,339</u>	<u>3,627,339</u>	<u>2,868,137</u>	<u>759,202</u>

(Continued)

## CITY OF MERIDIAN, MISSISSIPPI

## General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual (Budgetary Basis)  
For the Fiscal Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis) Amounts</u>	<u>Final Budget - Positive (Negative)</u>
<b>Expenditures (continued):</b>				
Finance and records:				
Personnel services	\$ 1,272,750	1,272,750	1,104,419	168,331
Supplies and expenses	1,792,517	1,792,517	1,731,478	61,039
Capital outlay	117,070	117,070	98,348	18,722
Transfers and other charges	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>
Total finance and records	<u>3,217,337</u>	<u>3,217,337</u>	<u>2,969,245</u>	<u>248,092</u>
Community development:				
Personnel services	884,350	904,350	881,623	22,727
Supplies and expenses	211,908	183,408	150,153	33,255
Capital outlay	42,704	42,704	38,814	3,890
Transfers and other charges	<u>604,600</u>	<u>613,100</u>	<u>519,301</u>	<u>93,799</u>
Total community development	<u>1,743,562</u>	<u>1,743,562</u>	<u>1,589,891</u>	<u>153,671</u>
Parks and recreation:				
Personnel services	1,323,400	1,330,400	1,283,201	47,199
Supplies and expenses	706,086	699,086	697,562	1,524
Capital outlay	140,000	140,000	99,387	40,613
Transfers and other charges	<u>312,000</u>	<u>312,000</u>	<u>218,519</u>	<u>93,481</u>
Total parks and recreation	<u>2,481,486</u>	<u>2,481,486</u>	<u>2,298,669</u>	<u>182,817</u>
Public works:				
Personnel services	3,266,450	3,266,450	2,988,476	277,974
Supplies and expenses	1,278,648	1,278,648	1,237,273	41,375
Capital outlay	304,424	304,424	304,371	53
Transfers and other charges	<u>2,215,000</u>	<u>2,215,000</u>	<u>1,965,760</u>	<u>249,240</u>
Total public works	<u>7,064,522</u>	<u>7,064,522</u>	<u>6,495,880</u>	<u>568,642</u>
Police:				
Personnel services	5,664,350	5,787,350	5,743,249	44,101
Supplies and expenses	1,981,879	1,858,879	1,779,675	79,204
Capital outlay	378,500	378,500	21,500	357,000
Transfers and other charges	<u>35,000</u>	<u>35,000</u>	<u>34,856</u>	<u>144</u>
Total police	<u>8,059,729</u>	<u>8,059,729</u>	<u>7,579,280</u>	<u>480,449</u>
Fire:				
Personnel services	5,837,955	5,837,955	5,670,571	167,384
Supplies and expenses	842,170	842,170	736,402	105,768
Capital outlay	220,900	220,900	218,221	2,679
Transfers and other charges	<u>55,000</u>	<u>55,000</u>	<u>54,206</u>	<u>794</u>
Total fire	<u>6,956,025</u>	<u>6,956,025</u>	<u>6,679,400</u>	<u>276,625</u>

(Continued)

## CITY OF MERIDIAN, MISSISSIPPI

## General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual (Budgetary Basis)  
For the Fiscal Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis) Amounts</u>	<u>Final Budget - Positive (Negative)</u>
<b>Expenditures (continued):</b>				
Homeland Security:				
Personnel services	\$ 330,900	330,900	213,609	117,291
Supplies and expenses	219,485	219,485	164,814	54,671
Capital outlay	25,000	25,000	10,249	14,751
Transfers and other charges	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total homeland security	<u>577,385</u>	<u>577,385</u>	<u>388,672</u>	<u>188,713</u>
Arts District Parking Garage:				
Personnel services	20,825	20,825	20,458	367
Supplies and expenses	93,126	93,126	60,449	32,677
Capital outlay	<u>6,000</u>	<u>6,000</u>	<u>1,000</u>	<u>5,000</u>
Total arts district parking garage	<u>119,951</u>	<u>119,951</u>	<u>81,907</u>	<u>38,044</u>
<b>Total expenditures</b>	<u>33,847,336</u>	<u>33,847,336</u>	<u>30,951,081</u>	<u>2,896,255</u>
<b>Net change in fund balances</b>	\$ <u><u>(3,479,836)</u></u>	<u><u>(3,479,836)</u></u>	229,148	<u><u>3,708,984</u></u>
<b>Fund balances, October 1, 2011</b>			<u>9,405,929</u>	
<b>Fund balances, September 30, 2012</b>			\$ <u><u>9,635,077</u></u>	

The notes to the financial statements are an integral part of this statement.

## CITY OF MERIDIAN, MISSISSIPPI

Statement of Net Assets

Proprietary Funds

September 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Water &amp; Sewer</u>	<u>Waste Collection &amp; Disposal</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Activities - Internal Service Funds</u>
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 3,321,161	644,723	262,223	4,228,107	211,871
Restricted cash, cash equivalents and investments:					
Customer deposits	839,261	-	-	839,261	-
Revenue Bond Construction Funds	1,571,981	-	-	1,571,981	-
Other Construction Funds	664,467	-	-	664,467	-
Revenue Bond Debt Service Account	4,232,888	-	-	4,232,888	-
Receivables:					
Accounts	1,265,978	186,537	-	1,452,515	-
Less allowance for uncollectibles	(205,452)	-	-	(205,452)	-
Intergovernmental	164,848	-	6,047	170,895	6,617
Due from other funds	-	8,186	-	8,186	410,763
Due from component units	-	-	-	-	407
Inventory	457,873	-	39,546	497,419	53,302
Prepaid items	31,699	-	2,092	33,791	-
<b>Total current assets</b>	<u>12,344,704</u>	<u>839,446</u>	<u>309,908</u>	<u>13,494,058</u>	<u>682,960</u>
<b>Noncurrent assets:</b>					
Restricted cash, cash equivalents and investments:					
Revenue Bond Cushion Account	731,156	-	-	731,156	-
Revenue Bond Contingent Account	78,283	-	-	78,283	-
Revenue Bond Depreciation Account	78,283	-	-	78,283	-
Total restricted cash, cash equivalents and investments	<u>887,722</u>	<u>-</u>	<u>-</u>	<u>887,722</u>	<u>-</u>
Deferred charges	<u>274,264</u>	<u>-</u>	<u>-</u>	<u>274,264</u>	<u>-</u>
Capital assets:					
Land	247,787	-	-	247,787	-
Right of ways	30,610	-	-	30,610	-
Buildings	-	-	126,628	126,628	-
Water and sewer system	96,857,348	-	-	96,857,348	-
Improvements other than buildings	-	-	98,924	98,924	-
Machinery and equipment	3,477,437	19,626	434,850	3,931,913	-
Construction in progress	3,789,771	-	-	3,789,771	-
Total capital assets	104,402,953	19,626	660,402	105,082,981	-
Less accumulated depreciation	<u>(69,157,027)</u>	<u>(17,663)</u>	<u>(576,798)</u>	<u>(69,751,488)</u>	<u>-</u>
Capital assets (net of accumulated depreciation)	<u>35,245,926</u>	<u>1,963</u>	<u>83,604</u>	<u>35,331,493</u>	<u>-</u>
<b>Total noncurrent assets</b>	<u>36,407,912</u>	<u>1,963</u>	<u>83,604</u>	<u>36,493,479</u>	<u>-</u>
<b>Total assets</b>	<u>48,752,616</u>	<u>841,409</u>	<u>393,512</u>	<u>49,987,537</u>	<u>682,960</u>

(Continued)

## CITY OF MERIDIAN, MISSISSIPPI

Statement of Net Assets

Proprietary Funds

September 30, 2012

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental</b>
	<b>Water &amp; Sewer</b>	<b>Waste Collection &amp; Disposal</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Activities - Internal Service Funds</b>
<b><u>LIABILITIES</u></b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 622,068	300,437	32,447	954,952	412,895
Liabilities payable from restricted assets:					
Customer deposits	839,261	-	-	839,261	-
Accounts payable	162,189	-	-	162,189	-
Revenue bonds payable	741,380	-	-	741,380	-
Promissory loans	1,220,368	-	-	1,220,368	-
Interest payable	196,801	-	-	196,801	-
Accrued liabilities:					
Payroll	157,039	7,654	40,144	204,837	-
Compensated absences	61,828	-	-	61,828	-
Sales tax	9,477	-	2,348	11,825	-
Due to other funds	459,854	50	870	460,774	-
Deferred revenue forward invested funds	37,390	-	-	37,390	-
Current portion of capital leases	84,727	-	278	85,005	-
<b>Total current liabilities</b>	<u>4,592,382</u>	<u>308,141</u>	<u>76,087</u>	<u>4,976,610</u>	<u>412,895</u>
<b>Noncurrent liabilities:</b>					
Deferred revenue forward invested funds	76,490	-	-	76,490	-
Compensated absences	125,530	-	-	125,530	-
Revenue bonds payable (net of deferred refunding costs of \$43,448)	3,901,552	-	-	3,901,552	-
Promissory loans (net of deferred refunding costs of \$61,634)	9,569,687	-	-	9,569,687	-
Capital leases payable	312,304	-	1,026	313,330	-
<b>Total noncurrent liabilities</b>	<u>13,985,563</u>	<u>-</u>	<u>1,026</u>	<u>13,986,589</u>	<u>-</u>
<b>Total liabilities</b>	<u>18,577,945</u>	<u>308,141</u>	<u>77,113</u>	<u>18,963,199</u>	<u>412,895</u>
<b><u>NET ASSETS</u></b>					
Invested in capital assets, net of related debt	20,756,509	1,963	82,300	20,840,772	-
Restricted for:					
Debt service	4,923,809	-	-	4,923,809	-
Capital projects	733,658	-	-	733,658	-
Unrestricted	3,760,695	531,305	234,099	4,526,099	270,065
<b>Total net assets</b>	<u>\$ 30,174,671</u>	<u>533,268</u>	<u>316,399</u>	<u>31,024,338</u>	<u>270,065</u>
<b>Reconciliation to government-wide statement of net assets:</b>					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				11,941	
<b>Net assets of business-type activities</b>				<u>\$ 31,036,279</u>	

The notes to the financial statements are an integral part of this statement.

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**CITY OF MERIDIAN, MISSISSIPPI**  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Fiscal Year Ended September 30, 2012

	Business-type Activities - Enterprise Funds				Governmental
	Water	Waste	Nonmajor	Total	Activities -
	<u>&amp; Sewer</u>	<u>Collection</u>	<u>Enterprise</u>	<u>Enterprise</u>	<u>Internal</u>
	<u>Funds</u>	<u>&amp; Disposal</u>	<u>Funds</u>	<u>Funds</u>	<u>Service</u>
					<u>Funds</u>
<b>Operating revenues:</b>					
Charges for sales and services:					
Water sales	\$ 6,779,283	-	-	6,779,283	-
Sewer charges	5,899,542	-	-	5,899,542	-
Tap fees	35,726	-	-	35,726	-
Garbage collection fees	-	1,822,092	-	1,822,092	-
Out-of-county tonnage	-	48,727	-	48,727	-
Memberships	-	-	57,936	57,936	-
Green fees	-	-	69,009	69,009	-
Cart rental	-	-	62,807	62,807	-
Concessions	-	-	139,882	139,882	-
Internal service charges	-	-	-	-	3,838,510
Rental income	-	-	64,325	64,325	-
Miscellaneous	472,805	-	1,154	473,959	108,805
Total operating revenues	<u>13,187,356</u>	<u>1,870,819</u>	<u>395,113</u>	<u>15,453,288</u>	<u>3,947,315</u>
<b>Operating expenses:</b>					
Personnel services	3,386,016	55,304	329,144	3,770,464	-
Supplies and materials	676,363	292	139,257	815,912	483,178
Rent and utilities	1,164,485	414	65,300	1,230,199	-
Operation, maintenance, and repairs	741,758	2,447	180,937	925,142	523,767
Garbage disposal services	-	1,814,725	-	1,814,725	-
Depreciation and amortization	3,640,218	-	12,212	3,652,430	-
Claims paid	-	-	-	-	2,986,858
Miscellaneous	1,575,009	2,815	118,740	1,696,564	-
Total operating expenses	<u>11,183,849</u>	<u>1,875,997</u>	<u>845,590</u>	<u>13,905,436</u>	<u>3,993,803</u>
<b>Operating income (loss)</b>	<u>2,003,507</u>	<u>(5,178)</u>	<u>(450,477)</u>	<u>1,547,852</u>	<u>(46,488)</u>
<b>Nonoperating revenues (expenses):</b>					
Ad valorem taxes	-	39,643	-	39,643	-
Interest income	97,267	4,154	1,184	102,605	994
Interest expense	(713,445)	-	(85)	(713,530)	-
Gain on disposal of capital asset	39,778	-	-	39,778	-
Total nonoperating revenues (expenses)	<u>(576,400)</u>	<u>43,797</u>	<u>1,099</u>	<u>(531,504)</u>	<u>994</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>1,427,107</u>	<u>38,619</u>	<u>(449,378)</u>	<u>1,016,348</u>	<u>(45,494)</u>
<b>Capital contributions and transfers:</b>					
Capital contributions	1,314,463	-	-	1,314,463	-
Transfers in	109,600	-	469,450	579,050	64,000
Transfers out	(601,500)	(44,000)	-	(645,500)	-
Total capital contributions and transfers	<u>822,563</u>	<u>(44,000)</u>	<u>469,450</u>	<u>1,248,013</u>	<u>64,000</u>
<b>Change in net assets</b>	2,249,670	(5,381)	20,072	2,264,361	18,506
<b>Net assets, October 1, 2011</b>	<u>27,925,001</u>	<u>538,649</u>	<u>296,327</u>	<u>28,759,977</u>	<u>251,559</u>
<b>Net assets, September 30, 2012</b>	<u>\$ 30,174,671</u>	<u>533,268</u>	<u>316,399</u>	<u>31,024,338</u>	<u>270,065</u>
<b>Reconciliation to government-wide statement of activities:</b>					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				<u>535</u>	
<b>Change in net assets of business-type activities</b>				<u>\$ 2,264,896</u>	

The notes to the financial statements are an integral part of this statement.

**CITY OF MERIDIAN, MISSISSIPPI**  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended September 30, 2012

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental</b>
	<b>Water &amp; Sewer</b>	<b>Waste Collection &amp; Disposal</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Activities - Internal Service Funds</b>
<b>Cash flows from operating activities:</b>					
Receipts from customers and users	\$ 13,207,498	1,917,116	400,260	15,524,874	4,167,670
Payments to suppliers	(3,737,345)	(1,804,037)	(515,282)	(6,056,664)	(4,187,086)
Payments to employees	(3,399,168)	(55,093)	(329,961)	(3,784,222)	-
<b>Net cash provided by (used in) operating activities</b>	<u>6,070,985</u>	<u>57,986</u>	<u>(444,983)</u>	<u>5,683,988</u>	<u>(19,416)</u>
<b>Cash flows from noncapital financing activities:</b>					
Ad valorem taxes received	-	39,643	-	39,643	-
Transfers to other funds	(601,500)	(44,000)	-	(645,500)	-
Transfers from other funds	109,600	-	469,450	579,050	64,000
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>(491,900)</u>	<u>(4,357)</u>	<u>469,450</u>	<u>(26,807)</u>	<u>64,000</u>
<b>Cash flows from capital and related financing activities:</b>					
Capital contributions	1,037,523	-	-	1,037,523	-
Proceeds from sale of capital assets	41,092	-	-	41,092	-
Acquisition and construction of capital assets	(5,755,633)	-	(6,806)	(5,762,439)	-
Proceeds from promissory notes	1,608,323	-	-	1,608,323	-
Payments on long-term debt:					
Revenue bonds	(715,000)	-	-	(715,000)	-
Promissory notes	(1,215,000)	-	-	(1,215,000)	-
Capital lease payments	(79,904)	-	(262)	(80,166)	-
Interest paid on revenue bonds and other debt	(738,032)	-	(85)	(738,117)	-
<b>Net cash used in capital and related financing activities</b>	<u>(5,816,631)</u>	<u>-</u>	<u>(7,153)</u>	<u>(5,823,784)</u>	<u>-</u>
<b>Cash flows from investing activities -</b>					
Interest received	56,407	4,154	1,184	61,745	994
<b>Net increase (decrease) in cash and cash equivalents</b>	(181,139)	57,783	18,498	(104,858)	45,578
<b>Cash and cash equivalents, September 30, 2011 (including \$7,885,858 in restricted accounts)</b>	<u>10,210,906</u>	<u>586,940</u>	<u>243,725</u>	<u>11,041,571</u>	<u>166,293</u>
<b>Cash and cash equivalents, September 30, 2012 (including \$6,708,606 in restricted accounts)</b>	\$ <u>10,029,767</u>	<u>644,723</u>	<u>262,223</u>	<u>10,936,713</u>	<u>211,871</u>

(Continued)

**CITY OF MERIDIAN, MISSISSIPPI**  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended September 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>				<b>Governmental</b>
	<u>Water &amp; Sewer</u>	<u>Waste Collection &amp; Disposal</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<b>Internal Service Funds</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>					
Operating income (loss)	\$ 2,003,507	(5,178)	(450,477)	1,547,852	(46,488)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	3,640,218	-	12,212	3,652,430	-
Changes in assets and liabilities:					
Accounts receivable	(50,125)	6,678	1,965	(41,482)	-
Receivables - miscellaneous	-	-	-	-	4,223
Due from other funds	542	39,619	-	40,161	213,608
Due from component units	-	-	3,182	3,182	2,525
Inventory	(66,590)	-	6,926	(59,664)	(2,092)
Prepaid items	(2,211)	-	(154)	(2,365)	-
Accounts payable	143,474	16,607	(18,203)	141,878	(191,192)
Accrued liabilities	(13,080)	211	(864)	(13,733)	-
Customer deposits	69,725	-	-	69,725	-
Due to other funds	<u>345,525</u>	<u>49</u>	<u>430</u>	<u>346,004</u>	<u>-</u>
Total adjustments	<u>4,067,478</u>	<u>63,164</u>	<u>5,494</u>	<u>4,136,136</u>	<u>27,072</u>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ <u>6,070,985</u></b>	<b><u>57,986</u></b>	<b><u>(444,983)</u></b>	<b><u>5,683,988</u></b>	<b><u>(19,416)</u></b>
<b>Noncash investing, capital, and financing activities:</b>					
Amortization of deferred revenue forward invested funds	\$ <u>40,354</u>	<u>-</u>	<u>-</u>	<u>40,354</u>	<u>-</u>
Increase in fair value of investments	\$ <u>2,015</u>	<u>-</u>	<u>-</u>	<u>2,015</u>	<u>-</u>
Noncash capital contributions - Water and sewer system infrastructure contributed by developers	\$ <u>280,864</u>	<u>-</u>	<u>-</u>	<u>280,864</u>	<u>-</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MERIDIAN, MISSISSIPPI**  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
September 30, 2012

	<b><u>Agency Funds</u></b>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 1,480,953
Intergovernmental receivables - County	<u>153,232</u>
<b>Total assets</b>	<b>\$ <u>1,634,185</u></b>
<b><u>LIABILITIES</u></b>	
Intergovernmental payables:	
Schools	\$ 1,347,223
PERS	209,797
State	28,419
Employee insurance withheld	<u>48,746</u>
<b>Total liabilities</b>	<b>\$ <u>1,634,185</u></b>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF MERIDIAN, MISSISSIPPI**

Statement of Net Assets

Component Units

September 30, 2012

	<b><u>Meridian Airport Authority</u></b>	<b><u>Nonmajor Component Units</u></b>	<b><u>Total Component Units</u></b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,356,233	4,311	1,360,544
Receivables:			
Accounts	817,416	-	817,416
Intergovernmental:			
Federal	253,459	-	253,459
State	44,007	4,329	48,336
Inventory	350,197	-	350,197
Prepaid items	47,659	-	47,659
Restricted assets - cash	111,205	-	111,205
Capital assets not being depreciated:			
Land	2,427,975	-	2,427,975
Construction in progress	3,086,686	-	3,086,686
Capital assets (net of accumulated depreciation):			
Buildings	8,901,628	-	8,901,628
Improvements other than buildings	16,180,980	-	16,180,980
Machinery and equipment	<u>1,088,227</u>	<u>844</u>	<u>1,089,071</u>
<b>Total assets</b>	<b><u>34,665,672</u></b>	<b><u>9,484</u></b>	<b><u>34,675,156</u></b>
<b><u>LIABILITIES</u></b>			
Bank overdraft	-	17	17
Accounts payable	1,201,716	14,261	1,215,977
Accrued liabilities	190,564	-	190,564
Unearned revenue	3,311	-	3,311
Noncurrent liabilities:			
Note payable due within one year	231,007	3,756	234,763
Note payable due in more than one year	<u>1,144,126</u>	<u>11,857</u>	<u>1,155,983</u>
<b>Total liabilities</b>	<b><u>2,770,724</u></b>	<b><u>29,891</u></b>	<b><u>2,800,615</u></b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	31,685,496	844	31,686,340
Restricted for capital projects	111,205	-	111,205
Unrestricted	<u>98,247</u>	<u>(21,251)</u>	<u>76,996</u>
<b>Total net assets</b>	<b>\$ <u>31,894,948</u></b>	<b><u>(20,407)</u></b>	<b><u>31,874,541</u></b>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF MERIDIAN, MISSISSIPPI**  
Statement of Activities  
Component Units  
For the Fiscal Year Ended September 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Meridian Airport Authority</u>	<u>Nonmajor Component Units</u>	<u>Total</u>
<b>Component units:</b>							
Meridian Airport Authority	\$ 13,015,737	11,976,881	26,638	4,190,645	3,178,427	-	3,178,427
Nonmajor component units	<u>423,321</u>	<u>25,508</u>	<u>208,334</u>	<u>-</u>	<u>-</u>	<u>(189,479)</u>	<u>(189,479)</u>
<b>Total component units</b>	\$ <u>13,439,058</u>	<u>12,002,389</u>	<u>234,972</u>	<u>4,190,645</u>	3,178,427	(189,479)	2,988,948
<b>General revenues -</b>							
Interest income					<u>6,548</u>	<u>40</u>	<u>6,588</u>
<b>Change in net assets</b>					<u>3,184,975</u>	<u>(189,439)</u>	<u>2,995,536</u>
<b>Net assets, October 1, 2011, as previously reported</b>					28,593,326	169,032	28,762,358
<b>Prior period adjustment</b>					<u>116,647</u>	<u>-</u>	<u>116,647</u>
<b>Net assets, October 1, 2011, as restated</b>					<u>28,709,973</u>	<u>169,032</u>	<u>28,879,005</u>
<b>Net assets (deficit), September 30, 2012</b>					\$ <u>31,894,948</u>	<u>(20,407)</u>	<u>31,874,541</u>

*The notes to the financial statements are an integral part of this statement.*

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2012

### (1) Summary of Significant Accounting Policies

#### (a) Reporting Entity

The City of Meridian, Mississippi (“City”) is a municipal corporation governed by an elected mayor and a five-member council. It provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

As required by accounting principles generally accepted in the United States of America, the accompanying financial statements present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable.

Government Accounting Standards Board (“GASB”) has set forth criteria to be considered in determining financial accountability. “Financial accountability” is the benchmark for determining which organizations are component units of a primary government. Financial accountability exists when an organization is fiscally dependent on a primary government, or when a primary government has appointed a voting majority of the governing body of a legally separate organization and (1) is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. GASB provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it requires reporting, as discretely presented component units, organizations that raise and hold economic resources for the direct benefit of the primary government.

Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. The component units discussed below are included in the City’s reporting entity because of the significance of their operational or financial relationships with the City.

#### **Blended Component Unit -**

##### Meridian Redevelopment Agency

Meridian Redevelopment Agency (“the Agency”) was established by the City on May 4, 2010, in accordance with Title 43, Chapter 35, Article I of the Mississippi Code of 1972 to serve as the City’s urban renewal and redevelopment agency. The members of the Agency’s five-member governing Board of directors are appointed by the City’s Mayor with the consent of the City Council.

**CITY OF MERIDIAN, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2012

**(1) Summary of Significant Accounting Policies (Continued)**

**(a) Reporting Entity (Continued)**

**Major Discretely Presented Component Unit -**

Meridian Airport Authority

Meridian Airport Authority (“MAA”) was established by the City on March 17, 1992, in accordance with Title 61, Chapter 3, Article V of the Mississippi Code of 1972 to manage the local airport facilities within the City’s jurisdiction. MAA has a five-member Board appointed by the City’s Mayor and approved by the City Council. Also, the City has the ability to impose its will upon MAA because it has reserved the right to unilaterally abolish MAA at its discretion.

**Nonmajor Discretely Presented Component Units:**

Meridian Transportation Commission

Meridian Transportation Commission (“MTC”) was created by the City on November 7, 1972, in accordance with Title 21, Chapter 27, Article 13 of the Mississippi Code of 1972 to manage the local mass transit system of the City and to provide public transportation systems and facilities. MTC has a five-member board appointed by the City’s Mayor and approved by the City Council, members of which may be removed at the will of the City. The City finances a significant portion of MTC’s annual operations; therefore, MTC is considered financially dependent on the City. Effective February 29, 2012, MTC’s board elected to discontinue all transportation services. All vehicles were transferred to the Mississippi Department of Transportation.

Meridian and Bonita Lakes Development Authority

Meridian and Bonita Lakes Development Authority (“MBLDA”) was created by resolution of the City Council on August 6, 1991. As such, it is a political subdivision for the purpose of constructing or leasing a convention center and/or coliseum facility and of developing and operating any improvements, land or structure and commercial activities compatible with a sustained and viable tourism industry within the City of Meridian, the County of Lauderdale or the general geographic region. MBLDA has a nine-member board appointed by the City’s Mayor and approved by the City Council. Also, the City has the ability to impose its will upon MBLDA because it has reserved the right to unilaterally abolish MBLDA at its discretion.

MAA and MTC have September 30 year ends, whereas MBLDA has a December 31 year end.

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

**(1) Summary of Significant Accounting Policies (Continued)**

**(a) Reporting Entity (Continued)**

Complete financial statements for each of the individual component units may be obtained at the entities' administrative offices as follows:

Meridian Airport Authority  
2811 Highway 11 South  
Meridian, Mississippi

Meridian Transportation Commission  
1901 Front Street  
Meridian, Mississippi

Meridian and Bonita Lakes  
Development Authority  
723 23<sup>rd</sup> Avenue  
Meridian, Mississippi

**Related Organizations:**

With approval of the City Council, the City's Mayor is responsible for appointing a voting majority of members to the boards and commissions listed below. The City also makes other types of ministerial approvals for these organizations; however, the City's accountability for these organizations does not extend beyond making the appointments or approvals.

Following is a list of related organizations:

- Building Code Board of Adjustments and Appeals/Board of Adjustments and Appeals for Elimination and Repair of Unsafe Buildings
- Civil Service Commission
- Election Commission
- Electrical Examining Board
- Historic Preservation Commission
- Housing Authority of the City of Meridian
- Housing Board of Adjustments and Appeals
- Mechanical Board
- Trustees of Meridian Community College District
- Trustees of Meridian Municipal Separate School District
- Meridian Planning Commission
- Meridian Public Improvement Corporation
- The Meridian Railroad Museum Advisory Board
- Taxicab Advisory Board
- Tree Commission

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2012

### (1) **Summary of Significant Accounting Policies (Continued)**

#### (b) **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 and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### (c) **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. (Agency funds, however, do not have a measurement focus since they do not report equity or present an operating statement reporting changes in equity.) 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.

**CITY OF MERIDIAN, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2012

(1) **Summary of Significant Accounting Policies (Continued)**

(c) **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

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 City 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Property taxes, sales and liquor taxes, franchise fees, 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 fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The **general fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **debt service fund** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The **2012 General Obligation Bonds fund** accounts for bond proceeds to be used for street paving projects throughout the City.

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2012

### (1) Summary of Significant Accounting Policies (Continued)

#### (c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major proprietary funds:

The **water and sewer fund** accounts for the provision of water and sewer services to residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt.

The **waste collection and disposal fund** accounts for operations of solid waste collection and disposal services.

Additionally, the City reports the following fund types:

The **special revenue fund** accounts for specific revenue sources that are legally restricted to expenditures for public safety, culture and recreation, and economic development. Revenue sources for this fund are provided mainly from grants and contributions and from narcotic related forfeitures.

The **internal service funds** which account for the garage and fuel supply, office supply, health and life insurance, and unemployment compensation provided to departments of the City and to other governmental units on a cost reimbursement basis.

The **agency funds** which account for dedicated property tax assessments and collections forwarded to the Public Employees' Retirement System ("PERS"), Meridian Community College, and Meridian Separate School District; state fines and fees collected by the City Municipal Court for the State of Mississippi; and additional amounts withheld from employees' pay for the purpose of offsetting potential large future rate increases on hospital insurance premiums. These resources are held by the City in a purely custodial capacity (assets equal liabilities). Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources (property collections, fines and fees, and employee withholdings) to individuals, organizations, or other governments.

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2012

### (1) **Summary of Significant Accounting Policies (Continued)**

#### (c) **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The accompanying financial statements reflect the elimination of interfund activity with the exception of the charges to the City's proprietary funds. These amounts are shown on the statement of net assets as internal balances.

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. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are reported as nonoperating.

#### (d) **Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2012

## (1) Summary of Significant Accounting Policies (Continued)

### (e) Cash and Cash Equivalents and Investments

Cash and cash equivalents include demand deposit accounts, petty cash, and certificates of deposit with an original maturity of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury, State of Mississippi, or of any county or municipality of the State of Mississippi.

Investments are stated at cost, plus accrued interest, or amortized cost (which approximates fair value) since the investment portfolio is comprised of money market investments with an original maturity of one year or less and debt securities held under forward interest contracts which relieve the City of all market risk. On certain water and sewer reserve funds, the City received a lump-sum payment in exchange for future interest earnings and market appreciation or depreciation on the securities held under the forward interest contracts. The lump-sum payment has been deferred and will be recognized in earnings over the life of the securities under the forward interest contract using the interest method. Investments are represented by certificates of deposit and U. S. Government securities, some of which are subject to repurchase agreements.

### (f) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”.

All accounts receivable are shown net of an allowance for uncollectible amounts, where applicable. This allowance is based on the average write-offs over the past ten years.

Property taxes attach as an enforcement lien on property as of January 1. Taxes are levied in September of the prior year and are payable in three installments on February 1 (1/2), May 1 (1/4), and August 1 (1/4). Taxes are considered past due after February 1, at which time the applicable property is subject to penalties and interest. Property with delinquent assessments is sold at a public sale each August.

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

**(1) Summary of Significant Accounting Policies (Continued)**

**(f) Receivables and Payables (Continued)**

The City has an agreement with Lauderdale County pursuant to which the tax collector of Lauderdale County has assumed the duty and responsibility for billing and collecting all City and Meridian Municipal Separate School District ad valorem taxes including, but not limited to, all taxes on real property, personal property, public utilities property and special taxes and assessments assessed by the City. The County disburses collections due the City and Meridian Separate School District to the City and the City disburses the funds due the Meridian Separate School District to the District.

The City recognizes tax revenues upon collection from the county tax collector. In addition, the City makes an accrual for amounts collected by the county tax collector as of September 30 and remitted to the City within 30 days after year-end.

The tax rate of the City is expressed in terms of mills (ten mills equal one cent). For the year ended September 30, 2012, the City's 2012 combined tax rate for general governmental services and other municipal purposes was 118.15 or \$118.15 per \$1,000 of assessed valuation, expressed as follows:

<u>Description</u>	<u>Mills</u>		<u>Increase (Decrease)</u>
	<u>2012</u>	<u>2011</u>	
General	28.72	29.65	(.93)
Solid waste fund	.95	1.30	(.35)
Fire and police disability retirement fund (closed)	4.93	4.48	.45
General municipal retirement fund (closed)	3.00	3.00	-
Debt service (general bonds and interest)	13.24	12.41	.83
Meridian Separate School District	60.31	60.51	(.20)
Meridian Community College	<u>7.00</u>	<u>7.00</u>	<u>-</u>
<b>Total mills</b>	<u><u>118.15</u></u>	<u><u>118.35</u></u>	<u><u>(.20)</u></u>

**(g) Inventories and Prepaid Items**

Inventories are valued at the lower of cost or market using the first-in/first-out ("FIFO") method. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2012

### (1) Summary of Significant Accounting Policies (Continued)

#### (g) Inventories and Prepaid Items (Continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### (h) Assets Held for Resale

Property acquired through tax forfeitures and property acquired for the purpose of redevelopment and sale, are recognized as assets and stated at the lower of cost or net realizable value and are offset by a nonspendable fund balance. Upon final disposition or a decline in the value of the property, gain or loss is charged or credited to operations.

#### (i) Restricted Assets

Certain proceeds of the City's enterprise fund water and sewer revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Revenues collected from operations of the system are transferred to various accounts established pursuant to the revenue bond ordinance. Certain other assets are classified as restricted because their use is limited by parties external to the City, including citizens, grantors, other governments, and courts. Restrictions may also be imposed by laws through constitutional provisions or legally enforceable enabling legislation.

The "revenue bond operation and maintenance" account receives sufficient amounts to provide for the payment of current expenses to be paid each month, plus any prior month deficiencies. The "revenue bond construction" accounts are used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "revenue bond current debt service" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond cushion" account is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account. The "revenue bond contingent" account is used to report resources set aside to pay for unforeseen contingencies arising from the operation and maintenance of the system, including the construction of reasonable and proper improvements, betterments and extensions, upon written certification of the engineers. The "revenue bond depreciation" account is used to report resources set aside to pay for replacing such parts of the system as may need replacement in order to keep the system operating in an economical and efficient manner, upon

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

**(1) Summary of Significant Accounting Policies (Continued)**

**(i) Restricted Assets (Continued)**

written certification of the engineers. Any surplus remaining after all deposits and transfers required and allowed by the bond resolution are to be used solely for purposes pertaining to the system. As of September 30, 2012, all accounts required under the bond resolution were fully funded as required.

**(j) 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 column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost as outlined below and an estimated useful life in excess of one year.

Capital asset thresholds are as follows:

<b><u>Property Class</u></b>	<b><u>Cost Threshold</u></b>
Land and infrastructure	No minimum cost threshold
Buildings	\$50,000
Improvements other than buildings	\$25,000
Machinery and equipment	\$5,000

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

In accordance with Governmental Accounting Standards Board Statement No. 34, general government infrastructure assets have been capitalized retroactively to 1980 at estimated historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred in the business-type activities during the current fiscal year was \$763,514. Of this amount, \$49,984 was included as part of the cost of capital assets under construction.

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

**(1) Summary of Significant Accounting Policies (Continued)**

**(j) Capital Assets (Continued)**

Capital assets of the component units are generally reported using the same policies as the City.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Property Class</u>	<u>Years</u>
Buildings	20 - 40
Water and sewer system	20 - 40
Improvements other than buildings	20
Machinery and equipment	3 - 25
Infrastructure	20 - 50

**(k) Compensated Absences**

Annual and eligible sick leave are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

There is no limit to the accumulation of annual or sick leave. Upon termination of employment, each employee shall be paid for not more than 30 days of accrued annual leave. No payment will be made for accrued sick leave upon termination, with an exception for a transitional provision described below and also for an employee who presents medical evidence that a physical condition is such that he/she can no longer work in a capacity of City employment, in which case he/she may be paid for not more than 120 days of accumulated sick leave.

All full-time employees accrue credit for annual and sick leave as follows:

<u>Period of Accrual Rate of Continuous Service Hours per Year</u>	<u>Accrual Rate of Hours per Year</u>	
	<u>Annual</u>	<u>Sick Leave</u>
1 month to 3 years	144	96
37 months to 8 years	168	84
97 months to 15 years	192	72
Over 15 years	216	60

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2012

### (1) Summary of Significant Accounting Policies (Continued)

#### (k) Compensated Absences (Continued)

Upon retirement or death, those full-time employees employed at October 1, 1991, with less than 30 years continuous service will be compensated, in cash, at their regular rate of pay for 1/2 of their accumulated sick leave. Employees with 30 years or more continuous service will be compensated, in cash, at their regular rate of pay, for 3/4 of their accumulated sick leave. Accrual of sick leave for this provision is limited to 180 days and shall not exceed the number of hours of sick leave actually accrued as of October 1, 1991.

#### (l) Long-term Obligations/Deferred Charges

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### (m) Other Post Employment Benefits

The City does not provide post-employment health or dental care benefits for any retirees or their dependents.

#### (n) Fund Balances/Net Assets

On the government-wide and proprietary fund statement of net assets, the City reports net assets in the following three categories:

**Invested in capital assets, net of related debt** – consists of capital assets net of accumulated depreciation reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2012

### (1) Summary of Significant Accounting Policies (Continued)

#### (n) Fund Balances/Net Assets (Continued)

**Restricted net assets** – consists of assets, less any related liabilities, restricted externally by creditors, grantors, contributors, or imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net assets** – consists of net assets that are not classified as invested in capital assets, net of related debt or restricted net assets.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

On the fund financial statements, the governmental funds balance sheet reports assets in excess of liabilities as fund balances. The fund balances are segregated into the following classifications indicating the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent:

**Nonspendable** – the fund balance is reported as nonspendable when the resources are either not in spendable form or are legally or contractually required to be maintained intact.

**Restricted** – the fund balance is reported as restricted when constraints placed on the resources are (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed** – the fund balance is reported as committed for amounts that can only be used for specific purposes as a result of constraints imposed by the adoption of an ordinance, order, or resolution by the City Council. Committed amounts cannot be modified or uncommitted except by removing the constraints through the same formal action by City Council.

**Assigned** – the fund balance is reported as assigned for resources that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by the City Council or authorized by the City Clerk and Chief Administrative Officer through the purchase order process. Unlike commitments, assignments generally only exist temporarily and do not require additional action to be taken for the removal of the assignment.

**CITY OF MERIDIAN, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2012

**(1) Summary of Significant Accounting Policies (Continued)**

**(n) Fund Balances/Net Assets (Continued)**

**Unassigned** – the unassigned fund balance is the residual classification for the general fund. This classification represents general fund balance that is not otherwise reported as nonspendable, restricted, committed, or assigned to specific purposes. This classification is also used to report any negative fund balance in other governmental funds.

When fund balance resources are available for specific purposes in more than one classification, it is the City’s policy to use the most restrictive fund first in the following order: restricted, committed, assigned, and then unassigned as needed.

**(o) New Accounting Pronouncement**

Effective for fiscal year 2012, the City implemented the following new standard issued by GASB:

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*, effective for financial statement periods beginning after June 15, 2011 – this statement provides clarification on whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. The adoption of this statement does not have any impact on the City’s financial statements.

**(p) Financial Statement Format**

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the City’s financial position and operations. For consistency, certain 2011 financial statement amounts have been reclassified to conform with the 2012 financial statement presentation. Such reclassifications had no material effect on the City’s financial position, changes in financial position, or cash flows.

The “increase/(decrease)” columns in the financial statements and footnotes are presented only to facilitate financial analysis and understanding. Data in these columns are not required disclosures and do not present financial position, changes in financial position, or cash flows in conformity with accounting principles generally accepted in the United States of America.

# CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2012

## (2) Reconciliation of Government-Wide and Fund Financial Statements

### (a) Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balances – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds and interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet”. The details of this difference are as follows:

<u>Description</u>	<u>Amount</u>
Bonds payable	\$ (44,170,000)
Deferred charges – refunded debt	177,624
Premium on refunded debt issue	(58,465)
Promissory loans payable	(466,462)
Negotiable notes payable	(660,000)
Accrued interest payable	(592,338)
Capital leases payable	(271,940)
Compensated absences	(1,361,801)
Claims and judgments	<u>(1,207)</u>
<b>Net adjustment to reduce fund balances – total governmental funds to arrive at net assets – governmental activities</b>	<b>\$ <u>(47,404,589)</u></b>

Another element of that reconciliation explains that “Internal service funds are used to charge the costs of certain activities, such as garage services, office supplies, and unemployment compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets”. The details of this difference are as follows:

<u>Description</u>	<u>Amount</u>
Net assets of the internal service funds	\$ 270,065
Less internal payable representing charges in excess of cost to business-type activities	<u>(11,941)</u>
<b>Net adjustment to increase fund balances – total governmental funds to arrive at net assets – governmental activities</b>	<b>\$ <u>258,124</u></b>

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

**(2) Reconciliation of Government-Wide and Fund Financial Statements (Continued)**

**(b) Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and change in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays 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”. The details of this difference are as follows:

<b><u>Description</u></b>	<b><u>Amount</u></b>
Capital outlay	\$ 3,170,569
Depreciation expense	<u>(5,123,558)</u>
<b>Net adjustment to reduce net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities</b>	<b>\$ <u>(1,952,989)</u></b>

Another element of that reconciliation explains that “Governmental funds do not report contributed capital assets because they do not provide current financial resources. However, in the statement of activities the fair values of contributed capital assets are recorded as capital contributions. The details of this difference are as follows:

<b><u>Description</u></b>	<b><u>Amount</u></b>
Street improvements contributed by developers	\$ 819,999
1997 Freightliner trolley contributed by the Meridian Transportation Commission	35,000
Land contributed by individuals	4,040
Belgian Malinois K-9 donated to the police department	<u>5,000</u>
<b>Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities</b>	<b>\$ <u>864,039</u></b>

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

(2) **Reconciliation of Government-Wide and Fund Financial Statements (Continued)**

(b) **Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)**

Another element of that reconciliation explains that “The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities”. The details of this difference are as follows:

<b><u>Description</u></b>	<b><u>Amount</u></b>
<b>Debt issued:</b>	
Issuance of general obligation bonds	\$ (4,500,000)
Issuance of energy conservation loan	(210,000)
Deferred charges for new debt issues	110,000
Amortization of deferred charges	(129,698)
Amortization of debt premium	10,168
<b>Principal repayments:</b>	
Bonds payable	3,305,000
Promissory loans payable	103,013
Negotiable notes payable	220,000
Capital leases payable	<u>53,796</u>
<b>Net adjustment to reduce net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities</b>	<b>\$ <u>(1,037,721)</u></b>

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

(2) **Reconciliation of Government-Wide and Fund Financial Statements (Continued)**

(b) **Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)**

Another element of that reconciliation explains that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds”. The details of this difference are as follows:

<b><u>Description</u></b>	<b><u>Amount</u></b>
Claims and judgments	\$ 136,707
Accrued interest expense	86,449
Compensated absences	<u>5,587</u>
<b>Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities</b>	<b>\$ <u>228,743</u></b>

Another element of that reconciliation explains that “Internal service funds are used to charge the costs of certain activities, such as garage services, office supplies, and unemployment compensation to individual funds. The net revenue of the internal service funds is reported with governmental activities”. The details of this difference are as follows:

<b><u>Description</u></b>	<b><u>Amount</u></b>
Change in net assets of the internal service funds	\$ 18,506
Less loss from charges to business-type activities	<u>(535)</u>
<b>Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities</b>	<b>\$ <u>17,971</u></b>

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

**(2) Reconciliation of Government-Wide and Fund Financial Statements (Continued)**

**(c) Explanation of Certain Differences Between the Proprietary Fund Statement of Net Assets and the Government-Wide Statement of Net Assets**

The proprietary fund statement of net assets includes a reconciliation between net assets – total enterprise funds and net assets of business-type activities as reported in the government-wide statement of net assets. The description of the sole element of that reconciliation is “adjustment to reflect the consolidation of internal service funds activities related to enterprise funds”. The details of this difference are as follows:

<b><u>Description</u></b>	<b><u>Amount</u></b>
Internal receivable representing charges in excess of cost to business-type activities:	
Prior year	\$ 11,406
Current year activities	<u>535</u>
<b>Net adjustment to increase net assets – total enterprise funds to arrive at net assets – business-type activities</b>	<b>\$ <u>11,941</u></b>

**(3) Stewardship, Compliance and Accountability**

**(a) Budgetary Information**

The City adopts annual budgets for all governmental, proprietary and fiduciary funds on a basis consistent with state law, the more significant of which is discussed below. For 2012, the original total budgeted expenditures were \$96,723,595 and were increased by amendments to \$97,745,845.

The City adopts annual budgets in accordance with statutory requirements established by the Mississippi Municipal Budget Law, Section 21-35-1, Mississippi Code Ann. (1972), Chapter 35 of Title 21 and regulatory requirements established by Section 21-35-29, Mississippi Code Ann. (1972). State law requires revenues and expenditures to be budgeted as follows: revenues which should be credited to the budget are those which are legally receipted (cash basis) from October 1 through September 30 at the minimum legal level required by the state auditor; expenditures which should be charged to the budget are those which are legally budgeted and disbursed during the fiscal year or within 30 days thereafter. The purpose level or object (personnel services, supplies and

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2012

### (3) **Stewardship, Compliance and Accountability (Continued)**

#### (a) **Budgetary Information (Continued)**

expenses, capital outlay, and transfers and other charges) is the minimum legal level determined by the State Auditor where expenditures may not exceed appropriations. The City adopts budgets for capital project and internal service funds by fund type as a whole rather than by individual funds. A governing authority may, at its discretion, adopt an annual budget at a more detailed level if it so desires. Expenditures for uncompleted improvements in progress of construction may be charged to the budget at any time. Penalties for exceeding the budget apply at the legal level (lowest level adopted by the governing authority) except for capital outlay, election expenses and payment of emergency warrants. All appropriations lapse 30 days after year-end. Appropriations paid after this period must be budgeted again during the next budget year. State law requires all funds receiving revenues from the municipality, funds which will require approval from the governing authorities for expenditures to be made, proprietary funds and funds confiscated and forfeited in connection with drug and liquor cases to have an adopted budget. Fiduciary funds do not require board approval to make disbursements.

The City's appropriated budget is adopted by fund, function and object. State law allows a governing authority to revise its budget at any time except in specific situations as defined in Mississippi Municipal Budget Law, Section 21-35-25. Budget revisions that result in more than a 10 percent change in the department's original budget must be published. This publication must explain the revision, including the amounts, need and purpose. Management may amend the budget without the approval of the City Council for expenditures falling in different accounts within the level at which the City Council adopts its budget. The City Council may, by unanimous vote, make expenditures, borrow money or incur liabilities necessary to meet any emergency as defined by state statute without further notice or hearing and may revise the budget accordingly.

The budget process is initiated by the Mayor, who, with the assistance of management, formulates a proposed operating budget for the next fiscal year and submits it to the City Council for discussion and approval. Public notice is given regarding public budget hearings to obtain taxpayer comments. After discussion of the proposed budget and after a consensus is reached, the budget is adopted by council ordinance no later than September 15 of each year. In the event the proposed budget is not adopted by September 15, no expenditure may be authorized nor any warrant issued, except for bonds, notes, debt and interest, after October 1 in each year, unless and until such time as the budget is adopted.

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

**(3) Stewardship, Compliance and Accountability (Continued)**

**(b) Budget/GAAP Reconciliation**

The following schedule reconciles the amounts on the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) to the amounts on the Statement of Revenues, Expenditures and Changes in Fund Balances:

<u>Description</u>	<u>General Fund</u>
Net change in fund balances – budgetary basis	\$ 229,148
Basis differences:	
Net accrued revenues and related receivables	(1,337,506)
Net accrued expenditures and related liabilities	<u>2,770,296</u>
<b>Net change in fund balances – GAAP basis</b>	<b>\$ <u>1,661,938</u></b>

**(4) Deposits and Investments**

*Deposits*

*Custodial credit risk:* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. At year end, the City's carrying amount of deposits was \$34,966,548 and the bank balance was \$34,984,025. The entire bank balance was covered by federal depository insurance or collateralized in accordance with state law. The collateral for public entities' deposits in financial institutions are held in the name of the Mississippi State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

**(4) Deposits and Investments (Continued)**

The carrying amount of deposits for discretely presented component units was \$1,471,749 and the bank balance was \$1,741,562. These bank balances were covered by federal depository insurance or collateralized in accordance with State law as described above.

***Investments***

At year end, the City's investment balances, reported at fair value, and maturities were as follows:

<u>Description</u>	<u>Fair Value</u>	<u>Maturity Date (Within One Year)</u>
U.S. Government Securities:		
Federal Home Loan Mortgage Corporate Discount Notes	\$ 751,681	12/27/2012
U. S. Treasury Notes	303,676	03/15/2013
U. S. Treasury Notes	427,062	11/15/2012
Federated Government Obligation Fund	5,292	-
Certificates of Deposit:		
Citizens National Bank	675,000	12/27/2012
Community Bank	675,000	01/03/2013
Citizens National Bank	200,000	01/07/2013
Citizens National Bank	<u>400,000</u>	11/10/2012
<b>Total investments</b>	<b>\$ <u>3,437,711</u></b>	

*Interest rate risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy is limited to complying with the State's investment statutes. The State law has not addressed an interest rate risk; however, the City's policy is to hold all investments to maturity, thereby reducing any interest rate risk.

*Credit risk:* The City and its component units are allowed, by State statute, to invest excess funds in any bonds or other direct obligations of the United States of America, of the State of Mississippi, or of any county or municipality of Mississippi, when such county or municipal bonds have been properly approved; or in obligations issued or

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

**(4) Deposits and Investments (Continued)**

guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository; or in interest-bearing time certificates of deposit with any financial institution approved for the deposit of state funds. It is the City's policy to limit its investments to those allowed by the State statute. The City's investments in the Federal Home Loan Mortgage Corporate Discount Notes are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. Investments in Federated Government Obligations Fund are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

*Concentration of credit risk:* The City complies with the State statute regarding investments; as a result, concentration risk is limited.

*Custodial credit risk:* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To minimize this risk, the City's requires that all negotiable instruments be held in safekeeping in the trust department of a bank. The City's investments are insured or registered, or are securities held by the City or its agent in the City's name.

A reconciliation of cash and investments as shown on the government-wide statement of net assets for the primary government follows:

<b><u>Description</u></b>	<b><u>Amount</u></b>
Cash on hand	\$ 3,740
Cash with trustee	1,000,670
Carrying amount of deposits (including certificates of deposits)	34,966,548
Carrying amount of investments (securities)	<u>1,487,711</u>
<b>Total cash and investments</b>	<b>\$ <u>37,458,669</u></b>
Cash and cash equivalents	\$ 11,962,559
Cash and investments – restricted	22,465,157
Investments	<u>1,550,000</u>
<b>Total reported on the government-wide statement of net assets</b>	<b>35,977,716</b>
Cash and cash equivalents reported on the statement of fiduciary assets and liabilities not included on the government-wide statement of net assets	<u>1,480,953</u>
<b>Total reported</b>	<b>\$ <u>37,458,669</u></b>

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

**(5) Capital Assets**

**Primary government:**

Capital asset activity for the year ended September 30, 2012, was as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>September 30,</b>			<b>September 30,</b>
	<b><u>2011</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>2012</u></b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 8,055,370	23,240	-	8,078,610
Right of ways	2,600	-	-	2,600
Collections - historical treasures	141,250	-	-	141,250
Construction-in-progress	<u>18,753,417</u>	<u>1,634,998</u>	<u>19,159,628</u>	<u>1,228,787</u>
Total capital assets, not being depreciated	<u>26,952,637</u>	<u>1,658,238</u>	<u>19,159,628</u>	<u>9,451,247</u>
Capital assets, being depreciated:				
Buildings	24,394,810	17,511,429	60,000	41,846,239
Improvements other than buildings	4,011,797	1,023,248	100	5,034,945
Machinery and equipment	13,863,074	2,166,052	568,863	15,460,263
Infrastructure	<u>109,124,939</u>	<u>835,269</u>	<u>-</u>	<u>109,960,208</u>
Total capital assets, being depreciated	<u>151,394,620</u>	<u>21,535,998</u>	<u>628,963</u>	<u>172,301,655</u>
Less accumulated depreciation for:				
Buildings	7,021,495	704,561	2,200	7,723,856
Improvements other than buildings	1,989,108	151,895	-	2,141,003
Machinery and equipment	10,167,353	876,582	514,180	10,529,755
Infrastructure	<u>51,933,961</u>	<u>3,390,520</u>	<u>-</u>	<u>55,324,481</u>
Total accumulated depreciation	<u>71,111,917</u>	<u>5,123,558</u>	<u>516,380</u>	<u>75,719,095</u>
Total capital assets, being depreciated, net	<u>80,282,703</u>	<u>16,412,440</u>	<u>112,583</u>	<u>96,582,560</u>
<b>Total governmental activities</b>				
<b>capital assets, net</b>	<b>\$ <u>107,235,340</u></b>	<b><u>18,070,678</u></b>	<b><u>19,272,211</u></b>	<b><u>106,033,807</u></b>

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

**(5) Capital Assets (Continued)**

	<b>Balance</b>			<b>Balance</b>
	<b>September 30,</b>			<b>September 30,</b>
	<b><u>2011</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>2012</u></b>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 247,787	-	-	247,787
Right of ways	-	30,610	-	30,610
Construction-in-progress	<u>1,388,842</u>	<u>5,173,553</u>	<u>2,772,624</u>	<u>3,789,771</u>
Total capital assets, not being depreciated	<u>1,636,629</u>	<u>5,204,163</u>	<u>2,772,624</u>	<u>4,068,168</u>
Capital assets, being depreciated:				
Buildings	126,628	-	-	126,628
Water and sewer system	93,587,760	3,269,588	-	96,857,348
Improvements other than buildings	98,924	-	-	98,924
Machinery and equipment	<u>3,769,264</u>	<u>342,178</u>	<u>179,529</u>	<u>3,931,913</u>
Total capital assets, being depreciated	<u>97,582,576</u>	<u>3,611,766</u>	<u>179,529</u>	<u>101,014,813</u>
Less accumulated depreciation for:				
Buildings	121,878	950	-	122,828
Water and sewer system	62,994,271	3,326,061	-	66,320,332
Improvements other than buildings	73,949	-	-	73,949
Machinery and equipment	<u>3,196,810</u>	<u>215,784</u>	<u>178,215</u>	<u>3,234,379</u>
Total accumulated depreciation	<u>66,386,908</u>	<u>3,542,795</u>	<u>178,215</u>	<u>69,751,488</u>
Total capital assets, being depreciated, net	<u>31,195,668</u>	<u>68,971</u>	<u>1,314</u>	<u>31,263,325</u>
<b>Total business-type activities</b>				
<b>capital assets, net</b>	\$ <u>32,832,297</u>	<u>5,273,134</u>	<u>2,773,938</u>	<u>35,331,493</u>

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

(5) **Capital Assets (Continued)**

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

	<b><u>Amount</u></b>
<b>Governmental activities:</b>	
General government	\$ 675,824
Public safety	769,300
Public works	3,596,986
Culture and recreation	<u>81,448</u>
<b>Total depreciation expense - governmental activities</b>	<b>\$ <u>5,123,558</u></b>
<b>Business-type activities:</b>	
Water and sewer department	\$ 3,530,583
Golf course	7,499
Union Station	<u>4,713</u>
<b>Total depreciation expense - business-type activities</b>	<b>\$ <u>3,542,795</u></b>

Construction-in-progress is composed of:

<b>Governmental activities:</b>	
Street milling, leveling and overlay	\$ 987,973
Fire Station No. 9 construction	118,535
Medical district traffic - engineering	96,275
Safe routes to school project	21,504
Gallagher Creek gabions	<u>4,500</u>
Total governmental activities	<u>1,228,787</u>
<b>Business-type activities:</b>	
Headworks improvements	2,384,045
SCADA upgrades	1,076,736
Wastewater treatment plant air blowers and electrical upgrade	<u>328,990</u>
Total business-type activities	<u>3,789,771</u>
<b>Total construction-in-progress</b>	<b>\$ <u>5,018,558</u></b>

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

**(5) Capital Assets (Continued)**

**Discretely presented component units:**

Capital asset activity for the year ended September 30, 2012, was as follows:

	<b>Balance September 30, <u>2011</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b>Balance September 30, <u>2012</u></b>
<b>Meridian Airport Authority:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,427,975	-	-	2,427,975
Construction-in-progress	<u>7,930,323</u>	<u>4,534,363</u>	<u>9,378,000</u>	<u>3,086,686</u>
Total capital assets, not being depreciated	<u>10,358,298</u>	<u>4,534,363</u>	<u>9,378,000</u>	<u>5,514,661</u>
Capital assets, being depreciated:				
Buildings	5,697,287	5,326,781		11,024,068
Improvements other than buildings	22,460,355	4,068,561	-	26,528,916
Machinery and equipment	<u>2,611,654</u>	<u>158,263</u>	<u>39,788</u>	<u>2,730,129</u>
Total capital assets, being depreciated	<u>30,769,296</u>	<u>9,553,605</u>	<u>39,788</u>	<u>40,283,113</u>
Less accumulated depreciation for:				
Buildings	1,694,687	427,753	-	2,122,440
Improvements other than buildings	9,133,767	1,214,169	-	10,347,936
Machinery and equipment	<u>1,319,517</u>	<u>361,816</u>	<u>39,431</u>	<u>1,641,902</u>
Total accumulated depreciation	<u>12,147,971</u>	<u>2,003,738</u>	<u>39,431</u>	<u>14,112,278</u>
Total capital assets, being depreciated, net	<u>18,621,325</u>	<u>7,549,867</u>	<u>357</u>	<u>26,170,835</u>
<b>Total Meridian Airport Authority</b>	\$ <u><u>28,979,623</u></u>	<u><u>12,084,230</u></u>	<u><u>9,378,357</u></u>	<u><u>31,685,496</u></u>
<b>Nonmajor component units:</b>				
Capital assets, being depreciated:				
Machinery and equipment	\$ 705,875	-	648,658	57,217
Less accumulated depreciation	<u>518,673</u>	<u>25,670</u>	<u>487,970</u>	<u>56,373</u>
<b>Total nonmajor component units</b>	\$ <u><u>187,202</u></u>	<u><u>(25,670)</u></u>	<u><u>160,688</u></u>	<u><u>844</u></u>

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

**(6) Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of September 30, 2012, is as follows:

**Due to/from other funds:**

<b><u>Receivable fund</u></b>	<b><u>Payable fund</u></b>	<b><u>Amount</u></b>
General Fund	Water & Sewer Fund	\$ 300,750
	Nonmajor Governmental Funds	707,816
Nonmajor Governmental Funds	General Fund	251,347
	2012 General Obligation Bonds	212,347
	Nonmajor Governmental Funds	139,446
Waste Collection & Disposal Fund	General Fund	8,186
Internal Service Funds	General Fund	250,739
	Water & Sewer Fund	159,104
	Waste Collection & Disposal	50
	Nonmajor Enterprise Funds	<u>870</u>
Total due to/from other funds		\$ <u>2,030,655</u>

**Due to primary government**

**Due from component units**

General Fund	Meridian Airport Authority	\$ <u>5,837</u>
Internal Service Funds	Meridian Transportation Commission	\$ <u>407</u>

These balances represent temporary timing differences related to (1) routine advances to provide funds for operations and grant projects that require expenditures prior to reimbursement and (2) routine charges due to internal service funds from various City departments for service and maintenance of City vehicles, office supplies, health and life insurance claims and unemployment insurance and claims.

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

**(6) Interfund Receivables, Payables and Transfers (Continued)**

**Interfund transfers:**

	<b>Transfers in:</b>						
	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Water &amp; Sewer Fund</b>	<b>Nonmajor Enterprise Funds</b>	<b>Internal Service Funds</b>	<b>Total transfers out</b>
<b><u>Transfers out:</u></b>							
<b>General Fund</b>	\$ -	876,200	63,086	4,600	469,450	64,000	1,477,336
<b>2012 General Obligation Bonds</b>	-	-	212,347	-	-	-	-
<b>Nonmajor</b>							
<b>Governmental Funds</b>	80,589	-	358,685	105,000	-	-	544,274
<b>Water &amp; Sewer Fund</b>	601,500	-	-	-	-	-	601,500
<b>Waste Collection &amp; Disposal Fund</b>	<u>44,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,000</u>
<b>Total transfers in</b>	\$ <u>726,089</u>	<u>876,200</u>	<u>634,118</u>	<u>109,600</u>	<u>469,450</u>	<u>64,000</u>	<u>2,879,457</u>

Transfers are used to (1) move revenues from the general fund to capital projects to fund authorized projects and (2) transfer support from one fund to another.

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

**(7) Leases**

*Capital Leases*

The City leases certain trucks and equipment which qualify as capital leases for accounting purposes and, therefore, were recorded as of the lease inception date at the present value of future minimum lease payments in the governmental and business-type activities.

A summary of leased equipment capitalized in the financial statements at September 30, 2012, follows:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery and equipment	\$ 709,066	1,056,641
Less accumulated depreciation	<u>(508,164)</u>	<u>(459,838)</u>
<b>Total leased equipment capitalized</b>	<b>\$ <u>200,902</u></b>	<b><u>596,803</u></b>

The future minimum lease obligations and the net present value of minimum lease commitments at September 30, 2012, follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2013	\$ 71,226	106,140
2014	71,226	106,140
2015	71,226	106,140
2016	71,226	106,140
2017	<u>17,807</u>	<u>26,535</u>
Total minimum lease commitments	302,711	451,095
Less amount representing imputed interest	<u>(30,771)</u>	<u>(52,760)</u>
Present value of minimum lease payments	271,940	398,335
Current portion of obligations under capital leases	<u>(57,043)</u>	<u>(85,005)</u>
Obligations under capital leases, less current installments	<b>\$ <u>214,897</u></b>	<b><u>313,330</u></b>

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

**(8) Long-Term Liabilities**

A summary of long-term liabilities at September 30, 2012, follows:

	<b><u>Interest Rates</u></b>	<b><u>Amount</u></b>
<b>Governmental activities:</b>		
Outstanding bonds:		
General government	1.9 - 5.7%	\$ 33,520,000
Special obligation bonds – parking facilities	2.75 - 5.375%	4,670,000
Limited obligation bonds – tax increment financing	5.0 - 9.0%	4,475,000
Special assessment debt with City commitment	4.5 - 6.75%	1,505,000
Less deferred issue costs on refunding bonds		(177,624)
Plus premiums on refunding bonds		58,465
Other debt:		
Promissory loans	.25 - 3.0%	466,462
Negotiable notes	2.71%	660,000
Capital leases	5.87%	271,940
Compensated absences		1,361,801
Claims and judgments		<u>1,207</u>
<b>Total governmental activities</b>		46,812,251
Less current portion payable		<u>(4,296,587)</u>
<b>Governmental activities, net</b>		\$ <u>42,515,664</u>
<b>Business-type activities:</b>		
Water & sewer revenue bonds:		
Improvements and repairs to water system	4.6 - 6.5%	\$ 1,510,000
Improvements, repairs and extension to water system	4.5 - 6.375%	2,090,000
Improvements, repairs and extension to water system	5.0 - 6.25%	1,105,000
Less deferred issue costs on refunding bonds		<u>(62,068)</u>
Total revenue bonds		<u>4,642,932</u>
Water & sewer promissory loans	1.0 - 6.125%	10,913,323
Less deferred issue costs on refunding bonds		<u>(123,268)</u>
Total promissory loans		<u>10,790,055</u>
Capital leases	5.87%	<u>398,335</u>
Deferred revenue forward invested funds		<u>113,880</u>
Compensated absences		<u>187,358</u>
<b>Total business-type activities</b>		16,132,560
Less current portion payable		<u>(2,145,971)</u>
<b>Business activities, net</b>		\$ <u>13,986,589</u>
<b>Discretely presented component units –</b>		
Promissory loans	3.75% - 8.0%	\$ 1,390,746
Less current portion payable		<u>(234,763)</u>
<b>Discretely presented component unit, net</b>		\$ <u>1,155,983</u>

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

**(8) Long-Term Liabilities (Continued)**

A summary of annual debt service requirements to maturity for general obligation bonds, special obligation bonds, limited obligation bonds, special assessment debt, certificates of participation, promissory loans and revenue bonds follows:

Year Ending September 30,	Governmental Activities						Total
	General Obligation Bonds	Special Obligation Bonds	Limited Obligations Bonds	Special Assessment Debt	Promissory Loans	Negotiable Notes	
2013	\$ 3,425,709	535,200	1,028,775	307,713	113,170	237,886	5,648,453
2014	3,348,307	536,037	510,844	310,542	113,170	231,924	5,050,824
2015	3,257,648	536,207	513,875	312,525	113,170	225,962	4,959,387
2016	3,099,145	541,843	515,125	313,555	85,558	-	4,555,226
2017	3,101,384	540,544	514,625	137,875	30,301	-	4,324,729
2018-2022	13,679,584	2,768,969	2,558,937	455,430	30,301	-	19,493,221
2023-2027	10,940,306	564,875	1,437,594	-	-	-	12,942,775
2028-2032	2,866,286	-	-	-	-	-	2,866,286
<b>Total</b>	<b>\$ 43,718,369</b>	<b>6,023,675</b>	<b>7,079,775</b>	<b>1,837,640</b>	<b>485,670</b>	<b>695,772</b>	<b>59,840,901</b>
<b>Interest included in above totals</b>	<b>\$ 10,198,369</b>	<b>1,353,675</b>	<b>2,604,775</b>	<b>332,640</b>	<b>19,208</b>	<b>35,772</b>	<b>14,544,439</b>

Year Ending September 30,	Business-type Activities			Discretely Presented Component Units Promissory Loans
	Revenue Bonds	Promissory Loans	Total	
2013	\$ 971,190	1,722,592	2,693,782	307,505
2014	974,286	1,783,357	2,757,643	305,484
2015	990,881	955,311	1,946,192	245,165
2016	994,994	951,736	1,946,730	753,284
2017	576,663	951,948	1,528,611	-
2018-2022	940,418	4,897,752	5,838,170	-
2023-2027	-	2,263,067	2,263,067	-
2028-2032	-	483,860	483,860	-
2033-2037	-	32,257	32,257	-
<b>Total</b>	<b>\$ 5,448,432</b>	<b>14,041,880</b>	<b>19,490,312</b>	<b>1,611,438</b>
<b>Interest included in above totals</b>	<b>\$ 743,432</b>	<b>3,128,557</b>	<b>3,871,989</b>	<b>220,692</b>

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

**(8) Long-Term Liabilities (Continued)**

A summary of changes in the long-term liabilities during the year ended September 30, 2012, follows:

<u>Description</u>	<u>October 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2012</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
General obligation debt	\$ 31,170,000	4,500,000	2,150,000	33,520,000	2,250,000
Less deferred issue costs on refunding bonds	(208,515)	-	(30,891)	(177,624)	(30,891)
Plus premiums on refunding bonds	68,633	-	10,168	58,465	10,168
Special obligation bonds	4,985,000	-	315,000	4,670,000	330,000
Limited obligation bonds	5,100,000	-	625,000	4,475,000	675,000
Special assessment with City commitment	<u>1,720,000</u>	<u>-</u>	<u>215,000</u>	<u>1,505,000</u>	<u>225,000</u>
Total bonds payable	42,835,118	4,500,000	3,284,277	44,050,841	3,459,277
Promissory loans	359,475	210,000	103,013	466,462	105,126
Negotiable notes	880,000	-	220,000	660,000	220,000
Capital leases	325,736	-	53,796	271,940	57,043
Compensated absences	1,367,388	1,123,006	1,128,593	1,361,801	453,934
Claims and judgments	<u>137,914</u>	<u>384,214</u>	<u>520,921</u>	<u>1,207</u>	<u>1,207</u>
<b>Governmental activities     long-term liabilities</b>	\$ <u>45,905,631</u>	<u>6,217,220</u>	<u>5,310,600</u>	<u>46,812,251</u>	<u>4,296,587</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 5,420,000	-	715,000	4,705,000	760,000
Less deferred issue costs on refunding bonds	(80,689)	-	(18,621)	(62,068)	(18,620)
Promissory loans	10,520,000	1,608,323	1,215,000	10,913,323	1,282,002
Less deferred issue costs on refunding loans	(184,902)	-	(61,634)	(123,268)	(61,634)
Capital leases	478,501	-	80,166	398,335	85,005
Deferred revenue forward invested funds	152,725	-	38,845	113,880	37,390
Compensated absences	<u>200,119</u>	<u>205,276</u>	<u>218,037</u>	<u>187,358</u>	<u>61,828</u>
<b>Business-type activities     long-term liabilities</b>	\$ <u>16,505,754</u>	<u>1,813,599</u>	<u>2,186,793</u>	<u>16,132,560</u>	<u>2,145,971</u>
<b>Discretely presented component units:</b>					
<b>Meridian Airport Authority -</b>					
Promissory loans	\$ 2,043,699	-	668,566	1,375,133	231,007
<b>Meridian Transportation Commission -</b>					
Promissory loans	<u>18,762</u>	<u>-</u>	<u>3,149</u>	<u>15,613</u>	<u>3,756</u>
<b>Discretely presented     component units</b>	\$ <u>2,062,461</u>	<u>-</u>	<u>671,715</u>	<u>1,390,746</u>	<u>234,763</u>

For governmental activities, compensated absences, pension obligation, and claims and judgments are generally liquidated by the general fund.

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2012

### (8) Long-Term Liabilities (Continued)

#### General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The original amount of general obligation bonds issued in prior years was \$38,710,000.

The City issued general obligation bonds during fiscal year 2012, in the amount of \$4,500,000. The proceeds from this bond issue will be used for street paving projects throughout the City.

#### Special Obligation Bonds

During fiscal year 2003, the City issued \$7,000,000 in special obligation bonds to provide funds for the costs of constructing the performing arts and educational/conference center parking facilities. These special obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenues raised from operations of the parking facility are to be used for payment of principal and interest due on these bonds.

#### Limited Obligation Bonds

The original amount of tax increment limited obligation bonds issued by the City in prior years to provide funds for the costs of constructing certain infrastructure improvements was \$7,600,000. The bonds are payable from and secured by a pledge of taxes levied on the incremental increase in the assessed value of the project and certain sales tax revenues. The City entered into an interlocal agreement with Lauderdale County, whereby the County has also pledged additional ad valorem tax revenues generated by the project to provide a pro rata portion of annual debt service on the bonds. As a result, the bonds are not a general obligation of the City.

#### Special Assessment Debt

The City issues special assessment bonds to provide financing for certain capital street improvements to benefit specific taxpayers. Special assessment bonds are direct obligations and pledge the full faith and credit of the City. Annual debt service is provided through collection of special assessments on benefited property and ad valorem taxes levied for debt service. The original amount of special assessment bonds issued in prior years was \$3,625,000.

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2012

### (8) Long-Term Liabilities (Continued)

#### Revenue Bonds

The City also issues bonds whereby the City pledges income derived from user fees of its water and sewer operations. The balance of revenue bonds outstanding as of September 30, 2012 amounted to \$4,642,932, net of \$62,068 of long-term financing costs. The original amount of revenue bonds issued in prior years totals \$12,000,000.

#### Promissory Loans

The City entered into a loan agreement whereby the Mississippi Development Bank issued Mississippi Development Bank Special Obligation Bonds and loaned the proceeds in the amount of \$5,300,000 to the City. The loan was made in fiscal year 1998 to fund water and sewer line improvements to the west side of Meridian adjacent to the East Mississippi Correctional Facility and toward the annexed area of the City located on the eastern side of the City.

In fiscal year 2001, the City entered into a \$1,000,000 capital improvements revolving loan from the Mississippi Development Authority to provide drainage and flood control improvements at the South Industrial Park.

In fiscal year 2002, the City entered into a loan agreement whereby the Mississippi Development Bank issued Mississippi Development Bank Special Obligation Bonds and loaned the proceeds in the amount of \$3,100,000 to the City. The proceeds from this loan were used to provide sewer lines to the Naval Air Station and water and sewer service to the Phase II annexed areas.

In fiscal year 2003, the City entered into a loan agreement whereby the Mississippi Development Bank issued Mississippi Development Bank Special Obligation Bonds and loaned the proceeds in the amount of \$7,590,000 to the City. The proceeds from this loan were used to refund the City's 1994 Combined Water and Sewer System Revenue Bonds. As a result of this refunding, the 1994 bonds are considered fully defeased in substance, and the liability is not reported in the City's financial statements. As of September 30, 2012, the outstanding balance on the defeased bonds was \$1,650,000. This refunding resulted in a decrease in future debt service payments of \$549,006.

In fiscal year 2004, the City entered into a loan agreement whereby the Mississippi Development Bank issued Mississippi Development Bank Special Obligation Bonds and loaned the proceeds in the amount of \$2,900,000 to the City. The proceeds from this loan were used to provide water and sewer lines to the new industrial park and for various other small projects.

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2012

### (8) Long-Term Liabilities (Continued)

In fiscal year 2011, the City entered into a \$210,000 energy conservation loan agreement with the Mississippi Development Authority to provide for the installation of various energy conservation measures during the renovation of the City Hall.

During fiscal year 2012, the City entered into an \$8,411,225 loan agreement with the Mississippi Department of Environmental Quality through the EPA Clean Water State Revolving Fund Program. The proceeds from this note are to be used for the rehabilitation of the South Wastewater Treatment Plant. The City has drawn \$1,608,323 against these loan funds as of September 30, 2012.

#### Negotiable Notes

During fiscal year 2010, the City issued taxable negotiable notes in the amount of \$1,100,000. The proceeds from these notes were used for the payment of pre-development expenses incurred in conjunction with the Redevelopment Agreement that was terminated in December, 2009.

#### Letter of Credit

The City maintains a \$600,000 unsecured irrevocable letter of credit with Citizens National Bank. This letter of credit was issued for a fee of \$7,575 in favor of Travelers Indemnity Company for support of the City's deductible for workers compensation claims. This letter of credit expires August 1, 2013, with an automatic extension for one year. As of September 30, 2012, the City had no outstanding balance on this letter of credit. The interest rate is set at 1.25 percent.

#### **Discretely Presented Component Units:**

During fiscal year 2010, the Meridian Airport Authority entered into a four percent promissory loan agreement in the amount of \$291,618 to finance a portion of the purchase of Dean Aircraft Service, Inc.

During fiscal year 2011, the Meridian Airport Authority entered into a 3.75 percent promissory loan agreement in the amount of \$2,000,000 for construction of an aircraft maintenance hangar.

During fiscal year 2011, the Meridian Transportation Commission entered into an 8.0 percent unsecured promissory loan agreement in the amount of \$19,845 for the purpose of providing operating capital.

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2012

### (9) Lessor Operating Leases

The City of Meridian and Meridian Airport Authority (a discretely presented component unit) lease space to others under various lease agreements. A summary of minimum future rental income on these leases as of September 30, 2012, and for each of the next five years and in aggregate, follows:

<u>Year Ending September 30,</u>	<u>City of Meridian</u>	<u>Meridian Airport Authority</u>
2013	\$ 44,066	54,180
2014	26,581	35,802
2015	23,580	32,330
2016	20,736	29,201
2017	13,513	28,533
Thereafter	<u>67,112</u>	<u>159,568</u>
<b>Total minimum future rentals</b>	<b>\$ <u>195,588</u></b>	<b><u>339,614</u></b>

### (10) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance to protect against these and other types of risks, except medical claims of City employees and their covered dependents. Coverage limits vary by exposure/policy and are decided on from examination of the number and types of prior claims, as well as from monitoring of judicial decisions, awards and trend factors. Premiums are paid from the general fund, water and sewer fund, golf course fund and Union Station fund, as well as the appropriate department within each fund and by component units. There were no significant reductions in insurance coverage in fiscal 2012, from the prior year. Settled claims have not exceeded commercial coverage in any of the past several years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Since the City is insured for losses above the self-insured retention ("SIR"), its insurers have the responsibility of reserving, discounting, and making other similar calculations. The aggregate SIR claims, which include incurred but not reported ("IBNR") claims, were derived by obtaining an average of the four most recent years of loss histories and increasing this average by approximately one standard deviation above the mean to determine claim liabilities.

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

**(10) Risk Management (Continued)**

Changes in the balances of claims liabilities during the fiscal years ended September 30, 2012 and 2011, follows:

<b><u>Description</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Unpaid claims, beginning of year	\$ 137,914	273,041
Incurred claims (including IBNR's)	384,214	410,118
Claim payments	<u>(520,921)</u>	<u>(545,245)</u>
Unpaid claims, end of year	\$ <u>1,207</u>	<u>137,914</u>

Effective October 1, 2004, the City contracts with a third party administrator to administer a partially self insured health plan. The City moved from a fully insured contract and, based on historical projections, maintains the same level of funding. Aggregate (\$1,000,000) and specific (\$100,000 per participant) stop-loss insurance coverages were obtained to guard against any large unforeseen claim losses. Fully insured transplant coverage was also secured to allow transplants to be fully insured outside of specific and aggregate insurance limits. This plan also provides life insurance on each employee for \$25,000 double indemnity. The City established the health and life insurance reserve fund ("the Fund") in the internal service fund group to account for this activity.

Benefit payments plus an administrative charge are made to the third-party administrator who approves and processes all claims. The Fund collects interfund premiums from insured funds and departments. Interfund premiums are based on the insured funds' claims experience and are adjusted to cover all reported claims. Claims settlement and loss expenses are accrued in the Fund for the settlement value of claims reported and estimated value of claims incurred but not reported, up to stop-loss. No actuarial study has been performed on the Fund.

Changes in the balances of claims liabilities during the fiscal years ended September 30, 2012 and 2011 follows:

<b><u>Description</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Unpaid claims, beginning of year	\$ 406,036	332,741
Incurred claims (including IBNR's)	2,964,274	3,316,831
Claim payments	<u>(3,096,222)</u>	<u>(3,243,536)</u>
Unpaid claims, end of year	\$ <u>274,088</u>	<u>406,036</u>

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2012

### (11) Contingent Liabilities

#### Litigation

The City is a defendant in various litigation arising out of normal business activities. Although the City carries commercial insurance to protect itself against damage claims, it is possible that the ultimate resolution of cases may exceed the City's insured limits. Management, with the advice of legal counsel, is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the financial statements.

#### Federally Assisted Programs – Compliance Audits

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

### (12) Construction and Other Significant Commitments

The City has approved contracts for replacing and upgrading the supervisory control and data acquisition ("SCADA") system at the Freshwater Treatment Plants. The cost of this project is estimated to be \$1,200,000 and will be funded with proceeds from the sale of bonds issued by the City.

The City has approved three projects at the South Waste Water Treatment Plant, including (1) the replacement of headworks; (2) the replacement of plant air blowers and digester blowers, addition of variable frequency drives for improved air control, upgrades to the air distributions system, replacement of process pumps, and associated electrical; and (3) electrical upgrades, including the replacing generator No. 1 and associated automatic transfer switch, replacement of motor control centers, replacement of underground conduits and wires, and new overhead and underground conduits and wires. The total estimated cost of these projects is \$8,411,225 and is being funded by a Water Pollution Control Revolving Loan Fund agreement through the Mississippi Department of Environmental Quality.

The City has received grant approval for sidewalk improvements between Meridian Public Schools and the Boys and Girls Club. The cost of this project is estimated to be \$775,833 in sidewalk improvements and \$24,793 in activities to promote pedestrian safety and reduce speeds in school zones. The total project cost of \$800,626 is funded 100 percent from a Safe Routes to School grant through the Mississippi Department of Transportation ("MDOT").

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

**(12) Construction and Other Significant Commitments (Continued)**

The City has approved a contract to mill, level and overlay sections of various city routes, including 7<sup>th</sup> Street, 29<sup>th</sup> Avenue, 8<sup>th</sup> Street, 14<sup>th</sup> Street, Country Club Drive and Grandview Ave. The estimated construction cost of this project is \$1,355,700 and will be funded 20 percent from local funds and 80 percent from grant funds provided through MDOT.

The City has approved contracts to repair gabions along Gallagher Creek in Highland Park. This project will provide watershed protection measures to relieve hazards created by a storm on April 20, 2011. The total cost of this project is estimated to be \$130,000, of which \$102,000 will be provided by a grant through the National Resources Conservation Service. Grant matching funds of \$16,843 will be provided by the Pat Harrison Waterway District and the remaining match will come from local funds.

The City has executed a lease agreement for a new law enforcement center. The lease term is to begin upon the earlier of actual occupancy or substantial completion of the premises and continue for twenty years with an option to purchase the premises upon expiration of the primary lease term. The base rental will be \$305,000 annually for the first five years and will be adjusted every five years thereafter according to the Consumer Price Index for Urban Wage and Clerical Workers ("CPI-U").

The City has approved a contract for construction of Fire Station Number 9 in the newly annexed northeast part of the City. The cost of this construction is \$844,500 and will be funded from the sale of bonds issued by the City.

Other significant commitments include encumbrances outstanding for the general fund as follows:

<u>Description</u>	<u>Encumbrance Amount</u>
General fund committed to software conversion	\$ 1,980
General fund assigned for various governmental services	<u>1,930,552</u>
<b>Total outstanding encumbrances</b>	\$ <u>1,932,532</u>

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2012

### (13) **Solid Waste Management Services Accounting**

The City contracts its solid waste collection and disposal needs to a private contractor. Pursuant to Section 17-17-347 of the Mississippi Code Ann. (1972), each unit of local government, beginning with fiscal year end 1992, shall determine during its regular audit the full and complete cost for solid waste management within the service area of the unit of local government for the previous fiscal year and shall update the full and complete cost every year thereafter. The City is in compliance with this requirement. These costs are accounted for in the waste collection and disposal enterprise fund.

### (14) **Prior Period Adjustment**

The October 1, 2011 beginning balance of the net assets of the Meridian Airport Authority (a discretely presented component unit) has been restated to correct a promissory loan balance. The correction has no effect on the results of the current year's activities, however the cumulative effect increased net assets by \$116,647.

### (15) **Subsequent Events**

Events that occur after the statement of net assets date, but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date require recognition in the financial statements. Subsequent events that provide evidence about conditions that existed after the statement of net assets date require disclosure in the notes to the financial statements. Management evaluated the activity of the City through April 26, 2013, (the date the financial statements were available to be issued) and noted the following items which require disclosure in the notes to the financial statements.

In December, 2012, the City authorized and directed the issuance of \$12,415,000 in Mississippi Development Bank Special Obligation Bonds, Series 2013. The purpose of this bond issue is to refund the Series 1995, 1997 and 2000 Water and Sewer Revenue Bonds and the Series 1998, 2001B and 2004 Water and Sewer Promissory Loans.

In April, 2013, the City authorized and directed the issuance of in General Obligation Water and Sewer Bonds, Series 2013 not to exceed \$1,200,000. The purpose of this bond issue is to provide funds for water and sewer infrastructure improvements.

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2012

### (16) Pension and Retirement Plans

#### **Public Employees Retirement System:**

##### *Plan Description*

The City and its component units contribute to the Public Employees' Retirement System of Mississippi ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, Accounting Department, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

The payroll for employees covered by PERS (statewide) for the year ended June 30, 2012, was \$5,857,789,000. The City's payroll for employees covered by PERS for the year ended September 30, 2012, was \$15,976,068; the City's total payroll was \$16,691,654 for the year ended September 30, 2012.

Participating employees who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life, in an amount equal to two percent of their average compensation for each year of credited service, up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of credited service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the member's earnings during the four highest compensated years of credited service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State of Mississippi Legislature.

**CITY OF MERIDIAN, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2012

**(16) Pension and Retirement Plans (Continued)**

A cost-of-living adjustment payment is made to eligible retirees and beneficiaries. The cost of living adjustment is equal to three percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with three percent compounded for each fiscal year thereafter. For the year ended June 30, 2012, the total annual cost of living adjustment payments for PERS (statewide) were \$402,514,750.

***Funding Policy***

Members covered by PERS are required to contribute nine percent of their earned compensation toward retirement. In the year ended September 30, 2012, City employees contributed \$1,432,389. If a member covered by PERS leaves employment prior to retirement, accumulated member contributions plus interest (3.5% in 2012) are refunded to the member or designated beneficiary upon request.

The City is required by statute to contribute to PERS at an actuarially determined rate. For the years ended September 30, 2012, 2011, and 2010, the City's contribution requirements representing 12 percent (from October 1, 2009 through December 31, 2011) and 12.93% (from January 1, 2012 through September 30, 2012) of covered payroll were \$2,072,313, \$1,916,658, and \$1,865,457, respectively. The City contributed 100 percent of its requirements in each of these years.

The Meridian Airport Authority (a discretely presented component unit) contributed 100 percent of its required contributions to PERS in the years ended September 30, 2012, 2011, and 2010 of \$192,183, \$157,132, and \$138,335, respectively.

***Trend Information***

Ten-year historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS June 30, 2012, comprehensive annual financial report.

**Municipal Retirement Systems:**

***Plan Description***

The City also participates in the Municipal Retirement Systems ("MRS") which has been closed to new participants since July 1, 1976. MRS is an agent multiple-employer defined benefit plan of PERS. MRS was designed to provide retirement benefits for general municipal employees, as well as firefighters and police officers. The City is one of two cities providing retirement benefits to general municipal employees and one of seventeen cities providing retirement benefits to firefighters and police officers.

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2012

### (16) **Pension and Retirement Plans (Continued)**

Membership in the MRS is comprised of employees who were hired prior to July 1, 1976, and includes only those eligible employees of the City who did not opt to become a member of PERS. PERS is also responsible for the administration of MRS. MRS is considered part of the financial reporting entity of the State of Mississippi. The total payroll for City employees covered by MRS for the year ended September 30, 2012 was \$170,773; the City's total payroll for all employees was \$16,691,654. At September 30, 2012, the date of the most recent actuarial valuation, there were three participating general municipal employees, firefighters and police officers and 197 retired participants and beneficiaries currently receiving benefits.

The PERS annually issues publicly available information entitled the Report on the Annual Valuation Covering the Participation of the City of Meridian in the Mississippi Municipal Retirement Systems. The report may be obtained by writing to Public Employees' Retirement System of Mississippi, Accounting Department, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

#### ***Funding Policy***

Funding policies for MRS, established by Mississippi statutes, provide for a property tax to be levied within each municipality and deductions from salaries of members, at rates sufficient to make the plan actuarially sound. For the year ended September 30, 2012, the City levied 7.93 mills to help fund MRS. An actuarial valuation is performed on an annual basis to determine the rates necessary to make the System actuarially sound. However, Mississippi statutes limit any increase in the property tax levy for pension contributions to one-half mill per year.

During fiscal year 2012, fire and police employees and municipal employees covered by MRS were required to contribute ten percent and seven percent, respectively, of covered payroll. Any increase to the seven percent base contribution rate is made in increments not to exceed one percent per year. If a member leaves covered employment, accumulated member contributions are refunded to the member upon request. Members covered by MRS do not receive interest on their accumulated contributions. The City contributes the remaining amounts necessary to finance participation of its employees in MRS. Contribution provisions are established by Sections 21-29, Articles 1, 3, 5 and 7, Mississippi Code Ann. (1972) and annual local legislation. Statutes may be amended only by the State of Mississippi Legislature.

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2012

**(16) Pension and Retirement Plans (Continued)**

***Annual Pension Cost***

The required contribution to MRS was determined as part of the actuarial valuation performed as of September 30, 2012, using the entry age actuarial cost method, the level dollar closed amortization method (with a twenty-two year remaining amortization period), and a five-year smoothed market asset valuation method. Significant actuarial assumptions include (a) an 8 percent investment rate of return (net of investment expenses) and including a price inflation rate of 3.5 percent, (b) projected annual salary increases ranging from 4.5 to 6.0 percent and including a wage inflation rate at 4.25 percent, and (c) no cost of living adjustments.

The following provides pension cost and obligation information for MRS:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual pension cost (required contribution)	\$ 2,538,402	2,437,538	2,438,798
Less contributions made	<u>2,538,402</u>	<u>2,437,538</u>	<u>2,438,798</u>
Net pension obligation at year end	\$ _____ -	_____ -	_____ -
Percentage of annual pension cost contributed	<u>100%</u>	<u>100%</u>	<u>100%</u>

***Funding Status and Funding Progress***

As of September 30, 2012, the most recent actuarial valuation date, the plan was 31.2 percent funded. The actuarial accrued liability for benefits was \$26.5 million, and the actuarial value of assets was \$8.3 million, resulting in an unfunded actuarial accrued liability (“UALL”) of \$18.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$170,773, and the ratio of UAAL to covered payroll was 10,638.0 percent. Because MMRS is a closed plan with only three active employees, this percentage is highly misleading.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE 1**

**CITY OF MERIDIAN, MISSISSIPPI**  
Required Supplementary Information  
Mississippi Municipal Retirement System ("MMRS")  
Schedule of Funding Progress  
Last Three Fiscal Years  
(amounts expressed in thousands)

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability ("AAL") - Entry Age (b)</b>	<b>Funded Ratio (a/b)</b>	<b>Unfunded AAL ("UAAL") (b-a)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b-a)/c]</b>
9/30/12	\$ 8,258	\$ 26,449	31.2%	\$ 18,191	171	10,638.0 %
9/30/11	8,533	27,229	31.3%	18,696	169	11,062.7 %
9/30/10	8,581	27,754	30.9%	19,173	166	11,550.0 %

**Notes to Schedule of Funding Progress**

The AAL is a measure intended to help users assess the Municipal Retirement System ("MMRS") funding status on a going-concern basis and assess progress being made in accumulating sufficient assets to pay benefits when due. The UAAL, as a percentage of annual covered payroll, also aids in analysis of progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the plan. However, for closed plans such as MMRS, this figure is highly misleading and should be ignored.

The actuarial value of assets is determined on a market-related basis that recognizes 20 percent of the previously unrecognized and unanticipated gains and losses (both realized and unrealized).

For additional information regarding this schedule, refer to the separately issued Public Employees' Retirement System of Mississippi Comprehensive Annual Financial Report for 2012 by writing to Public Employees' Retirement System of Mississippi, 429 Mississippi Street, Jackson, MS 39201-1005.

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

## **NONMAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Fund**

The special revenue fund is used to account for revenue sources from grants and contributions, interest on investments, narcotics related forfeitures, and miscellaneous registration fees and rentals. These revenue sources are restricted to expenditures for public safety, culture and recreation, and economic development.

### **Capital Projects Funds**

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds.

**Sowashee Project** – This fund was originally used to account for construction of the water drainage project along Sowashee Creek in the City’s jurisdiction and is currently accounting for maintenance costs of the same. The financing for this project was from general obligation bonds, U. S. Army Corp of Engineers, and the Pat Harrison Waterway District.

**2003 General Obligation Bonds** – This fund is used to account for the proceeds and disbursements of the 2003 general obligation public improvement bonds.

**2003 Flood Damage** – This fund is used to account for grant revenues used for repairing areas damaged by floods in 2003.

**Highway 19 Drainage** – This fund is used to account for the local and grant revenues to be used to repair drainage damage along Highway 19 near First Street.

**City Hall Improvements** – This fund is used to account for the bond proceeds used to fund the renovation and restoration of City Hall.

**2008 General Obligation Bonds** – This fund is used to account for the proceeds and disbursements of the 2008 general obligation bonds.

**2009 General Obligation Bonds** – This fund is used to account for the proceeds and disbursements of the 2009 general obligation bonds.

**2009 Tax Increment Financing Bonds** – This fund is used to account for the bond proceeds used to fund infrastructure improvements to the Meridian Crossroads site.

**2010 Negotiable Note** – This fund is used to account for the proceeds and disbursements of the taxable negotiable note used for the payment of pre-development expenses incurred in conjunction with the Threefoot Building Redevelopment Agreement that was terminated in December, 2009.

## **NONMAJOR GOVERNMENTAL FUNDS**

### **Capital Projects Funds (Continued)**

**Safe Routes to School Project** – This fund is used to account for grant revenues for sidewalk improvements between Carver Middle School, Harris Elementary School, and the Boys and Girls Club; plus activities to promote pedestrian safety and reduce speeds in the Carver Middle, Harris Elementary, Oakland Heights Elementary, and Crestwood Elementary school zones.

**26<sup>th</sup> Avenue Viaduct Safety Upgrades** – This fund is used to account for the local and grant revenues used to perform safety upgrades and enhancements to the 26<sup>th</sup> Avenue viaduct.

**29<sup>th</sup> Avenue Sowashee Creek Bridge Replacement** – This fund is used to account for the local and grant revenues used for replacement of the 29<sup>th</sup> Avenue bridge at Sowashee Creek.

**2011 General Obligation Bonds** – This fund is used to account for the proceeds and disbursements of the 2011 general obligation bonds.

**35<sup>th</sup> Avenue and 40<sup>th</sup> Street Bridge Replacement** – This fund is used to account for the local and grant revenues used for replacement of bridges on 35<sup>th</sup> Avenue and on 40<sup>th</sup> Street over Gallagher Creek.

**STP Milling, Leveling, and Overlay** – This fund is used to account for the local and grant revenues used for milling, leveling and asphalt overlay of selected City routes, including drainage and sidewalk improvements as required.

**Highland Park Gabions** – This fund is used to account for the local and grant revenues used to repair gabions along Gallagher Creek in Highland Park.

**Fire Station No. 9 Briarwood** – This fund is used to account for the local revenues used to construct Fire Station Number 9 in the newly annexed northeast part of the City.

**SCHEDULE 2****CITY OF MERIDIAN, MISSISSIPPI**

Combining Balance Sheet

Nonmajor Governmental Funds

September 30, 2012

	<b>Nonmajor Special Revenue</b>	<b>Nonmajor Capital Projects</b>	<b>Total Nonmajor Governmental Funds</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 19,950	-	19,950
Investments	200,000	-	200,000
Receivables, net:			
Interest	224	-	224
Miscellaneous	4,363	-	4,363
Due from other funds	225,436	377,704	603,140
Restricted assets:			
Cash and cash equivalents	2,931,146	3,900,368	6,831,514
Intergovernmental receivables	<u>660,506</u>	<u>754,626</u>	<u>1,415,132</u>
<b>Total assets</b>	<b>\$ <u>4,041,625</u></b>	<b><u>5,032,698</u></b>	<b><u>9,074,323</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Liabilities:</b>			
Accounts payable	\$ 3,105	-	3,105
Due to other funds	660,401	186,861	847,262
Liabilities payable from restricted assets:			
Accounts payable	142,674	1,076,165	1,218,839
Accrued salaries	2,716	-	2,716
Deferred revenue	<u>75,543</u>	<u>-</u>	<u>75,543</u>
<b>Total liabilities</b>	<b><u>884,439</u></b>	<b><u>1,263,026</u></b>	<b><u>2,147,465</u></b>
<b>Fund balances:</b>			
Restricted for:			
Sowashee Creek maintenance	-	346,385	346,385
Construction/acquisition of capital assets	-	3,321,756	3,321,756
Flood damage repairs	-	76,465	76,465
Debt service	-	25,066	25,066
Purposes of grantors/donors	131,722	-	131,722
Law enforcement	2,649,623	-	2,649,623
Committed to:			
Urban renewal and redevelopment	345,786	-	345,786
Assigned to:			
Public safety	21,565	-	21,565
Sports events	<u>8,490</u>	<u>-</u>	<u>8,490</u>
<b>Total fund balances</b>	<b><u>3,157,186</u></b>	<b><u>3,769,672</u></b>	<b><u>6,926,858</u></b>
<b>Total liabilities and fund balances</b>	<b>\$ <u>4,041,625</u></b>	<b><u>5,032,698</u></b>	<b><u>9,074,323</u></b>

**SCHEDULE 3****CITY OF MERIDIAN, MISSISSIPPI**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Fiscal Year Ended September 30, 2012

	<b>Nonmajor Special Revenue</b>	<b>Nonmajor Capital Projects</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues:</b>			
Intergovernmental	\$ 432,423	790,578	1,223,001
Fines and forfeitures	17,398	-	17,398
Local contributions	440	-	440
Interest on investments	15,364	27,619	42,983
Miscellaneous	41,421	-	41,421
Total revenues	<u>507,046</u>	<u>818,197</u>	<u>1,325,243</u>
<b>Expenditures:</b>			
Current:			
Public safety	942,069	-	942,069
Culture and recreation	116,856	-	116,856
Economic development	231,008	-	231,008
Capital outlay	-	<u>2,221,002</u>	<u>2,221,002</u>
Total operating expenses	<u>1,289,933</u>	<u>2,221,002</u>	<u>3,510,935</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(782,887)</u>	<u>(1,402,805)</u>	<u>(2,185,692)</u>
<b>Other financing sources (uses):</b>			
Transfers in	13,513	620,605	634,118
Transfers out	(80,589)	(463,685)	(544,274)
Loan proceeds	-	<u>210,000</u>	<u>210,000</u>
Total other financing sources (uses)	<u>(67,076)</u>	<u>366,920</u>	<u>299,844</u>
<b>Net change in fund balances</b>	(849,963)	(1,035,885)	(1,885,848)
<b>Fund balances, October 1, 2011</b>	<u>4,007,149</u>	<u>4,805,557</u>	<u>8,812,706</u>
<b>Fund balances, September 30, 2012</b>	\$ <u>3,157,186</u>	<u>3,769,672</u>	<u>6,926,858</u>

**CITY OF MERIDIAN, MISSISSIPPI**  
 Combining Balance Sheet  
 Nonmajor Capital Projects Funds  
 September 30, 2012

	<b>Sowashee Project</b>	<b>2003 General Obligation Bonds</b>	<b>2003 Flood Damage</b>	<b>Highway 19 Drainage</b>	<b>City Hall Improvements</b>	<b>2008 General Obligation Bonds</b>	<b>2009 General Obligation Bonds</b>	<b>2009 Tax Increment Financing Bonds</b>
<b><u>ASSETS</u></b>								
Due from other funds	\$ -	-	-	-	-	-	-	-
Restricted assets:								
Cash and cash equivalents	346,385	206,769	76,465	2,572	192,805	2,278	465,851	4,659
Intergovernmental receivables	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ <u>346,385</u></b>	<b><u>206,769</u></b>	<b><u>76,465</u></b>	<b><u>2,572</u></b>	<b><u>192,805</u></b>	<b><u>2,278</u></b>	<b><u>465,851</u></b>	<b><u>4,659</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>								
<b>Liabilities:</b>								
Due to other funds	\$ -	-	-	-	-	-	-	-
Liabilities payable from restricted assets -								
Accounts payable	-	-	-	-	4,509	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,509</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>								
Restricted for:								
Sowashee Creek maintenance	346,385	-	-	-	-	-	-	-
Construction/acquisition of capital assets	-	206,769	-	2,572	188,296	2,278	465,851	-
Flood damage repairs	-	-	76,465	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	4,659
<b>Total fund balances</b>	<b><u>346,385</u></b>	<b><u>206,769</u></b>	<b><u>76,465</u></b>	<b><u>2,572</u></b>	<b><u>188,296</u></b>	<b><u>2,278</u></b>	<b><u>465,851</u></b>	<b><u>4,659</u></b>
<b>Total liabilities and fund balances</b>	<b>\$ <u>346,385</u></b>	<b><u>206,769</u></b>	<b><u>76,465</u></b>	<b><u>2,572</u></b>	<b><u>192,805</u></b>	<b><u>2,278</u></b>	<b><u>465,851</u></b>	<b><u>4,659</u></b>

**SCHEDULE 4**

<b>2010 Negotiable Note</b>	<b>Safe Routes to School Project</b>	<b>26th Avenue Viaduct Safety Upgrades</b>	<b>29th Avenue Sowashee Creek Bridge Replacement</b>	<b>2011 General Obligation Bonds</b>	<b>35th Avenue &amp; 40th Street Bridge Replacement</b>	<b>STP Milling, Leveling, &amp; Overlay</b>	<b>Highland Park Gabions</b>	<b>Fire Station No. 9 Briarwood</b>	<b>Total Nonmajor Governmental Funds</b>
-	-	3,942	21,969	20,911	-	212,347	-	118,535	377,704
20,407	-	-	-	2,497,874	42,228	24,063	18,012	-	3,900,368
<u>-</u>	<u>21,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>733,122</u>	<u>-</u>	<u>-</u>	<u>754,626</u>
<b><u>20,407</u></b>	<b><u>21,504</u></b>	<b><u>3,942</u></b>	<b><u>21,969</u></b>	<b><u>2,518,785</u></b>	<b><u>42,228</u></b>	<b><u>969,532</u></b>	<b><u>18,012</u></b>	<b><u>118,535</u></b>	<b><u>5,032,698</u></b>
-	21,504	3,942	21,969	118,535	-	-	-	20,911	186,861
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>969,532</u>	<u>4,500</u>	<u>97,624</u>	<u>1,076,165</u>
<u>-</u>	<u>21,504</u>	<u>3,942</u>	<u>21,969</u>	<u>118,535</u>	<u>-</u>	<u>969,532</u>	<u>4,500</u>	<u>118,535</u>	<u>1,263,026</u>
-	-	-	-	-	-	-	-	-	346,385
-	-	-	-	2,400,250	42,228	-	13,512	-	3,321,756
-	-	-	-	-	-	-	-	-	76,465
<u>20,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,066</u>
<u>20,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,400,250</u>	<u>42,228</u>	<u>-</u>	<u>13,512</u>	<u>-</u>	<u>3,769,672</u>
<b><u>20,407</u></b>	<b><u>21,504</u></b>	<b><u>3,942</u></b>	<b><u>21,969</u></b>	<b><u>2,518,785</u></b>	<b><u>42,228</u></b>	<b><u>969,532</u></b>	<b><u>18,012</u></b>	<b><u>118,535</u></b>	<b><u>5,032,698</u></b>

**CITY OF MERIDIAN, MISSISSIPPI**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Capital Projects Funds  
For the Fiscal Year Ended September 30, 2012

	<u>Sowashee Project</u>	<u>2003 General Obligation Bonds</u>	<u>2003 Flood Damage</u>	<u>Highway 19 Drainage</u>	<u>City Hall Improvements</u>	<u>2008 General Obligation Bonds</u>	<u>2009 General Obligation Bonds</u>	<u>2009 Tax Increment Financing Bonds</u>
<b>Revenues:</b>								
Intergovernmental -								
Federal	\$ -	-	-	-	-	-	-	-
Interest on investments	<u>2,024</u>	<u>1,176</u>	<u>435</u>	<u>15</u>	<u>1,990</u>	<u>13</u>	<u>3,528</u>	<u>26</u>
Total revenues	<u>2,024</u>	<u>1,176</u>	<u>435</u>	<u>15</u>	<u>1,990</u>	<u>13</u>	<u>3,528</u>	<u>26</u>
<b>Expenditures:</b>								
Construction contracts	-	-	-	-	355,132	-	-	-
Engineering and other	<u>4,514</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>51,252</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>4,514</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>406,384</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(2,490)</u>	<u>1,175</u>	<u>435</u>	<u>15</u>	<u>(404,394)</u>	<u>13</u>	<u>3,528</u>	<u>26</u>
<b>Other financing sources (uses):</b>								
Transfers in	-	-	-	-	198,000	-	-	-
Transfers out	-	-	-	-	-	-	(198,000)	-
Loan proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>408,000</u>	<u>-</u>	<u>(198,000)</u>	<u>-</u>
<b>Net change in fund balances</b>	(2,490)	1,175	435	15	3,606	13	(194,472)	26
<b>Fund Balances, October 1, 2011</b>	<u>348,875</u>	<u>205,594</u>	<u>76,030</u>	<u>2,557</u>	<u>184,690</u>	<u>2,265</u>	<u>660,323</u>	<u>4,633</u>
<b>Fund balances, September 30, 2012</b>	\$ <u>346,385</u>	<u>206,769</u>	<u>76,465</u>	<u>2,572</u>	<u>188,296</u>	<u>2,278</u>	<u>465,851</u>	<u>4,659</u>

**SCHEDULE 5**

<b>2010 Negotiable Note</b>	<b>Safe Routes to School Project</b>	<b>26th Avenue Viaduct Safety Upgrades</b>	<b>29th Avenue Sowashee Creek Bridge Replacement</b>	<b>2011 General Obligation Bonds</b>	<b>35th Avenue &amp; 40th Street Bridge Replacement</b>	<b>STP Milling, Leveling, &amp; Overlay</b>	<b>Highland Park Gabions</b>	<b>Fire Station No. 9 Briarwood</b>	<b>Total Nonmajor Governmental Funds</b>
-	3,750	11,202	-	-	-	775,626	-	-	790,578
<u>116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,206</u>	<u>78</u>	<u>-</u>	<u>12</u>	<u>-</u>	<u>27,619</u>
<u>116</u>	<u>3,750</u>	<u>11,202</u>	<u>-</u>	<u>18,206</u>	<u>78</u>	<u>775,626</u>	<u>12</u>	<u>-</u>	<u>818,197</u>
-	-	15,270	-	625,125	-	969,532	-	57,810	2,022,869
<u>-</u>	<u>3,750</u>	<u>-</u>	<u>-</u>	<u>54,950</u>	<u>-</u>	<u>18,441</u>	<u>4,500</u>	<u>60,725</u>	<u>198,133</u>
<u>-</u>	<u>3,750</u>	<u>15,270</u>	<u>-</u>	<u>680,075</u>	<u>-</u>	<u>987,973</u>	<u>4,500</u>	<u>118,535</u>	<u>2,221,002</u>
<u>116</u>	<u>-</u>	<u>(4,068)</u>	<u>-</u>	<u>(661,869)</u>	<u>78</u>	<u>(212,347)</u>	<u>(4,488)</u>	<u>(118,535)</u>	<u>(1,402,805)</u>
-	-	3,942	-	27,631	42,150	212,347	18,000	118,535	620,605
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(265,685)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(463,685)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,000</u>
<u>-</u>	<u>-</u>	<u>3,942</u>	<u>-</u>	<u>(238,054)</u>	<u>42,150</u>	<u>212,347</u>	<u>18,000</u>	<u>118,535</u>	<u>366,920</u>
116	-	(126)	-	(899,923)	42,228	-	13,512	-	(1,035,885)
<u>20,291</u>	<u>-</u>	<u>126</u>	<u>-</u>	<u>3,300,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,805,557</u>
<u>20,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,400,250</u>	<u>42,228</u>	<u>-</u>	<u>13,512</u>	<u>-</u>	<u>3,769,672</u>

**SCHEDULE 6****CITY OF MERIDIAN, MISSISSIPPI****Debt Service Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances -****Budget and Actual (Budgetary Basis)****For the Fiscal Year Ended September 30, 2012**

	<u>Budgeted Amounts</u>		<b>Actual (Budgetary Basis) Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>	\$ 4,977,750	6,000,000	5,583,322	(416,678)
<b>Expenditures - debt service</b>	<u>4,977,750</u>	<u>6,000,000</u>	<u>5,621,200</u>	<u>378,800</u>
<b>Net change in fund balances</b>	\$ <u>-</u>	<u>-</u>	(37,878)	<u>(37,878)</u>
<b>Fund Balance, October 1, 2011</b>			<u>2,741,242</u>	
<b>Fund Balance, September 30, 2012</b>			\$ <u>2,703,364</u>	

**SCHEDULE 7****CITY OF MERIDIAN, MISSISSIPPI****Special Revenue Fund****Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual (Budgetary Basis)  
For the Fiscal Year Ended September 30, 2012**

	<u>Budgeted Amounts</u>		<b>Actual (Budgetary Basis) Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>	\$ 400,000	715,000	773,557	58,557
<b>Expenditures -</b>				
Project costs	<u>2,500,000</u>	<u>2,500,000</u>	<u>1,094,289</u>	<u>1,405,711</u>
<b>Net change in fund balances</b>	\$ <u>(2,100,000)</u>	<u>(1,785,000)</u>	(320,732)	<u>1,464,268</u>
<b>Fund balances, October 1, 2011</b>			<u>4,009,468</u>	
<b>Fund balances, September 30, 2012</b>			\$ <u>3,688,736</u>	

**SCHEDULE 8****CITY OF MERIDIAN, MISSISSIPPI**

## Capital Projects Funds

## Schedule of Revenues, Expenditures and Changes in Fund Balances -

## Budget and Actual (Budgetary Basis)

For the Fiscal Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis) Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>	\$ 85,000	335,000	5,013,141	4,678,141
<b>Expenditures - capital outlay</b>	<u>3,635,000</u>	<u>6,500,000</u>	<u>5,273,409</u>	<u>1,226,591</u>
<b>Net change in fund balances</b>	\$ <u>(3,550,000)</u>	<u>(6,165,000)</u>	(260,268)	<u>5,904,732</u>
<b>Fund balance, October 1, 2011</b>			<u>7,666,589</u>	
<b>Fund balance, September 30, 2012</b>			\$ <u>7,406,321</u>	

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**CITY OF MERIDIAN, MISSISSIPPI**  
Schedule of General Fund Expenditures  
By Departments and Divisions  
For the Fiscal Year Ended September 30, 2012  
(With Comparative Totals for the Fiscal Year Ended September 30, 2011)

	<u>Executive, Legislative and Judicial</u>	<u>Finance and Records</u>	<u>Community Development</u>	<u>Fire Department</u>	<u>Police Department</u>
<b>Personnel services:</b>					
Salaries - regular	\$ 796,185	780,000	629,904	3,724,404	4,098,479
Salaries - overtime	6,286	3,158	108	387,245	134,508
Salaries - temporaries	65,000	36,010	8,068	11,733	25,183
Fringe benefits	<u>309,077</u>	<u>283,290</u>	<u>222,005</u>	<u>1,448,989</u>	<u>1,467,860</u>
Total personnel services	<u>1,176,548</u>	<u>1,102,458</u>	<u>860,085</u>	<u>5,572,371</u>	<u>5,726,030</u>
<b>Contractual services and supplies:</b>					
Supplies - office	6,406	8,114	2,281	1,882	4,469
Supplies - operating	585	5,358	2,334	5,862	37,979
Supplies - household	-	5,801	2,226	11,145	3,758
Supplies - uniforms and clothing	27	-	1,955	19,566	47,143
Supplies - materials direct	-	-	143	-	-
Materials - small tools and workorders	193	604	582	5,076	1,312
Professional services	433,731	123,205	6,794	4,841	508,473
Telephone	6,847	85,036	5,460	6,451	24,192
Postage	266	839	258	239	642
Travel	18,708	3,904	3,711	14,930	10,150
Freight	-	90	-	95	-
Advertising and publishing	22,581	5,853	2,845	148	46
Printing and binding	957	3,028	2,205	185	4,296
Insurance	124,157	37,357	35,749	181,263	324,784
Utilities	5,621	1,104,875	7,104	91,290	34,308
Operating and maintenance - buildings	3,094	6,237	5,503	31,906	8,723
Operating and maintenance - grounds	852	1,097	-	80	-
Operating and maintenance - equipment	1,691	8,978	1,497	19,531	10,720
Operating and maintenance - vehicles	4,206	888	16,301	107,985	520,365
Operating and maintenance - computer services	9,070	78,506	18,301	73,500	64,086
Rentals	2,520	12,709	2,968	2,751	-
Judgments and claims	14,028	4,685	11,299	29,314	111,373
Dues and subscriptions	33,597	3,067	3,769	1,491	3,877
Public relations	8,025	-	-	1,199	1,462
Refunds	-	688	9	-	-
Job training	10,203	5,544	2,857	30,803	7,156
Safety	-	20	-	63,762	-
Hospital and medical	<u>9,715</u>	<u>-</u>	<u>-</u>	<u>17,372</u>	<u>24,304</u>
Total contractual services & supplies	<u>717,080</u>	<u>1,506,483</u>	<u>136,151</u>	<u>722,667</u>	<u>1,753,618</u>
<b>Capital outlay:</b>					
Land	-	-	-	-	-
Buildings	-	-	-	95,000	-
Improvements other than buildings	-	-	-	-	-
Machinery and equipment	3,556	74,433	17,575	87,221	-
Vehicles	<u>-</u>	<u>-</u>	<u>20,969</u>	<u>15,950</u>	<u>-</u>
Total capital outlay	<u>3,556</u>	<u>74,433</u>	<u>38,544</u>	<u>198,171</u>	<u>-</u>
<b>Debt service:</b>					
Principal	-	53,797	-	-	-
Interest	<u>-</u>	<u>17,429</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debt service	<u>-</u>	<u>71,226</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Transfers and other charges:</b>					
Transfer to other funds	950,694	-	357,300	6,267	5,105
Special projects	-	54,706	120,288	-	-
Miscellaneous contributions	318,638	-	-	-	25,334
Other projects and charges	<u>23,479</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total transfers and other charges	<u>1,292,811</u>	<u>54,706</u>	<u>477,588</u>	<u>6,267</u>	<u>30,439</u>
<b>Total General Fund expenditures - 2012</b>	<b>3,189,995</b>	<b>2,809,306</b>	<b>1,512,368</b>	<b>6,499,476</b>	<b>7,510,087</b>
<b>Total General Fund expenditures - 2011</b>	<b><u>3,467,173</u></b>	<b><u>2,965,898</u></b>	<b><u>1,638,569</u></b>	<b><u>6,649,277</u></b>	<b><u>7,302,495</u></b>
<b>Increase (decrease)</b>	<b>\$ <u>(277,178)</u></b>	<b><u>(156,592)</u></b>	<b><u>(126,201)</u></b>	<b><u>(149,801)</u></b>	<b><u>207,592</u></b>

**SCHEDULE 9**

<b>Homeland Security</b>	<b>Public Works</b>	<b>Parks, Recreation &amp; Cultural Affairs</b>	<b>Arts District Parking Garage</b>	<b>Totals</b>		
				<b>2012</b>	<b>2011</b>	<b>Increase (Decrease)</b>
125,535	1,906,805	734,015	8,187	12,803,514	13,064,055	(260,541)
871	82,942	27,906	6,607	649,631	473,865	175,766
1,455	121,655	209,337	-	478,441	425,001	53,440
<u>104,616</u>	<u>758,297</u>	<u>283,646</u>	<u>3,111</u>	<u>4,880,891</u>	<u>5,227,866</u>	<u>(346,975)</u>
<u>232,477</u>	<u>2,869,699</u>	<u>1,254,904</u>	<u>17,905</u>	<u>18,812,477</u>	<u>19,190,787</u>	<u>(378,310)</u>
607	1,719	1,263	27	26,768	20,682	6,086
9,868	61,312	73,188	-	196,486	209,147	(12,661)
1,946	5,097	19,215	526	49,714	47,338	2,376
1,700	17,708	4,473	-	92,572	85,184	7,388
-	122,623	23,245	-	146,011	133,561	12,450
3,698	6,136	5,456	-	23,057	27,246	(4,189)
29,502	3,619	61,341	4,090	1,175,596	1,283,218	(107,622)
1,524	7,114	2,635	613	139,872	140,511	(639)
-	221	(590)	-	1,875	35,796	(33,921)
1,199	2,405	586	-	55,593	53,992	1,601
-	340	-	-	525	264	261
-	807	2,317	-	34,597	30,854	3,743
-	-	4,055	30	14,756	12,321	2,435
15,175	276,294	69,248	13,564	1,077,591	997,994	79,597
29,485	43,847	163,917	28,039	1,508,486	1,542,892	(34,406)
11,369	17,418	36,256	12,961	133,467	112,500	20,967
3,678	42,161	37,101	-	84,969	49,296	35,673
10,891	48,424	54,968	2,806	159,506	200,601	(41,095)
23,281	288,313	51,910	-	1,013,249	999,669	13,580
20,670	31,390	20,043	-	315,566	243,794	71,772
-	14,203	2,852	-	38,003	24,014	13,989
211	98,871	48,583	-	318,364	472,255	(153,891)
18	3,052	222	-	49,093	36,729	12,364
-	-	-	-	10,686	4,647	6,039
-	-	-	15	712	1,996	(1,284)
1,483	2,750	705	-	61,501	49,374	12,127
2,410	10,934	2,664	-	79,790	67,948	11,842
85	195	-	-	51,671	50,907	764
<u>168,800</u>	<u>1,106,953</u>	<u>685,653</u>	<u>62,671</u>	<u>6,860,076</u>	<u>6,934,730</u>	<u>(74,654)</u>
-	-	-	-	-	70,000	(70,000)
7,856	-	4,803	-	107,659	9,963	97,696
-	-	-	-	-	2,299	(2,299)
2,263	64,133	47,702	1,000	297,883	353,517	(55,634)
-	119,948	40,655	-	197,522	50,322	147,200
<u>10,119</u>	<u>184,081</u>	<u>93,160</u>	<u>1,000</u>	<u>603,064</u>	<u>486,101</u>	<u>116,963</u>
-	-	-	-	53,797	174,555	(120,758)
-	-	-	-	17,429	24,732	(7,303)
-	-	-	-	71,226	199,287	(128,061)
-	45,821	170,000	-	1,535,187	1,684,034	(148,847)
-	34,681	35,019	-	244,694	468,978	(224,284)
-	-	-	-	343,972	402,706	(58,734)
-	-	-	-	23,479	18,993	4,486
-	80,502	205,019	-	2,147,332	2,574,711	(427,379)
411,396	4,241,235	2,238,736	81,576	28,494,175	29,385,616	(891,441)
<u>450,167</u>	<u>4,471,576</u>	<u>2,277,069</u>	<u>163,392</u>	<u>29,385,616</u>		
<u>(38,771)</u>	<u>(230,341)</u>	<u>(38,333)</u>	<u>(81,816)</u>	<u>(891,441)</u>		

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## **NONMAJOR ENTERPRISE FUNDS**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the government's council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the government's council has decided that periodic determination of net income is appropriate for accountability purposes.

**Golf Course** – This fund is used to account for the activities of the City's public golf course.

**Union Station** – This fund reflects the operating results of the multi-modal facility located in the downtown area of the City.

**Concessions** – This fund is used to account for the activities of the City's Highland Park Carousel concessions and concession stands at the softball parks.

**SCHEDULE 10****CITY OF MERIDIAN, MISSISSIPPI**

Combining Statement of Net Assets

Nonmajor Enterprise Funds

September 30, 2012

	<u>Golf Course</u>	<u>Union Station</u>	<u>Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
<b><u>ASSETS</u></b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 38,031	134,420	89,772	262,223
Receivables - miscellaneous	-	6,047	-	6,047
Inventory	37,247	-	2,299	39,546
Prepaid items	<u>672</u>	<u>1,420</u>	<u>-</u>	<u>2,092</u>
<b>Total current assets</b>	<u>75,950</u>	<u>141,887</u>	<u>92,071</u>	<u>309,908</u>
<b>Capital assets:</b>				
Buildings	126,628	-	-	126,628
Improvements other than buildings	98,924	-	-	98,924
Machinery and equipment	<u>374,076</u>	<u>60,774</u>	<u>-</u>	<u>434,850</u>
Total capital assets	599,628	60,774	-	660,402
Less accumulated depreciation	<u>(532,500)</u>	<u>(44,298)</u>	<u>-</u>	<u>(576,798)</u>
<b>Capital assets (net of accumulated depreciation)</b>	<u>67,128</u>	<u>16,476</u>	<u>-</u>	<u>83,604</u>
<b>Total assets</b>	<u>143,078</u>	<u>158,363</u>	<u>92,071</u>	<u>393,512</u>
<b><u>LIABILITIES</u></b>				
<b>Current liabilities:</b>				
Accounts payable	10,829	19,186	2,432	32,447
Accrued liabilities:				
Payroll	33,062	6,893	189	40,144
Sales tax	1,661	-	687	2,348
Due to other funds	315	555	-	870
Current portion of capital leases	<u>278</u>	<u>-</u>	<u>-</u>	<u>278</u>
<b>Total current liabilities</b>	46,145	26,634	3,308	76,087
<b>Noncurrent liabilities -</b>				
Capital lease payable, net of current portion	<u>1,026</u>	<u>-</u>	<u>-</u>	<u>1,026</u>
<b>Total liabilities</b>	<u>47,171</u>	<u>26,634</u>	<u>3,308</u>	<u>77,113</u>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	65,824	16,476	-	82,300
Unrestricted	<u>30,083</u>	<u>115,253</u>	<u>88,763</u>	<u>234,099</u>
<b>Total net assets</b>	\$ <u>95,907</u>	<u>131,729</u>	<u>88,763</u>	<u>316,399</u>

**SCHEDULE 11****CITY OF MERIDIAN, MISSISSIPPI**

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets  
 Nonmajor Enterprise Funds  
 For the Fiscal Year Ended September 30, 2012

	<u>Golf Course</u>	<u>Union Station</u>	<u>Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Operating revenues:</b>				
Charges for sales and services:				
Memberships	\$ 57,936	-	-	57,936
Green fees	69,009	-	-	69,009
Cart rental	62,807	-	-	62,807
Concessions	105,666	-	34,216	139,882
Rental income	-	64,325	-	64,325
Miscellaneous	146	-	1,008	1,154
Total operating revenues	<u>295,564</u>	<u>64,325</u>	<u>35,224</u>	<u>395,113</u>
<b>Operating expenses:</b>				
Personnel services	229,805	89,509	9,830	329,144
Supplies and materials	113,229	10,459	15,569	139,257
Rent and utilities	24,474	40,826	-	65,300
Operation, maintenance, and repairs	82,104	98,833	-	180,937
Depreciation	7,499	4,713	-	12,212
Miscellaneous	9,120	108,524	1,096	118,740
Total operating expenses	<u>466,231</u>	<u>352,864</u>	<u>26,495</u>	<u>845,590</u>
<b>Operating income (loss)</b>	<u>(170,667)</u>	<u>(288,539)</u>	<u>8,729</u>	<u>(450,477)</u>
<b>Nonoperating revenues (expenses):</b>				
Interest income	40	673	471	1,184
Interest expense	(85)	-	-	(85)
Total nonoperating revenues (expenses)	<u>(45)</u>	<u>673</u>	<u>471</u>	<u>1,099</u>
<b>Income (loss) before transfers</b>	<u>(170,712)</u>	<u>(287,866)</u>	<u>9,200</u>	<u>(449,378)</u>
<b>Transfers -</b>				
Transfers in	<u>170,000</u>	<u>299,450</u>	<u>-</u>	<u>469,450</u>
<b>Change in net assets</b>	(712)	11,584	9,200	20,072
<b>Net assets, October 1, 2011</b>	<u>96,619</u>	<u>120,145</u>	<u>79,563</u>	<u>296,327</u>
<b>Net assets, September 30, 2012</b>	\$ <u>95,907</u>	<u>131,729</u>	<u>88,763</u>	<u>316,399</u>

**SCHEDULE 12**

**CITY OF MERIDIAN, MISSISSIPPI**  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Fiscal Year Ended September 30, 2012

	<u>Golf</u>	<u>Union</u>		<u>Total</u>
	<u>Course</u>	<u>Station</u>	<u>Concessions</u>	<u>Nonmajor</u>
				<u>Enterprise</u>
				<u>Funds</u>
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 295,564	69,472	35,224	400,260
Payments to suppliers	(230,279)	(271,538)	(13,465)	(515,282)
Payments to employees	(230,521)	(89,564)	(9,876)	(329,961)
<b>Net cash provided by (used in)</b>				
<b>operating activities</b>	<u>(165,236)</u>	<u>(291,630)</u>	<u>11,883</u>	<u>(444,983)</u>
<b>Cash flows from noncapital financing activities -</b>				
Transfers from other funds	<u>170,000</u>	<u>299,450</u>	<u>-</u>	<u>469,450</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	(6,806)	-	-	(6,806)
Principal payments - capital lease	(262)	-	-	(262)
Interest payments - capital lease	<u>(85)</u>	<u>-</u>	<u>-</u>	<u>(85)</u>
<b>Net cash used in capital and</b>				
<b>related financing activities</b>	<u>(7,153)</u>	<u>-</u>	<u>-</u>	<u>(7,153)</u>
<b>Cash flows from investing activities -</b>				
Interest received	<u>40</u>	<u>673</u>	<u>471</u>	<u>1,184</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(2,349)	8,493	12,354	18,498
<b>Cash and cash equivalents, October 1, 2011</b>	<u>40,380</u>	<u>125,927</u>	<u>77,418</u>	<u>243,725</u>
<b>Cash and cash equivalents, September 30, 2012</b>	\$ <u>38,031</u>	<u>134,420</u>	<u>89,772</u>	<u>262,223</u>
<b>Reconciliation of operating income (loss) to net</b>				
<b>cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ <u>(170,667)</u>	<u>(288,539)</u>	<u>8,729</u>	<u>(450,477)</u>
Adjustments to reconcile operating income (loss) to				
net cash provided by (used in) operating activities:				
Depreciation	7,499	4,713	-	12,212
Changes in assets and liabilities:				
Accounts receivable	-	1,965	-	1,965
Due from component units	-	3,182	-	3,182
Inventory	5,758	-	1,168	6,926
Prepaid items	(25)	(129)	-	(154)
Accounts payable	(7,394)	(13,041)	2,232	(18,203)
Accrued liabilities	(562)	(56)	(246)	(864)
Due to other funds	<u>155</u>	<u>275</u>	<u>-</u>	<u>430</u>
Total adjustments	<u>5,431</u>	<u>(3,091)</u>	<u>3,154</u>	<u>5,494</u>
<b>Net cash provided by (used in)</b>				
<b>operating activities</b>	\$ <u>(165,236)</u>	<u>(291,630)</u>	<u>11,883</u>	<u>(444,983)</u>

## **INTERNAL SERVICE FUNDS**

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City and to other governmental units on a cost reimbursement basis.

**Municipal Supply Fund** – This fund is used to account for City garage and fuel activity.

**Municipal Office Supply Fund** – This fund is used to account for City office supply activity.

**Health and Life Insurance Reserve Fund** – This fund is used to account for the receipts and disbursements of claims paid by the City for employee health and life insurance.

**Unemployment Compensation Fund** – This fund is used to account for the claims paid by the City for unemployment compensation.

**CITY OF MERIDIAN, MISSISSIPPI**

Combining Statement of Net Assets

Internal Service Funds

September 30, 2012

	<b><u>Municipal Supply</u></b>	<b><u>Municipal Office Supply</u></b>	<b><u>Health and Life Insurance Reserve</u></b>	<b><u>Unemployment Compensation</u></b>	<b><u>Total Internal Service Funds</u></b>
<b><u>ASSETS</u></b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 166,876	26,191	2,389	16,415	211,871
Receivables - miscellaneous	-	-	6,617	-	6,617
Due from other funds:					
General fund	50,592	-	200,146	-	250,738
Water and sewer fund	8,019	-	151,085	-	159,104
Waste collection & disposal fund	50	-	-	-	50
Golf course fund	316	-	-	-	316
Union Station fund	555	-	-	-	555
Due from component unit	407	-	-	-	407
Inventory	<u>50,951</u>	<u>2,351</u>	<u>-</u>	<u>-</u>	<u>53,302</u>
<b>Total current assets</b>	<u>277,766</u>	<u>28,542</u>	<u>360,237</u>	<u>16,415</u>	<u>682,960</u>
<b><u>LIABILITIES</u></b>					
<b>Current liabilities -</b>					
Accounts payable	<u>52,545</u>	<u>113</u>	<u>360,237</u>	<u>-</u>	<u>412,895</u>
<b>Total current liabilities</b>	<u>52,545</u>	<u>113</u>	<u>360,237</u>	<u>-</u>	<u>412,895</u>
<b><u>NET ASSETS</u></b>					
Unrestricted	\$ <u>225,221</u>	<u>28,429</u>	<u>-</u>	<u>16,415</u>	<u>270,065</u>

**SCHEDULE 14****CITY OF MERIDIAN, MISSISSIPPI**

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Internal Service Funds

For the Fiscal Year Ended September 30, 2012

	<u>Municipal Supply</u>	<u>Municipal Office Supply</u>	<u>Health and Life Insurance Reserve</u>	<u>Unemployment Compensation</u>	<u>Total Internal Service Funds</u>
<b>Operating revenues:</b>					
Charges for sales and services	\$ 481,463	2,816	-	-	484,279
Premiums	-	-	3,354,231	-	3,354,231
Reinsurance reimbursement	-	-	108,805	-	108,805
Total operating revenues	<u>481,463</u>	<u>2,816</u>	<u>3,463,036</u>	<u>-</u>	<u>3,947,315</u>
<b>Operating expenses:</b>					
Administration fees	-	-	523,767	-	523,767
Costs of sales and services	480,458	2,720	-	-	483,178
Claims paid	-	-	2,939,273	47,585	2,986,858
Total operating expenses	<u>480,458</u>	<u>2,720</u>	<u>3,463,040</u>	<u>47,585</u>	<u>3,993,803</u>
<b>Operating income (loss)</b>	1,005	96	(4)	(47,585)	(46,488)
<b>Nonoperating revenues -</b>					
Interest income	<u>839</u>	<u>151</u>	<u>4</u>	<u>-</u>	<u>994</u>
<b>Income (loss) before transfers in</b>	1,844	247	-	(47,585)	(45,494)
<b>Transfers in</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,000</u>	<u>64,000</u>
<b>Change in net assets</b>	1,844	247	-	16,415	18,506
<b>Net assets, October 1, 2011</b>	<u>223,377</u>	<u>28,182</u>	<u>-</u>	<u>-</u>	<u>251,559</u>
<b>Net assets, September 30, 2012</b>	\$ <u>225,221</u>	<u>28,429</u>	<u>-</u>	<u>16,415</u>	<u>270,065</u>

**CITY OF MERIDIAN, MISSISSIPPI**  
 Combining Statement of Cash Flows  
 Internal Service Funds  
 For the Fiscal Year Ended September 30, 2012

	<u>Municipal Supply</u>	<u>Municipal Office Supply</u>	<u>Health and Life Insurance Reserve</u>	<u>Unemployment Compensation</u>	<u>Total Internal Service Funds</u>
<b>Cash flows from operating activities:</b>					
Receipts from customers and users	\$ 507,841	2,816	3,657,013	-	4,167,670
Payments to suppliers	<u>(474,950)</u>	<u>(4,064)</u>	<u>(3,660,487)</u>	<u>(47,585)</u>	<u>(4,187,086)</u>
<b>Net cash provided by (used in) operating activities</b>	32,891	(1,248)	(3,474)	(47,585)	(19,416)
<b>Cash flows from noncapital financing activities -</b>					
Transfers from other funds	-	-	-	64,000	64,000
<b>Cash flows from investing activities -</b>					
Interest received	<u>839</u>	<u>151</u>	<u>4</u>	<u>-</u>	<u>994</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	33,730	(1,097)	(3,470)	16,415	45,578
<b>Cash and cash equivalents, October 1, 2011</b>	<u>133,146</u>	<u>27,288</u>	<u>5,859</u>	<u>-</u>	<u>166,293</u>
<b>Cash and cash equivalents, September 30, 2012</b>	\$ <u><u>166,876</u></u>	<u><u>26,191</u></u>	<u><u>2,389</u></u>	<u><u>16,415</u></u>	<u><u>211,871</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>					
Operating income (loss)	\$ <u>1,005</u>	<u>96</u>	<u>(4)</u>	<u>(47,585)</u>	<u>(46,488)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Changes in assets and liabilities:					
Receivables - miscellaneous	-	-	4,223	-	4,223
Due from other funds	23,853	-	189,755	-	213,608
Due from component units	2,525	-	-	-	2,525
Inventory	(2,199)	107	-	-	(2,092)
Accounts payable	<u>7,707</u>	<u>(1,451)</u>	<u>(197,448)</u>	<u>-</u>	<u>(191,192)</u>
Total adjustments	<u>31,886</u>	<u>(1,344)</u>	<u>(3,470)</u>	<u>-</u>	<u>27,072</u>
<b>Net cash provided by (used in) operating activities</b>	\$ <u><u>32,891</u></u>	<u><u>(1,248)</u></u>	<u><u>(3,474)</u></u>	<u><u>(47,585)</u></u>	<u><u>(19,416)</u></u>

## FIDUCIARY FUNDS

### **Agency Funds**

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds.

**Firemen & Policemen Disability & Relief** – This fund is used to account for the dedicated property tax assessment and collections forwarded to the Public Employees’ Retirement System (“PERS”) for a closed fire and policemen retirement system managed by PERS.

**General Retirement** – This fund is used to account for the dedicated property tax assessment and collections forwarded to PERS for a closed municipal employee retirement system managed by PERS.

**Meridian Community College** – This fund is used to account for property tax collections and disbursements to Meridian Community College to be used for its operations.

**Meridian Separate School District** – This fund is used to account for property tax collections and disbursements to Meridian Separate School District to be used for operation and maintenance.

**Hospital Insurance** – This fund is used to account for additional amounts withheld from employees’ pay which are held for the purpose of offsetting potential large future rate increases on hospital insurance premiums.

**State Police Fines & Fees** – This fund is used to account for state fines and fees collected by the City Municipal Court for the State of Mississippi.

**Meridian Separate School District Bonds & Interest** – This fund is used to account for property tax collections and disbursements to Meridian Separate School District to be used for debt service reduction.

**CITY OF MERIDIAN, MISSISSIPPI**  
 Combining Statement of Fiduciary Assets and Liabilities  
 Agency Funds  
 September 30, 2012

	<b>Firemen &amp; Policemen Disability &amp; Relief</b>	<b>General Retirement</b>	<b>Meridian Community College</b>	<b>Meridian Separate School District</b>	<b>Hospital Insurance</b>	<b>State Police Fines &amp; Fees</b>	<b>Meridian Separate School District Bonds &amp; Interest</b>	<b>Total Agency Funds</b>
<b><u>ASSETS</u></b>								
Cash and cash equivalents	\$ 120,508	73,381	118,495	998,802	48,746	28,419	92,602	1,480,953
Intergovernmental receivables - County	<u>9,528</u>	<u>6,380</u>	<u>13,976</u>	<u>112,029</u>	<u>-</u>	<u>-</u>	<u>11,319</u>	<u>153,232</u>
<b>Total assets</b>	<b>\$ <u>130,036</u></b>	<b><u>79,761</u></b>	<b><u>132,471</u></b>	<b><u>1,110,831</u></b>	<b><u>48,746</u></b>	<b><u>28,419</u></b>	<b><u>103,921</u></b>	<b><u>1,634,185</u></b>
<b><u>LIABILITIES</u></b>								
Intergovernmental payables:								
Schools	\$ -	-	132,471	1,110,831	-	-	103,921	1,347,223
PERS	130,036	79,761	-	-	-	-	-	209,797
State	-	-	-	-	-	28,419	-	28,419
Employee insurance withheld	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,746</u>	<u>-</u>	<u>-</u>	<u>48,746</u>
<b>Total liabilities</b>	<b>\$ <u>130,036</u></b>	<b><u>79,761</u></b>	<b><u>132,471</u></b>	<b><u>1,110,831</u></b>	<b><u>48,746</u></b>	<b><u>28,419</u></b>	<b><u>103,921</u></b>	<b><u>1,634,185</u></b>

**CITY OF MERIDIAN, MISSISSIPPI**  
 Combining Statement of Changes in Fiduciary Assets and Liabilities  
 Agency Funds  
 For the Fiscal Year Ended September 30, 2012

	<b>Balance</b>			<b>Balance</b>
	<b>September 30,</b>			<b>September 30,</b>
	<b><u>2011</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>2012</u></b>
	<b><u>Firemen &amp; Policemen Disability &amp; Relief</u></b>			
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 110,174	1,583,461	1,573,127	120,508
Intergovernmental - county	<u>10,084</u>	<u>9,528</u>	<u>10,084</u>	<u>9,528</u>
<b>Total assets</b>	\$ <u><u>120,258</u></u>	<u><u>1,592,989</u></u>	<u><u>1,583,211</u></u>	<u><u>130,036</u></u>

<b><u>LIABILITIES</u></b>				
Intergovernmental - PERS	\$ <u><u>120,258</u></u>	<u><u>1,592,989</u></u>	<u><u>1,583,211</u></u>	<u><u>130,036</u></u>

	<b><u>General Retirement</u></b>			
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 73,795	964,860	965,274	73,381
Intergovernmental - county	<u>6,813</u>	<u>6,380</u>	<u>6,813</u>	<u>6,380</u>
<b>Total assets</b>	\$ <u><u>80,608</u></u>	<u><u>971,240</u></u>	<u><u>972,087</u></u>	<u><u>79,761</u></u>

<b><u>LIABILITIES</u></b>				
Intergovernmental - PERS	\$ <u><u>80,608</u></u>	<u><u>971,240</u></u>	<u><u>972,087</u></u>	<u><u>79,761</u></u>

	<b><u>Meridian Community College</u></b>			
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 124,707	2,142,156	2,148,368	118,495
Intergovernmental - county	<u>15,547</u>	<u>13,976</u>	<u>15,547</u>	<u>13,976</u>
<b>Total assets</b>	\$ <u><u>140,254</u></u>	<u><u>2,156,132</u></u>	<u><u>2,163,915</u></u>	<u><u>132,471</u></u>

<b><u>LIABILITIES</u></b>				
Intergovernmental - schools	\$ <u><u>140,254</u></u>	<u><u>2,156,132</u></u>	<u><u>2,163,915</u></u>	<u><u>132,471</u></u>

*(Continued)*

**CITY OF MERIDIAN, MISSISSIPPI**  
 Combining Statement of Changes in Fiduciary Assets and Liabilities  
 Agency Funds  
 For the Fiscal Year Ended September 30, 2012

	<b>Balance</b>			<b>Balance</b>
	<b>September 30,</b>	<b>Additions</b>	<b>Deletions</b>	<b>September 30,</b>
	<b><u>2011</u></b>	<b><u>          </u></b>	<b><u>          </u></b>	<b><u>2012</u></b>
<b>Meridian Separate School District</b>				
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 1,052,273	16,924,224	16,977,695	998,802
Intergovernmental - county	<u>116,406</u>	<u>112,029</u>	<u>116,406</u>	<u>112,029</u>
<b>Total assets</b>	<b>\$ <u>1,168,679</u></b>	<b><u>17,036,253</u></b>	<b><u>17,094,101</u></b>	<b><u>1,110,831</u></b>
<b><u>LIABILITIES</u></b>				
Intergovernmental - schools	\$ <u>1,168,679</u>	<u>17,036,253</u>	<u>17,094,101</u>	<u>1,110,831</u>
<b>Hospital Insurance</b>				
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ <u>48,612</u>	<u>3,076,103</u>	<u>3,075,969</u>	<u>48,746</u>
<b><u>LIABILITIES</u></b>				
Employee insurance withheld	\$ <u>48,612</u>	<u>3,076,103</u>	<u>3,075,969</u>	<u>48,746</u>
<b>State Police Fines &amp; Fees</b>				
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ <u>69,151</u>	<u>876,551</u>	<u>917,283</u>	<u>28,419</u>
<b><u>LIABILITIES</u></b>				
Intergovernmental - state	\$ <u>69,151</u>	<u>876,551</u>	<u>917,283</u>	<u>28,419</u>
<b>Meridian Separate School District Bonds &amp; Interest</b>				
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 101,023	1,675,312	1,683,733	92,602
Intergovernmental - county	<u>12,903</u>	<u>11,319</u>	<u>12,903</u>	<u>11,319</u>
<b>Total assets</b>	<b>\$ <u>113,926</u></b>	<b><u>1,686,631</u></b>	<b><u>1,696,636</u></b>	<b><u>103,921</u></b>
<b><u>LIABILITIES</u></b>				
Intergovernmental - schools	\$ <u>113,926</u>	<u>1,686,631</u>	<u>1,696,636</u>	<u>103,921</u>

(Continued)

**CITY OF MERIDIAN, MISSISSIPPI**  
 Combining Statement of Changes in Fiduciary Assets and Liabilities  
 Agency Funds  
 For the Fiscal Year Ended September 30, 2012

	<b>Balance</b>			<b>Balance</b>
	<b>September 30,</b>			<b>September 30,</b>
	<b><u>2011</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>2012</u></b>
	<b><u>Total Agency Funds</u></b>			
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 1,579,735	27,242,667	27,341,449	1,480,953
Intergovernmental receivables	<u>161,753</u>	<u>153,232</u>	<u>161,753</u>	<u>153,232</u>
<b>Total assets</b>	\$ <u><u>1,741,488</u></u>	<u><u>27,395,899</u></u>	<u><u>27,503,202</u></u>	<u><u>1,634,185</u></u>
<b><u>LIABILITIES</u></b>				
Intergovernmental payables	\$ 1,692,876	24,319,796	24,427,233	1,585,439
Employee insurance withheld	<u>48,612</u>	<u>3,076,103</u>	<u>3,075,969</u>	<u>48,746</u>
<b>Total liabilities</b>	\$ <u><u>1,741,488</u></u>	<u><u>27,395,899</u></u>	<u><u>27,503,202</u></u>	<u><u>1,634,185</u></u>

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## NONMAJOR COMPONENT UNITS

**Meridian Transportation Commission** – The Meridian Transportation Commission (“MTC”) (a discretely presented component unit) is a legally separate entity established by resolution of the City Council of the City of Meridian. MTC was established to account for and manage the local public mass transit system.

**Meridian and Bonita Lakes Development Authority** – The Meridian and Bonita Lakes Development Authority (“MBLDA”) (a discretely presented component unit) is a legally separate entity established by resolution of the City Council of the City of Meridian. As such, it is a political subdivision for the purposes of constructing or leasing a convention center and/or coliseum facility and of developing and operating any improvements, lands or structures and commercial activities compatible with a sustained and viable tourism industry within the City of Meridian, the County of Lauderdale or the general geographic region.

Additional information regarding component unit status can be found in note 1(a) of the notes to the financial statements.

**SCHEDULE 18****CITY OF MERIDIAN, MISSISSIPPI**

Combining Statement of Net Assets

Nonmajor Component Units

September 30, 2012

	<b><u>Meridian Transportation Commission</u></b>	<b><u>Meridian and Bonita Lakes Development Authority</u></b>	<b><u>Total Nonmajor Component Units</u></b>
<b><u>ASSETS</u></b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ -	4,311	4,311
Receivables -			
Intergovernmental - State	<u>4,329</u>	<u>-</u>	<u>4,329</u>
<b>Total current assets</b>	4,329	4,311	8,640
<b>Capital assets (net of accumulated depreciation) -</b>			
Machinery and equipment	<u>844</u>	<u>-</u>	<u>844</u>
<b>Total assets</b>	<u>5,173</u>	<u>4,311</u>	<u>9,484</u>
<b><u>LIABILITIES</u></b>			
<b>Current liabilities:</b>			
Bank overdraft	17	-	17
Current portion of note payable	3,756	-	3,756
Accounts payable	<u>14,261</u>	<u>-</u>	<u>14,261</u>
<b>Total current liabilities</b>	<u>18,034</u>	<u>-</u>	<u>18,034</u>
<b>Noncurrent liabilities -</b>			
Note payable, less current portion	<u>11,857</u>	<u>-</u>	<u>11,857</u>
<b>Total liabilities</b>	<u>29,891</u>	<u>-</u>	<u>29,891</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	844	-	844
Unrestricted (deficit)	<u>(25,562)</u>	<u>4,311</u>	<u>(21,251)</u>
<b>Total net assets</b>	\$ <u>(24,718)</u>	<u>4,311</u>	<u>(20,407)</u>

SCHEDULE 19

**CITY OF MERIDIAN, MISSISSIPPI**  
 Combining Statement of Activities  
 Nonmajor Component Units  
 For the Fiscal Year Ended September 30, 2012

<u>Functions/Programs</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>			
	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Meridian Transportation Commission</u>	<u>Bonita Lakes Development Authority</u>	<u>Meridian and Nonmajor Component Units</u>
<b>Nonmajor component units:</b>						
Meridian Transportation Commission	\$ 420,716	25,508	205,429	(189,779)	-	(189,779)
Meridian and Bonita Lakes Development Authority	<u>2,605</u>	<u>-</u>	<u>2,905</u>	<u>-</u>	<u>300</u>	<u>300</u>
<b>Total nonmajor component units</b>	<b>\$ <u>423,321</u></b>	<b><u>25,508</u></b>	<b><u>208,334</u></b>	<b>(189,779)</b>	<b>300</b>	<b>(189,479)</b>
<b>General revenues -</b>						
Interest income				<u>39</u>	<u>1</u>	<u>40</u>
<b>Change in net assets</b>				(189,740)	301	(189,439)
<b>Net assets, October 1, 2011</b>				<u>165,022</u>	<u>4,010</u>	<u>169,032</u>
<b>Net assets (deficit), September 30, 2012</b>				<u>\$ (24,718)</u>	<u>4,311</u>	<u>(20,407)</u>

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**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF MERIDIAN, MISSISSIPPI**  
 Schedule Reconciling Original Ad Valorem  
 Tax Rolls to Fund Collections  
 For the Fiscal Year Ended September 30, 2012

	<u>Assessed</u> <u>Value</u>	<u>Millage</u>	<u>Ad Valorem</u> <u>Taxes</u>
<b>City of Meridian:</b>			
Realty	\$ 226,864,762	50.84	\$ 11,533,805
Personal property - other than auto	53,387,753	50.84	2,714,233
Public utilities	24,198,956	50.84	1,230,275
Personal autos - 2010 rates	3,531	50.84	180
Personal autos - 2011 rates	3,169,248	50.84	161,125
Personal autos - 2012 rates	<u>27,945,502</u>	50.84	<u>1,420,749</u>
<b>Total City of Meridian valuation</b>	\$ <u>335,569,752</u>		<u>17,060,367</u>
Less homestead exemption allowed			<u>(957,101)</u>
<b>Total City ad valorem taxes</b>			16,103,266
<b>Adjustments to original tax roll:</b>			
Realty		(21,163)	
Personal		3,231	
Homestead exemption		<u>(8,861)</u>	(26,793)
<b>Add:</b>			
Actual homestead reimbursement		576,845	
Motor vehicle rent tax		80,788	
Payments in lieu of taxes		115,041	
Prior year tax collection		76,228	
Mobile homes		5,659	
Aircraft		<u>7,322</u>	<u>861,883</u>
<b>Total City to account for</b>			<u>16,938,356</u>
<b><u>Separate School District:</u></b>			
Realty	\$ 221,621,904	67.31	14,917,370
Personal property - other than auto	53,032,329	67.31	3,569,606
Public utilities	32,558,508	67.31	2,191,513
Personal autos - 2010 rates	3,531	64.23	227
Personal autos - 2011 rates	2,952,245	67.51	199,306
Personal autos - 2012 rates	<u>26,160,892</u>	67.31	<u>1,760,890</u>
<b>Total Separate School District valuation</b>	\$ <u>336,329,409</u>		<u>22,638,912</u>
Less homestead exemption allowed			<u>(1,812,428)</u>
<b>Total Separate School District ad valorem taxes</b>			20,826,484
<b>Adjustments to original tax roll:</b>			
Realty		(46,296)	
Personal		4,572	
Homestead exemption		<u>(7,806)</u>	(49,530)
<b>Add:</b>			
Prior year tax collection		160,664	
Mobile homes		17,684	<u>178,348</u>
<b>Total Separate School District to account for</b>			<u>20,955,302</u>
<b>Total City of Meridian and Separate School District to account for</b>			\$ <u>37,893,658</u>

*(Continued)*

**CITY OF MERIDIAN, MISSISSIPPI**  
Schedule Reconciling Original Ad Valorem  
Tax Rolls to Fund Collections  
For the Fiscal Year Ended September 30, 2012

	<b><u>Taxes</u></b>	<b><u>Homestead Reimbursement</u></b>	<b><u>Total</u></b>
<b>Accounted for as follows:</b>			
General Fund	\$ 9,212,902	336,644	9,549,546
General Fund - Pilot	115,041	-	115,041
General Bond and Interest	4,103,072	150,225	4,253,297
School Bond and Interest	1,675,312	-	1,675,312
Police and Fire Disability	1,527,524	55,937	1,583,461
General Retirement	930,821	34,039	964,860
School Fund	<u>18,916,830</u>	<u>-</u>	<u>18,916,830</u>
<b>Total accounted for</b>	\$ <b><u>36,481,502</u></b>	<b><u>576,845</u></b>	37,058,347
<b>Balance represented by:</b>			
Real property held from tax sale			138,986
Unpaid personal property			383,410
Held by tax collector			28,244
Sold to state			112,443
Tax collector's commission			172,225
Unaccounted for			<u>3</u>
<b>Total ad valorem taxes</b>		\$	<b><u>37,893,658</u></b>

**SCHEDULE 21****CITY OF MERIDIAN, MISSISSIPPI**

## Schedule of Investments

September 30, 2012

	<b><u>Issue Date</u></b>	<b><u>Maturity Date</u></b>	<b><u>Interest Rate</u></b>	<b><u>Amount</u></b>
<b>General fund - unrestricted:</b>				
Certificate of deposit	06/30/12	12/27/12	0.50%	\$ 675,000
Certificate of deposit	07/05/12	01/03/13	0.30%	<u>675,000</u>
<b>Total general fund investments - unrestricted</b>				\$ <u>1,350,000</u>
<b>Debt service fund - restricted -</b>				
Certificate of deposit	11/10/2011	11/10/12	0.64%	\$ <u>400,000</u>
<b>Special revenue fund - unrestricted -</b>				
Certificate of deposit	7/11/2012	01/07/13	0.50%	\$ <u>200,000</u>
<b>Proprietary funds - restricted:</b>				
United States Treasury Notes	-	11/15/12	-	\$ 427,062
United States Treasury Notes	-	03/15/13	-	303,676
Federal Home Loan Mortgage Corporate Discount Notes	-	12/27/12	-	751,681
Federated Government Obligations Fund	-	-	-	<u>5,292</u>
<b>Total proprietary funds investments - restricted</b>				\$ <u>1,487,711</u>

**CITY OF MERIDIAN, MISSISSIPPI**  
 Schedule of Surety Bonds for Municipal Officials  
 September 30, 2012

<u>Name</u>	<u>Position</u>	<u>Insurance Company</u>	<u>Bond</u>
Cheri M. Barry	Mayor	Travelers	\$ 50,000 *
George M Thomas	Councilman	Western Surety Company	100,000
Mary A. B. Perry	Councilman	Western Surety Company	100,000
Barbara Henson	Councilman	Western Surety Company	100,000
Jesse E. Palmer, Sr.	Councilman	Western Surety Company	100,000
Bobby R. Smith	Councilman	Western Surety Company	100,000
Tim Miller	Chief Administrative Officer	Western Surety Company	50,000
Ed Skipper	City Clerk/CFO	Berkley Surety Group	50,000
Leigh Barber	Assistant Director, Finance & Record/Deputy Clerk	Ohio Casualty Insurance Company	50,000
James M. Reed	Police Chief	Western Surety Company	50,000
Blanket Policy	All city employees	Travelers	50,000

\* Bond coverage for the City's Mayor represents coverage under the blanket bond for all City employees. The City Chief Administrative Officer and Clerk/Treasurer are covered under special fidelity bonds for \$50,000.

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**CITY OF MERIDIAN, MISSISSIPPI**  
 Schedule of Changes in Long-Term Debt  
 For the Fiscal Year Ended September 30, 2012

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance September 30, 2011</u>	<u>Principal Payments</u>	<u>New Issues</u>	<u>Balance September 30, 2012</u>
<b><u>Governmental activities:</u></b>							
Public Improvement of 1998	03/01/1998	4.20-6.00%	\$ 4,500,000	815,000	395,000	-	420,000
Public Improvement of 1999	04/01/1999	4.10-5.70%	1,150,000	300,000	95,000	-	205,000
Public Improvement of 2006	06/01/2006	4.00-5.50%	10,000,000	8,275,000	400,000	-	7,875,000
Water and Sewer Improvement of 2007	04/01/2007	3.75-5.25%	3,600,000	3,110,000	135,000	-	2,975,000
Public Improvement of 2008	04/22/2008	2.60-3.65%	1,000,000	845,000	55,000	-	790,000
Public Improvement of 2009	06/01/2009	3.00-4.00%	10,000,000	9,365,000	340,000	-	9,025,000
Refunding Bonds of 2011	07/01/2011	2.00-2.50%	3,960,000	3,960,000	585,000	-	3,375,000
Public Improvement of 2011	03/01/2011	3.10-4.40%	4,500,000	4,500,000	145,000	-	4,355,000
Public Improvement of 2012	04/12/2012	1.90-2.70%	4,500,000	-	-	4,500,000	4,500,000
Total general obligations bonds			<u>43,210,000</u>	<u>31,170,000</u>	<u>2,150,000</u>	<u>4,500,000</u>	<u>33,520,000</u>
Special Obligation Bonds 2003A	07/01/2003	2.75-4.50%	5,500,000	3,890,000	250,000	-	3,640,000
Special Obligation Bonds 2003B	07/01/2003	3.30-5.375%	1,500,000	1,095,000	65,000	-	1,030,000
Total special obligation bonds			<u>7,000,000</u>	<u>4,985,000</u>	<u>315,000</u>	<u>-</u>	<u>4,670,000</u>
Limited Obligation Tax Increment Bonds	09/01/2000	9.00%	2,200,000	655,000	315,000	-	340,000
Limited Obligation Tax Increment Bonds	12/01/2000	9.00%	1,100,000	300,000	145,000	-	155,000
Limited Obligation Tax Increment Bonds	12/17/2009	8.75%	4,000,000	3,865,000	145,000	-	3,720,000
Limited Obligation Tax Increment Bonds	03/01/2010	5.00%	300,000	280,000	20,000	-	260,000
Total tax increment bonds			<u>7,600,000</u>	<u>5,100,000</u>	<u>625,000</u>	<u>-</u>	<u>4,475,000</u>
Revolving loan - capital improvements	06/01/2001	3.00%	1,000,000	359,475	73,237	-	286,238
Energy Conservation Loan	03/01/2011	0.25%	210,000	-	29,776	210,000	180,224
Total promissory loans			<u>1,210,000</u>	<u>359,475</u>	<u>103,013</u>	<u>210,000</u>	<u>466,462</u>
Taxable Negotiable Notes	02/18/2010	2.71%	1,100,000	880,000	220,000	-	660,000
Total taxable negotiable notes			<u>1,100,000</u>	<u>880,000</u>	<u>220,000</u>	<u>-</u>	<u>660,000</u>
Special Assessment Public Improvement	06/01/1996	4.70-6.70%	2,000,000	735,000	130,000	-	605,000
Special Assessment Public Improvement	06/01/2000	5.20-6.25%	1,125,000	670,000	60,000	-	610,000
Special Assessment Public Imp 2001	08/01/2001	4.50-6.00%	500,000	315,000	25,000	-	290,000
Total special assessment			<u>3,625,000</u>	<u>1,720,000</u>	<u>215,000</u>	<u>-</u>	<u>1,505,000</u>
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	709,066	325,736	53,796	-	271,940
Total capital leases			<u>709,066</u>	<u>325,736</u>	<u>53,796</u>	<u>-</u>	<u>271,940</u>
<b>Total governmental activities</b>			<b>\$ 64,454,066</b>	<b>44,540,211</b>	<b>3,681,809</b>	<b>4,710,000</b>	<b>45,568,402</b>
<b><u>Business-type activities:</u></b>							
Water and Sewer Revenue	12/01/1995	4.60-6.50%	\$ 5,000,000	1,835,000	325,000	-	1,510,000
Water and Sewer Revenue	10/01/1997	4.50-6.375%	5,000,000	2,375,000	285,000	-	2,090,000
Water and Sewer Revenue	06/01/2000	5.00-6.25%	2,000,000	1,210,000	105,000	-	1,105,000
Total revenue bonds			<u>12,000,000</u>	<u>5,420,000</u>	<u>715,000</u>	<u>-</u>	<u>4,705,000</u>
Water and sewer promissory loan	12/01/1998	4.70-6.125%	5,300,000	3,735,000	225,000	-	3,510,000
Water and sewer promissory loan	11/29/2001	2.30-5.125%	3,100,000	2,275,000	110,000	-	2,165,000
Water and sewer promissory loan	07/01/2003	2.60-3.25%	7,590,000	2,345,000	755,000	-	1,590,000
Water and sewer promissory loan	03/24/2004	1.00-5.00%	2,900,000	2,165,000	125,000	-	2,040,000
EPA Clean Water State Revolving Fund Loan	10/01/2010	1.75%	8,411,225	-	-	1,608,323	1,608,323
Total promissory loans			<u>27,301,225</u>	<u>10,520,000</u>	<u>1,215,000</u>	<u>1,608,323</u>	<u>10,913,323</u>
CitiCapital lease - energy saving equipment	05/21/2002	5.87%	1,053,181	476,935	79,904	-	397,031
CitiCapital lease - energy saving equipment	05/21/2002	5.87%	3,460	1,566	262	-	1,304
Total capital leases			<u>1,056,641</u>	<u>478,501</u>	<u>80,166</u>	<u>-</u>	<u>398,335</u>
<b>Total business-type activities</b>			<b>\$ 40,357,866</b>	<b>16,418,501</b>	<b>2,010,166</b>	<b>1,608,323</b>	<b>16,016,658</b>

**CITY OF MERIDIAN, MISSISSIPPI**  
Schedule of Long-Term Debt Maturities  
September 30, 2012

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance September 30, 2012</u>	<u>2013</u>
<b><u>Governmental activities:</u></b>					
Public Improvement of 1998	03/01/1998	4.20-6.00%	\$ 4,500,000	420,000	420,000
Public Improvement of 1999	04/01/1999	4.10-5.70%	1,150,000	205,000	100,000
Public Improvement of 2006	06/01/2006	4.00-5.50%	10,000,000	7,875,000	410,000
Water and Sewer Improvement of 2007	04/01/2007	3.75-5.25%	3,600,000	2,975,000	145,000
Public Improvement of 2008	04/22/2008	2.60-3.65%	1,000,000	790,000	60,000
Public Improvement of 2009	06/01/2009	3.00-4.00%	10,000,000	9,025,000	355,000
Refunding Bonds of 2011	07/01/2011	2.00-2.50%	3,960,000	3,375,000	605,000
Public Improvement of 2011	03/01/2011	3.10-4.40%	4,500,000	4,355,000	155,000
Public Improvement of 2012	04/12/2012	1.90-2.70%	<u>4,500,000</u>	<u>4,500,000</u>	<u>-</u>
Total general obligations bonds			<u>43,210,000</u>	<u>33,520,000</u>	<u>2,250,000</u>
Special Obligation Bonds 2003A	07/01/2003	2.75-4.50%	5,500,000	3,640,000	260,000
Special Obligation Bonds 2003B	07/01/2003	3.30-5.375%	<u>1,500,000</u>	<u>1,030,000</u>	<u>70,000</u>
Total special obligation bonds			<u>7,000,000</u>	<u>4,670,000</u>	<u>330,000</u>
Limited Obligation Tax Increment Bonds	09/01/2000	9.00%	2,200,000	340,000	340,000
Limited Obligation Tax Increment Bonds	12/01/2000	9.00%	1,100,000	155,000	155,000
Limited Obligation Tax Increment Bonds	12/17/2009	8.75%	4,000,000	3,720,000	160,000
Limited Obligation Tax Increment Bonds	03/01/2010	5.00%	<u>300,000</u>	<u>260,000</u>	<u>20,000</u>
Total tax increment bonds			<u>7,600,000</u>	<u>4,475,000</u>	<u>675,000</u>
Revolving loan - capital improvements	06/01/2001	3.00%	1,000,000	286,238	75,276
Energy Conservation Loan	03/01/2011	0.25%	<u>210,000</u>	<u>180,224</u>	<u>29,850</u>
Total promissory loans			<u>1,210,000</u>	<u>466,462</u>	<u>105,126</u>
Taxable Negotiable Notes	02/18/2010	2.71%	<u>1,100,000</u>	<u>660,000</u>	<u>220,000</u>
Total taxable negotiable notes			<u>1,100,000</u>	<u>660,000</u>	<u>220,000</u>
Special Assessment Public Improvement	06/01/1996	4.70-6.70%	2,000,000	605,000	140,000
Special Assessment Public Improvement	06/01/2000	5.20-6.25%	1,125,000	610,000	60,000
Special Assessment Public Imp 2001	08/01/2001	4.50-6.00%	<u>500,000</u>	<u>290,000</u>	<u>25,000</u>
Total special assessment			<u>3,625,000</u>	<u>1,505,000</u>	<u>225,000</u>
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	<u>709,066</u>	<u>271,940</u>	<u>57,043</u>
Total capital leases			<u>709,066</u>	<u>271,940</u>	<u>57,043</u>
<b>Total governmental activities</b>			\$ <u>64,454,066</u>	<u>45,568,402</u>	<u>3,862,169</u>
<b><u>Business-type activities:</u></b>					
Water and Sewer Revenue	12/01/1995	4.60-6.50%	\$ 5,000,000	1,510,000	345,000
Water and Sewer Revenue	10/01/1997	4.50-6.375%	5,000,000	2,090,000	305,000
Water and Sewer Revenue	06/01/2000	5.00-6.25%	<u>2,000,000</u>	<u>1,105,000</u>	<u>110,000</u>
Total revenue bonds			<u>12,000,000</u>	<u>4,705,000</u>	<u>760,000</u>
Water and sewer promissory loan	12/01/1998	4.70-6.125%	5,300,000	3,510,000	235,000
Water and sewer promissory loan	11/29/2001	2.30-5.125%	3,100,000	2,165,000	115,000
Water and sewer promissory loan	07/01/2003	2.60-3.25%	7,590,000	1,590,000	780,000
Water and sewer promissory loan	03/24/2004	1.00-5.00%	2,900,000	2,040,000	130,000
EPA Clean Water State Revolving Fund Loan	10/01/2010	1.75%	<u>8,411,225</u>	<u>1,608,323</u>	<u>22,002</u>
Total promissory loans			<u>27,301,225</u>	<u>10,913,323</u>	<u>1,282,002</u>
CitiCapital lease - energy saving equipment	05/21/2002	5.87%	1,053,181	397,031	84,727
CitiCapital lease - energy saving equipment	05/21/2002	5.87%	<u>3,460</u>	<u>1,304</u>	<u>278</u>
Total capital leases			<u>1,056,641</u>	<u>398,335</u>	<u>85,005</u>
<b>Total business-type activities</b>			\$ <u>40,357,866</u>	<u>16,016,658</u>	<u>2,127,007</u>

**SCHEDULE 24**

<b>Maturities for the Years Ended September 30,</b>							
<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018 - 2022</u></b>	<b><u>2023 - 2027</u></b>	<b><u>2028 - 2032</u></b>	<b><u>2033 - 2037</u></b>
-	-	-	-	-	-	-	-
105,000	-	-	-	-	-	-	-
430,000	450,000	475,000	495,000	2,835,000	2,780,000	-	-
150,000	155,000	165,000	170,000	975,000	1,215,000	-	-
60,000	65,000	65,000	70,000	385,000	85,000	-	-
375,000	400,000	410,000	425,000	2,465,000	3,130,000	1,465,000	-
620,000	640,000	490,000	500,000	520,000	-	-	-
160,000	165,000	175,000	180,000	1,030,000	1,270,000	1,220,000	-
<u>345,000</u>	<u>355,000</u>	<u>365,000</u>	<u>380,000</u>	<u>2,105,000</u>	<u>950,000</u>	<u>-</u>	<u>-</u>
<u>2,245,000</u>	<u>2,230,000</u>	<u>2,145,000</u>	<u>2,220,000</u>	<u>10,315,000</u>	<u>9,430,000</u>	<u>2,685,000</u>	<u>-</u>
270,000	285,000	300,000	310,000	1,800,000	415,000	-	-
<u>75,000</u>	<u>75,000</u>	<u>80,000</u>	<u>85,000</u>	<u>520,000</u>	<u>125,000</u>	<u>-</u>	<u>-</u>
<u>345,000</u>	<u>360,000</u>	<u>380,000</u>	<u>395,000</u>	<u>2,320,000</u>	<u>540,000</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
175,000	190,000	210,000	230,000	1,490,000	1,265,000	-	-
<u>20,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>145,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>195,000</u>	<u>215,000</u>	<u>235,000</u>	<u>255,000</u>	<u>1,635,000</u>	<u>1,265,000</u>	<u>-</u>	<u>-</u>
77,566	79,925	53,471	-	-	-	-	-
<u>29,925</u>	<u>30,000</u>	<u>30,074</u>	<u>30,150</u>	<u>30,225</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>107,491</u>	<u>109,925</u>	<u>83,545</u>	<u>30,150</u>	<u>30,225</u>	<u>-</u>	<u>-</u>	<u>-</u>
220,000	220,000	-	-	-	-	-	-
<u>220,000</u>	<u>220,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
145,000	155,000	165,000	-	-	-	-	-
65,000	70,000	75,000	80,000	260,000	-	-	-
<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>145,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>240,000</u>	<u>255,000</u>	<u>270,000</u>	<u>110,000</u>	<u>405,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
60,486	64,136	68,007	22,268	-	-	-	-
<u>60,486</u>	<u>64,136</u>	<u>68,007</u>	<u>22,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,412,977</u>	<u>3,454,061</u>	<u>3,181,552</u>	<u>3,032,418</u>	<u>14,705,225</u>	<u>11,235,000</u>	<u>2,685,000</u>	<u>-</u>
365,000	390,000	410,000	-	-	-	-	-
320,000	340,000	355,000	375,000	395,000	-	-	-
<u>115,000</u>	<u>125,000</u>	<u>135,000</u>	<u>140,000</u>	<u>480,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>800,000</u>	<u>855,000</u>	<u>900,000</u>	<u>515,000</u>	<u>875,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
245,000	260,000	270,000	285,000	1,780,000	435,000	-	-
120,000	125,000	130,000	135,000	770,000	770,000	-	-
810,000	-	-	-	-	-	-	-
135,000	145,000	150,000	155,000	905,000	420,000	-	-
<u>69,567</u>	<u>70,795</u>	<u>72,044</u>	<u>73,315</u>	<u>386,434</u>	<u>421,745</u>	<u>460,282</u>	<u>32,139</u>
<u>1,379,567</u>	<u>600,795</u>	<u>622,044</u>	<u>648,315</u>	<u>3,841,434</u>	<u>2,046,745</u>	<u>460,282</u>	<u>32,139</u>
89,840	95,262	101,011	26,191	-	-	-	-
<u>295</u>	<u>313</u>	<u>332</u>	<u>86</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>90,135</u>	<u>95,575</u>	<u>101,343</u>	<u>26,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,269,702</u>	<u>1,551,370</u>	<u>1,623,387</u>	<u>1,189,592</u>	<u>4,716,434</u>	<u>2,046,745</u>	<u>460,282</u>	<u>32,139</u>

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## STATISTICAL SECTION

This part of the City’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City’s overall financial health.

<u>Contents</u>	<u>Page</u>
Financial trends information .....	141 - 148
<i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	
Revenue capacity information .....	149 - 152
<i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	
Debt capacity information.....	153 - 157
<i>These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.</i>	
Demographic and economic information.....	158 - 159
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	
Operating information.....	160 - 162
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i>	

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**CITY OF MERIDIAN, MISSISSIPPI**

Net Assets by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities:</b>										
Invested in capital assets, net of related debt	\$ 43,643	\$ 45,586	\$ 45,997	\$ 48,025	\$ 48,799	\$ 50,692	\$ 75,492	\$ 72,823	\$ 74,694	\$ 75,049
Restricted	2,214	1,561	4,009	5,626	6,881	5,810	6,429	6,985	6,519	5,755
Unrestricted	6,496	6,156	5,635	7,197	3,920	4,076	3,700	4,198	2,324	4,605
<b>Total governmental activities net assets</b>	<u>\$ 52,353</u>	<u>\$ 53,303</u>	<u>\$ 55,641</u>	<u>\$ 60,848</u>	<u>\$ 59,600</u>	<u>\$ 60,578</u>	<u>\$ 85,621</u>	<u>\$ 84,006</u>	<u>\$ 83,537</u>	<u>\$ 85,409</u>
<b>Business-type activities:</b>										
Invested in capital assets, net of related debt	\$ 22,052	\$ 20,624	\$ 19,003	\$ 19,534	\$ 18,938	\$ 17,684	\$ 19,326	\$ 19,767	\$ 19,795	\$ 20,841
Restricted	3,362	3,949	4,467	4,021	7,509	7,717	5,441	4,354	5,151	5,657
Unrestricted	1,759	1,454	3,779	3,440	3,354	3,167	2,253	2,682	3,825	4,538
<b>Total business-type activities net assets</b>	<u>\$ 27,173</u>	<u>\$ 26,027</u>	<u>\$ 27,249</u>	<u>\$ 26,995</u>	<u>\$ 29,801</u>	<u>\$ 28,568</u>	<u>\$ 27,020</u>	<u>\$ 26,803</u>	<u>\$ 28,771</u>	<u>\$ 31,036</u>
<b>Primary government:</b>										
Invested in capital assets, net of related debt	\$ 65,695	\$ 66,210	\$ 65,000	\$ 67,559	\$ 67,737	\$ 68,376	\$ 94,818	\$ 92,590	\$ 94,489	\$ 95,890
Restricted	5,576	5,510	8,476	9,647	14,390	13,527	11,870	11,339	11,670	11,412
Unrestricted	8,255	7,610	9,414	10,637	7,274	7,243	5,953	6,880	6,149	9,143
<b>Total primary government net assets</b>	<u>\$ 79,526</u>	<u>\$ 79,330</u>	<u>\$ 82,890</u>	<u>\$ 87,843</u>	<u>\$ 89,401</u>	<u>\$ 89,146</u>	<u>\$ 112,641</u>	<u>\$ 110,809</u>	<u>\$ 112,308</u>	<u>\$ 116,445</u>

Source: Audit Reports - Statement of Net Assets

**CITY OF MERIDIAN, MISSISSIPPI**  
 Changes in Net Assets  
 Last Ten Fiscal Years  
 (accrual basis of accounting)  
 (amounts expressed in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
Governmental activities:										
General government	\$ 5,270	\$ 5,721	\$ 5,778	\$ 6,209	\$ 6,526	\$ 7,211	\$ 7,017	\$ 8,825	\$ 6,907	\$ 6,874
Public safety	10,864	11,981	14,875	16,074	14,976	15,017	16,010	16,238	15,528	15,584
Public works	6,230	6,770	6,650	6,738	6,893	6,567	7,440	8,187	7,877	7,671
Culture and recreation	1,806	1,968	1,975	2,008	2,156	2,390	2,307	2,284	3,223	2,051
Economic development	85	169	121	105	98	134	22	2,976	124	169
Other	50	101	127	82	64	6	42	11	19	24
Interest on long-term debt	1,390	1,685	1,443	1,333	1,918	1,772	1,615	2,071	2,061	1,908
<b>Total governmental activities expenses</b>	<b>25,695</b>	<b>28,395</b>	<b>30,969</b>	<b>32,549</b>	<b>32,631</b>	<b>33,097</b>	<b>34,453</b>	<b>40,592</b>	<b>35,739</b>	<b>34,281</b>
Business-type activities:										
Water and sewer	10,742	10,381	10,879	11,577	12,218	12,078	12,557	12,161	11,742	11,857
Waste collection and disposal	2,529	2,739	2,234	2,332	2,380	2,401	2,526	2,466	1,825	1,876
Golf course	433	423	407	394	400	419	418	397	446	466
Union Station	254	284	307	335	323	331	388	352	364	353
Concessions	48	39	41	37	26	32	29	29	28	27
<b>Total business-type activities expenses</b>	<b>14,006</b>	<b>13,866</b>	<b>13,868</b>	<b>14,675</b>	<b>15,347</b>	<b>15,261</b>	<b>15,918</b>	<b>15,405</b>	<b>14,405</b>	<b>14,579</b>
<b>Total primary government expenses</b>	<b>\$ 39,701</b>	<b>\$ 42,261</b>	<b>\$ 44,837</b>	<b>\$ 47,224</b>	<b>\$ 47,978</b>	<b>\$ 48,358</b>	<b>\$ 50,371</b>	<b>\$ 55,997</b>	<b>\$ 50,144</b>	<b>\$ 48,860</b>
<b>Program revenues</b>										
Governmental activities:										
Charges for services:										
General government	827	681	788	1,063	587	640	581	355	501	412
Public safety	853	1,148	2,164	2,484	2,856	1,730	1,590	1,220	1,037	1,039
Culture and recreation	137	144	135	162	164	180	173	376	182	327
Operating grants and contributions	817	1,168	3,257	3,229	2,194	1,379	1,572	1,645	608	515
Capital grants and contributions	280	603	581	2,169	250	500	1,497	3,699	1,654	1,812
<b>Total governmental activities program revenues</b>	<b>2,914</b>	<b>3,744</b>	<b>6,925</b>	<b>9,107</b>	<b>6,051</b>	<b>4,429</b>	<b>5,413</b>	<b>7,295</b>	<b>3,982</b>	<b>4,105</b>
Business-type activities:										
Charges for services:										
Water and sewer	9,002	9,798	10,902	11,036	10,907	11,125	11,715	12,145	12,404	13,187
Waste collection and disposal	1,599	1,580	1,569	1,564	1,560	1,570	1,611	1,870	1,828	1,871
Golf course	367	346	310	343	324	318	284	271	249	296
Union Station	98	103	97	117	114	103	80	84	81	64
Concessions	45	41	43	36	35	43	44	46	42	35
Operating grants and contributions	312	253	8	-	-	-	-	-	-	-
Capital grants and contributions	-	-	1,644	494	740	87	65	-	328	1,314
<b>Total business-type activities program revenues</b>	<b>11,423</b>	<b>12,121</b>	<b>14,573</b>	<b>13,590</b>	<b>13,680</b>	<b>13,246</b>	<b>13,799</b>	<b>14,416</b>	<b>14,932</b>	<b>16,767</b>
<b>Total primary government program revenues</b>	<b>\$ 14,337</b>	<b>\$ 15,865</b>	<b>\$ 21,498</b>	<b>\$ 22,697</b>	<b>\$ 19,731</b>	<b>\$ 17,675</b>	<b>\$ 19,212</b>	<b>\$ 21,711</b>	<b>\$ 18,914</b>	<b>\$ 20,872</b>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI

Changes in Net Assets  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Net (expense)/revenue</b>										
Governmental activities	\$ (2,781)	\$ (2,651)	\$ (24,044)	\$ (23,442)	\$ (26,580)	\$ (28,668)	\$ (29,040)	\$ (33,297)	\$ (31,757)	\$ (30,176)
Business-type activities	(2,583)	(1,745)	705	(1,085)	(1,667)	(2,015)	(2,119)	(989)	527	2,188
<b>Total primary government net (expense)/revenue</b>	<b>\$ (25,364)</b>	<b>\$ (26,396)</b>	<b>\$ (23,339)</b>	<b>\$ (24,527)</b>	<b>\$ (28,247)</b>	<b>\$ (30,683)</b>	<b>\$ (31,159)</b>	<b>\$ (34,286)</b>	<b>\$ (31,230)</b>	<b>\$ (27,988)</b>
<b>General revenues and other changes in net assets</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 9,828	\$ 10,107	\$ 10,162	\$ 10,121	\$ 10,098	\$ 10,826	\$ 12,085	\$ 14,173	\$ 14,722	\$ 14,439
Sales taxes	11,839	12,179	12,715	14,170	13,574	14,166	13,744	13,502	13,708	14,082
Franchise taxes	1,794	1,845	1,990	2,381	2,587	2,568	2,744	2,647	2,529	2,462
County road taxes	868	815	798	971	1,040	1,042	1,194	1,224	982	781
Motor fuel taxes	19	19	19	19	19	19	19	19	19	20
Unrestricted grants and contributions	68	65	64	69	65	70	74	73	70	75
Unrestricted investment earnings	149	176	259	564	1,131	628	146	196	194	123
Special item - annexed property	-	-	-	-	-	-	23,549	-	-	-
Transfers	357	395	375	353	(3,182)	327	528	(152)	(936)	66
<b>Total governmental activities general revenues and other changes in net assets</b>	<b>24,922</b>	<b>25,601</b>	<b>26,382</b>	<b>28,648</b>	<b>25,332</b>	<b>29,646</b>	<b>54,083</b>	<b>31,682</b>	<b>31,288</b>	<b>32,048</b>
Business-type activities:										
Property taxes	901	882	740	975	811	810	999	506	400	40
Unrestricted investment earnings	270	113	152	210	480	299	100	114	105	103
Transfers	(357)	(395)	(375)	(353)	3,182	(327)	(528)	152	936	(66)
<b>Total business-type activities general revenues and other changes in net assets</b>	<b>814</b>	<b>600</b>	<b>517</b>	<b>832</b>	<b>4,473</b>	<b>782</b>	<b>571</b>	<b>772</b>	<b>1,441</b>	<b>77</b>
<b>Total primary government general revenues and other changes in net assets</b>	<b>\$ 25,737</b>	<b>\$ 26,201</b>	<b>\$ 26,899</b>	<b>\$ 29,480</b>	<b>\$ 29,805</b>	<b>\$ 30,428</b>	<b>\$ 54,654</b>	<b>\$ 32,454</b>	<b>\$ 32,729</b>	<b>\$ 32,125</b>
<b>Change in Net Assets</b>										
Governmental activities	\$ 2,141	\$ 950	\$ 2,338	\$ 5,206	\$ (1,248)	\$ 978	\$ 25,043	\$ (1,615)	\$ (469)	\$ 1,872
Business-type activities	(1,769)	(1,145)	1,222	(253)	2,806	(1,233)	(1,548)	(217)	1,968	2,265
<b>Total primary government change in net assets</b>	<b>\$ 372</b>	<b>\$ (195)</b>	<b>\$ 3,560</b>	<b>\$ 4,953</b>	<b>\$ 1,558</b>	<b>\$ (255)</b>	<b>\$ 23,495</b>	<b>\$ (1,832)</b>	<b>\$ 1,499</b>	<b>\$ 4,137</b>

Source: Audit Reports - Statement of Activities

**CITY OF MERIDIAN, MISSISSIPPI**  
Governmental Activities Tax Revenues by Source  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)

<b><u>Fiscal Year</u></b>	<b><u>Property Tax</u></b>	<b><u>Sales Tax</u></b>	<b><u>Franchise Tax</u></b>	<b><u>County Road Tax</u></b>	<b><u>Motor Fuel Tax</u></b>	<b><u>Total</u></b>
2003	\$ 9,828	\$ 11,839	\$ 1,794	\$ 868	\$ 19	\$ 24,348
2004	10,107	12,179	1,845	815	19	24,965
2005	10,162	12,715	1,990	798	19	25,684
2006	10,121	14,170	2,381	971	19	27,662
2007	10,098	13,574	2,587	1,040	19	27,318
2008	10,826	14,166	2,568	1,042	19	28,621
2009	12,085	13,744	2,744	1,194	19	29,786
2010	14,173	13,502	2,647	1,224	19	31,565
2011	14,722	13,708	2,529	982	19	31,960
2012	14,439	14,082	2,462	781	20	31,784

**Source:** Audit Reports - Statement of Activities

SCHEDULE 28

**CITY OF MERIDIAN, MISSISSIPPI**

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>General fund:</b>										
Nonspendable	\$ 70	\$ 86	\$ 90	\$ 99	\$ 1,297	\$ 1,297	\$ 1,469	\$ 1,454	\$ 1,571	\$ 1,594
Committed	-	-	100	-	486	515	339	220	151	2
Assigned	930	795	655	1,069	141	742	677	1,011	1,204	1,931
Unassigned	<u>6,099</u>	<u>6,210</u>	<u>5,638</u>	<u>6,301</u>	<u>6,753</u>	<u>5,618</u>	<u>4,275</u>	<u>5,684</u>	<u>6,433</u>	<u>7,494</u>
<b>Total general fund</b>	<u>\$ 7,099</u>	<u>\$ 7,091</u>	<u>\$ 6,483</u>	<u>\$ 7,469</u>	<u>\$ 8,677</u>	<u>\$ 8,172</u>	<u>\$ 6,760</u>	<u>\$ 8,369</u>	<u>\$ 9,359</u>	<u>\$ 11,021</u>
<b>All other governmental funds:</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ 1,198	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	14,474	7,269	5,842	15,278	14,947	11,544	16,857	12,992	11,194	13,457
Committed	-	-	-	-	-	-	-	347	344	345
Assigned	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>17</u>	<u>16</u>	<u>12</u>	<u>24</u>	<u>16</u>	<u>30</u>
<b>Total all other governmental funds</b>	<u>\$14,490</u>	<u>\$ 7,285</u>	<u>\$ 5,858</u>	<u>\$16,492</u>	<u>\$14,964</u>	<u>\$11,560</u>	<u>\$16,869</u>	<u>\$13,363</u>	<u>\$11,554</u>	<u>\$ 13,832</u>

**Source:** Audit Reports - Governmental Funds Balance Sheet

**Note:** Fiscal years 2003 through 2010 have been reclassified with the implementation of GASB Statement 54 in fiscal year 2011.

**CITY OF MERIDIAN, MISSISSIPPI**

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Revenues:</b>										
Taxes	\$ 22,380	\$ 22,944	\$ 23,534	\$ 25,121	\$ 24,562	\$ 25,889	\$ 26,859	\$ 28,716	\$ 29,113	\$ 29,196
Franchise	1,794	1,845	1,990	2,381	2,587	2,568	2,744	2,647	2,529	2,462
Licenses and permits	225	298	302	305	373	386	256	301	271	251
Intergovernmental	976	1,613	3,746	4,913	2,203	1,514	1,951	3,888	2,257	1,513
Charges for services	137	144	135	162	164	180	173	375	182	157
Fines and forfeitures	853	1,148	2,164	2,484	2,855	1,730	1,580	1,219	1,037	1,039
Special assessments	120	132	96	79	75	86	67	74	72	74
Payments in lieu of taxes	100	86	83	80	77	66	67	68	152	156
Local contributions	189	223	155	555	307	434	98	461	55	-
Investment earnings	148	176	259	564	1,131	628	146	196	193	123
Interest costs and damages	84	94	95	91	92	99	117	132	169	141
Miscellaneous	652	471	499	758	234	302	389	85	268	301
<b>Total revenues</b>	<u>27,658</u>	<u>29,174</u>	<u>33,058</u>	<u>37,493</u>	<u>34,660</u>	<u>33,882</u>	<u>34,447</u>	<u>38,162</u>	<u>36,298</u>	<u>35,413</u>
<b>Expenditures:</b>										
General government	4,885	5,342	5,440	5,843	6,033	6,760	6,836	7,634	6,711	6,190
Public safety	10,576	11,500	14,767	16,420	15,684	14,731	16,117	14,732	15,144	15,352
Public works	3,541	3,827	3,956	4,223	4,425	4,146	4,671	4,441	4,422	4,195
Culture and recreation	1,750	1,884	1,963	2,027	2,065	2,484	2,639	3,406	2,673	2,186
Economic development	85	169	411	105	98	134	118	3,201	158	231
Other	51	102	127	268	150	56	42	11	19	23
Capital outlay	2,083	8,855	4,529	4,647	2,772	5,868	5,860	6,071	5,657	2,221
Debt service:										
Principal	3,346	3,440	3,059	2,356	3,019	3,467	3,062	3,498	3,687	3,682
Interest	1,261	1,705	1,506	1,354	1,736	1,790	1,555	1,982	2,043	1,995
Bond issuance costs	355	-	-	186	86	36	165	304	240	110
<b>Total expenditures</b>	<u>27,933</u>	<u>36,824</u>	<u>35,758</u>	<u>37,429</u>	<u>36,068</u>	<u>39,472</u>	<u>41,065</u>	<u>45,280</u>	<u>40,754</u>	<u>36,185</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(275)</u>	<u>(7,650)</u>	<u>(2,700)</u>	<u>64</u>	<u>(1,408)</u>	<u>(5,590)</u>	<u>(6,618)</u>	<u>(7,118)</u>	<u>(4,456)</u>	<u>(772)</u>

(Continued)

**CITY OF MERIDIAN, MISSISSIPPI**  
 Changes in Fund Balances of Governmental Funds  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)  
 (amounts expressed in thousands)

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Other financing sources (uses):</b>										
Transfers in	\$ 1,438	\$ 2,634	\$ 1,929	\$ 2,960	\$ 4,531	\$ 9,599	\$ 10,304	\$ 6,017	\$ 2,448	\$ 2,236
Transfers out	(984)	(2,264)	(1,576)	(2,629)	(7,733)	(9,283)	(9,789)	(6,197)	(3,447)	(2,234)
Bonds issued	13,000	-	-	10,000	3,600	1,000	10,000	4,300	8,460	4,500
Negotiable notes issued	-	-	-	1,225	-	-	-	1,100	-	210
Capital leases	-	67	312	-	690	365	-	-	-	-
Premium on refunding bonds issued	-	-	-	-	-	-	-	-	71	-
Principal payments on refunded bonds	-	-	-	-	-	-	-	-	(3,895)	-
<b>Total other financing source (uses)</b>	<u>13,454</u>	<u>437</u>	<u>665</u>	<u>11,556</u>	<u>1,088</u>	<u>1,681</u>	<u>10,515</u>	<u>5,220</u>	<u>3,637</u>	<u>4,712</u>
<b>Net change in fund balance</b>	<u>\$ 13,179</u>	<u>\$ (7,213)</u>	<u>\$ (2,035)</u>	<u>\$ 11,620</u>	<u>\$ (320)</u>	<u>\$ (3,909)</u>	<u>\$ 3,897</u>	<u>\$ (1,898)</u>	<u>\$ (819)</u>	<u>\$ 3,940</u>
<b>Debt service as a percentage of noncapital expenditures</b>	<u>17.6%</u>	<u>18.2%</u>	<u>14.8%</u>	<u>11.6%</u>	<u>15.0%</u>	<u>16.0%</u>	<u>13.7%</u>	<u>14.5%</u>	<u>16.5%</u>	<u>17.2%</u>

**Source:** Audit Report - Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances

**CITY OF MERIDIAN, MISSISSIPPI**  
 General Government Tax Revenues by Source  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)  
 (amounts expressed in thousands)

<b><u>Fiscal</u></b> <b><u>Year</u></b>	<b><u>Property</u></b> <b><u>Tax</u></b>	<b><u>Sales</u></b> <b><u>Tax</u></b> <sup>1</sup>	<b><u>Franchise</u></b> <b><u>Tax</u></b>	<b><u>County</u></b> <b><u>Road</u></b> <b><u>Tax</u></b>	<b><u>Motor</u></b> <b><u>Fuel</u></b> <b><u>Tax</u></b>	<b><u>Total</u></b>
2003	\$ 9,653	\$ 11,840	\$ 1,794	\$ 868	\$ 19	\$ 24,174
2004	9,930	12,180	1,845	815	19	24,789
2005	10,002	12,715	1,990	798	19	25,524
2006	9,961	14,170	2,381	971	19	27,502
2007	9,929	13,574	2,587	1,040	19	27,149
2008	10,662	14,166	2,568	1,042	19	28,457
2009	11,902	13,744	2,744	1,194	19	29,603
2010	13,971	13,502	2,647	1,224	19	31,363
2011	14,404	13,708	2,529	982	19	31,642
2012	14,313	14,082	2,462	781	20	31,658

**Source:** Audit Report - Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances

<sup>1</sup>Sales tax is not an "own-source revenue" of the City. Sales taxes are levied by the State of Mississippi at a rate of seven percent. The State of Mississippi levies and collects all sales taxes in the state and then remits 18.5 percent of the 7 percent levied to each city based on their portion of sales taxes generated from sales within their city. Principal payer information is not currently made available to the cities.

**SCHEDULE 31**

**CITY OF MERIDIAN, MISSISSIPPI**

Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years  
(amounts expressed in thousands)

<b>Fiscal Year Ended September 30,</b>	<b>Real Property</b>		<b>Personal Property</b>		<b>Less: Tax Exempt Real Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as a Percentage of Actual Value</b>
	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Motor Vehicles</b>	<b>Other</b>					
	<b>Property</b>	<b>Property</b>	<b>Property</b>	<b>Property</b>					
2003	\$ 59,118	\$ 120,764	\$ 34,521	\$ 40,667	\$ 2,138	\$ 252,932	50.08	\$ 1,608,689	15.72%
2004	58,359	122,919	34,883	40,798	2,719	254,240	50.08	1,629,911	15.60%
2005	58,138	125,003	34,466	40,651	2,911	255,347	50.08	1,645,053	15.52%
2006	58,094	122,836	36,032	44,443	2,530	258,875	50.08	1,657,502	15.62%
2007	59,190	124,049	34,299	43,847	2,527	258,858	50.08	1,662,921	15.57%
2008	60,176	123,601	32,352	44,701	3,139	257,691	53.08	1,657,190	15.55%
2009	76,714	154,532	32,355	49,060	5,131	307,530	50.84	2,002,797	15.36%
2010	87,063	170,953	31,722	56,584	4,120	342,202	50.84	2,234,043	15.32%
2011	87,731	171,111	30,877	53,247	3,973	338,993	50.84	2,221,081	15.26%
2012	86,209	171,700	31,118	53,388	6,845	335,570	50.84	2,195,722	15.28%

**Source:** Lauderdale County real and personal property tax rolls.

**Note:** During 2008, all property in Lauderdale County was reappraised and resulted in an increase in assessed values.

During 2009, the City annexed approximately 9 square miles into the City which resulted in an increase in assessed values.

**SCHEDULE 32**

**CITY OF MERIDIAN, MISSISSIPPI**

Property Tax Rates - Direct and Overlapping Governments  
 Last Ten Fiscal Years  
 (per \$1,000 of assessed value)

Fiscal Year	City of Meridian					Overlapping Rates							Total Millage
	Special					Lauderdale County			Meridian Separate School District				
	Operating Millage	Debt Service Millage	Revenue Pension Millage	Solid Waste Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	School District Millage	Meridian Community College	
2003	26.39	12.09	7.60	4.00	50.08	34.87	8.19	43.06	52.50	2.87	55.37	7.00	155.51
2004	26.39	12.20	7.49	4.00	50.08	35.80	6.70	42.50	54.38	0.92	55.30	7.00	154.88
2005	26.19	12.10	7.79	4.00	50.08	38.08	6.71	44.79	54.38	2.99	57.37	7.00	159.24
2006	25.56	12.47	8.05	4.00	50.08	38.36	7.09	45.45	53.30	3.35	56.65	7.00	159.18
2007	26.51	11.17	8.40	4.00	50.08	39.27	8.40	47.67	54.00	1.87	55.87	7.00	160.62
2008	29.23	11.19	8.66	4.00	53.08	40.66	7.78	48.44	54.40	6.68	61.08	7.00	169.60
2009	25.71	12.38	8.75	4.00	50.84	39.66	10.95	50.61	49.89	6.09	55.98	7.00	164.43
2010	29.92	11.88	7.44	1.60	50.84	39.36	7.47	46.83	51.42	5.81	57.23	7.00	161.90
2011	29.65	12.41	7.48	1.30	50.84	41.66	9.12	50.78	54.84	5.67	60.51	7.00	169.13
2012	28.72	13.24	7.93	0.95	50.84	41.66	9.12	50.78	54.84	5.47	60.31	7.00	168.93

**Source:** Office of the City Clerk.

**Note:** The above table represents millage rates which are one-thousandth of a dollar.

**CITY OF MERIDIAN, MISSISSIPPI**

Principal Property Taxpayers  
 Current and Nine Years Ago  
 (amounts expressed in thousands)

<u>Taxpayer</u>	<u>2012</u>			<u>2003</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Mississippi Power Company	\$ 12,585	1	3.75%	\$ 17,027	1	6.80%
Bonita Lakes Mall/Bonita Properties, Inc./CBL	8,517	2	2.54%	8,080	3	3.23%
Wal-Mart Supercenters	7,959	3	2.37%	4,214	4	1.68%
AT&T	5,344	4	1.59%	9,336	2	3.73%
Anderson Regional Medical Center	5,337	5	1.59%	2,541	6	1.02%
Meridian Crossroads	3,678	6	1.10%	---	---	---
Avery Dennison Corporation	3,508	7	1.05%	---	---	---
Peavey Electronics Corporation	2,581	8	0.77%	1,992	7	0.80%
Norfolk Southern Railway Company	2,478	9	0.74%	1,867	8	0.75%
Atmos Energy Corporation	2,269	10	0.68%	---	---	---
Meridian HMA/Riley Hospital	---	---	---	4,182	5	1.67%
Rush Health Systems	---	---	---	1,348	9	0.54%
Sowashee Investment, et al	---	---	---	<u>1,063</u>	10	<u>0.43%</u>
<b>Totals</b>	<u>\$ 54,256</u>		<u>16.18%</u>	<u>\$ 51,650</u>		<u>20.65%</u>

**Source:** Lauderdale County real and personal property tax rolls.

**SCHEDULE 34**

**CITY OF MERIDIAN, MISSISSIPPI**  
 Property Tax Levies and Collections  
 Last Ten Fiscal Years  
 (amounts expressed in thousands)

<b>Fiscal Year Ended <u>September 30,</u></b>	<b>Total Tax Levy for <u>Fiscal Year</u></b>	<b>Collected within the</b>		<b>Collections in <u>Subsequent Years</u></b>	<b>Total Collections to Date</b>	
		<b><u>Fiscal Year of the Levy</u></b>	<b><u>Percentage of Levy</u></b>		<b><u>Amount</u></b>	<b><u>Percentage of Levy</u></b>
2003	\$ 12,362	\$ 12,104	97.91%	\$ 175	\$ 12,279	99.33%
2004	12,569	12,393	98.60%	167	12,560	99.93%
2005	12,613	12,482	98.96%	70	12,552	99.52%
2006	12,962	12,835	99.02%	42	12,877	99.34%
2007	12,850	12,745	99.18%	30	12,775	99.42%
2008	13,570	13,505	99.52%	54	13,559	99.92%
2009	15,634	15,462	98.90%	76	15,538	99.39%
2010	16,960	16,824	99.20%	43	16,867	99.45%
2011	16,956	16,766	98.88%	71	16,837	99.30%
2012	16,938	16,540	97.65%	-	16,540	97.65%

**Source:** Schedule Reconciling Original Ad Valorem Tax Rolls to Fund Collections.

**SCHEDULE 35**

**CITY OF MERIDIAN, MISSISSIPPI**

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities										Business-Type Activities					Total Primary Government	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>
	General Obligation Bonds	Special Assessment Bonds	Limited Obligation Bonds	Special Obligation Bonds	Certificates of Participation	Revolving Loan	Taxable Negotiable Notes	Capital Leases	Sewer Revenue Bonds	Sewer Promissory Notes	Water & Sewer Capital Leases	Water & Sewer Revenue Bonds	Water & Sewer Promissory Notes	Capital Leases				
2003	\$ 13,790	\$ 4,450	\$ 5,900	\$ 7,000	\$ 130	\$ 877	\$ -	\$ 766	\$ 23,370	\$ 8,406	\$ 1,004	\$ 65,693	6.88%	\$ 1,621				
2004	11,770	4,240	5,230	6,790	-	815	-	688	14,750	18,045	986	63,314	6.46%	1,581				
2005	9,955	4,020	4,545	6,565	-	756	-	945	13,655	17,084	913	58,438	5.70%	1,468				
2006	19,070	3,780	3,765	6,335	-	694	1,225	785	12,490	16,088	837	65,069	6.00%	1,646				
2007	21,415	3,520	2,960	6,085	-	631	1,005	1,309	11,260	15,051	896	64,132	5.73%	1,620				
2008	20,985	3,245	2,135	5,835	-	566	774	1,283	9,955	13,973	785	59,536	4.95%	1,504				
2009	29,555	2,955	1,770	5,565	-	500	529	887	8,575	12,858	673	63,867	5.51%	1,609				
2010	27,750	2,650	5,680	5,280	-	431	1,372	500	6,090	11,697	554	62,004	5.06%	1,507				
2011	31,170	1,720	5,100	4,985	-	359	880	326	5,420	10,520	479	60,959	4.74%	1,478				
2012	33,520	1,505	4,475	4,670	-	467	660	272	4,705	10,913	398	61,585	4.79%	1,493				

<sup>1</sup>Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup>See the Schedule of Demographic and Economic Statistics for personal income and population data.

**SCHEDULE 36**

**CITY OF MERIDIAN, MISSISSIPPI**  
Ratios of General Obligation Bonded Debt Outstanding  
Last Ten Fiscal Years  
(amounts expressed in thousands, except per capital amount)

<b><u>Fiscal Year</u></b>	<b><u>General Obligation Bonds</u></b>	<b><u>Less: Amounts Available in Debt Service Fund</u></b>	<b><u>Total</u></b>	<b><u>Percentage of Estimated Actual Taxable Value<sup>1</sup> of Property</u></b>	<b><u>Per Capita<sup>2</sup></u></b>
2003	\$ 13,790	\$ 1,023	\$ 12,767	0.79%	\$ 315
2004	11,770	957	10,813	0.66%	270
2005	9,955	345	9,610	0.58%	241
2006	19,070	473	18,597	1.12%	470
2007	21,415	554	20,861	1.25%	527
2008	20,985	589	20,396	1.23%	515
2009	29,555	720	28,835	1.44%	726
2010	27,750	695	27,055	1.21%	658
2011	31,170	855	30,315	1.36%	735
2012	33,520	899	32,621	1.49%	791

**Note:** Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup>See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

<sup>2</sup>See the Schedule of Demographic and Economic Statistics for population data.

**CITY OF MERIDIAN, MISSISSIPPI**  
Direct and Overlapping Governmental Activities Debt  
As of September 30, 2012  
(amounts expressed in thousands)

<b><u>Governmental Unit</u></b>	<b><u>Debt Outstanding</u></b>	<b><u>Estimated Percentage Applicable<sup>1</sup></u></b>	<b><u>Estimated Share of Overlapping Debt</u></b>
Debt repaid with property taxes: County	\$ 42,790	49.70%	\$ 21,267
Debt repaid with property taxes: School	<u>17,885</u>	92.12%	<u>16,476</u>
<b>Subtotal, overlapping debt</b>	60,675		37,743
City of Meridian direct debt	<u>45,449</u>	100.00%	<u>45,449</u>
<b>Total direct and overlapping debt</b>	<u>\$ 106,124</u>		<u>\$ 83,192</u>

**Source:** City Clerk, Meridian Separate School District and Chancery Clerk.

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

<sup>1</sup>The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the county's total taxable value.

**SCHEDULE 38**

**CITY OF MERIDIAN, MISSISSIPPI**

Legal Debt Margin Information

Last Ten Fiscal Years

(amounts expressed in thousands)

	<b>Fiscal year</b>									
	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
Debt Limit	\$ 38,261	\$ 38,544	\$ 38,739	\$ 39,211	\$ 39,208	\$ 39,125	\$ 46,899	\$ 51,948	\$ 51,445	\$ 51,362
Total net debt applicable to limit	<u>12,767</u>	<u>10,813</u>	<u>9,610</u>	<u>18,597</u>	<u>20,861</u>	<u>20,396</u>	<u>28,835</u>	<u>27,055</u>	<u>30,315</u>	<u>32,621</u>
Legal debt margin	<u>\$ 25,494</u>	<u>\$ 27,731</u>	<u>\$ 29,129</u>	<u>\$ 20,614</u>	<u>\$ 18,347</u>	<u>\$ 18,729</u>	<u>\$ 18,064</u>	<u>\$ 24,893</u>	<u>\$ 21,130</u>	<u>\$ 18,741</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>33.37%</u>	<u>28.05%</u>	<u>24.81%</u>	<u>47.43%</u>	<u>53.21%</u>	<u>52.13%</u>	<u>61.48%</u>	<u>52.08%</u>	<u>58.93%</u>	<u>63.51%</u>

**Legal Debt Margin Calculation for Fiscal Year 2012:**

Assessed value	\$ 335,570
Add back: exempt real property	<u>6,845</u>
<b>Total assessed value</b>	<b><u>\$ 342,415</u></b>
Debt limit (15% of total assessed value)	<u>\$ 51,362</u>
Debt applicable to limit:	
General obligation bonds	33,520
Less: Amount set aside for repayment of general obligation debt	<u>(899)</u>
<b>Total net debt applicable to limit</b>	<b><u>32,621</u></b>
<b>Legal debt margin</b>	<b><u>\$ 18,741</u></b>

**Note:** Under state finance law, the City's outstanding general obligation debt should not exceed 15 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

**SCHEDULE 39**

**CITY OF MERIDIAN, MISSISSIPPI**

Pledged-Revenue Bond Coverage  
Last Ten Fiscal Years  
(amounts expressed in thousands)

<b>Fiscal Year</b>	<b>Water &amp; Sewer Charges and Other</b>	<b>Less: Operating Expenses<sup>1</sup></b>	<b>Net Available Revenue</b>	<b>Debt Service</b>		<b>Coverage</b>	
				<b>Principal</b>	<b>Interest</b>		
	<b>Total</b>						
2003	\$ 9,002	\$ 5,435	\$ 3,567	\$ 1,555	\$ 1,655	\$ 3,210	111.12%
2004	9,798	5,269	4,529	1,845	1,495	3,340	135.60%
2005	10,902	5,690	5,212	2,020	1,516	3,536	147.40%
2006	11,036	6,416	4,620	2,125	1,399	3,524	131.10%
2007	10,907	7,016	3,891	2,230	1,298	3,528	110.29%
2008	11,125	6,976	4,149	2,345	1,193	3,538	117.27%
2009	11,715	7,510	4,205	2,455	1,072	3,527	119.22%
2010	12,145	7,239	4,906	3,605	963	4,568	107.40%
2011	12,404	7,017	5,387	1,840	789	2,629	204.91%
2012	13,187	7,544	5,643	1,930	706	2,636	214.07%

**Source:** Audit Reports - Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds.

**Note:** In 2003, the 1994 Water and Sewer Revenues Bonds were defeased in the amount of \$6,980,000.

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup>Total operating expenses exclusive of depreciation and amortization expense.

**SCHEDULE 40**

**CITY OF MERIDIAN, MISSISSIPPI**  
Demographic and Economic Statistics  
Last Ten Fiscal Years

<b><u>Fiscal Year</u></b>	<b><u>Population<sup>1</sup></u></b>	<b><u>Personal Income (amounts expressed in thousands)<sup>2</sup></u></b>	<b><u>Per Capita Personal Income<sup>2</sup></u></b>	<b><u>Median Age<sup>3</sup></u></b>	<b><u>School Enrollment<sup>4</sup></u></b>	<b><u>Unemployment Rate<sup>5</sup></u></b>
2003	40,538	\$ 2,496,375	\$ 23,564	34.6	6,619	8.4%
2004	40,057	2,588,611	24,459	35.5	6,305	8.1%
2005	39,795	2,721,308	25,785	35.6	6,449	8.6%
2006	39,541	2,894,287	27,415	35.9	6,722	7.8%
2007	39,596	3,002,310	28,287	36.5	6,630	8.6%
2008	39,572	3,245,373	30,379	36.6	6,612	9.1%
2009	39,695	3,140,476	29,221	36.2	6,461	12.7%
2010	41,148	3,196,119	29,768	35.7	6,418	14.7%
2011	41,258	3,345,080	31,156	34.9	6,250	14.9%
2012	41,258	3,345,080	31,156	34.8	6,209	12.6%

**Sources:**

- <sup>1</sup>U.S. Census Bureau, Population Division website at [www.census.gov](http://www.census.gov).
- <sup>2</sup>U.S. Department of Commerce, Bureau of Economic Analysis website at [www.bea.gov](http://www.bea.gov).  
Per capita personal income estimates reflect county population estimates available as of April 2012.
- <sup>3</sup>U.S. Census Bureau, 2007-2011 American Community Survey 5-Year Estimates at [www.census.gov](http://www.census.gov).
- <sup>4</sup>Meridian Separate School District.
- <sup>5</sup>Mississippi Department of Employment Security "Annual Labor Force Report" at [www.mdes.ms.gov](http://www.mdes.ms.gov).

**Note:** Education level in years of formal schooling is not included on this schedule because the information was not available.

**SCHEDULE 41****CITY OF MERIDIAN, MISSISSIPPI**

Principal Employers  
 Current and Nine Years Ago  
 (amounts expressed in thousands)

<u>Taxpayer</u>	<u>2012</u>			<u>2003</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Rush Foundation Hospital	2,610	1	17.69%	1,123	3	7.79%
East Mississippi State Hospital	1,500	2	10.17%	1,150	2	7.98%
Anderson Regional Medical Center	1,275	3	8.64%	1,065	4	7.39%
Meridian Public Schools	1,050	4	7.12%	987	5	6.85%
Walmart Supercenters	698	5	4.73%	---	---	---
Peavey Electronics Corporation	600	6	4.07%	1,700	1	11.80%
City of Meridian	570	7	3.86%	508	8	3.53%
Mississippi Air National Guard	420	8	2.85%	389	10	2.70%
Alliance Health Center	385	9	2.61%	---	---	---
Meridian Community College	327	10	2.22%	471	9	3.27%
Meridian HMA/Riley Hospital	---	---	---	700	6	4.86%
Winn Dixie Food Stores	---	---	---	<u>589</u>	7	<u>4.09%</u>
<b>Totals</b>	<u>9,435</u>		<u>63.96%</u>	<u>8,682</u>		<u>60.26%</u>

**Source:** East Mississippi Business Development Corporation

**SCHEDULE 42**

**CITY OF MERIDIAN, MISSISSIPPI**  
 Full-time Equivalent City Government Employees by Function  
 Last Ten Fiscal Years

	<b>Full-time Equivalent Employees as of September 30,</b>									
<b><u>Function</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
General government	49	47	46	47	49	54	49	50	46	59
Public safety:										
Police:										
Officers	94	96	104	106	112	105	111	108	109	108
Civilians	15	17	18	18	14	18	19	15	15	19
Fire:										
Firefighters and officers	105	106	103	104	106	98	101	108	112	114
Civilians	11	10	9	10	8	9	9	11	10	11
Highways and streets	69	68	70	75	70	72	72	60	65	57
Sanitation	1	2	1	1	1	1	1	1	1	1
Culture and recreation	42	45	52	45	49	49	49	56	42	42
Water	48	51	52	50	44	50	48	47	48	48
Sewer	44	45	44	44	45	45	46	44	42	39
Golf course	5	5	3	3	3	3	3	5	7	8
Union Station	1	2	2	2	2	2	2	2	2	2
Municipal Garage	13	15	15	14	11	14	14	13	11	11
Homeland Security	-	2	6	7	6	5	5	5	4	5
Community Development	21	21	20	21	20	19	19	19	16	16
<b>Totals</b>	<b>518</b>	<b>532</b>	<b>545</b>	<b>547</b>	<b>540</b>	<b>544</b>	<b>548</b>	<b>544</b>	<b>530</b>	<b>540</b>

**Source:** City's payroll department.

**SCHEDULE 43**

**CITY OF MERIDIAN, MISSISSIPPI**  
 Operating Indicators by Function  
 Last Ten Fiscal Years

<b>Function</b>	<b>Fiscal Year</b>									
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Police:</b>										
Physical arrests	4,514	4,322	4,568	4,376	4,289	4,785	4,967	4,952	5,089	6,254
Parking violations	6,757	7,045	7,544	7,717	6,481	5,565	6,088	5,329	4,347	3,699
Traffic violations	12,272	11,564	13,049	14,766	10,763	12,663	10,816	8,676	12,089	9,533
<b>Fire:</b>										
Number calls answered	2,848	2,752	2,743	3,273	3,209	3,357	1,666	1,636	2,070	1,550
Inspections	2,048	2,844	3,051	3,734	3,673	2,907	2,814	1,375	1,810	2,053
<b>Highways and streets:</b>										
Street resurfacing (miles)	-	10	35	-	1	-	-	-	-	4
Potholes repaired <sup>1</sup>	284	348	355	260	277	351	352	271	394	1,003
<b>Culture and recreation:</b>										
Meridian Activity Center/Velma Young Park/Highland Park classes	841	912	1,075	1,096	1,175	1,194	1,215	1,290	1,255	1,248
<b>Water:</b>										
New connections	45	74	71	112	93	88	45	30	50	28
Water leak repairs	1,143	1,193	1,286	948	1,130	823	1,190	1,291	1,344	1,196
Average daily consumption (millions of gallons)	5,401	5,916	4,802	4,495	5,079	5,221	4,447	4,211	5,033	5,066
<b>Wastewater:</b>										
Average daily sewerage treatment (millions of gallons)	10,090	9,560	11,570	10,800	6,350	9,230	5,730	7,100	6,390	7,060

**Source:** Various City departments.

<sup>1</sup>For fiscal year 2012, the City calculated the number of potholes repaired based on an average number of potholes repaired in a week. Prior to fiscal year 2012, the number of potholes repaired was calculated counting only the potholes repaired through service orders.

**CITY OF MERIDIAN, MISSISSIPPI**  
 Capital Asset Statistics by Function  
 Last Ten Fiscal Years

Function	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Public safety:</b>										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	36	37	43	71	67	77	73	84	84	88
Fire stations	7	7	7	7	7	8	8	8	7	8
<b>Highways and streets:</b>										
Streets (miles)	306.01	306.15	306.83	306.83	306.83	307.50	330.35	330.35	330.35	330.35
Streetlights	6,273	6,287	6,298	6,351	6,400	6,411	6,570	6,589	6,603	6,639
Traffic signals	118	118	120	121	121	120	120	120	117	117
<b>Culture and recreation:</b>										
Parks acreage	383	443	443	443	443	443	443	443	443	443
Parks	16	17	17	17	17	17	17	17	17	17
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	18	18	18	18	18	18	18	18	18	16
Community centers	3	3	3	3	3	3	3	3	3	3
Softball/Baseball fields	18	18	18	18	18	18	18	18	18	18
Soccer fields	12	12	12	12	12	12	14	14	14	14
Golf course	1	1	1	1	1	1	1	1	1	1
<b>Water:</b>										
Water mains (miles)	426	426	428	428	428	428	429	429	430	430
Fire hydrants	3,793	3,802	3,820	3,832	2,105	2,113	2,131	2,136	2,141	2,180
Maximum daily capacity (thousands of gallons)	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	13,952
<b>Sewer:</b>										
Sanitary sewers (miles)	442	442	442	442	444	444	445	445	445	445
Storm sewers (miles)	200	200	200	200	200	225	225	225	225	225
Maximum daily treatment capacity (thousands of gallons)	13,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000

**Source:** Various City departments.

## **SINGLE AUDIT SECTION**

The single audit section contains audit reports on internal control and compliance matters resulting from the single audit procedures conducted in accordance with the Single Audit Act and Office of Management and Budget Circular A-133. An additional report on compliance with state law required by the Office of State Auditor is also presented.

**CITY OF MERIDIAN, MISSISSIPPI**  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended September 30, 2012

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number/ Federal Contract	Program or Award Amount	Accrued (Deferred) Revenue 9/30/2011	Federal Receipts	Federal Share Disbursements/ Expenditures	Accrued (Deferred) Revenue 9/30/2012	Cumulative Federal Receipts	Cumulative Federal Share Disbursements Expenditures	Fund Type
<b>U. S. Department of Agriculture</b>										
Direct program -										Capital project
NRCS Gallagher Creek Gabbion Repair at Highland Park	10.923	68-4423-12-2319	\$ 102,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>U. S. Department of Housing &amp; Urban Development</b>										
Pass-through Mississippi Development Authority:										
Katrina CDBG Bonita Lakes Dam Rehab	14.228	R-1110-258-01-GZ	1,786,000	377,496	365,237	130,494	142,753	1,643,247	1,786,000	Special revenue
CDBG Sanitary Sewer Rehabilitation	14.228	1127-10-258-PF-01	600,000	38,192	530,748	561,808	69,252	530,748	600,000	Enterprise fund
<b>Total U.S. Department of Housing &amp; Urban Development</b>				415,688	895,985	692,302	212,005	2,173,995	2,386,000	
<b>U. S. Department of Justice</b>										
Direct program -										Special revenue
ARRA-COPS Hiring Recovery Program	16.710	2009RKWX0503	581,680	-	-	48,866	48,866	89,479	138,345	
Pass-through Mississippi Department of Public Safety:										
MS Stop Violence Against Women Program	16.588	10SI2221	33,865	-	1,184	1,184	-	3,843	3,843	Special revenue
MS Stop Violence Against Women Program	16.588	11SI2221	33,940	-	-	7,477	7,477	-	7,477	Special revenue
Bulletproof Vests Partnership	16.607	BA-2000S-HP01	13,175	-	-	2,339	2,339	-	2,339	Special revenue
<b>Total pass-through programs</b>				-	1,184	11,000	9,816	3,843	13,659	
JAG Program cluster:										
Direct programs:										
Edward Byrne Memorial Justice Assistance	16.738	2009-DJ-BX-0058	53,020	-	1,395	29,651	28,256	22,603	50,859	Special revenue
Edward Byrne Memorial Justice Assistance	16.738	2010-DJ-BX-0589	47,613	24,295	39,357	15,062	-	39,357	39,357	Special revenue
Edward Byrne Memorial Justice Assistance	16.738	2011-DJ-BX-2699	42,914	17,166	42,914	25,748	-	42,914	42,914	Special revenue
ARRA-Meridian City Joint Recovery Act JAG	16.804	2009-SB-B9-1744	257,141	-	12,047	12,047	-	257,141	257,141	Special revenue
<b>Total JAG Program cluster</b>				41,461	95,713	82,508	28,256	362,015	390,271	
<b>Total U.S. Department of Justice</b>				41,461	96,897	142,374	86,938	455,337	542,275	
<b>U. S. Department of Transportation</b>										
Pass-through Mississippi Department of Public Safety:										
Occupant Protection Seatbelt Enforcement	20.600	11-OP-222-1	15,000	4,647	4,647	-	-	14,033	14,033	Special revenue
Meridian DUI Enforcement Program	20.600	12-OP-222-1	15,000	-	-	2,611	2,611	-	2,611	Special revenue
Meridian DUI Enforcement Program	20.600	11-TA-222-1	100,000	12,579	12,579	-	-	71,707	71,707	Special revenue
Meridian DUI Enforcement Program	20.607	12-TA-222-1	95,000	-	52,339	30,944	(21,395)	52,339	30,944	Special revenue
Pass-through MS Department of Transportation:										
ARRA-26th Ave. Viaduct Safety Upgrades	20.205	STP-8161-00(001)	912,797	5,238	16,440	11,202	-	693,961	693,961	Capital project
Central Business District & 14th St. Signal Upgrades	20.205	STP-0320-00(022)	1,075,550	43,946	43,946	-	-	1,033,334	1,033,334	Capital project
Safe Routes to School Project	20.205	SRSF-0320-00(024)	800,626	17,754	-	3,750	21,504	-	21,504	Capital project
Replacement of Bridges on 35th Ave. and 40th St.	20.205	STP-0320-00(025)	549,600	-	-	-	-	-	-	Capital project
Milling, Leveling, and Overlay of Various City Routes	20.205	STP-0320-00(026)	1,084,560	-	42,504	775,626	733,122	42,504	775,626	Capital project
Widening US Hwy 11/80 at Malone Ranch Road	20.205	STP-9457-00(002)	250,000	-	-	-	-	-	-	Capital project
<b>Total U.S. Department of Transportation</b>				84,164	172,455	824,133	735,842	1,907,878	2,643,720	

(continued)

**CITY OF MERIDIAN, MISSISSIPPI**  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended September 30, 2012

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number/ Federal Contract	Program or Award Amount	Accrued (Deferred) Revenue 9/30/2011	Federal Receipts	Federal Share Disbursements/ Expenditures	Accrued (Deferred) Revenue 9/30/2012	Cumulative Federal Receipts	Cumulative Federal Share Disbursements Expenditures	Fund Type
<b>U. S. Environmental Protection Agency</b>										
Direct programs:										
South Industrial Park Study	66.202	XP-964020041-4	1,349,400	130,580	506,775	471,791	95,596	1,253,804	1,349,400	Enterprise fund
Water Pollution Control Revolving Loan Fund	66.458	SRF-C280818-01-0	8,411,225	-	1,608,323	1,608,323	-	1,608,323	1,608,323	Enterprise fund
<b>Total U.S. Environmental Protection Agency</b>			<b>700</b>	<b>130,580</b>	<b>2,115,098</b>	<b>2,080,114</b>	<b>95,596</b>	<b>2,862,127</b>	<b>2,957,723</b>	
<b>U. S. Department of Health and Human Services</b>										
Pass-through Mississippi State Department of Health - Fire Academy for Kids	93.991	2B01DP009032-11	700	-	700	700	-	700	700	Special revenue
<b>U. S. Department of Homeland Security</b>										
Direct program - Assistance to Firefighters										
Pass-through Mississippi Department of Public Safety: Hurricane Ivan Clean Up	97.044	EMW-2010-FO-00530	66,150	-	30,702	30,702	-	56,393	56,393	Special revenue
Hurricane Isaac	97.036	FEMA-1550-MS-DR	661,805 <sup>1</sup>	157,631 <sup>1</sup>	-	-	157,631	504,174	661,805 <sup>1</sup>	Special revenue
Homeland Security - Citizen Corps	97.053	FEMA-4081-DR-MS	16,065	-	12,849	12,849	12,849	-	12,849	Special revenue
Homeland Security - Neighborhood Watch Program	97.053	10CC258	3,008	-	6,998	6,998	6,998	-	6,998	Special revenue
Interoperable Emergency Communication	97.055	S9CC258	103,637	(707)	2,697	2,697	(707)	2,697	2,697	Special revenue
Interoperable Emergency Communication	97.055	8IC258T	31,500	-	-	-	-	97,563	96,856	Special revenue
Homeland Security - Collapse Structure Training	97.067	S5HS258R	98,685	(120)	-	120	-	98,685	98,685	Special revenue
Homeland Security - Regional Response Team	97.067	7HS258T	141,300	(729)	-	-	(729)	140,581	139,852	Special revenue
Homeland Security	97.067	5HS038R	150,000	(118)	-	118	-	150,000	150,000	Special revenue
Homeland Security	97.067	6HS258R	150,000	(40)	-	40	-	150,000	150,000	Special revenue
Homeland Security - Adv. Executive Protection Training	97.067	M10HS258T	30,000	-	-	-	-	-	-	Special revenue
Homeland Security - Materials for Exec. Protection Training	97.067	E10HS258T	9,000	-	-	-	-	-	-	Special revenue
Homeland Security - Overland Search & Rescue Training	97.067	P10HS258T	15,000	-	-	-	-	-	-	Special revenue
Homeland Security - PPE	97.073	A9HS258T	3,895	3,895	3,895	-	-	3,895	3,895	Special revenue
Homeland Security - Regional Response Funds	97.073	10HS258T	60,080	206	711	37,852	37,347	711	38,058	Special revenue
Homeland Security - Regional Response Funds	97.073	10HS258T2	8,200	-	-	2,723	2,723	-	2,723	Special revenue
Homeland Security - Regional Response Funds	97.067	S11HS258T	26,500	-	-	-	-	-	-	Special revenue
Homeland Security - Salaries	97.073	E9HS258T	52,000	15,520	21,796	6,276	-	21,796	21,796	Special revenue
Homeland Security - Salaries	97.073	A10HS258T	52,000	-	9,962	9,962	9,962	-	9,962	Special revenue
Homeland Security - Task Force Funds	97.073	S8HS258T	253,633	(126)	-	-	(126)	149,367	149,241	Special revenue
Homeland Security - Task Force Funds	97.067	09HS258T	61,900	(1,484)	-	-	(1,484)	53,726	52,242	Special revenue
Homeland Security - Training	97.073	10HS258	100,000	6,655	78,330	20,575	(51,100)	100,000	48,900	Special revenue
Homeland Security - Training Center	97.067	11HS258	100,000	-	15,613	28,039	12,426	15,613	28,039	Special revenue
Homeland Security - Training, S&R Kits	97.067	M9HS258T	27,991	-	-	24,268	24,268	-	24,268	Special revenue
Homeland Security - Law Enforcement Terrorism Prevention	97.067	09LE258	8,905	-	-	-	-	-	-	Special revenue
<b>Total U.S. Department of Homeland Security</b>			<b>8,905</b>	<b>180,583</b>	<b>153,744</b>	<b>183,219</b>	<b>210,058</b>	<b>1,545,201</b>	<b>1,755,249</b>	
<b>Total federal financial assistance</b>				<b>\$ 852,476</b>	<b>\$ 3,434,879</b>	<b>\$ 3,922,842</b>	<b>\$ 1,340,439</b>	<b>\$ 8,945,238</b>	<b>\$ 10,285,667</b>	

<sup>1</sup> This grant project is funded as expenditures are approved by the funding agency. The program or award amount, beginning accrued revenue and cumulative Federal share disbursements/expenditures for this grant have been adjusted to reflect the amount of disbursements subsequently approved.

See the accompanying notes to the schedule of expenditures of federal awards.

**CITY OF MERIDIAN, MISSISSIPPI**  
Notes to the Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended September 30, 2012

**(1) Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Meridian, Mississippi 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*.

**CITY OF MERIDIAN, MISSISSIPPI**  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended September 30, 2012

There were no prior year findings or questioned costs.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**The Honorable Mayor Cheri M. Barry and  
Honorable Members of the City Council  
City of Meridian, Mississippi:**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Meridian, Mississippi ("City") as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 26, 2013. We did not audit the financial statements of the Meridian Airport Authority, which represent 99.97 percent, 100 percent, and 98.58 percent, respectively, of the assets, net assets, and operating revenues of the component units column. Those statements were audited by other auditors. 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**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City'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 City's financial statements will not be prevented, or detected and corrected on a timely basis.

**The Honorable Mayor Cheri M. Barry and  
Honorable Members of the City Council  
City of Meridian, Mississippi:  
Page two**

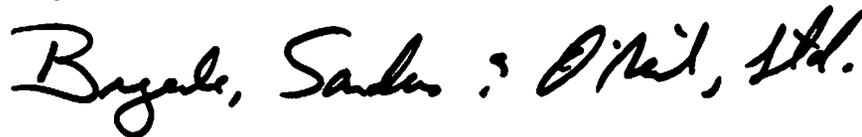
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material 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's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated April 26, 2013.

This report is intended solely for the information and use of the Honorable Mayor, Honorable Members of the City Council, management, the State Auditor's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Jackson, Mississippi  
April 26, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**The Honorable Mayor Cheri M. Barry and  
Honorable Members of the City Council  
City of Meridian, Mississippi**

**Compliance**

We have audited City of Meridian, Mississippi's ("City") 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 the City's major federal programs for the year ended September 30, 2012. The City's major federal programs are identified in the summary of auditors' 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.

The City's financial statements include the operations of the Meridian Airport Authority ("MAA"), which expended \$4,009,036 in federal awards; and the Meridian Transportation Commission ("MTC"), which expended \$135,508 in federal awards; both of which are not included in the schedule during the year ended September 30, 2012. Our audit described below did not include the operations of MAA because they engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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.

**The Honorable Mayor Cheri M. Barry and  
Honorable Members of the City Council  
City of Meridian, Mississippi:  
Page two**

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

### **Internal Control Over Compliance**

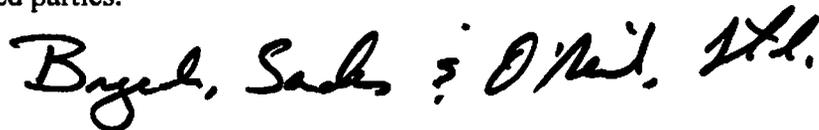
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program 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 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 weakness. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Honorable Mayor, Honorable Members of the City Council, management, the State Auditor's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jackson, Mississippi  
April 26, 2013

A handwritten signature in black ink that reads "Bryan Sacks" followed by a stylized flourish.

**CITY OF MERIDIAN, MISSISSIPPI**  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended September 30, 2012

**Section I - Summary of Audit Results**

***Financial Statements***

Type of auditors' report issued: **Unqualified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Reportable conditions identified that are not considered to be material weaknesses? **None reported**

Noncompliance material to financial statements noted? **No**

***Federal Awards***

Internal control over major programs:

- Material weaknesses identified? **No**
- Reportable conditions identified that are not considered to be material weaknesses? **None reported**

Type of auditors' report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? **No**

Identification of major program tested:

**CFDA Number**

**Name of Federal Program or Cluster**

14.228  
 20.205  
 66.202  
 66.458

Community Development Block Grants  
 Highway Planning and Construction  
 South Industrial Park Study  
 Water Pollution Control Revolving Loan Fund

Dollar threshold used to distinguish between type A and type B programs: **\$ 300,000**

Auditee determined to be a low-risk auditee? **Yes**

*Continued*

**CITY OF MERIDIAN, MISSISSIPPI**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended September 30, 2012

**Section II - Findings - Financial Statement Audit**

No significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements were reported.

**Section III - Findings and Questioned Costs - Federal Award Programs**

No audit findings required to be reported by section 510(a) of Circular A-133 were reported.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
STATE OF MISSISSIPPI OFFICE OF THE STATE AUDITOR REQUIREMENTS**

**The Honorable Mayor Cheri M. Barry and  
Honorable Members of the City Council  
City of Meridian, Mississippi**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of the City of Meridian, Mississippi ("City") as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 26, 2013. We did not audit the financial statements of the Meridian Airport Authority, which represent 99.97 percent, 100 percent, and 98.58 percent, respectively, of the assets, net assets, and operating revenues of the component units column. Those financial statements were audited by other auditors. 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.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the City's basic financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of the Honorable Mayor, Honorable Members of the City Council, management, the State Auditor's Office and appropriate federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Jackson, Mississippi  
April 26, 2013

