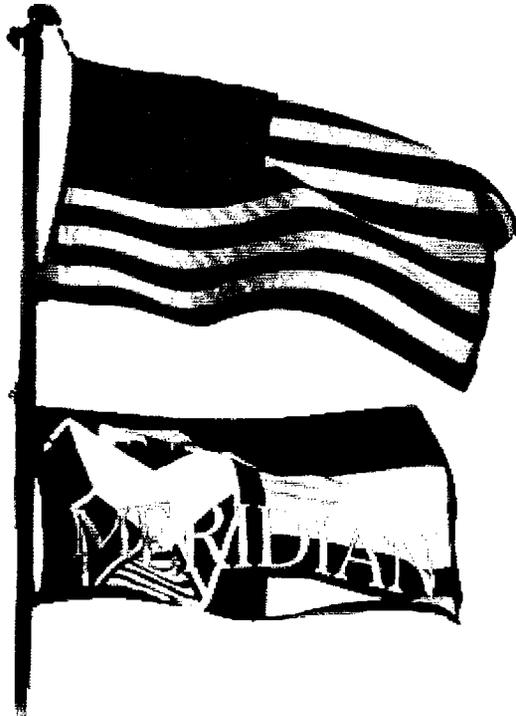


***CITY OF
MERIDIAN, MISSISSIPPI***



***Comprehensive
Annual Financial Report***

***For The Fiscal Year Ended
September 30, 2005***

CITY OF MERIDIAN, MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2005**

**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, 2005

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INTRODUCTORY SECTION

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MERIDIAN

March 16, 2006

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

Mayor:

JOHN ROBERT SMITH
(601) 485-1927
FAX: (601) 485-1911

Council members:

GEORGE M THOMAS
Ward 1

MARY A. B. PERRY
Ward 2

BARBARA HENSON
Ward 3

JESSE E. PALMER, SR.
Ward 4

JOHN C. HARRIS
Ward 5

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

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) 485-1822
FAX: (601) 485-1878

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

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, 2005.

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 2005 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, 2005, 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 46 square miles and has an official 2000 population of 39,968. 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 council-mayor 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 stating the reasons for such veto, and no ordinance so vetoed shall take effect unless council within fifteen (15) days resolves to override the veto by a vote of two-thirds (2/3) of the members present and voting to override. The mayor and council serve concurrent, four-year terms.

The City provides a full range of services, including police and fire protection; 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, the Meridian Redevelopment Authority and the Meridian and Bonita Lakes Development Authority are reported as discretely presented component units.

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 currently enjoys a favorable economic environment and indicators point toward continued economic growth and vitality. The City has a diverse economy with manufacturing ranging from electronic music and sound equipment to aircraft parts to steel fabrication and roofing material. The City serves as a retail center for an area encompassing numerous counties in east Mississippi and west Alabama.

Additionally, the City serves as a regional health center, having six hospitals employing over 4,000 healthcare professionals and staff. The federal government has a major presence in the area with the location of Meridian Naval Air Station ("NAS Meridian"), which provides training for both naval carrier pilots and technical training for various enlisted personnel. Once again in 2005, the status of NAS Meridian as a viable base was secured by the efforts of many through the Base Realignment and Closure process. The City is home to the first local Department of Homeland Security in the state and is the leader in a nine-county regional response team, which has been awarded grants totaling \$3,838,155 for counter-terrorism and natural disaster-related activities. Our Public Safety Training Center serves as the location of a six-state disaster training program through the Federal Railroad Administration.

Broadening the local economy through industrial expansion was accelerated with the announcement of two new industries, one of them to be located in the old Delco-Remy building formerly owned by the City.

Investments in downtown continue the revitalization of the center of the City through both residential and commercial conversion of vacant buildings. Retail growth continues to build on the strength of Bonita Lakes Mall, Wal-Mart Super Center, Lowe's Home Improvement Center,

and a Sam's Club. Work continues on the Riley Education and Performing Arts Center with completion and re-opening of the Grand Opera House of Mississippi scheduled for late summer of 2006. The Arts District Parking Garage, the City's commitment to the Riley project, was dedicated May 18, 2005. A companion arts project, The Mississippi Arts and Entertainment Center at Bonita Lakes, has acquired seed money. Design professionals for preliminary site work were hired and they have developed a master plan. The Center is currently working on funding for design and construction of the project.

Efforts continue for redevelopment of the 17-story art deco-style Threefoot Building, as a hotel and community center to serve as a companion project to the development of the Riley Education and Performing Arts Center.

Work is ongoing in planning and implementing Urban Land Institute recommendations for downtown growth. Recommendations range from improved aesthetics on the 22nd Avenue overpass gateway into downtown to development of a tourism and business welcome center to creation of a downtown walking tour spotlighting both existing and proposed museums and other cultural attractions.

The recently created Meridian Community Development and Investment Corporation continues to work with developers to utilize the New Market Tax Credits through the National Trust for Historic Preservation to redevelop downtown.

Construction of water and sewer lines to the new industrial park has now been completed. Construction of a new water tank for that area has begun with completion scheduled for the end of March, 2006.

The \$6,000,000 street paving project should be completed by the end of March, 2006.

While Meridian did sustain damage from Hurricane Katrina, it was not as severe as in south Mississippi. City employees and residents responded to the emergency and provided assistance to evacuees. Services were restored quickly and significant debris, primarily downed trees, has now been removed. Meridian is in a prime location to serve as a supply point for reconstruction in south Mississippi.

Long-term financial planning. The City will be addressing a number of significant improvements to the water and sewer system over the next five to seven years. These improvements will be necessary due to upcoming regulations such as the EPA's Capacity, Management, Operations and Maintenance ("CMOM") regulations; supporting capital reinvestment and repair to revitalize some infrastructure due to age; and new improvements that will be necessary as a result of current annexation efforts. Project costs will be financed by a combination of the issuance of bonds and available grants at a current estimated cost of \$7,000,000.

Planning has begun for the replacement of the current aging police station and courtroom with a new facility and an additional fire station for better coverage. Planning is in process for the total restoration and renovation of city hall, which is listed on the National Register of Historic Places. The City is authorized to issue \$10,000,000 in bonds for these projects.

Cash management policies and practices. Cash temporarily idle during the year was invested as allowed by state statute in certificates of deposit, obligations of the U.S. Treasury, and repurchase agreements.

Risk management. Risk management efforts are coordinated through the office of the risk manager. The City maintains various forms of insurance, including but not limited to workers compensation, property, various liability policies and employee health insurance. Various training and safety programs are conducted and the City has an Employee Assistance Program designed to assist employees with problems and retain employees if possible, and a health screening program providing preventive health care. All new employees are tested for drugs and a random drug screening program is conducted monthly from a pool of all employees.

Pension and Retirement Plans. The City and its component units contribute to the Public Employee's 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. Employees covered by PERS are required by statute to contribute 7.25% of their salary to PERS. During the year ended September 30, 2005, City employees contributed \$1,513,620. The Meridian Airport Authority made contributions to PERS during the year ended September 30, 2005, of approximately \$22,300. Ten-year historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS June 30, 2005, comprehensive annual financial report.

The City also participates in the Municipal Retirement System ("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 17 cities providing retirement benefits to firefighters and police officers. Membership in the MRS is comprised of employees who were hired prior to July 1, 1976, and includes only eligible employees of the City who did not opt to become members 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, 2005 was \$226,201; the City's total payroll for all employees was \$16,069,187. At September 30, 2004, the date of the most recent actuarial valuation, there were 5 participating general municipal employees, firefighters and police officers.

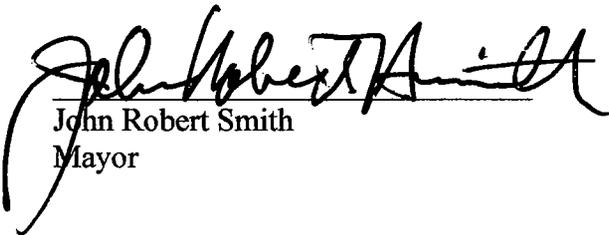
Awards and Acknowledgements

The Government Finance Officers Association ("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, 2004. This was the ninth consecutive year that the City has received 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,



John Robert Smith
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, 2004

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.



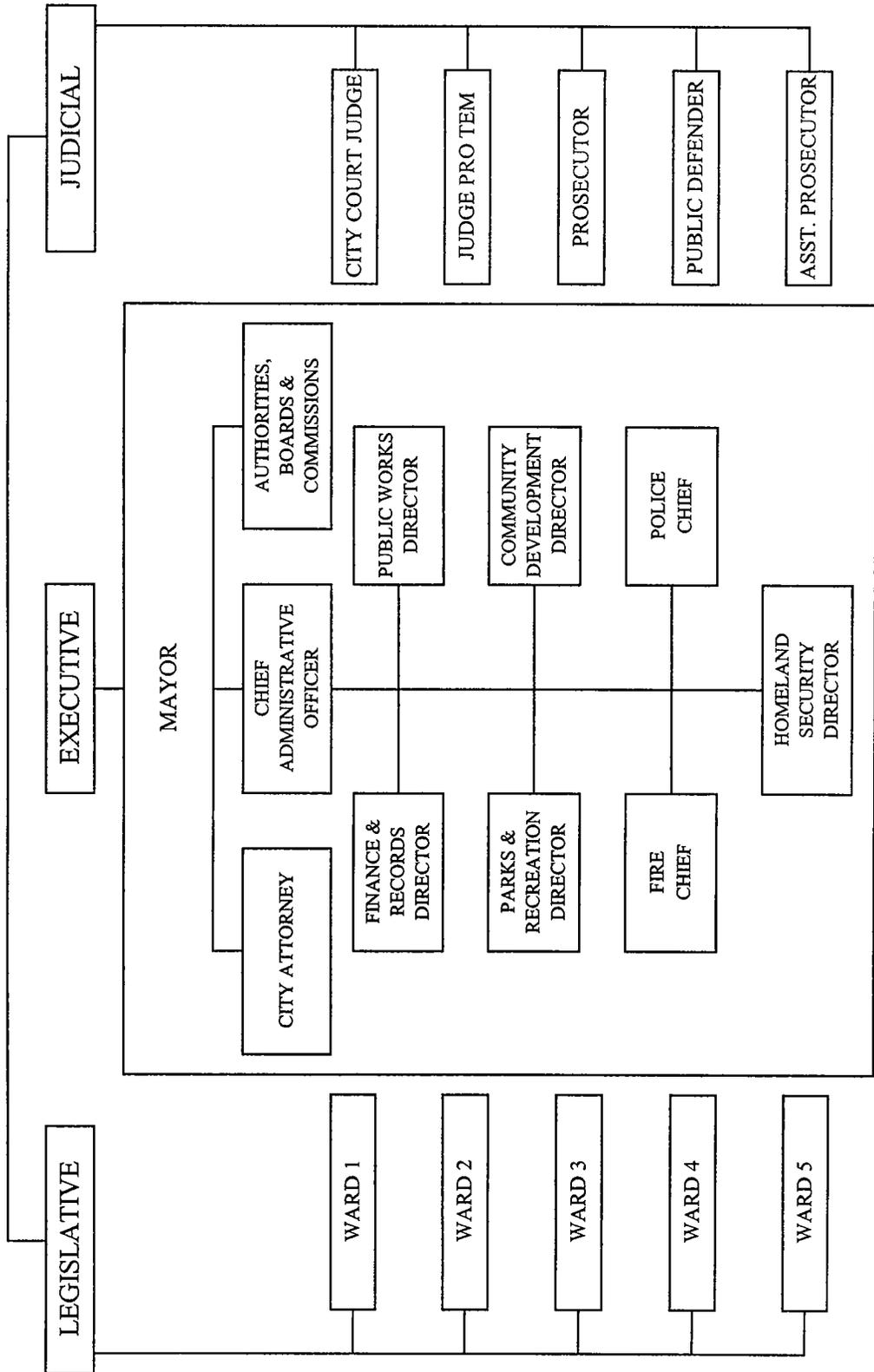
Carla E. Perry

President

Jeffrey R. Egan

Executive Director

CITY OF MERIDIAN, MISSISSIPPI
 Organizational Structure
 September 30, 2005



CITY OF MERIDIAN, MISSISSIPPI

Listing of City Officials

September 30, 2005

Elected Officials

Mayor	John Robert Smith
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	John C. Harris

Appointed Officials

Chief Administrative Officer	Kenneth Storms
Finance & Records Director/City Clerk	Ed Skipper
Public Works Director	Monty Jackson
Parks & Recreation Director	Mark Naylor
Community Development Director	Don Farrar
Fire Chief	Tim Miller
Police Chief	Benny Dubose
Homeland Security Director	H. C. Partridge, Jr.
City Attorney	Bill Hammack

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

**The Honorable Mayor John Robert Smith 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, 2005, 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 Transportation Commission or the Meridian Airport Authority, which represent 97.2% and 92.4%, respectively, of the assets and revenues of the component units column. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for these component units, are based on the reports 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**The Honorable Mayor John Robert Smith and
Honorable Members of the City Council
City of Meridian, Mississippi:
Page two**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 17 through 26 and the schedule of funding progress on page 94 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section 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. 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 not a required part of the basic financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Brigode, Sandra ; O'Neil, J. H.

March 16, 2006

CITY OF MERIDIAN, MISSISSIPPI
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2005

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, 2005. 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 – 8 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 \$82,890 (*net assets*). Of this amount, \$11,223 (*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 \$3,560. This increase is attributable to the approval of a 10 percent rate increase in the business-type activities fees for fiscal year 2005. This rate increase was designed primarily to provide additional resources to meet debt service requirements.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,341, a decrease of \$2,036 in comparison with the prior year. Approximately 54 per cent of this total amount, \$6,644, is *available for spending* at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$5,638 or 23 percent of total general fund expenditures.
- The City's total debt decreased by \$4,876 (7.7 percent) during the current fiscal year. During the year, the City issued \$312 in new debt and retired \$5,188 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, 3) Meridian and Bonita Lakes Development Authority, and 4) Meridian Redevelopment Authority. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 28 – 31 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 20 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 special revenue fund, all of which are considered to be major funds. Data from the other 17 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 32 – 38 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 an 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 40 – 45 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 statements can be found on page 46 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 49 – 91 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 – 123 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 \$82,890 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (76 percent) reflects its investment in capital assets (e.g., land, buildings, 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>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 20,559	20,186	11,393	11,405	31,952	31,591
Capital assets	<u>71,303</u>	<u>69,828</u>	<u>49,415</u>	<u>50,911</u>	<u>120,718</u>	<u>120,739</u>
Total assets	<u>91,862</u>	<u>90,014</u>	<u>60,808</u>	<u>62,316</u>	<u>152,670</u>	<u>152,330</u>
Long-term liabilities outstanding	26,809	28,983	29,187	31,013	55,996	59,996
Other liabilities	<u>9,412</u>	<u>7,728</u>	<u>4,372</u>	<u>5,276</u>	<u>13,784</u>	<u>13,004</u>
Total liabilities	<u>36,221</u>	<u>36,711</u>	<u>33,559</u>	<u>36,289</u>	<u>69,780</u>	<u>73,000</u>
Net assets:						
Invested in capital assets, net of related debt	44,517	36,915	18,510	17,957	63,027	54,872
Restricted	5,842	7,229	2,798	4,564	8,640	11,793
Unrestricted	<u>5,282</u>	<u>9,159</u>	<u>5,941</u>	<u>3,506</u>	<u>11,223</u>	<u>12,665</u>
Total net assets	\$ <u>55,641</u>	<u>53,303</u>	<u>27,249</u>	<u>26,027</u>	<u>82,890</u>	<u>79,330</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 \$11,223 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 a decrease of \$1,766 in restricted net assets reported in connection with the City's business-type activities. This is a result of debt issued in the previous year to be used for future system expansion – 38 % of this construction was completed in fiscal year 2005.

The City's net assets increased during the current fiscal year. This is primarily due to the approval of a 10 percent rate increase in the business-type activities fees (effective October 7, 2004) designed primarily to provide additional resources to meet debt service requirements.

Governmental activities. Governmental activities increased the City's net assets by \$2,338, thereby accounting for 66 percent of the total growth in the City's net assets. Key elements of these changes are as follows:

City of Meridian's Changes in Net Assets

<u>Description</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,087	1,973	12,921	11,868	16,008	13,841
Operating grants and contributions	3,257	1,168	8	253	3,265	1,421
Capital grants and contributions	581	603	1,644	-	2,225	603
General revenues:						
Property taxes	10,162	10,107	740	882	10,902	10,989
Other taxes	15,522	14,859	-	-	15,522	14,859
Grants and contributions not restricted to specific programs	64	65	-	-	64	65
Other	<u>259</u>	<u>192</u>	<u>152</u>	<u>112</u>	<u>411</u>	<u>304</u>
Total revenues	<u>32,932</u>	<u>28,967</u>	<u>15,465</u>	<u>13,115</u>	<u>48,397</u>	<u>42,082</u>
Expenses:						
General government	5,778	5,738	-	-	5,778	5,738
Public safety	14,875	11,981	-	-	14,875	11,981
Highways/streets	6,650	6,770	-	-	6,650	6,770
Sanitation	-	-	2,234	2,739	2,234	2,739
Economic development	121	169	-	-	121	169
Culture and recreation	1,975	1,967	-	-	1,975	1,967
Interest on long-term debt	1,443	1,685	-	-	1,443	1,685
Other	127	102	755	746	882	848
Water and Sewer	<u>-</u>	<u>-</u>	<u>10,879</u>	<u>10,380</u>	<u>10,879</u>	<u>10,380</u>
Total expenses	<u>30,969</u>	<u>28,412</u>	<u>13,868</u>	<u>13,865</u>	<u>44,837</u>	<u>42,277</u>
Excess (deficiency) of revenues over (under) expenditures before transfers						
	1,963	555	1,597	(750)	3,560	(195)
Transfers	<u>375</u>	<u>395</u>	<u>(375)</u>	<u>(395)</u>	<u>-</u>	<u>-</u>
Change in net assets	2,338	950	1,222	(1,145)	3,560	(195)
Net assets - 10/01/04	<u>53,303</u>	<u>52,353</u>	<u>26,027</u>	<u>27,172</u>	<u>79,330</u>	<u>79,525</u>
Net assets - 09/30/05	\$ <u>55,641</u>	<u>53,303</u>	<u>27,249</u>	<u>26,027</u>	<u>82,890</u>	<u>79,330</u>

- Property taxes decreased by \$87 (.8 percent) during the year.
- Revenues were higher than anticipated and expenditures were less than budgeted.

The addition of a new homeland security activity in fiscal year 2004 increased the public safety function. The activity in the public safety function continued to increase in fiscal year 2005 as additional grants were received and forfeitures of seized drug funds increased. The other areas remained relatively unchanged.

Business-type activities. Business-type activities increased the City's net assets by \$1,222. This is primarily due to the approval of a 10 percent rate increase in the business-type activities fees (effective October 7, 2004) designed primarily to provide additional resources to meet debt service requirements.

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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,341, a decrease of \$2,036 in comparison with the prior year. Approximately 54 percent of this total amount constitutes an *unreserved fund balance* of \$6,644, which is available for spending at the City's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to liquidate contracts and pay purchase orders in the amount of \$1,740 for the prior period and for a variety of other restricted or designated purposes in the amount of \$3,957.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$5,638, while total fund balance was \$6,483. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to the total fund expenditures. Unreserved fund balance represents 23 percent of total general fund expenditures, while total fund balance represents 26 percent of that same amount. The fund balance of the City's general fund decreased by \$608 during the current fiscal year. This decrease is primarily due to payroll increases and use of a portion of prior fund balance.

The debt service fund has a total fund balance of \$1,988, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was a minimal amount of \$5.

The special revenue fund's unreserved fund balance was \$1,006 at the end of the current fiscal year, with a total fund balance of \$1,667. The fund balance of the special revenue fund increased \$1,013 during the current fiscal year. This increase is primarily due to narcotics related forfeitures.

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 \$5,670, and those for the Waste Collection and Disposal Fund amounted to \$124. The total increase in net assets for both funds was \$1,187 and \$36, respectively. Other factors concerning the finances have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor (\$727 increase in appropriations) and can be briefly summarized as follows:

<u>Description</u>	<u>Increase (Decrease)</u>
General government	\$ 338
Finance and records	4
Community development	(7)
Parks and recreation	51
Public works	112
Police	19
Fire	15
Homeland security	132
Arts district parking garage	<u>63</u>
Total	\$ <u>727</u>

Of this increase, \$117 was to be funded from various taxes, \$35 from licenses and permits, \$3 from parking fees, \$10 from interest on investments, and the remaining \$25 from miscellaneous revenue. The remaining \$537 was to be budgeted from available fund balance.

Differences between the final amended budget and actual are as follows:

Actual revenues exceeded the final amended budget by \$600. 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	\$ 310
Finance and records	158
Community development	98
Parks and recreation	146
Public works	268
Police	130
Fire	250
Homeland security	60
Arts district parking garage	<u>63</u>
Total	\$ <u>1,483</u>

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, 2005, amounts to \$120,718 (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:

- Continued work on the major street overlay program.
- Began work on the Bonita Lake trails project.
- An extension of the water & sewer systems to a new industrial park was completed
- Began construction of a new water tank for the industrial park.
- Completion of the construction of a new downtown parking garage.

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>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 6,869	5,500	272	272	7,141	5,772
Building and system	18,190	12,824	47,757	47,668	65,947	60,492
Improvements other than buildings	731	738	28	30	759	768
Machinery and equipment	4,504	3,729	785	826	5,289	4,555
Infrastructure	35,941	38,079	-	-	35,941	38,079
Construction in progress	<u>5,068</u>	<u>8,958</u>	<u>573</u>	<u>2,115</u>	<u>5,641</u>	<u>11,073</u>
Total	\$ <u>71,303</u>	<u>69,828</u>	<u>49,415</u>	<u>50,911</u>	<u>120,718</u>	<u>120,739</u>

Additional information on the City's capital assets can be found in note 5 on pages 70 – 73 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$38,740. Of this amount, \$9,955 comprises debt backed by the full faith and credit of the City, \$6,565 is special obligation bonds, \$4,545 is tax increment financing bonds and \$4,020 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 decreased by \$4,040 (9 percent) during the current fiscal year. The decrease is due to retirements exceeding issuance.

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>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
General obligation bonds	\$ 9,955	11,770	-	-	9,955	11,770
Special obligation bonds	6,565	6,790	-	-	6,565	6,790
Limited obligation tax increment financing bonds	4,545	5,230	-	-	4,545	5,230
Special assessment debt with governmental commitment	4,020	4,240	-	-	4,020	4,240
Revenue bonds	-	-	<u>13,655</u>	<u>14,750</u>	<u>13,655</u>	<u>14,750</u>
Total	\$ <u>25,085</u>	<u>28,030</u>	<u>13,655</u>	<u>14,750</u>	<u>38,740</u>	<u>42,780</u>

The City and its Water and Sewer Fund both maintain an "A" rating from Standard & Poor's and an "A" rating from Moody's for general obligation debt. The revenue bonds of the Water and Sewer Fund have been rated "A" by both of these rating agencies.

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 \$38,739 which is significantly in excess of the City's net outstanding general obligation debt of \$7,967 applicable to the debt limitation.

Additional information on the City's long-term debt can be found in note 9 on pages 78 – 83 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City is currently 8.4 percent, which is an increase from the rate of 7.6 percent a year ago. The statewide average is 9.1 percent as compared to the national average of 4.9 percent. The affects of Hurricane Katrina are still being felt throughout the state.
- The revitalization of the City continued with the issuance of 605 building permits with a construction value of \$32 million.
- Inflationary trends in the region are generally lower than the national average. The change in CPI in the past year for Mississippi was 4.5 percent verses the national average of 5.2 percent.
- Sales tax collections to date in fiscal year 2006 are up 12 percent over the previous year period.

All of these factors were considered in preparing the City's budget for the 2006 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund decreased to \$5,638. The City has appropriated \$2,540 of this amount for spending in the 2006 fiscal year budget.

The Water and Sewer Fund's rates were increased for the 2006 budget year. The water and sewer rates were increased by an average of 3 percent for all customers. The water and sewer rates affected both residential and industrial consumers by approximately the same percentage. These rate increases were necessary to finance operations and debt service on the outstanding debt of the Water and Sewer Fund.

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, 2005

<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	\$ 12,722,065	1,904,502	14,626,567	768,960
Investments	500,000	100,000	600,000	8,561
Receivables, net:				
Taxes	1,181,733	-	1,181,733	-
Accounts	548,579	1,455,172	2,003,751	173,904
Special assessments	1,293,558	-	1,293,558	-
Intergovernmental	2,900,230	1,342,910	4,243,140	43,540
Interest	2,739	4,356	7,095	-
Miscellaneous	839,128	5,368	844,496	-
Due from component units	15,468	-	15,468	-
Internal balances	(77,371)	77,371	-	-
Inventory	56,560	437,134	493,694	80,763
Prepaid items	122,155	32,041	154,196	34,723
Deferred charges	455,001	494,052	949,053	-
Temporarily restricted assets -				
Cash and investments	-	5,539,663	5,539,663	169,044
Capital assets (net of accumulated depreciation):				
Land	6,869,030	271,666	7,140,696	507,500
Buildings	18,189,528	2,170	18,191,698	1,601,924
Water and sewer system	-	47,755,417	47,755,417	-
Improvements other than buildings	731,327	28,182	759,509	7,125,390
Machinery and equipment	4,504,032	785,287	5,289,319	435,038
Infrastructure	35,940,891	-	35,940,891	-
Construction in progress	5,067,857	572,616	5,640,473	4,390,840
Total assets	<u>91,862,510</u>	<u>60,807,907</u>	<u>152,670,417</u>	<u>15,340,187</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI

Statement of Net Assets

September 30, 2005

<u>LIABILITIES</u>	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Accounts payable and other current liabilities	\$ 5,359,897	585,931	5,945,828	318,680
Accrued interest	371,976	-	371,976	-
Accrued salaries	560,072	134,315	694,387	-
Accrued sales tax	-	17,090	17,090	-
Deposits payable	167,707	694,015	861,722	-
Notes payable	-	-	-	27,558
Liabilities payable from restricted assets	-	580,282	580,282	-
Unearned revenue	1,567	-	1,567	67,951
Noncurrent liabilities:				
Due within one year:				
Bonds, loans and leases payable	2,355,670	76,005	2,431,675	-
Bonds and loans payable from restricted assets	-	2,161,226	2,161,226	-
Deferred revenue forward invested funds	-	48,833	48,833	-
Compensated absences	498,464	74,088	572,552	-
Claims and judgments	96,449	-	96,449	-
Due in more than one year:				
Bonds, loans and leases payable	24,426,725	28,667,981	53,094,706	-
Deferred revenue forward invested funds	-	370,805	370,805	-
Compensated absences	996,928	148,177	1,145,105	-
Pension obligation	1,386,006	-	1,386,006	-
Total liabilities	<u>36,221,461</u>	<u>33,558,748</u>	<u>69,780,209</u>	<u>414,189</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	44,517,020	18,510,126	63,027,146	14,060,692
Restricted for:				
Debt service	1,987,680	1,754,796	3,742,476	-
Capital projects	2,202,962	1,043,359	3,246,321	169,044
Other	1,650,883	-	1,650,883	-
Unrestricted	<u>5,282,504</u>	<u>5,940,878</u>	<u>11,223,382</u>	<u>696,262</u>
Total net assets	\$ <u>55,641,049</u>	<u>27,249,159</u>	<u>82,890,208</u>	<u>14,925,998</u>

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, 2005

<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>
Primary government:				
Governmental activities:				
General government	\$ 5,778,184	787,797	-	-
Public safety	14,874,468	2,164,369	3,020,050	-
Public works	6,650,204	-	-	-
Culture and recreation	1,974,887	135,357	25,830	-
Economic development	121,460	-	210,917	581,052
Other	126,707	-	-	-
Interest on long-term debt	1,443,129	-	-	-
Total governmental activities	<u>30,969,039</u>	<u>3,087,523</u>	<u>3,256,797</u>	<u>581,052</u>
Business-type activities:				
Water and sewer	10,878,638	10,902,736	8,258	1,643,666
Waste collection and disposal	2,234,070	1,568,523	-	-
Golf course	406,839	309,937	-	-
Union station	306,726	97,064	-	-
Concessions	41,554	42,464	-	-
Total business-type activities	<u>13,867,827</u>	<u>12,920,724</u>	<u>8,258</u>	<u>1,643,666</u>
Total primary government	<u>\$ 44,836,866</u>	<u>16,008,247</u>	<u>3,265,055</u>	<u>2,224,718</u>
Component units:				
Meridian Airport Authority	\$ 4,283,613	3,714,590	190,108	691,135
Nonmajor component units	457,560	58,558	354,330	470,526
Total component units	<u>\$ 4,741,173</u>	<u>3,773,148</u>	<u>544,438</u>	<u>1,161,661</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
- Insurance proceeds

Transfers

Total general revenues and transfers

Change in net assets

Net assets, October 1, 2004

Net assets, September 30, 2005

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

<u>Net (Expense) Revenue and Changes in Net Assets</u>			
<u>Primary Government</u>			
<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Component</u>
<u>Activities</u>	<u>Activities</u>		<u>Units</u>
(4,990,387)	-	(4,990,387)	-
(9,690,049)	-	(9,690,049)	-
(6,650,204)	-	(6,650,204)	-
(1,813,700)	-	(1,813,700)	-
670,509	-	670,509	-
(126,707)	-	(126,707)	-
(1,443,129)	-	(1,443,129)	-
<u>(24,043,667)</u>	-	<u>(24,043,667)</u>	-
-	1,676,022	1,676,022	-
-	(665,547)	(665,547)	-
-	(96,902)	(96,902)	-
-	(209,662)	(209,662)	-
-	910	910	-
-	<u>704,821</u>	<u>704,821</u>	-
<u>(24,043,667)</u>	<u>704,821</u>	<u>(23,338,846)</u>	-
-	-	-	312,220
-	-	-	<u>425,854</u>
-	-	-	<u>738,074</u>
10,161,718	739,586	10,901,304	-
12,715,294	-	12,715,294	-
1,990,062	-	1,990,062	-
797,465	-	797,465	-
19,239	-	19,239	-
63,808	-	63,808	-
259,011	152,540	411,551	5,370
-	-	-	5,628
<u>375,150</u>	<u>(375,150)</u>	-	-
<u>26,381,747</u>	<u>516,976</u>	<u>26,898,723</u>	<u>10,998</u>
2,338,080	1,221,797	3,559,877	749,072
<u>53,302,969</u>	<u>26,027,362</u>	<u>79,330,331</u>	<u>14,176,926</u>
\$ <u>55,641,049</u>	<u>27,249,159</u>	<u>82,890,208</u>	<u>14,925,998</u>

CITY OF MERIDIAN, MISSISSIPPI

Balance Sheet

Governmental Funds

September 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 6,613,051	1,914,442	904,674	2,508,435	11,940,602
Investments	500,000	-	-	-	500,000
Receivables, net:					
Taxes	1,149,221	32,512	-	-	1,181,733
Accounts	548,579	-	-	-	548,579
Special assessments	-	1,293,558	-	-	1,293,558
Intergovernmental	97,451	-	2,214,692	588,087	2,900,230
Interest	2,739	-	-	-	2,739
Miscellaneous	836,910	-	2,218	-	839,128
Due from other funds	1,159,052	43,545	89,028	143,879	1,435,504
Due from component units	8,932	-	-	-	8,932
Prepaid items	89,941	-	32,214	-	122,155
	<u>11,005,876</u>	<u>3,284,057</u>	<u>3,242,826</u>	<u>3,240,401</u>	<u>20,773,160</u>
Total assets	\$ <u>11,005,876</u>	<u>3,284,057</u>	<u>3,242,826</u>	<u>3,240,401</u>	<u>20,773,160</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 3,464,722	2,819	897,726	480,002	4,845,269
Accrued salaries	560,072	-	-	-	560,072
Deposits payable	167,707	-	-	-	167,707
Due to other funds	330,304	-	676,422	557,437	1,564,163
Unearned revenue	-	1,293,558	1,567	-	1,295,125
	<u>4,522,805</u>	<u>1,296,377</u>	<u>1,575,715</u>	<u>1,037,439</u>	<u>8,432,336</u>
Total liabilities	<u>4,522,805</u>	<u>1,296,377</u>	<u>1,575,715</u>	<u>1,037,439</u>	<u>8,432,336</u>
Fund balances:					
Reserved:					
Encumbrances	755,279	-	628,609	356,599	1,740,487
Prepaid items	89,941	-	32,214	-	122,155
Debt service	-	1,987,680	-	-	1,987,680
Unreserved, designated for subsequent years' expenditures, reported in -					
Capital projects funds	-	-	-	1,846,363	1,846,363
Unreserved, reported in:					
General fund	5,637,851	-	-	-	5,637,851
Special revenue fund	-	-	1,006,288	-	1,006,288
	<u>6,483,071</u>	<u>1,987,680</u>	<u>1,667,111</u>	<u>2,202,962</u>	<u>12,340,824</u>
Total fund balances	<u>6,483,071</u>	<u>1,987,680</u>	<u>1,667,111</u>	<u>2,202,962</u>	<u>12,340,824</u>
Total liabilities and fund balances	\$ <u>11,005,876</u>	<u>3,284,057</u>	<u>3,242,826</u>	<u>3,240,401</u>	<u>20,773,160</u>

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, 2005

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

Fund balances - total governmental funds	\$ 12,340,824
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance	71,302,665
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds balance	1,293,558
Bond issuance costs are amortized over the life of the bonds on the statement of net assets.	455,001
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.	(30,132,218)
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 \$33,292).	<u>381,219</u>
Net assets of governmental activities	\$ <u>55,641,049</u>

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, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes:					
Property	\$ 6,718,091	3,283,263	-	-	10,001,354
Sales	12,715,294	-	-	-	12,715,294
Franchise	1,990,062	-	-	-	1,990,062
County road	797,465	-	-	-	797,465
Motor fuel	19,239	-	-	-	19,239
Licenses and permits	301,980	-	-	-	301,980
Intergovernmental	542,583	-	2,797,120	406,397	3,746,100
Charges for services	135,357	-	-	-	135,357
Fines and forfeitures	845,231	-	1,319,138	-	2,164,369
Special assessments	-	95,599	-	-	95,599
Payments in lieu of taxes	83,293	-	-	-	83,293
Local contributions	-	-	155,557	-	155,557
Interest on investments	159,448	27,410	9,658	62,495	259,011
Interest costs and damages	95,074	-	-	-	95,074
Miscellaneous	248,480	-	2,721	247,717	498,918
Total revenues	<u>24,651,597</u>	<u>3,406,272</u>	<u>4,284,194</u>	<u>716,609</u>	<u>33,058,672</u>
Expenditures:					
Current:					
General government	5,439,569	-	-	-	5,439,569
Public safety	11,958,111	-	2,809,168	-	14,767,279
Public works	3,956,368	-	-	-	3,956,368
Culture and recreation	1,847,369	-	115,564	-	1,962,933
Economic development	-	-	410,987	-	410,987
Other	126,707	-	-	-	126,707
Capital outlay	1,315,589	-	-	3,213,442	4,529,031
Debt service:					
Principal retirement	55,044	3,004,232	-	-	3,059,276
Interest and fiscal charges	40,107	1,465,885	-	-	1,505,992
Total expenditures	<u>24,738,864</u>	<u>4,470,117</u>	<u>3,335,719</u>	<u>3,213,442</u>	<u>35,758,142</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(87,267)</u>	<u>(1,063,845)</u>	<u>948,475</u>	<u>(2,496,833)</u>	<u>(2,699,470)</u>
Other financing sources (uses):					
Transfers in	649,443	1,068,857	68,264	142,045	1,928,609
Transfers out	(1,482,043)	-	(3,943)	(90,473)	(1,576,459)
Capital leases	311,762	-	-	-	311,762
Total other financing sources (uses)	<u>(520,838)</u>	<u>1,068,857</u>	<u>64,321</u>	<u>51,572</u>	<u>663,912</u>
Net change in fund balances	(608,105)	5,012	1,012,796	(2,445,261)	(2,035,558)
Fund balances, October 1, 2004	<u>7,091,176</u>	<u>1,982,668</u>	<u>654,315</u>	<u>4,648,223</u>	<u>14,376,382</u>
Fund balances, September 30, 2005	<u>\$ 6,483,071</u>	<u>1,987,680</u>	<u>1,667,111</u>	<u>2,202,962</u>	<u>12,340,824</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, 2005

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

Net change in fund balances - total governmental funds	\$ (2,035,558)
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 capital outlays exceeded depreciation in the current period.	1,535,673
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 sold.	(60,918)
Special assessment revenues related to prior periods reported as revenues in the governmental funds are not reported as revenues in the statement of activities.	(113,602)
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.	2,747,514
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.	113,666
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 (net of amount allocated to business-type activities of \$33,292).	<u>151,305</u>
Change in net assets of governmental activities	\$ <u>2,338,080</u>

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

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, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Ad valorem	\$ 7,400,000	7,400,000	7,420,384	20,384
Sales	11,900,000	11,961,500	12,023,850	62,350
County road	830,000	830,000	797,028	(32,972)
Gasoline	20,000	20,000	19,239	(761)
Payment in lieu of taxes	100,000	100,000	88,249	(11,751)
Intergovernmental:				
Alcoholic beverage	45,000	45,000	44,025	(975)
State Fire Insurance Fund	180,000	180,000	188,279	8,279
Municipal aid	20,000	20,000	20,833	833
Grant	348,800	348,800	349,506	706
Franchise:				
Mississippi Power Company	1,320,000	1,360,000	1,428,350	68,350
Mississippi Valley Gas Company	178,000	193,000	210,089	17,089
Comcast Cable Company	310,000	310,000	319,727	9,727
Fines and forfeitures	800,000	800,000	845,231	45,231
Licenses and permits:				
Privilege license	130,000	130,000	120,287	(9,713)
Building and allied permits	100,000	135,000	181,693	46,693
Charges for services:				
Garbage collection	1,340,000	1,340,000	1,503,939	163,939
Recreation	140,000	140,000	126,245	(13,755)
Enterprise Funds	645,500	645,500	645,500	-
Parking fees	-	3,000	4,796	
Out-of-county tonnage	-	-	61,828	61,828
Miscellaneous	200,000	225,000	311,364	86,364
Interest on investments	80,000	90,000	157,818	67,818
Interest costs and damages	85,000	85,000	95,148	10,148
Total revenues	<u>26,172,300</u>	<u>26,361,800</u>	<u>26,963,408</u>	<u>599,812</u>
Expenditures:				
General government:				
Personnel services	1,077,642	1,077,642	1,014,654	62,988
Supplies	545,300	616,400	596,628	19,772
Capital outlay	20,650	21,650	19,254	2,396
Transfers and other charges	928,500	1,194,270	969,052	225,218
Total general government	<u>2,572,092</u>	<u>2,909,962</u>	<u>2,599,588</u>	<u>310,374</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (continued):				
Finance and records:				
Personnel services	\$ 1,285,240	1,285,240	1,163,182	122,058
Supplies	1,225,075	1,192,075	1,167,891	24,184
Capital outlay	227,000	264,000	261,809	2,191
Transfers and other charges	95,000	95,000	85,149	9,851
Total finance and records	<u>2,832,315</u>	<u>2,836,315</u>	<u>2,678,031</u>	<u>158,284</u>
Community development:				
Personnel services	958,063	958,063	916,688	41,375
Supplies	228,250	223,100	177,721	45,379
Capital outlay	40,850	39,850	32,984	6,866
Transfers and other charges	415,550	415,050	411,175	3,875
Total community development	<u>1,642,713</u>	<u>1,636,063</u>	<u>1,538,568</u>	<u>97,495</u>
Parks and recreation:				
Personnel services	1,436,034	1,411,034	1,274,919	136,115
Supplies	532,000	527,130	521,645	5,485
Capital outlay	85,100	81,600	77,492	4,108
Transfers and other charges	67,000	151,300	151,299	1
Total parks and recreation	<u>2,120,134</u>	<u>2,171,064</u>	<u>2,025,355</u>	<u>145,709</u>
Public works:				
Personnel services	3,214,977	3,153,777	2,988,937	164,840
Supplies	952,235	1,030,985	994,382	36,603
Capital outlay	334,175	321,075	255,630	65,445
Transfers and other charges	2,271,700	2,379,400	2,378,788	612
Total public works	<u>6,773,087</u>	<u>6,885,237</u>	<u>6,617,737</u>	<u>267,500</u>
Police:				
Personnel services	4,951,695	5,001,695	4,925,603	76,092
Supplies	1,555,375	1,572,985	1,523,137	49,848
Capital outlay	259,925	202,925	200,940	1,985
Transfers and other charges	60,000	68,000	65,566	2,434
Total police	<u>6,826,995</u>	<u>6,845,605</u>	<u>6,715,246</u>	<u>130,359</u>
Fire:				
Personnel services	4,809,739	4,722,739	4,593,631	129,108
Supplies	596,425	627,425	606,807	20,618
Capital outlay	165,000	145,000	144,838	162
Transfers and other charges	25,000	116,000	15,603	100,397
Total fire	<u>5,596,164</u>	<u>5,611,164</u>	<u>5,360,879</u>	<u>250,285</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (continued):				
Homeland Security:				
Personnel services	\$ 110,850	242,850	240,455	2,395
Supplies	314,450	314,450	257,553	56,897
Capital outlay	<u>40,000</u>	<u>40,000</u>	<u>39,261</u>	<u>739</u>
Total homeland security	<u>465,300</u>	<u>597,300</u>	<u>537,269</u>	<u>60,031</u>
Arts District Parking Garage:				
Personnel services	-	35,000	-	35,000
Supplies	-	18,500	20	18,480
Transfers and other charges	-	<u>9,500</u>	-	<u>9,500</u>
Total homeland security	-	<u>63,000</u>	<u>20</u>	<u>62,980</u>
Total expenditures	<u>28,828,800</u>	<u>29,555,710</u>	<u>28,072,693</u>	<u>1,483,017</u>
Net change in fund balances	(2,656,500)	(3,193,910)	(1,109,285)	2,082,829
Fund balances, October 1, 2004	<u>3,290,000</u>	<u>3,595,410</u>	<u>4,188,310</u>	<u>3,438,310</u>
Fund balances, September 30, 2005	\$ <u>633,500</u>	<u>401,500</u>	<u>3,079,025</u>	<u>5,521,139</u>

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

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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget -
				Positive
				(Negative)
Revenues	\$ 588,500	3,442,500	2,472,666	(969,834)
Expenditures -				
Project costs	<u>646,000</u>	<u>3,500,000</u>	<u>2,964,958</u>	<u>535,042</u>
Net change in fund balances	(57,500)	(57,500)	(492,292)	(434,792)
Fund balances, October 1, 2004	<u>267,500</u>	<u>267,500</u>	<u>69,074</u>	<u>(198,426)</u>
Fund balances, September 30, 2005	\$ <u>210,000</u>	<u>210,000</u>	<u>(423,218)</u>	<u>(633,218)</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, 2005

	Business-type Activities - Enterprise Funds				Governmental
	Water & Sewer	Waste Collection & Disposal	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,615,404	138,839	150,259	1,904,502	781,463
Investments	100,000	-	-	100,000	-
Restricted cash, cash equivalents and investments:					
Revenue Bond Construction Funds	278,497	-	-	278,497	-
Other Construction Funds	923,989	-	-	923,989	-
Revenue Bond Debt Service Account	2,462,708	-	-	2,462,708	-
Receivables:					
Accounts	1,379,718	168,149	-	1,547,867	-
Less allowance for uncollectibles	(92,695)	-	-	(92,695)	-
Intergovernmental	1,342,910	-	-	1,342,910	-
Interest	4,356	-	-	4,356	-
Miscellaneous	-	-	5,368	5,368	-
Due from other funds	56,924	10,009	-	66,933	84,580
Due from component units	-	-	-	-	6,536
Inventory	406,391	-	30,743	437,134	56,560
Prepaid items	30,232	-	1,809	32,041	-
Total current assets	8,508,434	316,997	188,179	9,013,610	929,139
Noncurrent assets:					
Restricted cash, cash equivalents and investments:					
Revenue Bond Cushion Account	1,704,213	-	-	1,704,213	-
Revenue Bond Contingent Account	85,128	-	-	85,128	-
Revenue Bond Depreciation Account	85,128	-	-	85,128	-
Total restricted cash, cash equivalents and investments	1,874,469	-	-	1,874,469	-
Deferred charges	494,052	-	-	494,052	-
Capital assets:					
Land	271,666	-	-	271,666	-
Buildings	-	-	117,128	117,128	-
Water and sewer system	89,479,045	-	-	89,479,045	-
Improvements other than buildings	-	-	113,067	113,067	-
Machinery and equipment	3,038,863	19,626	415,819	3,474,308	-
Construction in progress	572,616	-	-	572,616	-
Total capital assets	93,362,190	19,626	646,014	94,027,830	-
Less accumulated depreciation	(44,021,991)	(7,459)	(583,042)	(44,612,492)	-
Capital assets (net of accumulated depreciation)	49,340,199	12,167	62,972	49,415,338	-
Total noncurrent assets	51,708,720	12,167	62,972	51,783,859	-
Total assets	60,217,154	329,164	251,151	60,797,469	929,139

(Continued)

CITY OF MERIDIAN, MISSISSIPPI

Statement of Net Assets

Proprietary Funds

September 30, 2005

	Business-type Activities - Enterprise Funds				Governmental
	Water & Sewer	Waste Collection & Disposal	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable	\$ 344,401	188,559	52,971	585,931	514,628
Liabilities payable from restricted assets:					
Accounts payable	159,127	-	-	159,127	-
Revenue bonds payable	1,165,000	-	-	1,165,000	-
Promissory loans	996,226	-	-	996,226	-
Interest payable	421,155	-	-	421,155	-
Accrued liabilities:					
Payroll	110,093	4,927	19,295	134,315	-
Compensated absences	74,088	-	-	74,088	-
Sales tax	15,691	-	1,399	17,090	-
Customer deposits	694,015	-	-	694,015	-
Due to other funds	22,605	8	241	22,854	-
Deferred revenue forward invested funds	48,833	-	-	48,833	-
Current portion of capital leases	75,819	-	186	76,005	-
Total current liabilities	<u>4,127,053</u>	<u>193,494</u>	<u>74,092</u>	<u>4,394,639</u>	<u>514,628</u>
Noncurrent liabilities:					
Deferred revenue forward invested funds	370,805	-	-	370,805	-
Compensated absences	148,177	-	-	148,177	-
Revenue bonds payable (net of deferred refunding costs of \$192,413)	12,297,587	-	-	12,297,587	-
Promissory loans (net of deferred refunding costs of \$554,707)	15,533,489	-	-	15,533,489	-
Capital leases payable	834,419	-	2,486	836,905	-
Total noncurrent liabilities	<u>29,184,477</u>	<u>-</u>	<u>2,486</u>	<u>29,186,963</u>	<u>-</u>
Total liabilities	<u>33,311,530</u>	<u>193,494</u>	<u>76,578</u>	<u>33,581,602</u>	<u>514,628</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	18,437,659	12,167	60,300	18,510,126	-
Restricted for:					
Debt Service	1,754,796	-	-	1,754,796	-
Capital projects	1,043,359	-	-	1,043,359	-
Unrestricted	5,669,810	123,503	114,273	5,907,586	414,511
Total net assets	<u>\$ 26,905,624</u>	<u>135,670</u>	<u>174,573</u>	<u>27,215,867</u>	<u>414,511</u>
Reconciliation to government-wide statement of net assets:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				33,292	
Net assets of business-types activities				\$ <u>27,249,159</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, 2005

	Business-type Activities - Enterprise Funds				Governmental
	Water & Sewer	Waste Collection & Disposal	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
Operating revenues:					
Charges for sales and services:					
Water sales	\$ 5,510,421	-	-	5,510,421	-
Sewer charges	5,126,002	-	-	5,126,002	-
Tap fees	109,200	-	-	109,200	-
Garbage collection fees	-	1,504,339	-	1,504,339	-
Out-of-county tonnage	-	64,184	-	64,184	-
Memberships	-	-	73,104	73,104	-
Green fees	-	-	64,493	64,493	-
Cart rental	-	-	50,589	50,589	-
Concessions	-	-	162,540	162,540	-
Internal service charges	-	-	-	-	3,198,356
Rental income	-	-	97,033	97,033	-
Miscellaneous	157,113	-	1,706	158,819	165,159
Total operating revenues	10,902,736	1,568,523	449,465	12,920,724	3,363,515
Operating expenses:					
Personnel services	2,986,612	46,854	266,938	3,300,404	-
Supplies and materials	410,062	2,013	151,400	563,475	441,118
Rent and utilities	873,150	915	57,438	931,503	-
Operation, maintenance, and repairs	523,183	1,310	152,702	677,195	631,961
Garbage disposal services	-	2,177,030	-	2,177,030	-
Depreciation and amortization	3,684,167	3,533	22,450	3,710,150	-
Claims paid	-	-	-	-	2,139,617
Miscellaneous	896,514	2,415	104,191	1,003,120	-
Total operating expenses	9,373,688	2,234,070	755,119	12,362,877	3,212,696
Operating income (loss)	1,529,048	(665,547)	(305,654)	557,847	150,819
Nonoperating revenues (expenses):					
Ad valorem taxes	-	739,586	-	739,586	-
Operating grants	8,258	-	-	8,258	-
Interest income	144,574	5,845	2,121	152,540	9,331
Interest expense	(1,536,795)	-	-	(1,536,795)	-
Total nonoperating revenues (expenses)	(1,383,963)	745,431	2,121	(636,411)	9,331
Income (loss) before capital grants and transfers	145,085	79,884	(303,533)	(78,564)	160,150
Capital grants and transfers:					
Capital grant	1,643,666	-	-	1,643,666	-
Transfers in	-	-	270,350	270,350	23,000
Transfers out	(601,500)	(44,000)	-	(645,500)	-
Total capital grants and transfers	1,042,166	(44,000)	270,350	1,268,516	23,000
Change in net assets	1,187,251	35,884	(33,183)	1,189,952	183,150
Net assets, October 1, 2004	25,718,373	99,786	207,756		231,361
Net assets, September 30, 2005	\$ 26,905,624	135,670	174,573		414,511
Reconciliation to government-wide statement of activities:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				31,845	
Change in net assets of business-types activities				\$ 1,221,797	

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, 2005

	<u>Business-type Activities - Enterprise Funds</u>				Governmental
	<u>Water & Sewer</u>	<u>Waste Collection & Disposal</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Activities - Internal Service Funds</u>
Cash flows from operating activities:					
Receipts from customers and users	\$ 10,433,024	1,532,114	453,077	12,418,215	3,361,708
Payments to suppliers	(3,239,054)	(2,217,554)	(450,183)	(5,906,791)	(2,761,457)
Payments to employees	(3,040,059)	(46,312)	(287,047)	(3,373,418)	-
Net cash provided by (used in) operating activities	<u>4,153,911</u>	<u>(731,752)</u>	<u>(284,153)</u>	<u>3,138,006</u>	<u>600,251</u>
Cash flows from noncapital financing activities:					
Operating grants received	309,014	-	-	309,014	-
Ad valorem taxes received	-	739,586	-	739,586	-
Transfers to other funds	(601,500)	(44,000)	-	(645,500)	-
Transfers from other funds	-	-	270,350	270,350	23,000
Net cash provided by (used in) noncapital financing activities	<u>(292,486)</u>	<u>695,586</u>	<u>270,350</u>	<u>673,450</u>	<u>23,000</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(2,101,170)	-	-	(2,101,170)	-
Payments on long-term debt:					
Revenue bonds	(1,095,000)	-	-	(1,095,000)	-
Promissory notes	(960,158)	-	-	(960,158)	-
Capital lease payments	(73,366)	-	(358)	(73,724)	-
Interest paid on revenue bonds and other debt	(1,582,246)	-	-	(1,582,246)	-
Net cash used in capital and related financing activities	<u>(5,811,940)</u>	<u>-</u>	<u>(358)</u>	<u>(5,812,298)</u>	<u>-</u>
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	234,113	-	-	234,113	-
Interest received	89,709	5,845	2,121	97,675	9,331
Net cash provided by investing activities	<u>323,822</u>	<u>5,845</u>	<u>2,121</u>	<u>331,788</u>	<u>9,331</u>
Net increase (decrease) in cash and cash equivalents	(1,626,693)	(30,321)	(12,040)	(1,669,054)	632,582
Cash and cash equivalents, October 1, 2004 (including \$4,899,521 in restricted accounts)	<u>6,138,687</u>	<u>169,160</u>	<u>162,299</u>	<u>6,470,146</u>	<u>148,881</u>
Cash and cash equivalents, September 30, 2005 (including \$2,896,590 in restricted accounts)	\$ <u>4,511,994</u>	<u>138,839</u>	<u>150,259</u>	<u>4,801,092</u>	<u>781,463</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2005

	Business-type Activities - Enterprise Funds				Governmental
	Water & Sewer	Waste Collection & Disposal	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 1,529,048	(665,547)	(305,654)	557,847	150,819
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	3,684,167	3,533	22,450	3,710,150	-
Changes in assets and liabilities:					
Accounts receivable	(442,415)	(31,037)	3,612	(469,840)	-
Due from other funds	(56,924)	(5,372)	-	(62,296)	(20,401)
Due from component units	-	-	-	-	18,594
Inventory	(23,351)	-	14,279	(9,072)	(9,195)
Prepaid items	(2,848)	-	(1,809)	(4,657)	-
Accounts payable	(514,158)	(33,878)	(5,335)	(553,371)	460,434
Accrued liabilities	(51,059)	541	(20,661)	(71,179)	-
Customer deposits	29,626	-	-	29,626	-
Due to other funds	1,825	8	8,965	10,798	-
Total adjustments	<u>2,624,863</u>	<u>(66,205)</u>	<u>21,501</u>	<u>2,580,159</u>	<u>449,432</u>
Net cash provided by (used in) operating activities	\$ <u>4,153,911</u>	<u>(731,752)</u>	<u>(284,153)</u>	<u>3,138,006</u>	<u>600,251</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, 2005

<u>ASSETS</u>	<u>Agency Funds</u>
Cash and cash equivalents	\$ 1,233,813
Intergovernmental receivables- County	<u>195,869</u>
Total assets	\$ <u>1,429,682</u>
 <u>LIABILITIES</u> 	
Intergovernmental payables:	
Schools	\$ 779,473
PERS	139,420
State	55,994
Component unit	406,158
Employee insurance withheld	<u>48,637</u>
Total liabilities	\$ <u>1,429,682</u>

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, 2005

	<u>Meridian Airport Authority</u>	<u>Nonmajor Component Units</u>	<u>Total Component Units</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 346,488	422,472	768,960
Investments	-	8,561	8,561
Receivables:			
Accounts	170,453	3,451	173,904
Intergovernmental:			
Federal	20,626	-	20,626
State	945	21,969	22,914
Inventory	80,763	-	80,763
Prepaid items	29,345	5,378	34,723
Restricted assets - cash	169,044	-	169,044
Capital assets (net of accumulated depreciation):			
Land	500,000	7,500	507,500
Buildings	1,601,924	-	1,601,924
Improvements other than buildings	7,125,390	-	7,125,390
Machinery and equipment	368,180	66,858	435,038
Construction in progress	4,390,840	-	4,390,840
Total assets	<u>14,803,998</u>	<u>536,189</u>	<u>15,340,187</u>
<u>LIABILITIES</u>			
Notes payable	-	27,558	27,558
Accounts payable	242,663	33,141	275,804
Accrued liabilities	34,334	8,542	42,876
Unearned revenue	60,657	7,294	67,951
Total liabilities	<u>337,654</u>	<u>76,535</u>	<u>414,189</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	13,986,334	74,358	14,060,692
Restricted for capital projects	169,044	-	169,044
Unrestricted	310,966	385,296	696,262
Total net assets	\$ <u>14,466,344</u>	<u>459,654</u>	<u>14,925,998</u>

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

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

(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-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.

Blended component units, although legally separate entities, are, in substance, part of the City’s operations and so data from these units are combined with data 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.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

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

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

Blended Component Unit -

Meridian Public Improvement Corporation

Meridian Public Improvement Corporation (“MPIC”) was incorporated by the City on April 20, 1992, to serve as a financing authority exclusively for the City. The members of MPIC’s governing Board of Directors are appointed by the City Council and the City’s Mayor. MPIC issued debt to provide financing for the construction of certain major capital projects and entered into capital leases with the City, whereby MPIC transferred title to the City upon the City’s exercising a bargain purchase option at the end of the leases. The City has includes all related debt and assets of MPIC in its governmental activities. MPIC completed all construction projects and paid off all related debt in fiscal year September 30, 2004. MPIC did not have any assets, liabilities or net assets at September 30, 2005, nor did MPIC have any activity during the year then ended.

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 I 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.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

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

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

Nonmajor Discretely Presented Component Units (Continued):

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 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.

Meridian Redevelopment Authority

Meridian Redevelopment Authority (“MRA”) was created by the City on August 3, 1982, in accordance with Title 43, Chapter 35, Article I of the Mississippi Code of 1972 to manage and account for the City’s local urban renewal activities. MRA has a five-member board appointed by the City’s Mayor and approved by the City Council. The Community Development Department of the City provides staff support to MRA and funds for the continued operation of MRA as needed.

MPIC, MAA and MTC have September 30 year ends, whereas MRA and MBLDA have December 31 year ends. Complete financial statements for each of the individual component units may be obtained at the entities’ administrative offices.

Meridian Airport Authority
2811 Highway 11 South
Meridian, Mississippi

Meridian Transportation Commission
1901 Front Street
Meridian, Mississippi

Meridian and Bonita Lakes
Development Authority
601 24th Avenue
Meridian, Mississippi

Meridian Redevelopment Authority
601 24th Avenue
Meridian, Mississippi

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

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

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

Related Organizations -

With approval of the City Council, the City's Mayor is responsible for appointing a voting majority of members to the boards of both the Meridian Municipal Separate School District and the Housing Authority of the City of Meridian. 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.

(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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. 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.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 30 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.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

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

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

The **special revenue fund** accounts for specific revenue sources that are legally restricted to expenditures for particular purposes.

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 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.

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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

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

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

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.

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

(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.

(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.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

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

(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 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 60 days 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.

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.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

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

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

The tax rate of the City is expressed in terms of mills (ten mills equal one cent). For the year ended September 30, 2005, the City's 2005 combined tax rate for general governmental services and other municipal purposes was 114.45 or \$114.45 per \$1,000 of assessed valuation, expressed as follows:

<u>Description</u>	<u>Mills</u>		<u>Increase (Decrease)</u>
	<u>2005</u>	<u>2004</u>	
General	26.19	26.39	(.20)
Solid Waste Fund	4.00	4.00	-
Fire and Police Disability Retirement Fund (closed)	4.79	4.49	.30
General Municipal Retirement Fund (closed)	3.00	3.00	-
Debt service (general bonds and interest)	12.10	12.20	(.10)
Meridian Separate School District	<u>64.37</u>	<u>62.30</u>	<u>2.07</u>
Total mills	<u>114.45</u>	<u>112.38</u>	<u>2.07</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.

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) **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.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

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

(h) **Restricted Assets (Continued)**

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 fund” 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 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, 2005, all accounts required under the bond resolution were fully funded as required.

(i) **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 of \$5,000 or more and an estimated useful life in excess of one year. Such 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.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

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

(i) **Capital Assets (Continued)**

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. No interest costs were capitalized in the current period.

Property, plant and equipment of the component units are generally reported using the same policies as the City.

Property, plant and equipment 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
Water and sewer system	20 - 40
Improvements other than buildings	20
Machinery and equipment	3 - 25
Infrastructure	20 - 50

(j) **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.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

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

(j) **Compensated Absences (Continued)**

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

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.

(k) **Long-term Obligations/Deferred Charges**

In 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.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

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

(l) **Other Post Employment Benefits**

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

(m) **Fund Equity/Net Assets**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

In the government-wide and proprietary fund financial statements, 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.

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.

(n) **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 2004 financial statement amounts have been reclassified to conform with the 2005 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, 2005

(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	\$ (25,085,000)
Less deferred charges	3,250
Promissory loans payable	(755,667)
Accrued interest payable	(371,976)
Capital leases payable	(944,978)
Compensated absences	(1,495,392)
Pension obligation	(1,386,006)
Claims and judgments	<u>(96,449)</u>
Net adjustment to reduce fund balances – total governmental funds to arrive at net assets – governmental activities	\$ <u>(30,132,218)</u>

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	\$ 414,511
Less internal payable representing charges in excess of cost to business-type activities	<u>(33,292)</u>
Net adjustment to increase fund balances – total governmental funds to arrive at net assets – governmental activities	\$ <u>381,219</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(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:

<u>Description</u>	<u>Amount</u>
Capital outlay	\$ 5,009,561
Depreciation expense	<u>(3,473,888)</u>
Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	\$ <u>1,535,673</u>

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:

<u>Description</u>	<u>Amount</u>
Debt issued -	
Issuance of capital lease	\$ (311,762)
Principal repayments:	
Bonds payable	2,945,000
Promissory loans payable	59,232
Capital leases payable	<u>55,044</u>
Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	\$ <u>2,747,514</u>

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

(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:

<u>Description</u>	<u>Amount</u>
Accrued interest expense	\$ 75,863
Amortization of deferred charges	(84,411)
Compensated absences	8,756
Claims and judgments	(20,837)
Pension obligation	<u>134,295</u>
Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	\$ <u>113,666</u>

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:

<u>Description</u>	<u>Amount</u>
Change in net assets of the internal service funds	\$ 183,150
Less profit from charges to business-type activities	<u>(31,845)</u>
Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	\$ <u>151,305</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(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:

<u>Description</u>	<u>Amount</u>
Internal receivable representing charges in excess of cost to business-type activities:	
Prior years	\$ 1,447
Current year	<u>31,845</u>
Net adjustment to increase net assets – total enterprise funds to arrive at net assets – business-type activities	\$ <u>33,292</u>

(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 2005, the original total budgeted expenditures were \$80,789,550 and were increased by amendment to \$86,400,710.

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 expenses,

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(3) Stewardship, Compliance and Accountability (Continued)

(a) Budgetary Information (Continued)

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 special revenue and capital project 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% 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, 2005

(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>	<u>Special Revenue Fund</u>
Net change in fund balances – budgetary basis	\$ (1,109,285)	(492,292)
Basis differences:		
Net accrued revenues and related receivables	(2,528,726)	1,903,158
Net accrued expenditures and related liabilities	<u>3,029,906</u>	<u>(398,070)</u>
Net change in fund balances – GAAP basis	\$ <u>(608,105)</u>	<u>1,012,796</u>

(c) **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration of the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances, since they do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. These encumbrances lapse 30 days after year end, if not paid in accordance with the state budgeting requirements discussed in the above “Budgetary Information” section.

(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 \$15,571,792 and the bank balance was \$16,592,945. 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

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

(4) Deposits and Investments (Continued)

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.

The carrying amount of deposits for discretely presented component units was \$946,565 and the bank balance was \$952,703. MAA's bank balance were covered by federal depository insurance or collateralized in accordance with State law as described above. The remaining bank balances were covered by federal depository insurance with the exception of MRA, which had uncollateralized cash of \$234,456. MRA does not have a deposit policy.

Investments

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

<u>Description</u>	<u>Fair Value</u>
U.S. Government securities	\$ 2,463,213
Repurchase agreements	<u>3,057,000</u>
Total	\$ <u>5,520,213</u>

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 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 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.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(4) Deposits and Investments (Continued)

The City participates in an overnight repurchase agreement with a financial institution. The agreement provides that the financial institution may transfer securities to the City against the transfer of cash from the City. The securities are held by the financial institution in the City's name for a period of 24 hours, after which the financial institution repurchases the securities from the City and transfers the cash and any interest earned to the City.

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

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 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:

<u>Description</u>	<u>Amount</u>
Cash on hand	\$ 20,297
Cash with trustee	887,741
Carrying amount of deposits	15,571,792
Carrying amount of investments	<u>5,520,213</u>
Total	\$ <u>22,000,043</u>
Cash and cash equivalents	\$ 14,626,567
Cash and investments – restricted	5,539,663
Investments	<u>600,000</u>
Total reported on the government-wide statement of net assets	20,766,230
Cash and cash equivalents reported on the statement of fiduciary assets and liabilities not included on the government-wide statement of net assets	<u>1,233,813</u>
Total	\$ <u>22,000,043</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(5) Capital Assets

Primary government:

Capital asset activity for the year ended September 30, 2005, was as follows:

	Balance			Balance
	September 30,			September 30,
	<u>2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>2005</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,499,702	1,369,328	-	6,869,030
Collections - historical treasures	141,250	-	-	141,250
Construction-in-progress	<u>8,958,185</u>	<u>3,384,058</u>	<u>7,274,386</u>	<u>5,067,857</u>
Total capital assets, not being depreciated	<u>14,599,137</u>	<u>4,753,386</u>	<u>7,274,386</u>	<u>12,078,137</u>
Capital assets, being depreciated:				
Buildings	17,046,341	5,734,709	-	22,781,050
Improvements other than buildings	1,400,299	41,053	-	1,441,352
Machinery and equipment	10,410,081	1,543,249	734,635	11,218,695
Infrastructure	<u>71,436,779</u>	<u>211,550</u>	<u>-</u>	<u>71,648,329</u>
Total capital assets, being depreciated	<u>100,293,500</u>	<u>7,530,561</u>	<u>734,635</u>	<u>107,089,426</u>
Less accumulated depreciation for:				
Buildings	4,221,887	369,635	-	4,591,522
Improvements other than buildings	662,554	47,471	-	710,025
Machinery and equipment	6,822,229	707,401	673,717	6,855,918
Infrastructure	<u>33,358,057</u>	<u>2,349,381</u>	<u>-</u>	<u>35,707,438</u>
Total accumulated depreciation	<u>45,064,727</u>	<u>3,473,888</u>	<u>673,717</u>	<u>47,864,898</u>
Total capital assets, being depreciated, net	<u>55,228,773</u>	<u>4,056,673</u>	<u>60,918</u>	<u>59,224,528</u>
Total governmental activities				
capital assets, net	\$ <u>69,827,910</u>	<u>8,810,059</u>	<u>7,335,304</u>	<u>71,302,665</u>

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

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

	Balance			Balance
	September 30,	<u>Increases</u>	<u>Decreases</u>	September 30,
	<u>2004</u>			<u>2005</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 271,666	-	-	271,666
Construction-in-progress	<u>2,115,142</u>	<u>1,955,852</u>	<u>3,498,378</u>	<u>572,616</u>
Total capital assets, not being depreciated	<u>2,386,808</u>	<u>1,955,852</u>	<u>3,498,378</u>	<u>844,282</u>
Capital assets, being depreciated:				
Buildings	117,128	-	-	117,128
Water and sewer system	85,996,950	3,482,095	-	89,479,045
Improvements other than buildings	113,067	-	-	113,067
Machinery and equipment	<u>3,414,674</u>	<u>161,599</u>	<u>101,965</u>	<u>3,474,308</u>
Total capital assets, being depreciated	<u>89,641,819</u>	<u>3,643,694</u>	<u>101,965</u>	<u>93,183,548</u>
Less accumulated depreciation for:				
Buildings	112,451	2,507	-	114,958
Water and sewer system	38,333,075	3,390,553	-	41,723,628
Improvements other than buildings	83,471	1,414	-	84,885
Machinery and equipment	<u>2,588,502</u>	<u>202,484</u>	<u>101,965</u>	<u>2,689,021</u>
Total accumulated depreciation	<u>41,117,499</u>	<u>3,596,958</u>	<u>101,965</u>	<u>44,612,492</u>
Total capital assets, being depreciated, net	<u>48,524,320</u>	<u>46,736</u>	<u>-</u>	<u>48,571,056</u>
Total business-type activities				
capital assets, net	<u>\$ 50,911,128</u>	<u>2,002,588</u>	<u>3,498,378</u>	<u>49,415,338</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(5) Capital Assets (Continued)

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

	<u>Amount</u>
Governmental activities:	
General government	\$ 291,013
Public safety	490,827
Public works	2,609,035
Culture and recreation	<u>83,013</u>
Total depreciation expense - governmental activities	\$ <u>3,473,888</u>
Business-type activities:	
Water and sewer department	\$ 3,570,975
Waste collection and disposal	3,533
Golf course	21,281
Union Station	<u>1,169</u>
Total depreciation expense - business-type activities	\$ <u>3,596,958</u>

Construction-in-progress is composed of:

Governmental activities:	
Street paving project	\$ 4,389,624
Bonita Lake trails	289,527
North Hills at Highway 39 project	124,855
City Hall improvements	59,404
Gallagher Creek project	53,748
Lake Drive realignment project	52,189
8th Street signalization project	37,819
Highway 39 at 33rd Street project	35,038
Street improvement project	<u>25,653</u>
Total governmental activities	<u>5,067,857</u>
Business-type activities:	
New industrial park water tank	527,532
Sweet Gum Bottom Road	<u>45,084</u>
Total business-type activities	<u>572,616</u>
Total construction-in-progress	\$ <u>5,640,473</u>

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

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

Discretely presented component units:

Capital asset activity for the year ended September 30, 2005, was as follows:

	Balance September 30, <u>2004</u>	<u>Increases</u>	<u>Decreases</u>	Balance September 30, <u>2005</u>
Meridian Airport Authority:				
Capital assets, not being depreciated:				
Land	\$ 500,000	-	-	500,000
Construction-in-progress	<u>3,696,394</u>	<u>742,238</u>	<u>47,792</u>	<u>4,390,840</u>
Total capital assets, not being depreciated	<u>4,196,394</u>	<u>742,238</u>	<u>47,792</u>	<u>4,890,840</u>
Capital assets, being depreciated:				
Buildings	2,615,161	18,390	4,052	2,629,499
Improvements other than buildings	11,766,904	-	-	11,766,904
Machinery and equipment	<u>652,486</u>	<u>59,261</u>	<u>38,151</u>	<u>673,596</u>
Total capital assets, being depreciated	<u>15,034,551</u>	<u>77,651</u>	<u>42,203</u>	<u>15,069,999</u>
Less accumulated depreciation for:				
Buildings	969,695	59,887	2,007	1,027,575
Improvements other than buildings	4,105,491	536,023	-	4,641,514
Machinery and equipment	<u>255,794</u>	<u>86,391</u>	<u>36,769</u>	<u>305,416</u>
Total accumulated depreciation	<u>5,330,980</u>	<u>682,301</u>	<u>38,776</u>	<u>5,974,505</u>
Total capital assets, being depreciated, net	<u>9,703,571</u>	<u>(604,650)</u>	<u>3,427</u>	<u>9,095,494</u>
Total Meridian Airport Authority	\$ <u>13,899,965</u>	<u>137,588</u>	<u>51,219</u>	<u>13,986,334</u>
Nonmajor component units:				
Capital assets, not being depreciated -				
Land	\$ 7,500	-	-	7,500
Capital assets, being depreciated:				
Machinery and equipment	359,158	68,263	2,424	424,997
Less accumulated depreciation	<u>335,661</u>	<u>24,902</u>	<u>2,424</u>	<u>358,139</u>
Total nonmajor component units	\$ <u>30,997</u>	<u>43,361</u>	<u>-</u>	<u>74,358</u>

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

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

The composition of interfund balances as of September 30, 2005 is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Water & Sewer Fund	\$ 119
	Special Revenue Fund	676,422
	Nonmajor Governmental Funds	482,511
Debt Service Fund	General Fund	43,545
Special Revenue Fund	General Fund	88,789
	Water & Sewer Fund	239
Nonmajor Governmental Funds	General Fund	125,877
	Nonmajor Governmental Funds	18,002
Water & Sewer Fund	Nonmajor Governmental Funds	56,924
Waste Collection & Disposal Fund	General Fund	10,009
Internal Service Funds	General Fund	62,084
	Water & Sewer Fund	22,247
	Waste Collection & Disposal	8
	Nonmajor Enterprise Funds	<u>241</u>
Total due to/from other funds		\$ <u>1,587,017</u>

Due to primary government:

General Fund

Internal Service Funds

Due from component units:

Meridian Transportation Commission

Meridian Transportation Commission

\$ 8,932

6,536

These balances represent temporary timing differences related to routine advances to provide funds for operations or projects.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

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

Interfund transfers:

	Transfers in:						Total
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Special Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Nonmajor Enterprise Funds</u>	<u>Internal Service Funds</u>	
<u>Transfers out:</u>							
General Fund	\$ -	1,068,857	68,264	51,572	270,350	23,000	1,482,043
Special Revenue Fund	3,943	-	-	-	-	-	3,943
Nonmajor Governmental Funds	-	-	-	90,473	-	-	90,473
Water & Sewer Fund	601,500	-	-	-	-	-	601,500
Waste Collection & Disposal Fund	<u>44,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,000</u>
Total	\$ <u>649,443</u>	<u>1,068,857</u>	<u>68,264</u>	<u>142,045</u>	<u>270,350</u>	<u>23,000</u>	<u>2,221,959</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.

(7) Notes Payable

A summary of notes payable at September 30, 2005, follows:

<u>Description</u>	<u>October 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2005</u>
Discretely presented component units:				
Meridian Airport Authority - 4.0% 90-day note payable to financial institution; secured by assignment of leases, rents and profits; due October 19, 2004.	\$ 431,000	-	431,000	-
Meridian Transportation Commission - 5.0% \$25,000 line of credit with a financial institution; maturing annually.	13,973	10,415	-	24,388
Other	<u>-</u>	<u>3,170</u>	<u>-</u>	<u>3,170</u>
Total notes payable	\$ <u>444,973</u>	<u>13,585</u>	<u>431,000</u>	<u>27,558</u>

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

(8) Leases

Operating Leases

Meridian Airport Authority leases three fuel trucks under noncancelable operating leases. Total costs for such leases were \$36,000 for the year ended September 30, 2005. The future minimum lease payments for these leases follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2006	\$ 36,000
2007	36,000
2008	36,000
2009	<u>24,000</u>
Total minimum future rental payments	\$ <u>132,000</u>

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, 2005, follows:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery and equipment	\$ 1,282,412	1,185,958
Less accumulated depreciation	<u>(225,573)</u>	<u>(203,743)</u>
Total	\$ <u>1,056,839</u>	<u>982,215</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(8) **Leases (Continued)**

The future minimum lease obligations and the net present value of minimum lease commitments at September 30, 2005, follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2006	\$ 204,809	127,422
2007	204,809	127,421
2008	180,873	106,140
2009	71,226	106,140
2010	71,226	106,140
2011-2015	356,130	530,700
2016-2017	<u>148,155</u>	<u>132,675</u>
Total minimum lease commitments	1,237,228	1,236,638
Less amount representing imputed interest	<u>(292,250)</u>	<u>(323,728)</u>
Present value of minimum lease payments	944,978	912,910
Current portion of obligations under capital leases	<u>(164,792)</u>	<u>(76,005)</u>
Obligations under capital leases, less current installments	\$ <u>780,186</u>	<u>836,905</u>

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

(9) **Long-Term Debt**

A summary of long-term debt at September 30, 2005, follows:

	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities:		
Outstanding bonds:		
General government	3.25 – 6.25%	\$ 9,955,000
Less deferred issue costs on refunding bonds		<u>(3,250)</u>
Total general obligation bonds		9,951,750
Special obligation bonds – parking facilities	2.75 - 4.5%	6,565,000
Limited obligation bonds – tax increment financing	9.0%	4,545,000
Special assessment debt with City commitment	4.5 - 6.75%	4,020,000
Other debt:		
Promissory loans	3.0%	755,667
Capital leases	3.09 - 5.87%	944,978
Compensated absences		1,495,392
Pension obligation		1,386,006
Claims and judgments		<u>96,449</u>
Total governmental activities		29,760,242
Less current portion payable		<u>(2,950,583)</u>
Governmental activities, net		\$ <u>26,809,659</u>
Business-type activities:		
Water & sewer revenue bonds:		
Advanced refunding of a refunding	6.0 - 6.5%	\$ 4,700,000
Improvements and repairs to water system	4.6 - 6.5%	3,440,000
Improvements, repairs and extension to water system	4.5 - 6.375%	3,810,000
Improvements, repairs and extension to water system	5.0 - 6.25%	1,705,000
Less deferred issue costs on refunding bonds		<u>(192,413)</u>
Total revenue bonds		<u>13,462,587</u>
Water & sewer promissory loans	1.0 - 6.125%	17,084,422
Less deferred issue costs on refunding bonds		<u>(554,707)</u>
Total promissory loans		<u>16,529,715</u>
Capital leases	2.83 – 5.87%	<u>912,910</u>
Deferred revenue forward invested funds		<u>419,638</u>
Compensated absences		<u>222,265</u>
Total business-type activities		31,547,115
Less current portion payable		<u>(2,360,152)</u>
Business activities, net		\$ <u>29,186,963</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(9) Long-Term Debt (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					
	General Obligation Bonds	Special Obligation Bonds	Limited Obligations Bonds	Special Assessment Debt	Promissory Loans	Total
2006	\$ 1,284,339	509,847	1,153,950	469,473	82,869	3,500,478
2007	1,301,143	523,276	1,107,625	475,671	82,869	3,490,584
2008	1,305,354	516,124	1,054,275	475,657	82,869	3,434,279
2009	1,193,979	528,476	540,725	474,729	82,869	2,820,778
2010	1,200,907	530,843	531,750	473,128	82,869	2,819,497
2011-2015	4,414,364	2,668,631	1,572,600	2,417,442	414,345	11,487,382
2016-2020	1,661,117	2,737,830	-	864,820	62,152	5,325,919
2021-2023	-	1,678,401	-	42,040	-	1,720,441
Total	\$ <u>12,361,203</u>	<u>9,693,428</u>	<u>5,960,925</u>	<u>5,692,960</u>	<u>890,842</u>	<u>34,599,358</u>
Interest included in above totals	\$ <u>2,406,203</u>	<u>3,128,428</u>	<u>1,415,925</u>	<u>1,672,960</u>	<u>135,175</u>	<u>8,758,691</u>

Year Ending September 30,	Business-type Activities		
	Revenue Bonds	Promissory Loans	Total
2006	\$ 1,880,717	1,684,835	3,565,552
2007	1,877,411	1,692,717	3,570,128
2008	1,880,647	1,699,029	3,579,676
2009	1,880,309	1,699,056	3,579,365
2010	2,907,397	1,709,157	4,616,554
2011-2015	4,848,299	7,597,242	12,445,541
2016-2020	2,512,075	4,284,907	6,796,982
2021-2025	-	3,402,826	3,402,826
2026	-	215,506	215,506
Total	\$ <u>17,786,855</u>	<u>23,985,275</u>	<u>41,772,130</u>
Interest included in above totals	\$ <u>4,131,855</u>	<u>6,900,853</u>	<u>11,032,708</u>

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

(9) **Long-Term Debt (Continued)**

A summary of changes in the long-term liabilities during the year ended September 30, 2005, follows:

<u>Description</u>	<u>October 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2005</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation debt	\$ 11,770,000	-	1,815,000	9,955,000	885,000
Special obligation bonds	6,790,000	-	225,000	6,565,000	230,000
Limited obligation bonds	5,230,000	-	685,000	4,545,000	780,000
Special assessment with City commitment	4,240,000	-	220,000	4,020,000	240,000
Less deferred issue costs on refunding bonds	<u>(16,250)</u>	<u>-</u>	<u>(13,000)</u>	<u>(3,250)</u>	<u>-</u>
Total bonds payable	28,013,750	-	2,932,000	25,081,750	2,135,000
Promissory loans	814,899	-	59,232	755,667	55,878
Capital leases	688,260	311,762	55,044	944,978	164,792
Compensated absences	1,504,148	1,146,364	1,155,120	1,495,392	498,464
Pension obligation	1,520,301	1,766,168	1,900,463	1,386,006	-
Claims and judgments	<u>75,612</u>	<u>367,980</u>	<u>347,143</u>	<u>96,449</u>	<u>96,449</u>
Governmental activities long-term liabilities	\$ <u>32,616,970</u>	<u>3,592,274</u>	<u>6,449,002</u>	<u>29,760,242</u>	<u>2,950,583</u>
Business-type activities:					
Revenue bonds	\$ 14,750,000	-	1,095,000	13,655,000	1,165,000
Less deferred issue costs on refunding bonds	(211,032)	-	(18,619)	(192,413)	-
Promissory loans	18,044,580	-	960,158	17,084,422	996,226
Less deferred issue costs on refunding loans	(616,341)	-	(61,634)	(554,707)	-
Capital leases	986,634	-	73,724	912,910	76,005
Deferred revenue forward invested funds	470,369	-	50,731	419,638	48,833
Compensated absences	<u>277,040</u>	<u>190,145</u>	<u>244,920</u>	<u>222,265</u>	<u>74,088</u>
Business-type activities long-term liabilities	\$ <u>33,701,250</u>	<u>190,145</u>	<u>2,344,280</u>	<u>31,547,115</u>	<u>2,360,152</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, 2005

(9) Long-Term Debt (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 have been issued for general government operations only. 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 \$25,670,000.

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 \$7,460,000. 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 \$5,545,000.

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, 2005 amounted to \$13,462,587, net of \$192,413 of long-term financing costs. The original amount of revenue bonds issued in prior years was \$21,710,000.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(9) Long-Term Debt (Continued)

Revenue Bonds (Continued)

In 1994, the City refunded its 1990 Water and Sewer Refunding Bonds by issuing \$9,710,000 of Special Revenue Advance Refunding Bonds. As a result of the refunding, the 1990 bonds are considered fully defeased in substance, and the liability is not reported in the City's financial statements. As of September 30, 2005, the outstanding balance on the defeased bonds was \$4,600,000. As a result of this refunding, the debt service payments were reduced by approximately \$640,000 over the next fifteen years (1994 through 2009) and resulted in an economic savings of approximately \$169,000.

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 1998 to fund water and sewer line improvements to the west side of Meridian adjacent to the East Mississippi Correctional Facility and toward the most recently annexed area of the City located on the eastern side of the City.

In 2001, the City entered into a \$360,000 capital improvements revolving loan from the Mississippi Development Authority to provide sewer improvements to a recently annexed area of the City.

In 2001, the City also 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 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 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 to 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, 2005, the outstanding balance on the defeased bonds was \$6,040,000. This refunding resulted in a decrease in future debt service payments of \$549,006.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(9) Long-Term Debt (Continued)

Promissory Loans (Continued)

In 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 to provide water and sewer lines to the new industrial park and for various other small projects.

The City maintains a \$10,000,000 line of credit with the Mississippi Development Authority. This line of credit can be used for interim or permanent financing for various City projects. As of September 30, 2005, the City had no outstanding balance on this line of credit. The interest rate on this line of credit is established weekly based on the Bond Market Association index plus 120 basis points.

(10) Lessor Operating Leases

Meridian Airport Authority leases space to others under various lease agreements. A summary of minimum future rental income on these leases as of September 30, 2005 and for each of the next five years and in aggregate, follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2006	\$ 139,714
2007	79,957
2008	79,880
2009	58,389
2010	58,389
2011 – 2015	37,002
2016 – 2020	14,325
2021 – 2025	14,325
2026 – 2030	14,325
2031– 2035	<u>13,229</u>
Total minimum future rentals	\$ <u>509,535</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(11) 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 & Sewer Fund, Lakeview 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 2005, 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. Changes in the balances of claims liabilities during the fiscal years ended September 30, 2005 and 2004, follows:

<u>Description</u>	<u>2005</u>	<u>2004</u>
Unpaid claims, beginning of year	\$ 75,612	660
Incurred claims (including IBNR's)	367,980	533,918
Claim payments	<u>(347,143)</u>	<u>(458,966)</u>
Unpaid claims, end of year	\$ <u>96,449</u>	<u>75,612</u>

Effective October 1, 2004, the City contracted 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 (\$75,000 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.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(11) Risk Management (Continued)

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 year ended September 30, 2005 follows:

<u>Description</u>	<u>2005</u>
Unpaid claims, beginning of year	\$ -
Incurred claims (including IBNR's)	2,115,694
Claim payments	<u>(1,761,363)</u>
Unpaid claims, end of year	\$ <u>354,331</u>

(12) Subsequent Events

In December, 2005, the City's council authorized the issuance of \$10,000,000 general obligation bonds. These bonds would be used for the construction of a new police station, a new fire station, remodeling city hall, and various other items.

In August, 2005, the City endured damage from Hurricane Katrina. The cost for cleanup and repair is estimated to be \$3,200,000. The City anticipates that it will receive federal grants to cover substantially all costs related to this damage.

(13) 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.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

(13) Contingent Liabilities (Continued)

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.

(14) Construction and Commitments

The City has committed to an erosion control project to stabilize a portion of Gallagher Creek. The cost of this project is estimated to be \$571,500. These costs will be funded through a grant committed to be provided by the federal government.

The City has committed to installing sanitary sewer service to residents along Sweet Gum Bottom Road. The cost of this project is estimated to be \$800,000. Future expenditures related to this project will be funded by with proceeds from the sale of bonds and a grant committed to be provided by the federal government.

In fiscal year 2004, the City committed to the extension of water and sewer lines to a new industrial park. The water and sewer lines were completed in fiscal year 2005, the new water tank was under construction as of September 30, 2005. The estimated total cost of this project is \$3,509,300, of which \$2,896,436 had been expended at September 30, 2005. The balance of the project at September 30, 2005 is \$612,864. Future expenditures related to this project will be funded from a \$1,500,000 grant from the Economic Development Authority and funds of the City.

The City has committed to the rebuilding of the Bonita Lakes Dam. The estimated cost of this project is \$755,000, of which \$630,000 had been expended at September 30, 2005. The funds to finance this project were provided from bonds issued by the City and from a \$400,000 grant provided by the Natural Resource Conservation Service.

The City has committed to contracts to widen North Hills Street from 10th Avenue to Highway 39. The engineering contracts in connection with this project total \$126,900, of which \$124,900 had been expended at September 30, 2005. The estimated construction cost of this project is \$3,500,000. Future expenditures related to this project are to be provided from local funds and from grants committed to be provided by the Mississippi Department of Transportation.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(14) Construction and Commitments (Continued)

The City has committed to contracts to upgrade the traffic signals on 8th Street, which is the location of a major artery. Estimated balances on these contracts total \$353,200, of which \$37,800 had been expended at September 30, 2005. Future expenditures related to this project are to be provided from local funds and from grants committed to be provided by the Mississippi Department of Transportation.

The City has committed to contracts to expand and upgrade an intersection at Lake Drive and Highway 19. The estimated cost of this project is \$372,100. Future expenditures related to this project are to be provided from local funds and from grants committed to be provided by the Mississippi Department of Transportation.

The City has committed to contracts to expand and upgrade an interchange at 33rd Avenue and Highway 39. The estimated cost of this project is \$196,700. Future expenditures related to this project are to be provided from local funds and from grants committed to be provided by the Mississippi Department of Transportation.

(15) Solid Waste Management Services Accounting

The City contracts its solid waste 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 Waste Collection and Disposal Enterprise Fund.

(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.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

(16) Pension and Retirement Plans (Continued)

Public Employees Retirement System (Continued):

Plan Description (Continued)

The payroll for employees covered by PERS (statewide) for the year ended June 30, 2005, was \$4,786,280,000. The City's payroll for employees covered by PERS for the year ended September 30, 2005, was \$15,110,468; the City's total payroll was \$16,069,187 for the year ended September 30, 2005.

Participating employees who retire at or after age 60 with four or more years of membership service, or those who retire regardless of age with at least 25 years of credited service, are entitled, upon application, to an annual retirement allowance, payable monthly for life, in an amount equal to 2 percent of their average compensation for each year of credited service, up to and including 25 years, and 2 1/2 percent for each year of credited service over 25 years. Average compensation is the average of the employee's earnings during the four highest compensated years of credited service. A member may elect a reduced 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 four years of membership service. 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.

A cost-of-living payment is made to eligible retirees and beneficiaries. The cost of living adjustment is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement prior to the year in which the member reaches age 55, plus 3 percent compounded for each year thereafter beginning with the fiscal year in which the member turns age 55. For the year ended June 30, 2005, the total additional annual payments were \$211,530,000.

Funding Policy

Employees covered by PERS are required by statute to contribute 7.25% of their salary to PERS. In the year ended September 30, 2005, City employees contributed \$1,513,620. If an employee leaves covered employment, accumulated employee contributions plus related investment earnings allocations are refunded to the employee or designated beneficiary upon request. The investment earnings allocation rate was 3.5% in 2005. The City is required by statute to contribute to PERS at an actuarially determined rate. For the years ended September 30, 2005, 2004, and 2003, the City's contribution requirements representing 9.75% of covered payroll were \$1,095,511, \$1,302,347, and \$1,256,556, respectively. The City contributed 100% of its requirements in each of these years.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(16) Pension and Retirement Plans (Continued)

Public Employees Retirement System (Continued):

Funding Policy (Continued)

The Meridian Airport Authority made contributions to PERS in the year ended September 30, 2005 of approximately \$22,300. The component unit's total payroll was approximately \$477,000 and substantially all payroll is covered under the PERS plan.

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, 2005, comprehensive annual financial report.

Municipal Retirement Systems:

Plan Description

The City also participates in the Municipal Retirement System ("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.

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, 2005 was \$226,201; the City's total payroll for all employees was \$16,069,187. At September 30, 2004, the date of the most recent actuarial valuation, there were 5 participating general municipal employees, firefighters and police officers.

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, Accounting Department, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

(16) Pension and Retirement Plans (Continued)

Municipal Retirement Systems (Continued):

Basis of Accounting

Both PERS and MRS use the accrual basis of accounting and the economic resources measurement focus. Employee and employer contributions are recognized as revenue in the period in which employee services are performed. Investment income is recognized when earned. Expenses, including benefits and refunds paid, are recognized when incurred. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit ratings. Mortgage securities are valued on the basis of future principal and interest payments and discounted at prevailing interest rates for similar instruments. Short-term investments are reported at market value when published prices are available, or at cost plus accrued interest, which approximates fair value. For individual investments where no readily ascertainable market value exists, PERS, in consultation with its investment advisors and custodial bank, has determined the fair values.

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. As of September 30, 2005, the City levied 7.79 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 2005, fire and police employees and municipal employees covered by MRS were required to contribute 10% and 7%, respectively, of covered payroll. Any increase to the base employee contribution rates of 10% and 7% is made in increments not to exceed 1% per year. If an employee leaves covered employment, accumulated employee contributions are refunded to the employee upon request. Employees covered by MRS do not receive an interest earnings allocation to 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, 2005

(16) Pension and Retirement Plans (Continued)

Municipal Retirement Systems (Continued):

Annual Pension Cost

The City has recorded a net pension obligation for MRS in accordance with GASB Statement of Standards No. 27, "Accounting for Pensions by State and Local Government Employers".

The required contribution to MRS was determined as part of the actuarial valuation performed as of September 30, 2004 (the most recent available), using the entry age actuarial cost method. Significant actuarial assumptions include (a) a rate of return on the investment of present and future assets at 8% compounded annually, (b) projected salary increases of 4% per year compounded annually attributable to inflation, and (c) additional projected salary increases of 2% per year compounded annually attributable to seniority and/or merit.

The following provides pension cost and obligation information for MRS:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Components of annual pension cost:			
Annual required contribution	\$ 1,774,294	1,744,105	1,711,554
Interest cost	121,624	130,734	139,487
Adjustment to required contribution	<u>(129,750)</u>	<u>(139,468)</u>	<u>(148,806)</u>
Total annual pension cost	1,766,168	1,735,371	1,702,235
Less: contributions made	<u>1,900,463</u>	<u>1,849,246</u>	<u>1,811,643</u>
Decrease in net pension obligation	\$ <u>(134,295)</u>	<u>(113,875)</u>	<u>(109,408)</u>
Percentage of annual pension cost contributed	<u>107.60%</u>	<u>106.56%</u>	<u>106.43%</u>
Net pension obligation at year end	\$ <u>1,386,006</u>	<u>1,520,301</u>	<u>1,634,176</u>

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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)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability ("AAL") - Entry Age (b)	Funded Ratio (a/b)	Unfunded AAL ("UAAL") (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
9/30/04	\$ 10,244	\$ 30,312	33.8%	\$ 20,068	212	9466.0%
9/30/03	11,113	30,913	35.9%	19,800	341	5806.5%
9/30/02	11,781	31,303	37.6%	19,522	390	5005.6%

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). The required contribution was determined as part of the actuarial valuation performed as of September 30, 2004 (the most recent available), using the entry age actuarial cost method. Significant assumptions include (a) rate of return on the investment of present and future assets at 8% compounded annually, (b) projected salary increases of 4% per year computed annually attributable to inflation, and (c) additional projected salary increases of 2% per year compounded annually attributable to seniority and/or merit.

For additional information regarding this schedule, refer to the separately issued Public Employees' Retirement System of Mississippi Comprehensive Annual Financial Report for 2004 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

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 is used to account for the construction of the water drainage project along the Sowashee Creek in the City’s jurisdiction. The financing for this project was from general obligation bonds, U. S. Army Corp of Engineers, and the Pat Harrison Waterway District.

1999 General Obligation Bonds – This fund is used to account for the proceeds and disbursements of the 1999 general obligation bonds.

2000 General Obligation Bonds – This fund is used to account for the proceeds and disbursements of the 2000 general obligation public improvement bonds.

2000A Tax Increment Financing Bonds – This fund is used to account for the bond proceeds used to fund infrastructure improvements to the Wal-Mart Supercenter.

2000B Tax Increment Financing Bonds – This fund is used to account for the proceeds of tax increment financing bonds used to fund infrastructure improvements to the Lowe’s Superstore site.

Urban Renewal Parking Garage Bonds – This fund is used to account for the bond proceeds used to fund the construction of the performing arts and educational/conference center parking facilities.

I20/I59 Interchange Project – This fund is used to account for grant revenues to be used for construction of an interchange to provide access to a new industrial park.

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 to be used for repairing areas damaged by floods in 2003.

Training Burn Tower – This fund is used to account for revenues to be used for the construction of a burn tower at the training site.

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.

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

Capital Projects Funds (Continued)

Gallagher Creek Drainage – This fund is used to account for grant revenues to be used to repair drainage damage along Gallagher Creek in Highland Park.

Lake Drive Realignment – This fund is used to account for local and grant revenues to be used for expenditures related to the realignment of Lake Drive at Highway 19 and Bonita Lakes Drive.

8th Street Signalization Project – This fund is used to account for local and grant revenues to be used to upgrade traffic controllers.

Highway 39 at 33rd Street – This fund is used to account for the local and grant revenues to be used to install traffic signals at Highway 39 at 33rd Street.

North Hills From 10th Avenue to Highway 39 – This fund is used to account for local and grant revenues to be used to upgrade level of service in North Hills by widening from 10th Avenue to Highway 39 and other improvements.

City Hall Roof – This fund is used to account for local and grant revenues to be used for replacing the roof on City Hall.

CITY OF MERIDIAN, MISSISSIPPI
Combining Balance Sheet
Nonmajor Governmental Funds
Nonmajor Capital Projects Funds
September 30, 2005

	<u>Sowashee Project</u>	<u>1999 General Obligation Bonds</u>	<u>2000 General Obligation Bonds</u>	<u>2000A Tax Increment Financing Bonds</u>	<u>2000B Tax Increment Financing Bonds</u>	<u>Urban Renewal Parking Garage Bonds</u>	<u>I20/I59 Interchange Project</u>
<u>ASSETS</u>							
Cash and cash equivalents	\$ 639,122	39,276	45,989	9,804	2,325	330,623	-
Grant receivable	-	-	-	-	-	-	279,825
Due from other funds	-	-	-	-	-	-	-
Total assets	\$ <u>639,122</u>	<u>39,276</u>	<u>45,989</u>	<u>9,804</u>	<u>2,325</u>	<u>330,623</u>	<u>279,825</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ 2,044	-	-	-	-	300,260	72,501
Due to other funds	-	-	-	-	-	-	207,324
Total liabilities	<u>2,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,260</u>	<u>279,825</u>
Fund balances:							
Reserved for encumbrances	231,952	-	41,512	-	-	-	-
Unreserved, designated for subsequent years' expenditures	<u>405,126</u>	<u>39,276</u>	<u>4,477</u>	<u>9,804</u>	<u>2,325</u>	<u>30,363</u>	<u>-</u>
Total fund balances	<u>637,078</u>	<u>39,276</u>	<u>45,989</u>	<u>9,804</u>	<u>2,325</u>	<u>30,363</u>	<u>-</u>
Total liabilities and fund balances	\$ <u>639,122</u>	<u>39,276</u>	<u>45,989</u>	<u>9,804</u>	<u>2,325</u>	<u>330,623</u>	<u>279,825</u>

SCHEDULE 2

2003 General Obligation Bonds	2003 Flood Damage	Training Burn Tower	Highway 19 Drainage	Gallagher Creek Drainage	Lake Drive Realignment	8th Street Signalization Project	Highway 39 at 33rd Street	North Hills - 10th Avenue to Highway 39	City Hall Roof	Total
1,279,740	-	17,830	58,632	-	-	-	1,742	2,352	81,000	2,508,435
-	151,819	-	-	3,498	41,751	30,255	28,031	52,908	-	588,087
-	<u>125,877</u>	-	-	-	<u>10,438</u>	<u>7,564</u>	-	-	-	<u>143,879</u>
<u>1,279,740</u>	<u>277,696</u>	<u>17,830</u>	<u>58,632</u>	<u>3,498</u>	<u>52,189</u>	<u>37,819</u>	<u>29,773</u>	<u>55,260</u>	<u>81,000</u>	<u>3,240,401</u>
102,065	-	-	-	-	518	1,935	679	-	-	480,002
<u>18,002</u>	<u>241,058</u>	-	-	<u>3,498</u>	<u>51,671</u>	<u>35,884</u>	-	-	-	<u>557,437</u>
<u>120,067</u>	<u>241,058</u>	-	-	<u>3,498</u>	<u>52,189</u>	<u>37,819</u>	<u>679</u>	-	-	<u>1,037,439</u>
-	-	-	2,135	-	-	-	-	-	81,000	356,599
<u>1,159,673</u>	<u>36,638</u>	<u>17,830</u>	<u>56,497</u>	-	-	-	<u>29,094</u>	<u>55,260</u>	-	<u>1,846,363</u>
<u>1,159,673</u>	<u>36,638</u>	<u>17,830</u>	<u>58,632</u>	-	-	-	<u>29,094</u>	<u>55,260</u>	<u>81,000</u>	<u>2,202,962</u>
<u>1,279,740</u>	<u>277,696</u>	<u>17,830</u>	<u>58,632</u>	<u>3,498</u>	<u>52,189</u>	<u>37,819</u>	<u>29,773</u>	<u>55,260</u>	<u>81,000</u>	<u>3,240,401</u>

CITY OF MERIDIAN, MISSISSIPPI

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

Nonmajor Governmental Funds

Nonmajor Capital Projects Funds

For the Fiscal Year Ended September 30, 2005

		1999	2000	2000A Tax	2000B Tax	Urban	
	Sowashee	General	General	Increment	Increment	Renewal	
	Project	Obligation	Obligation	Financing	Financing	Parking	I20/I59
		Bonds	Bonds	Bonds	Bonds	Garage	Project
						Bonds	
Revenues:							
Intergovernmental:							
Federal	\$ -	-	-	-	-	-	97,826
State	-	-	-	-	-	-	-
Interest on investments	11,250	2,256	775	165	39	12,725	-
Miscellaneous	-	-	-	-	-	247,717	-
Total revenues	<u>11,250</u>	<u>2,256</u>	<u>775</u>	<u>165</u>	<u>39</u>	<u>260,442</u>	<u>97,826</u>
Expenditures:							
Construction contracts	-	59,404	-	-	-	1,120,091	-
Engineering and other	<u>19,985</u>	-	-	-	-	<u>24,387</u>	<u>97,826</u>
Total expenditures	<u>19,985</u>	<u>59,404</u>	-	-	-	<u>1,144,478</u>	<u>97,826</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,735)</u>	<u>(57,148)</u>	<u>775</u>	<u>165</u>	<u>39</u>	<u>(884,036)</u>	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	<u>(81,000)</u>	-	-	-	-	-
Total other financing sources (uses)	-	<u>(81,000)</u>	-	-	-	-	-
Net change in fund balances	(8,735)	(138,148)	775	165	39	(884,036)	-
Fund balances, October 1, 2004	<u>645,813</u>	<u>177,424</u>	<u>45,214</u>	<u>9,639</u>	<u>2,286</u>	<u>914,399</u>	-
Fund balances, September 30, 2005	\$ <u>637,078</u>	<u>39,276</u>	<u>45,989</u>	<u>9,804</u>	<u>2,325</u>	<u>30,363</u>	-

SCHEDULE 3

2003 General Obligation Bonds	2003 Flood Damage	Training Burn Tower	Highway 19 Drainage	Gallagher Creek Drainage	Lake Drive Realignment	8th Street Signalization Project	Highway 39 at 33rd Street	North Hills - 10th Avenue to Highway 39	City Hall Roof	Total
-	1,099	-	-	10,835	23,921	13,971	6,644	36,529	-	190,825
-	15,572	-	200,000	-	-	-	-	-	-	215,572
34,671	-	-	182	-	-	-	102	330	-	62,495
-	-	-	-	-	-	-	-	-	-	247,717
<u>34,671</u>	<u>16,671</u>	<u>-</u>	<u>200,182</u>	<u>10,835</u>	<u>23,921</u>	<u>13,971</u>	<u>6,746</u>	<u>36,859</u>	<u>-</u>	<u>716,609</u>
1,548,821	1,099	18,170	211,492	10,835	152	428	414	-	-	2,970,906
-	-	-	-	-	29,749	17,036	7,892	45,661	-	242,536
<u>1,548,821</u>	<u>1,099</u>	<u>18,170</u>	<u>211,492</u>	<u>10,835</u>	<u>29,901</u>	<u>17,464</u>	<u>8,306</u>	<u>45,661</u>	<u>-</u>	<u>3,213,442</u>
<u>(1,514,150)</u>	<u>15,572</u>	<u>(18,170)</u>	<u>(11,310)</u>	<u>-</u>	<u>(5,980)</u>	<u>(3,493)</u>	<u>(1,560)</u>	<u>(8,802)</u>	<u>-</u>	<u>(2,496,833)</u>
-	15,572	36,000	-	-	5,980	3,493	-	-	81,000	142,045
<u>(9,473)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(90,473)</u>
<u>(9,473)</u>	<u>15,572</u>	<u>36,000</u>	<u>-</u>	<u>-</u>	<u>5,980</u>	<u>3,493</u>	<u>-</u>	<u>-</u>	<u>81,000</u>	<u>51,572</u>
<u>(1,523,623)</u>	<u>31,144</u>	<u>17,830</u>	<u>(11,310)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,560)</u>	<u>(8,802)</u>	<u>81,000</u>	<u>(2,445,261)</u>
<u>2,683,296</u>	<u>5,494</u>	<u>-</u>	<u>69,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,654</u>	<u>64,062</u>	<u>-</u>	<u>4,648,223</u>
<u>1,159,673</u>	<u>36,638</u>	<u>17,830</u>	<u>58,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,094</u>	<u>55,260</u>	<u>81,000</u>	<u>2,202,962</u>

SCHEDULE 4**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, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues	\$ 4,605,000	4,802,000	197,000
Expenditures - debt service	<u>4,605,000</u>	<u>4,556,261</u>	<u>48,739</u>
Net change in fund balances	-	245,739	245,739
Fund Balance, October 1, 2004	<u>-</u>	<u>2,566,069</u>	<u>2,566,069</u>
Fund Balance, September 30, 2005	\$ <u><u>-</u></u>	<u><u>2,811,808</u></u>	<u><u>2,811,808</u></u>

SCHEDULE 5**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, 2005

	Original and Final Budgeted <u>Amounts</u>	Actual <u>Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
Revenues	\$ 6,340,000	1,954,108	(4,385,892)
Expenditures - capital outlay	<u>8,600,000</u>	<u>2,179,638</u>	<u>6,420,362</u>
Net change in fund balances	(2,260,000)	(225,530)	2,034,470
Fund balance, October 1, 2004	<u>5,760,000</u>	<u>4,825,572</u>	<u>(934,428)</u>
Fund balance, September 30, 2005	\$ <u>3,500,000</u>	<u>4,600,042</u>	<u>1,100,042</u>

CITY OF MERIDIAN, MISSISSIPPI
Schedule of General Fund Expenditures
By Departments and Divisions
For the Fiscal Year Ended September 30, 2005
(With Comparative Totals for the Fiscal Year Ended September 30, 2004)

	<u>Executive, Legislative and Judicial</u>	<u>Finance and Records</u>	<u>Community Development</u>	<u>Fire Department</u>	<u>Police Department</u>
Personnel services:					
Salaries - regular	\$ 768,853	844,990	681,007	3,240,475	3,510,981
Salaries - overtime	1,528	4,744	1,443	157,494	201,511
Salaries - temporaries	-	-	5,215	-	-
Fringe benefits	<u>227,256</u>	<u>287,726</u>	<u>207,794</u>	<u>1,086,632</u>	<u>1,108,503</u>
Total personnel services	<u>997,637</u>	<u>1,137,460</u>	<u>895,459</u>	<u>4,484,601</u>	<u>4,820,995</u>
Contractual services and supplies:					
Supplies - office	8,315	9,835	3,443	1,808	3,697
Supplies - operating	1,299	7,479	4,433	3,421	36,833
Supplies - household	-	2,870	-	9,822	3,400
Supplies - uniforms and clothing	-	-	2,193	15,159	56,118
Supplies - materials direct	2,181	-	7,234	-	-
Materials - small tools and workorders	262	362	918	5,994	828
Professional services	325,154	55,259	20,910	14,352	293,414
Telephone	2,824	62,054	7,809	4,309	16,951
Postage	3,763	7,340	9,228	664	1,578
Travel	18,799	361	8,852	9,286	12,306
Freight	-	22	100	-	-
Advertising and publishing	19,625	2,715	10,515	81	62
Printing and binding	1,073	3,094	3,228	275	3,853
Insurance	99,512	39,198	46,650	194,701	399,451
Utilities	312	798,850	199	80,468	41,649
Operating and maintenance - buildings	15,501	21,984	1,456	18,214	17,731
Operating and maintenance - grounds	-	53	-	786	-
Operating and maintenance - equipment	1,084	29,936	3,062	9,196	10,408
Operating and maintenance - vehicles	622	1,185	13,076	72,470	358,769
Operating and maintenance - computer services	13,730	17,608	18,193	61,587	91,544
Rentals	-	1,325	1,572	-	8,041
Judgments and claims	-	7,302	10,710	41,000	71,377
Dues and subscriptions	22,937	2,156	5,827	765	1,080
Public relations	1,493	-	-	639	1,232
Refunds	-	2,610	-	-	-
Job training	6,080	331	6,389	14,088	37,483
Safety	-	-	-	26,922	-
Hospital and medical	<u>9,075</u>	<u>-</u>	<u>-</u>	<u>27,975</u>	<u>81,420</u>
Total contractual services & supplies	<u>553,641</u>	<u>1,073,929</u>	<u>185,997</u>	<u>613,982</u>	<u>1,549,225</u>
Capital outlay:					
Land	-	-	-	-	-
Buildings	-	-	-	-	-
Improvements other than buildings	-	-	-	-	-
Machinery and equipment	19,254	134,255	21,134	553,101	31,249
Vehicles	-	-	11,671	-	139,863
Total capital outlay	<u>19,254</u>	<u>134,255</u>	<u>32,805</u>	<u>553,101</u>	<u>171,112</u>
Debt service:					
Principal	-	33,377	-	-	-
Interest	-	37,849	-	-	-
Total debt service	<u>-</u>	<u>71,226</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers and other charges:					
Transfer to other funds	1,127,857	-	208,048	-	30,566
Special projects	91,794	85,149	76,009	6,958	1,324
Miscellaneous contributions	376,365	-	-	-	-
Other projects and charges	38,600	-	-	-	-
Total transfers and other charges	<u>1,634,616</u>	<u>85,149</u>	<u>284,057</u>	<u>6,958</u>	<u>31,890</u>
Total General Fund expenditures - 2005	<u>3,205,148</u>	<u>2,502,019</u>	<u>1,398,318</u>	<u>5,658,642</u>	<u>6,573,222</u>
Total General Fund expenditures - 2004	<u>3,147,595</u>	<u>2,514,140</u>	<u>1,494,912</u>	<u>5,090,161</u>	<u>5,812,717</u>
Increase (decrease)	<u>\$ 57,553</u>	<u>(12,121)</u>	<u>(96,594)</u>	<u>568,481</u>	<u>760,505</u>

SCHEDULE 6

Homeland Security	Public Works	Parks, Recreation & Cultural Affairs	Arts District Parking Garage	Totals		Increase (Decrease)
				2005	2004	
185,434	2,089,891	757,270	19,424	12,098,325	11,267,496	830,829
2,353	50,724	17,453	5,126	442,376	342,060	100,316
-	6,752	220,276	-	232,243	243,304	(11,061)
46,091	728,034	258,205	-	3,950,241	3,773,537	176,704
<u>233,878</u>	<u>2,875,401</u>	<u>1,253,204</u>	<u>24,550</u>	<u>16,723,185</u>	<u>15,626,397</u>	<u>1,096,788</u>
1,099	1,918	1,644	658	32,417	30,680	1,737
25,645	59,637	52,766	379	191,892	172,268	19,624
1,244	3,319	17,563	-	38,218	36,451	1,767
1,961	29,183	5,551	-	110,165	60,470	49,695
-	112,270	10,298	1,393	133,376	125,271	8,105
2,883	6,301	6,741	-	24,289	21,246	3,043
98,050	12,072	30,897	1,458	851,566	785,919	65,647
2,671	6,309	3,219	1,637	107,783	117,161	(9,378)
303	1,507	1,697	1,001	27,081	28,678	(1,597)
9,623	2,322	578	4,043	66,170	83,919	(17,749)
230	11	-	-	363	145	218
591	491	2,588	248	36,916	37,791	(875)
374	800	2,896	-	15,593	22,894	(7,301)
18,762	265,081	68,775	717	1,132,847	962,847	170,000
9,504	42,810	130,168	-	1,103,960	1,021,305	82,655
6,544	4,178	29,340	-	114,948	106,063	8,885
337	2,615	42,658	1,957	48,406	55,248	(6,842)
8,000	68,562	43,300	-	173,548	194,239	(20,691)
10,819	209,666	46,081	-	712,688	531,290	181,398
18,153	20,674	15,396	1,275	258,160	290,791	(32,631)
-	6,097	632	-	17,667	10,279	7,388
-	150,285	10,962	-	291,636	332,068	(40,432)
738	854	150	-	34,507	36,207	(1,700)
4,427	-	-	-	7,791	13,194	(5,403)
-	-	-	-	2,610	2,005	605
20,541	2,785	670	773	89,140	81,536	7,604
4,649	10,213	1,620	180	43,584	40,516	3,068
-	-	-	-	118,470	55,567	62,903
<u>247,148</u>	<u>1,019,960</u>	<u>526,190</u>	<u>15,719</u>	<u>5,785,791</u>	<u>5,256,048</u>	<u>529,743</u>
-	-	-	-	-	60,000	(60,000)
-	-	19,770	-	19,770	-	19,770
44,442	585	-	-	45,027	8,892	36,135
41,744	49,813	18,925	-	869,475	595,795	273,680
-	210,607	19,176	-	381,317	402,656	(21,339)
<u>86,186</u>	<u>261,005</u>	<u>57,871</u>	<u>-</u>	<u>1,315,589</u>	<u>1,067,343</u>	<u>248,246</u>
-	21,667	-	-	55,044	141,700	(86,656)
-	2,258	-	-	40,107	39,671	436
-	23,925	-	-	95,151	181,371	(86,220)
-	15,572	100,000	-	1,482,043	1,504,407	(22,364)
-	61,007	67,975	13,967	404,183	435,626	(31,443)
-	-	-	-	376,365	356,076	20,289
-	-	-	-	38,600	87,347	(48,747)
-	76,579	167,975	13,967	2,301,191	2,383,456	(82,265)
567,212	4,256,870	2,005,240	54,236	26,220,907	24,514,615	1,706,292
298,933	4,253,455	1,902,702	-	24,514,615	-	-
<u>268,279</u>	<u>3,415</u>	<u>102,538</u>	<u>54,236</u>	<u>1,706,292</u>	<u>-</u>	<u>-</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 concession stands at the softball parks.

SCHEDULE 7**CITY OF MERIDIAN, MISSISSIPPI**

Combining Statement of Net Assets

Nonmajor Enterprise Funds

September 30, 2005

	<u>Golf Course</u>	<u>Union Station</u>	<u>Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 34,690	102,590	12,979	150,259
Receivables - miscellaneous	-	5,368	-	5,368
Inventory	28,081	-	2,662	30,743
Prepaid items	815	994	-	1,809
Total current assets	<u>63,586</u>	<u>108,952</u>	<u>15,641</u>	<u>188,179</u>
Capital assets:				
Buildings	117,128	-	-	117,128
Improvements other than buildings	113,067	-	-	113,067
Machinery and equipment	389,814	26,005	-	415,819
Total capital assets	620,009	26,005	-	646,014
Less accumulated depreciation	(559,082)	(23,960)	-	(583,042)
Capital assets (net of accumulated depreciation)	<u>60,927</u>	<u>2,045</u>	<u>-</u>	<u>62,972</u>
Total assets	<u>124,513</u>	<u>110,997</u>	<u>15,641</u>	<u>251,151</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	9,353	42,125	1,493	52,971
Accrued liabilities:				
Payroll	16,043	2,475	777	19,295
Sales tax	1,279	-	120	1,399
Due to other funds	241	-	-	241
Current portion of capital leases	186	-	-	186
Total current liabilities	<u>27,102</u>	<u>44,600</u>	<u>2,390</u>	<u>74,092</u>
Noncurrent liabilities -				
Capital lease payable, net of current portion	2,486	-	-	2,486
Total liabilities	<u>29,588</u>	<u>44,600</u>	<u>2,390</u>	<u>76,578</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	58,255	2,045	-	60,300
Unrestricted	36,670	64,352	13,251	114,273
Total net assets	<u>\$ 94,925</u>	<u>66,397</u>	<u>13,251</u>	<u>174,573</u>

SCHEDULE 8**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, 2005

	<u>Golf Course</u>	<u>Union Station</u>	<u>Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues:				
Charges for sales and services:				
Memberships	\$ 73,104	-	-	73,104
Green fees	64,493	-	-	64,493
Cart rental	50,589	-	-	50,589
Concessions	121,285	-	41,255	162,540
Rental income	-	97,033	-	97,033
Miscellaneous	466	31	1,209	1,706
Total operating revenues	<u>309,937</u>	<u>97,064</u>	<u>42,464</u>	<u>449,465</u>
Operating expenses:				
Personnel services	177,624	68,704	20,610	266,938
Supplies and materials	118,844	15,647	16,909	151,400
Rent and utilities	16,855	40,583	-	57,438
Operation, maintenance, and repairs	63,234	89,468	-	152,702
Depreciation	21,281	1,169	-	22,450
Miscellaneous	9,001	91,155	4,035	104,191
Total operating expenses	<u>406,839</u>	<u>306,726</u>	<u>41,554</u>	<u>755,119</u>
Operating income (loss)	<u>(96,902)</u>	<u>(209,662)</u>	<u>910</u>	<u>(305,654)</u>
Nonoperating revenues:				
Interest income	66	1,849	206	2,121
Total nonoperating revenues	<u>66</u>	<u>1,849</u>	<u>206</u>	<u>2,121</u>
Income (loss) before transfers in	(96,836)	(207,813)	1,116	(303,533)
Transfers in	<u>80,000</u>	<u>190,350</u>	<u>-</u>	<u>270,350</u>
Change in net assets	(16,836)	(17,463)	1,116	(33,183)
Net assets, October 1, 2004	<u>111,761</u>	<u>83,860</u>	<u>12,135</u>	<u>207,756</u>
Net assets, September 30, 2005	\$ <u>94,925</u>	<u>66,397</u>	<u>13,251</u>	<u>174,573</u>

SCHEDULE 9

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended September 30, 2005

	<u>Golf</u>	<u>Union</u>	<u>Concessions</u>	<u>Total</u> <u>Nonmajor</u> <u>Enterprise</u> <u>Funds</u>
	<u>Course</u>	<u>Station</u>		
Cash flows from operating activities:				
Receipts from customers and users	\$ 309,937	100,676	42,464	453,077
Payments to suppliers	(199,615)	(229,545)	(21,023)	(450,183)
Payments to employees	<u>(195,501)</u>	<u>(71,012)</u>	<u>(20,534)</u>	<u>(287,047)</u>
Net cash provided by (used in)				
operating activities	(85,179)	(199,881)	907	(284,153)
Cash flows from noncapital financing activities -				
Transfers from other funds	80,000	190,350	-	270,350
Cash flows from capital and related				
financing activities -				
Principal payments - capital lease	(358)	-	-	(358)
Cash flows from investing activities -				
Interest received	<u>66</u>	<u>1,849</u>	<u>206</u>	<u>2,121</u>
Net increase (decrease) in cash and cash equivalents	(5,471)	(7,682)	1,113	(12,040)
Cash and cash equivalents, October 1, 2004	<u>40,161</u>	<u>110,272</u>	<u>11,866</u>	<u>162,299</u>
Cash and cash equivalents, September 30, 2005	\$ <u>34,690</u>	<u>102,590</u>	<u>12,979</u>	<u>150,259</u>
Reconciliation of operating income (loss) to net				
cash provided by (used in) operating activities:				
Operating income (loss)	\$ <u>(96,902)</u>	<u>(209,662)</u>	<u>910</u>	<u>(305,654)</u>
Adjustments to reconcile operating income (loss)				
to net cash provided by (used in) operating activities:				
Depreciation	21,281	1,169	-	22,450
Changes in assets and liabilities:				
Accounts receivable	-	3,612	-	3,612
Inventory	14,171	-	108	14,279
Prepaid items	(815)	(994)	-	(1,809)
Accounts payable	(4,610)	(837)	112	(5,335)
Accrued liabilities	(18,130)	(2,308)	(223)	(20,661)
Due to other funds	<u>(174)</u>	<u>9,139</u>	<u>-</u>	<u>8,965</u>
Total adjustments	<u>11,723</u>	<u>9,781</u>	<u>(3)</u>	<u>21,501</u>
Net cash provided by (used in)				
operating activities	\$ <u>(85,179)</u>	<u>(199,881)</u>	<u>907</u>	<u>(284,153)</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, 2005

<u>ASSETS</u>	<u>Municipal Supply</u>	<u>Municipal Office Supply</u>	<u>Health and Life Insurance Reserve Fund</u>	<u>Unemployment Compensation Fund</u>	<u>Total</u>
Current assets:					
Cash and cash equivalents	\$ 107,133	4,213	667,464	2,653	781,463
Due from other funds:					
General Fund	62,084	-	-	-	62,084
Water and Sewer Fund	22,247	-	-	-	22,247
Golf Course Fund	241	-	-	-	241
Waste Collection & Disposal Fund	8	-	-	-	8
Due from component unit	6,536	-	-	-	6,536
Inventory	<u>53,456</u>	<u>3,104</u>	<u>-</u>	<u>-</u>	<u>56,560</u>
Total current assets	251,705	7,317	667,464	2,653	929,139
 <u>LIABILITIES</u>					
Current liabilities -					
Accounts payable	<u>54,200</u>	<u>258</u>	<u>460,170</u>	<u>-</u>	<u>514,628</u>
 <u>NET ASSETS</u>					
Unrestricted	\$ <u>197,505</u>	<u>7,059</u>	<u>207,294</u>	<u>2,653</u>	<u>414,511</u>

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, 2005

	<u>Municipal Supply</u>	<u>Municipal Office Supply</u>	<u>Health and Life Insurance Reserve Fund</u>	<u>Unemployment Compensation Fund</u>	<u>Total</u>
Operating revenues:					
Charges for sales and services	\$ 412,762	5,135	-	-	417,897
Premiums	-	-	2,780,459	-	2,780,459
Reinsurance reimbursement	-	-	<u>165,159</u>	-	<u>165,159</u>
 Total operating revenues	 <u>412,762</u>	 <u>5,135</u>	 <u>2,945,618</u>	 <u>-</u>	 <u>3,363,515</u>
Operating expenses:					
Administration fees	-	-	631,961	-	631,961
Costs of sales and services	435,414	5,704	-	-	441,118
Claims paid	-	-	<u>2,115,694</u>	<u>23,923</u>	<u>2,139,617</u>
 Total operating expenses	 <u>435,414</u>	 <u>5,704</u>	 <u>2,747,655</u>	 <u>23,923</u>	 <u>3,212,696</u>
 Operating income (loss)	 (22,652)	 (569)	 197,963	 (23,923)	 150,819
Nonoperating revenues -					
Interest income	-	-	<u>9,331</u>	-	<u>9,331</u>
 Income (loss) before transfers in	 (22,652)	 (569)	 207,294	 (23,923)	 160,150
 Transfers in	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>23,000</u>	 <u>23,000</u>
 Change in net assets	 (22,652)	 (569)	 207,294	 (923)	 183,150
 Net assets, October 1, 2004	 <u>220,157</u>	 <u>7,628</u>	 <u>-</u>	 <u>3,576</u>	 <u>231,361</u>
 Net assets, September 30, 2005	 \$ <u>197,505</u>	 <u>7,059</u>	 <u>207,294</u>	 <u>2,653</u>	 <u>414,511</u>

CITY OF MERIDIAN, MISSISSIPPI
 Combining Statement of Cash Flows
 Internal Service Funds
 For the Fiscal Year Ended September 30, 2005

	<u>Municipal Supply</u>	<u>Municipal Office Supply</u>	<u>Health and Life Insurance Reserve Fund</u>	<u>Unemployment Compensation Fund</u>	<u>Total</u>
Cash flows from operating activities:					
Receipts from customers and users	\$ 410,955	5,135	2,945,618	-	3,361,708
Payments to suppliers	<u>(443,643)</u>	<u>(6,406)</u>	<u>(2,287,485)</u>	<u>(23,923)</u>	<u>(2,761,457)</u>
Net cash provided by (used in) operating activities	(32,688)	(1,271)	658,133	(23,923)	600,251
Cash flows from noncapital financing activities -					
Transfers from other funds	-	-	-	23,000	23,000
Cash flows from investing activities -					
Interest received	<u>-</u>	<u>-</u>	<u>9,331</u>	<u>-</u>	<u>9,331</u>
Net increase (decrease) in cash and cash equivalents	(32,688)	(1,271)	667,464	(923)	632,582
Cash and cash equivalents, October 1, 2004	<u>139,821</u>	<u>5,484</u>	<u>-</u>	<u>3,576</u>	<u>148,881</u>
Cash and cash equivalents, September 30, 2005	\$ <u>107,133</u>	<u>4,213</u>	<u>667,464</u>	<u>2,653</u>	<u>781,463</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ <u>(22,652)</u>	<u>(569)</u>	<u>197,963</u>	<u>(23,923)</u>	<u>150,819</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Changes in assets and liabilities:					
Due from other funds	(20,401)	-	-	-	(20,401)
Due from component units	18,594	-	-	-	18,594
Inventory	(9,555)	360	-	-	(9,195)
Accounts payable	<u>1,326</u>	<u>(1,062)</u>	<u>460,170</u>	<u>-</u>	<u>460,434</u>
Total adjustments	<u>(10,036)</u>	<u>(702)</u>	<u>460,170</u>	<u>-</u>	<u>449,432</u>
Net cash provided by (used in) operating activities	\$ <u>(32,688)</u>	<u>(1,271)</u>	<u>658,133</u>	<u>(23,923)</u>	<u>600,251</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 Fund – 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.

Conn Sheehan Insurance – This fund is used to account for insurance proceeds received on behalf of Meridian Redevelopment Authority for the destruction of the Conn Sheehan building caused by Hurricane Ivan.

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.

Pass Through Grants – This fund is used to account for grants received by the City on behalf of the Wesley House.

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.

SCHEDULE 13

CITY OF MERIDIAN, MISSISSIPPI
 Combining Statement of Fiduciary Assets and Liabilities
 Agency Funds
 September 30, 2005

	<u>Firemen & Policemen Disability & Relief</u>	<u>General Retirement Fund</u>	<u>Meridian Community College</u>	<u>Meridian Separate School District</u>	<u>Hospital Insurance</u>	<u>Conn Sheehan Insurance</u>	<u>State Police Fines & Fees</u>	<u>Meridian Separate School District Bonds & Interest</u>	<u>Total</u>
Cash and cash equivalents	\$ 72,977	45,735	62,344	515,522	48,637	406,158	55,994	26,446	1,233,813
Intergovernmental receivables-County	<u>12,734</u>	<u>7,974</u>	<u>18,880</u>	<u>148,209</u>	-	-	-	<u>8,072</u>	<u>195,869</u>
Total assets	<u>\$ 85,711</u>	<u>53,709</u>	<u>81,224</u>	<u>663,731</u>	<u>48,637</u>	<u>406,158</u>	<u>55,994</u>	<u>34,518</u>	<u>1,429,682</u>
<u>LIABILITIES</u>									
Intergovernmental payables:									
Schools	-	-	81,224	663,731	-	-	-	34,518	779,473
PERS	85,711	53,709	-	-	-	-	-	-	139,420
State	-	-	-	-	-	-	55,994	-	55,994
Component unit	-	-	-	-	-	406,158	-	-	406,158
Employee insurance withheld	-	-	-	-	48,637	-	-	-	48,637
Total liabilities	<u>\$ 85,711</u>	<u>53,709</u>	<u>81,224</u>	<u>663,731</u>	<u>48,637</u>	<u>406,158</u>	<u>55,994</u>	<u>34,518</u>	<u>1,429,682</u>

CITY OF MERIDIAN, MISSISSIPPI
 Combining Statement of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 For the Fiscal Year Ended September 30, 2005

	Balance September 30, <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2005</u>
<u>Firemen & Policemen Disability & Relief Fund</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 63,727	1,175,613	1,166,363	72,977
Intergovernmental - county	<u>11,161</u>	<u>12,734</u>	<u>11,161</u>	<u>12,734</u>
Total assets	\$ <u>74,888</u>	<u>1,188,347</u>	<u>1,177,524</u>	<u>85,711</u>
<u>LIABILITIES</u>				
Intergovernmental - PERS	\$ <u>74,888</u>	<u>1,188,347</u>	<u>1,177,524</u>	<u>85,711</u>
<u>General Retirement Fund</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 42,571	737,264	734,100	45,735
Intergovernmental - county	<u>7,457</u>	<u>7,974</u>	<u>7,457</u>	<u>7,974</u>
Total assets	\$ <u>50,028</u>	<u>745,238</u>	<u>741,557</u>	<u>53,709</u>
<u>LIABILITIES</u>				
Intergovernmental - State	\$ <u>50,028</u>	<u>745,238</u>	<u>741,557</u>	<u>53,709</u>
<u>Meridian Community College</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 56,326	1,752,396	1,746,378	62,344
Intergovernmental - county	<u>19,039</u>	<u>18,880</u>	<u>19,039</u>	<u>18,880</u>
Total assets	\$ <u>75,365</u>	<u>1,771,276</u>	<u>1,765,417</u>	<u>81,224</u>
<u>LIABILITIES</u>				
Intergovernmental - schools	\$ <u>75,365</u>	<u>1,771,276</u>	<u>1,765,417</u>	<u>81,224</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
 Combining Statement of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 For the Fiscal Year Ended September 30, 2005

	Balance		Balance
	September 30,	Additions	September 30,
	2004	Deletions	2005
Meridian Separate School District			
<u>ASSETS</u>			
Cash and cash equivalents	\$ 462,814	13,713,007	13,660,299
Intergovernmental - county	<u>149,725</u>	<u>148,209</u>	<u>149,725</u>
Total assets	\$ <u>612,539</u>	<u>13,861,216</u>	<u>13,810,024</u>
<u>LIABILITIES</u>			
Intergovernmental - schools	\$ <u>612,539</u>	<u>13,861,216</u>	<u>13,810,024</u>
Hospital Insurance			
<u>ASSETS</u>			
Cash and cash equivalents	\$ <u>48,091</u>	<u>512,407</u>	<u>511,861</u>
<u>LIABILITIES</u>			
Employee insurance withheld	\$ <u>48,091</u>	<u>512,407</u>	<u>511,861</u>
Conn Sheehan Insurance			
<u>ASSETS</u>			
Cash and cash equivalents	\$ <u>-</u>	<u>406,158</u>	<u>-</u>
<u>LIABILITIES</u>			
Intergovernmental - component unit	\$ <u>-</u>	<u>406,158</u>	<u>-</u>
State Police Fines & Fees			
<u>ASSETS</u>			
Cash and cash equivalents	\$ <u>31,793</u>	<u>685,988</u>	<u>661,787</u>
<u>LIABILITIES</u>			
Intergovernmental - state	\$ <u>31,793</u>	<u>685,988</u>	<u>661,787</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
 Combining Statement of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 For the Fiscal Year Ended September 30, 2005

	Balance September 30, <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2005</u>
	Pass Through Grants			
<u>ASSETS</u>				
Cash and cash equivalents	\$ <u> -</u>	<u> 85,268</u>	<u> 85,268</u>	<u> -</u>
<u>LIABILITIES</u>				
Other	\$ <u> -</u>	<u> 85,268</u>	<u> 85,268</u>	<u> -</u>
<u>Meridian Separate School District Bonds & Interest</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 7,410	738,221	719,185	26,446
Intergovernmental - county	<u> 2,507</u>	<u> 8,072</u>	<u> 2,507</u>	<u> 8,072</u>
Total assets	\$ <u> 9,917</u>	<u> 746,293</u>	<u> 721,692</u>	<u> 34,518</u>
<u>LIABILITIES</u>				
Intergovernmental - schools	\$ <u> 9,917</u>	<u> 746,293</u>	<u> 721,692</u>	<u> 34,518</u>
<u>Total All Agency Funds</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 712,732	19,806,322	19,285,241	1,233,813
Intergovernmental receivables	<u> 189,889</u>	<u> 195,869</u>	<u> 189,889</u>	<u> 195,869</u>
Total assets	\$ <u> 902,621</u>	<u>20,002,191</u>	<u>19,475,130</u>	<u>1,429,682</u>
<u>LIABILITIES</u>				
Intergovernmental	\$ 854,530	19,404,516	18,878,001	1,381,045
Employee insurance withheld	48,091	512,407	511,861	48,637
Other	<u> -</u>	<u> 85,268</u>	<u> 85,268</u>	<u> -</u>
Total liabilities	\$ <u> 902,621</u>	<u>20,002,191</u>	<u>19,475,130</u>	<u>1,429,682</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.

Meridian Redevelopment Authority – The Meridian Redevelopment Authority (a discretely presented component unit) is a legally separate entity established by the City Council of the City of Meridian to manage the Urban Renewal activities.

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

CITY OF MERIDIAN, MISSISSIPPI

Combining Statement of Net Assets

Nonmajor Component Units

September 30, 2005

	<u>Meridian Transportation Commission</u>	<u>Meridian and Bonita Lakes Development Authority</u>	<u>Meridian Redevelopment Authority</u>	<u>Total Nonmajor Component Units</u>
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 819	866	420,787	422,472
Investments	8,561	-	-	8,561
Receivables:				
Accounts	3,451	-	-	3,451
Intergovernmental - State	21,969	-	-	21,969
Prepaid items	<u>5,378</u>	<u>-</u>	<u>-</u>	<u>5,378</u>
Total current assets	40,178	866	420,787	461,831
Capital assets (net of accumulated depreciation):				
Land	-	-	7,500	7,500
Machinery and equipment	<u>66,858</u>	<u>-</u>	<u>-</u>	<u>66,858</u>
Total assets	<u>107,036</u>	<u>866</u>	<u>428,287</u>	<u>536,189</u>
<u>LIABILITIES</u>				
Current liabilities:				
Notes payable	27,558	-	-	27,558
Accounts payable	33,141	-	-	33,141
Accrued liabilities	8,542	-	-	8,542
Unearned revenue	<u>7,294</u>	<u>-</u>	<u>-</u>	<u>7,294</u>
Total current liabilities	<u>76,535</u>	<u>-</u>	<u>-</u>	<u>76,535</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	66,858	-	7,500	74,358
Unrestricted (deficit)	<u>(36,357)</u>	<u>866</u>	<u>420,787</u>	<u>385,296</u>
Total net assets	\$ <u>30,501</u>	<u>866</u>	<u>428,287</u>	<u>459,654</u>

CITY OF MERIDIAN, MISSISSIPPI

Combining Statement of Activities

Nonmajor Component Units

For the Fiscal Year Ended September 30, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Meridian Transportation Commission	Meridian and Bonita Lakes Development Authority	Meridian Redevelopment Authority	Total Nonmajor Component Units
Component units:								
Meridian Transportation Commission	\$ 448,020	58,558	346,186	64,368	21,092	-	-	21,092
Meridian and Bonita Lakes Development Authority	3,744	-	4,544	-	-	800	-	800
Meridian Redevelopment Authority	5,796	-	3,600	406,158	-	-	403,962	403,962
Total component units	\$ 457,560	58,558	354,330	470,526	21,092	800	403,962	425,854
General revenues:								
Interest income					846	3	452	1,301
Insurance proceeds					5,628	-	-	5,628
Total general revenues					6,474	3	452	6,929
Change in net assets					27,566	803	404,414	432,783
Net assets, October 1, 2004					2,935	63	23,873	26,871
Net assets, September 30, 2005				\$ 30,501		866	428,287	459,654

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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, 2005

	<u>Assessed</u> <u>Value</u>	<u>Millage</u>	<u>Ad Valorem</u> <u>Taxes</u>
City of Meridian:			
Realty	\$ 152,993,716	50.08	\$ 7,661,925
Personal property - other than auto	40,651,134	50.08	2,035,809
Public utilities	27,235,499	50.08	1,363,954
Personal autos - 2004 rates	3,585,863	50.08	179,580
Personal autos - 2005 rates	<u>30,880,330</u>	50.08	<u>1,546,487</u>
Total City of Meridian valuation	\$ <u>255,346,542</u>		12,787,755
Less homestead exemption allowed			<u>(864,758)</u>
Total City ad valorem taxes			11,922,997
Adjustments to original tax roll:			
Realty		(73,157)	
Personal		(40,419)	
Homestead exemption		<u>(6,680)</u>	(120,256)
Add:			
Actual homestead reimbursement		563,799	
Prior year tax collection		89,383	
Payments in lieu of taxes		88,249	
Motor vehicle rent tax		53,524	
Aircraft		6,025	
Mobile homes		<u>9,609</u>	<u>810,589</u>
Total City to account for			<u>12,613,330</u>
<u>Separate School District:</u>			
Realty	\$ 161,201,712	64.37	10,376,554
Personal property - other than auto	49,167,664	64.37	3,164,923
Public utilities	35,417,312	64.37	2,279,812
Personal autos - 2004 rates	3,617,038	62.30	225,341
Personal autos - 2005 rates	<u>31,192,954</u>	64.37	<u>2,007,890</u>
Total Separate School District valuation	\$ <u>280,596,680</u>		18,054,520
Less homestead exemption allowed			<u>(1,705,841)</u>
Total Separate School District ad valorem taxes			16,348,679
Adjustments to original tax roll:			
Realty		(93,868)	
Personal		25,094	
Homestead exemption		<u>(8,542)</u>	(77,316)
Add:			
Prior year tax collection		111,438	
Mobile homes		26,247	<u>137,685</u>
Total Separate School District to account for			<u>16,409,048</u>
Total City of Meridian and Separate School District to account for			\$ <u>29,022,378</u>

CITY OF MERIDIAN, MISSISSIPPI
 Schedule Reconciling Original Ad Valorem
 Tax Rolls to Fund Collections
 For the Fiscal Year Ended September 30, 2005

	<u>Taxes</u>	<u>Homestead Reimbursement</u>	<u>Total</u>
Accounted for as follows:			
General Fund	\$ 7,080,506	339,878	7,420,384
General Fund - Pilot	88,249	-	88,249
General Bond & Interest	2,837,925	136,221	2,974,146
School Bond & Interest	738,221	-	738,221
Police & Fire Disability	1,121,687	53,926	1,175,613
General Retirement	703,491	33,774	737,265
School Fund	<u>15,365,477</u>	<u>-</u>	<u>15,365,477</u>
 Total accounted for	 \$ <u>27,935,556</u>	 <u>563,799</u>	 28,499,355
 Balance represented by:			
Unpaid personal property			263,118
Held by tax collector			3,598
Sold to state			55,282
Tax collector's commission			197,965
Unaccounted for			<u>3,060</u>
 Total ad valorem taxes		 \$	 <u>29,022,378</u>

SCHEDULE 18**CITY OF MERIDIAN, MISSISSIPPI**

Schedule of Investments

September 30, 2005

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
General fund - unrestricted -				
Certificate of deposit	07/13/2005	01/09/2006	2.48%	\$ <u>500,000</u>
Proprietary funds:				
Unrestricted -				
Certificate of deposit	07/13/2005	01/09/2006	2.48%	\$ <u>100,000</u>
Restricted:				
Certificate of deposit	12/23/2004	12/23/2005	2.75%	179,860
Federal National Mortgage Association Discount Notes	06/27/2005	12/27/2005	N/A	759,000
Federal National Mortgage Association Discount Notes	06/27/2005	12/27/2005	N/A	971,000
Federal Home Loan Mortgage Corporate Discount Notes	05/27/2005	11/15/2005	N/A	428,000
Federated Government Obligations	N/A	N/A	N/A	975
Federal Home Loan Mortgage Corporate Discount Notes	09/21/2005	03/27/2006	N/A	<u>304,238</u>
Total restricted funds				<u>2,643,073</u>
Total proprietary funds investments				\$ <u>2,743,073</u>
Total unrestricted investments				\$ <u>600,000</u>
Total restricted investments				\$ <u>2,643,073</u>
Total repurchase agreements - presented as cash and cash equivalents in various fund types				\$ <u>3,057,000</u>

SCHEDULE 19**CITY OF MERIDIAN, MISSISSIPPI**
Schedule of Surety Bonds for Municipal Officials
September 30, 2005

<u>Name</u>	<u>Position</u>	<u>Insurance Company</u>	<u>Bond</u>
John Robert Smith	Mayor	The St. Paul Companies	\$ 50,000 *
George M Thomas	Councilman	Great River Insurance Company	100,000
Mary A. B. Perry	Councilman	Great River Insurance Company	100,000
Barbara Henson	Councilman	Great River Insurance Company	100,000
Jesse E. Palmer, Sr.	Councilman	Great River Insurance Company	100,000
John C. Harris	Councilman	Great River Insurance Company	100,000
Kenneth Storms	Chief Administrative Officer	Great River Insurance Company	50,000
Ed Skipper	City Clerk/CFO	Great River Insurance Company	50,000
Blanket Policy	All city employees	The St. Paul Companies	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, 2005

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance September 30, 2004</u>	<u>Principal Payments</u>	<u>New Issues</u>	<u>Balance September 30, 2005</u>
Governmental activities:							
Public Improvements of 1984	11/01/1984	9.25-10.5%	\$ 3,000,000	310,000	310,000	-	-
Public Improvements of 1993	08/01/1993	3.8-5.4%	1,160,000	410,000	95,000	-	315,000
Public Improvements of 1995	08/01/1995	4.4-6.2%	2,050,000	260,000	260,000	-	-
Refunding Bonds of 1996	01/01/1996	3.875-5.0%	4,210,000	395,000	395,000	-	-
Public Improvements of 1998	03/01/1998	4.2-6.0%	4,500,000	3,100,000	280,000	-	2,820,000
Public Improvement of 1999	04/01/1999	4.1-5.7%	1,150,000	855,000	70,000	-	785,000
Public Improvement of 2000	05/01/2000	4.4-6.25%	1,100,000	730,000	105,000	-	625,000
Public Improvement of 2003	07/01/2003	3.25-4.125%	6,000,000	5,710,000	300,000	-	5,410,000
Total general obligations bonds			23,170,000	11,770,000	1,815,000	-	9,955,000
Special Obligation Bonds 2003A	07/01/2003	2.75-4.5%	5,500,000	5,330,000	180,000	-	5,150,000
Special Obligation Bonds 2003B	07/01/2003	3.3-3.375%	1,500,000	1,460,000	45,000	-	1,415,000
Total special obligation bonds			7,000,000	6,790,000	225,000	-	6,565,000
Limited Obligation Tax Increment Bonds	12/01/1996	9.0%	4,160,000	2,080,000	520,000	-	1,560,000
Limited Obligation Tax Increment Bonds	09/01/2000	9.0%	2,200,000	2,125,000	85,000	-	2,040,000
Limited Obligation Tax Increment Bonds	12/01/2000	9.0%	1,100,000	1,025,000	80,000	-	945,000
Total tax increment bonds			7,460,000	5,230,000	685,000	-	4,545,000
Revolving loan - capital improvements	06/01/2001	3.00%	1,000,000	814,899	59,232	-	755,667
Total promissory loans			1,000,000	814,899	59,232	-	755,667
Special Street Improvements	08/01/1995	4.8-6.75%	1,920,000	1,340,000	85,000	-	1,255,000
Special Assessment Public Improvement	06/01/1996	4.7-6.7%	2,000,000	1,450,000	80,000	-	1,370,000
Special Assessment Public Improvement	06/01/2000	5.2-6.25%	1,125,000	995,000	40,000	-	955,000
Special Assessment Public Imp 2001	08/01/2001	4.5-6.0%	500,000	455,000	15,000	-	440,000
Total special assessment			5,545,000	4,240,000	220,000	-	4,020,000
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	709,066	621,037	33,377	-	587,660
Trustmark Lease - street sweeper	11/21/2003	3.35%	67,223	67,223	21,667	-	45,556
Hancock Bank - fire truck	02/17/2005	3.09%	311,762	-	-	311,762	311,762
Total capital leases			1,088,051	688,260	55,044	311,762	944,978
Total governmental activities			\$ 45,263,051	29,533,159	3,059,276	311,762	26,785,645
Business-type activities:							
Water and Sewer Revenue	07/01/1994	6.0-6.5%	\$ 9,710,000	5,315,000	615,000	-	4,700,000
Water and Sewer Revenue	12/01/1995	4.6-6.5%	5,000,000	3,655,000	215,000	-	3,440,000
Water and Sewer Revenue	10/01/1997	4.5-6.375%	5,000,000	4,010,000	200,000	-	3,810,000
Water and Sewer Revenue	06/01/2000	5.0-6.25%	2,000,000	1,770,000	65,000	-	1,705,000
Total revenue bonds			21,710,000	14,750,000	1,095,000	-	13,655,000
Water and sewer promissory loan	12/01/1998	4.7-6.125%	5,300,000	4,975,000	150,000	-	4,825,000
Loan - capital improvements	01/01/2001	3.00%	360,000	234,580	35,158	-	199,422
Water and sewer promissory loan	11/29/2001	2.3-5.125%	3,100,000	2,935,000	85,000	-	2,850,000
Water and sewer promissory loan	07/01/2003	2.6-3.25%	7,590,000	7,000,000	600,000	-	6,400,000
Water and sewer promissory loan	03/24/2004	1.0-5.0%	2,900,000	2,900,000	90,000	-	2,810,000
Total promissory loans			19,250,000	18,044,580	960,158	-	17,084,422
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	1,053,181	922,433	53,017	-	869,416
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	3,460	3,030	359	-	2,671
Trustmark Lease - trucks	05/11/2004	2.83%	61,171	61,171	20,348	-	40,823
Total capital leases			1,117,812	986,634	73,724	-	912,910
Total business-type activities			\$ 42,077,812	33,781,214	2,128,882	-	31,652,332

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Long-Term Debt Maturities
September 30, 2005

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance September 30, 2005</u>	<u>2006</u>
<u>Governmental activities:</u>					
Public Improvements of 1993	08/01/1993	3.8-5.4%	\$ 1,160,000	315,000	100,000
Public Improvements of 1998	03/01/1998	4.2-6.0%	4,500,000	2,820,000	290,000
Public Improvement of 1999	04/01/1999	4.1-5.7%	1,150,000	785,000	70,000
Public Improvement of 2000	05/01/2000	4.4-6.25%	1,100,000	625,000	110,000
Public Improvement of 2003	07/01/2003	3.25-4.125%	6,000,000	5,410,000	315,000
Total general obligations bonds			<u>13,910,000</u>	<u>9,955,000</u>	<u>885,000</u>
Special Obligation Bonds 2003A	07/01/2003	2.75-4.5%	5,500,000	5,150,000	185,000
Special Obligation Bonds 2003B	07/01/2003	3.3-3.375%	1,500,000	1,415,000	45,000
Total special obligation bonds			<u>7,000,000</u>	<u>6,565,000</u>	<u>230,000</u>
Limited Obligation Tax Increment Bonds (TIF)	12/01/1996	9.0%	4,160,000	1,560,000	520,000
Limited Obligation Tax Increment Bonds (TIF)	09/01/2000	9.0%	2,200,000	2,040,000	175,000
Limited Obligation Tax Increment Bonds (TIF)	12/01/2000	9.0%	1,100,000	945,000	85,000
Total tax increment bonds			<u>7,460,000</u>	<u>4,545,000</u>	<u>780,000</u>
Revolving loan - capital improvements	01/08/2001	3.00%	1,000,000	755,667	55,878
Total promissory loans			<u>1,000,000</u>	<u>755,667</u>	<u>55,878</u>
Special Street Improvements	08/01/1995	4.8-6.75%	1,920,000	1,255,000	95,000
Special Assessment Public Improvement	06/01/1996	4.7-6.7%	2,000,000	1,370,000	85,000
Special Assessment Public Improvement	06/01/2000	5.2-6.25%	1,125,000	955,000	40,000
Special Assessment Public Imp 2001	08/01/2001	4.5-6.0%	500,000	440,000	20,000
Total special assessment			<u>5,545,000</u>	<u>4,020,000</u>	<u>240,000</u>
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	709,066	587,660	40,166
Trustmark Lease - street sweeper	11/21/2003	3.35%	67,223	45,556	22,396
Hancock Bank - fire truck	02/17/2005	3.09%	311,762	311,762	102,230
Total capital leases			<u>776,289</u>	<u>944,978</u>	<u>164,792</u>
Total governmental activities			\$ <u>35,691,289</u>	<u>26,785,645</u>	<u>2,355,670</u>
<u>Business-type activities:</u>					
Water and Sewer Revenue	07/01/1994	6.0-6.5%	\$ 9,710,000	4,700,000	655,000
Water and Sewer Revenue	12/01/1995	4.6-6.5%	5,000,000	3,440,000	230,000
Water and Sewer Revenue	10/01/1997	4.5-6.375%	5,000,000	3,810,000	210,000
Water and Sewer Revenue	06/01/2000	5.0-6.25%	2,000,000	1,705,000	70,000
Total revenue bonds			<u>21,710,000</u>	<u>13,655,000</u>	<u>1,165,000</u>
Water and sewer promissory loan	12/01/1998	4.7-6.125%	5,300,000	4,825,000	155,000
Loan - capital improvements	01/01/2001	3.00%	360,000	199,422	36,226
Water and sewer promissory loan	11/29/2001	2.3-5.125%	3,100,000	2,850,000	90,000
Water and sewer promissory loan	07/01/2003	2.6-3.25%	7,590,000	6,400,000	620,000
Water and sewer promissory loan	03/24/2004	1.0-5.0%	2,900,000	2,810,000	95,000
Total promissory loans			<u>19,250,000</u>	<u>17,084,422</u>	<u>996,226</u>
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	1,053,181	869,416	55,693
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	3,460	2,671	186
Trustmark Lease - trucks	05/11/2004	2.83%	61,171	40,823	20,126
Total capital leases			<u>1,117,812</u>	<u>912,910</u>	<u>76,005</u>
Total business-type activities			\$ <u>42,077,812</u>	<u>31,652,332</u>	<u>2,237,231</u>

SCHEDULE 21

Maturities for the Years Ended September 30,

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 - 2015</u>	<u>2016 - 2020</u>	<u>2021 - 2025</u>	<u>2026</u>
105,000	110,000	-	-	-	-	-	-
310,000	325,000	340,000	360,000	1,195,000	-	-	-
75,000	80,000	85,000	85,000	390,000	-	-	-
120,000	125,000	130,000	140,000	-	-	-	-
<u>330,000</u>	<u>345,000</u>	<u>360,000</u>	<u>375,000</u>	<u>2,150,000</u>	<u>1,535,000</u>	-	-
<u>940,000</u>	<u>985,000</u>	<u>915,000</u>	<u>960,000</u>	<u>3,735,000</u>	<u>1,535,000</u>	-	-
200,000	200,000	215,000	225,000	1,300,000	1,640,000	1,185,000	-
<u>50,000</u>	<u>50,000</u>	<u>55,000</u>	<u>60,000</u>	<u>345,000</u>	<u>460,000</u>	<u>350,000</u>	-
<u>250,000</u>	<u>250,000</u>	<u>270,000</u>	<u>285,000</u>	<u>1,645,000</u>	<u>2,100,000</u>	<u>1,535,000</u>	-
520,000	520,000	-	-	-	-	-	-
190,000	205,000	255,000	270,000	945,000	-	-	-
<u>95,000</u>	<u>100,000</u>	<u>110,000</u>	<u>120,000</u>	<u>435,000</u>	-	-	-
<u>805,000</u>	<u>825,000</u>	<u>365,000</u>	<u>390,000</u>	<u>1,380,000</u>	-	-	-
<u>62,733</u>	<u>64,642</u>	<u>66,608</u>	<u>68,634</u>	<u>375,781</u>	<u>61,391</u>	-	-
<u>62,733</u>	<u>64,642</u>	<u>66,608</u>	<u>68,634</u>	<u>375,781</u>	<u>61,391</u>	-	-
100,000	105,000	110,000	120,000	725,000	-	-	-
95,000	105,000	110,000	115,000	695,000	165,000	-	-
45,000	45,000	50,000	50,000	310,000	415,000	-	-
<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>135,000</u>	<u>165,000</u>	<u>40,000</u>	-
<u>260,000</u>	<u>275,000</u>	<u>290,000</u>	<u>305,000</u>	<u>1,865,000</u>	<u>745,000</u>	<u>40,000</u>	-
40,133	42,555	45,123	47,847	286,195	85,641	-	-
23,160	-	-	-	-	-	-	-
<u>103,172</u>	<u>106,360</u>	-	-	-	-	-	-
<u>166,465</u>	<u>148,915</u>	<u>45,123</u>	<u>47,847</u>	<u>286,195</u>	<u>85,641</u>	-	-
<u>2,484,198</u>	<u>2,548,557</u>	<u>1,951,731</u>	<u>2,056,481</u>	<u>9,286,976</u>	<u>4,527,032</u>	<u>1,575,000</u>	-
690,000	735,000	775,000	1,845,000	-	-	-	-
245,000	260,000	275,000	290,000	1,730,000	410,000	-	-
220,000	230,000	245,000	260,000	1,520,000	1,125,000	-	-
<u>75,000</u>	<u>80,000</u>	<u>85,000</u>	<u>90,000</u>	<u>550,000</u>	<u>755,000</u>	-	-
<u>1,230,000</u>	<u>1,305,000</u>	<u>1,380,000</u>	<u>2,485,000</u>	<u>3,800,000</u>	<u>2,290,000</u>	-	-
165,000	175,000	185,000	195,000	1,180,000	1,500,000	1,270,000	-
34,174	38,368	39,535	40,738	10,381	-	-	-
90,000	95,000	95,000	100,000	575,000	705,000	895,000	205,000
645,000	665,000	685,000	710,000	3,075,000	-	-	-
<u>100,000</u>	<u>105,000</u>	<u>110,000</u>	<u>115,000</u>	<u>655,000</u>	<u>820,000</u>	<u>810,000</u>	-
<u>1,034,174</u>	<u>1,078,368</u>	<u>1,114,535</u>	<u>1,160,738</u>	<u>5,495,381</u>	<u>3,025,000</u>	<u>2,975,000</u>	<u>205,000</u>
60,134	63,208	67,022	71,067	425,089	127,203	-	-
196	208	220	233	1,395	233	-	-
<u>20,697</u>	-	-	-	-	-	-	-
<u>81,027</u>	<u>63,416</u>	<u>67,242</u>	<u>71,300</u>	<u>426,484</u>	<u>127,436</u>	-	-
<u>2,345,201</u>	<u>2,446,784</u>	<u>2,561,777</u>	<u>3,717,038</u>	<u>9,721,865</u>	<u>5,442,436</u>	<u>2,975,000</u>	<u>205,000</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.....	137 - 144
<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	145 - 148
<i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	
Debt capacity.....	149 - 153
<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 economic information	154 - 155
<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.....	156 - 158
<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 Four Fiscal Years¹

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental activities:				
Invested in capital assets, net of related debt	\$ 23,260	\$ 31,813	\$ 36,915	\$ 44,517
Restricted	3,136	14,336	7,229	5,842
Unrestricted	<u>23,816</u>	<u>6,204</u>	<u>9,159</u>	<u>5,282</u>
Total governmental activities net assets	<u>\$ 50,212</u>	<u>\$ 52,353</u>	<u>\$ 53,303</u>	<u>\$ 55,641</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 20,538	\$ 20,085	\$ 17,957	\$ 18,510
Restricted	5,147	3,449	4,564	2,798
Unrestricted	<u>3,256</u>	<u>3,639</u>	<u>3,506</u>	<u>5,941</u>
Total business-type activities net assets	<u>\$ 28,941</u>	<u>\$ 27,173</u>	<u>\$ 26,027</u>	<u>\$ 27,249</u>
Primary government				
Invested in capital assets, net of related debt	\$ 43,798	\$ 51,898	\$ 54,872	\$ 63,027
Restricted	8,283	17,785	11,793	8,640
Unrestricted	<u>27,072</u>	<u>9,843</u>	<u>12,665</u>	<u>11,223</u>
Total primary government net assets	<u>\$ 79,153</u>	<u>\$ 79,526</u>	<u>\$ 79,330</u>	<u>\$ 82,890</u>

Source: Audit Reports - Statement of Net Assets

¹GASB 34 was implemented effective fiscal year 2002, therefore, information from government-wide statements is not available for the fiscal years 1996 through 2001.

CITY OF MERIDIAN, MISSISSIPPI

Changes in Net Assets

Last Four Fiscal Years¹

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year			
	2002	2003	2004	2005
Expenses				
Governmental activities:				
General government	\$ 5,548	\$ 5,291	\$ 5,738	\$ 5,778
Public safety	10,395	10,864	11,981	14,875
Public works	5,608	6,230	6,770	6,650
Culture and recreation	1,609	1,806	1,968	1,975
Economic development	156	85	169	121
Other	71	50	101	127
Interest on long-term debt	1,553	1,390	1,685	1,443
Total governmental activities expenses	<u>24,940</u>	<u>25,716</u>	<u>28,412</u>	<u>30,969</u>
Business-type activities:				
Water and sewer	8,324	10,742	10,381	10,879
Waste collection and disposal	2,174	2,529	2,739	2,234
Golf course	453	433	423	407
Union station	251	254	284	307
Concessions	41	48	39	41
Total business-type activities expenses	<u>11,243</u>	<u>14,006</u>	<u>13,866</u>	<u>13,868</u>
Total primary government expenses	<u>\$ 36,183</u>	<u>\$ 39,722</u>	<u>\$ 42,278</u>	<u>\$ 44,837</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	562	827	681	788
Public safety	605	853	1,148	2,164
Culture and recreation	110	137	144	135
Operating grants and contributions	792	817	1,168	3,257
Capital grants and contributions	60	280	603	581
Total governmental activities program revenues	<u>2,129</u>	<u>2,914</u>	<u>3,744</u>	<u>6,925</u>
Business-type activities:				
Charges for services:				
Water and sewer	9,442	9,002	9,798	10,902
Waste collection and disposal	1,607	1,599	1,580	1,569
Golf course	421	367	346	310
Union station	90	98	103	97
Concessions	46	45	41	43
Operating grants and contributions	2,823	312	253	8
Capital grants and contributions	-	-	-	1,644
Total business-type activities program revenues	<u>14,429</u>	<u>11,423</u>	<u>12,121</u>	<u>14,573</u>
Total primary government program revenues	<u>\$ 16,558</u>	<u>\$ 14,337</u>	<u>\$ 15,865</u>	<u>\$ 21,498</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI

Changes in Net Assets

Last Four Fiscal Years¹

(accrual basis of accounting)

(amounts expressed in thousands)

	<u>Fiscal Year</u>			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>Net (expense)/revenue</u>				
Governmental activities	\$(22,811)	\$(22,802)	\$(24,668)	\$(24,044)
Business-type activities	<u>3,186</u>	<u>(2,583)</u>	<u>(1,745)</u>	<u>705</u>
Total primary government net (expense)/revenue	<u>\$(19,625)</u>	<u>\$(25,385)</u>	<u>\$(26,413)</u>	<u>\$(23,339)</u>
<u>General revenues and other changes in net assets</u>				
Governmental activities:				
Taxes:				
Property taxes	\$ 9,385	\$ 9,828	\$ 10,107	\$ 10,162
Sales taxes	11,450	11,839	12,179	12,715
Franchise taxes	1,747	1,794	1,845	1,990
County road taxes	651	868	815	798
Motor fuel taxes	19	19	19	19
Unrestricted grants and contributions	61	68	65	64
Unrestricted investment earnings	173	149	176	259
Gain on sale of capital assets	-	21	17	-
Transfers	<u>700</u>	<u>357</u>	<u>395</u>	<u>375</u>
Total governmental activities general revenues and other changes in net assets	<u>24,186</u>	<u>24,943</u>	<u>25,618</u>	<u>26,382</u>
Business-type activities:				
Property taxes	823	901	882	740
Unrestricted investment earnings	201	270	113	152
Transfers	<u>(700)</u>	<u>(357)</u>	<u>(395)</u>	<u>(375)</u>
Total business-type activities general revenues and other changes in net assets	<u>324</u>	<u>814</u>	<u>600</u>	<u>517</u>
Total primary government general revenues and other changes in net assets	<u>\$ 24,510</u>	<u>\$ 25,757</u>	<u>\$ 26,218</u>	<u>\$ 26,899</u>
<u>Change in Net Assets</u>				
Governmental activities	\$ 1,375	\$ 2,141	\$ 950	\$ 2,338
Business-type activities	<u>3,510</u>	<u>(1,769)</u>	<u>(1,145)</u>	<u>1,222</u>
Total primary government change in net assets	<u>\$ 4,885</u>	<u>\$ 372</u>	<u>\$ (195)</u>	<u>\$ 3,560</u>

Source: Audit Reports - Statement of Activities

¹GASB 34 was implemented effective fiscal year 2002, therefore, information from government-wide statements is not available for the fiscal years 1996 through 2001.

SCHEDULE 24

CITY OF MERIDIAN, MISSISSIPPI
Governmental Activities Tax Revenues by Source

Last Four Fiscal Years¹
(accrual basis of accounting)
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>County Road Tax</u>	<u>Motor Fuel Tax</u>	<u>Total</u>
2002	\$ 9,385	\$ 11,450	\$ 1,747	\$ 651	\$ 19	\$ 23,252
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

Source: Audit Reports - Statement of Activities

¹GASB 34 was implemented effective fiscal year 2002, therefore, information from government-wide statements is not available for the fiscal years 1996 through 2001.

SCHEDULE 25

CITY OF MERIDIAN, MISSISSIPPI

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General fund:										
Reserved	\$ 215	\$ 336	\$ 556	\$ 418	\$ 662	\$ 297	\$ 348	\$ 1,000	\$ 880	\$ 845
Unreserved	<u>4,216</u>	<u>4,174</u>	<u>3,548</u>	<u>4,063</u>	<u>2,927</u>	<u>3,326</u>	<u>4,871</u>	<u>6,099</u>	<u>6,211</u>	<u>5,638</u>
Total general fund	<u>\$ 4,431</u>	<u>\$ 4,510</u>	<u>\$ 4,104</u>	<u>\$ 4,481</u>	<u>\$ 3,589</u>	<u>\$ 3,623</u>	<u>\$ 5,219</u>	<u>\$ 7,099</u>	<u>\$ 7,091</u>	<u>\$ 6,483</u>
All other governmental funds:										
Reserved	\$ 1,782	\$ 3,822	\$ 3,729	\$ 4,541	\$ 2,776	\$ 2,438	\$ 2,396	\$ 8,510	\$ 4,721	\$ 3,006
Unreserved, reported in:										
Special revenue funds	305	194	210	241	183	50	228	340	533	1,006
Capital projects funds	<u>5,221</u>	<u>3,143</u>	<u>4,781</u>	<u>2,870</u>	<u>5,198</u>	<u>5,302</u>	<u>567</u>	<u>5,640</u>	<u>2,031</u>	<u>1,846</u>
Total all other governmental funds	<u>\$ 7,308</u>	<u>\$ 7,159</u>	<u>\$ 8,720</u>	<u>\$ 7,652</u>	<u>\$ 8,157</u>	<u>\$ 7,790</u>	<u>\$ 3,191</u>	<u>\$ 14,490</u>	<u>\$ 7,285</u>	<u>\$ 5,858</u>

Source: Audit Reports - Governmental Funds Balance Sheet

Note: Beginning in fiscal year 2001, the City moved the waste collection and disposal operations from the General Fund to the newly created the Waste Collection and Disposal Enterprise Fund.

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									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Revenues:										
Taxes	\$ 17,716	\$ 18,128	\$ 19,093	\$ 20,167	\$ 20,093	\$ 19,874	\$ 21,322	\$ 22,380	\$ 22,944	\$ 23,534
Franchise	1,480	1,445	1,538	1,481	1,582	1,748	1,747	1,794	1,845	1,990
Payment in Lieu of taxes	117	131	97	132	144	107	112	100	86	83
Intergovernmental	1,587	9,690	3,456	1,780	1,694	2,173	864	976	1,613	3,746
Fines and forfeitures	902	891	948	849	775	638	605	853	1,148	2,164
Licenses and Permits	238	270	199	256	240	232	233	225	298	302
Charges for services	1,481	1,433	1,394	1,555	1,545	1,09	110	137	144	135
Special assessments	76	64	122	113	151	119	127	120	132	96
Local contributions	35	1,203	258	203	69	81	49	189	223	155
Investment earnings	454	618	627	582	561	529	173	148	176	259
Interest costs and damages	156	147	138	151	165	83	69	84	94	95
Miscellaneous	237	301	292	434	198	249	328	652	471	499
Total Revenues	24,479	34,321	28,162	27,703	27,217	25,942	25,739	27,658	29,174	33,058
Expenditures:										
General government	4,159	4,180	4,529	4,708	4,896	4,843	5,116	4,885	5,342	5,440
Public safety	8,611	8,873	9,422	9,894	10,510	9,956	9,998	10,576	11,500	14,767
Public works	4,793	5,035	5,066	5,007	5,201	2,966	2,876	3,541	3,827	3,956
Culture and recreation	1,374	1,720	2,133	1,605	1,571	1,527	1,535	1,750	1,884	1,963
Economic development	457	5,363	1,075	156	153	153	156	85	169	411
Other	67	74	32	66	84	65	71	51	102	127
Capital outlay	3,775	10,280	5,607	4,006	6,881	4,366	4,644	2,438	8,855	4,529
Debt Service:										
Principal	2,185	2,559	2,464	2,848	2,794	3,893	4,064	3,346	3,440	3,059
Interest	1,332	1,341	1,756	1,730	1,530	1,685	1,634	1,261	1,705	1,506
Total expenditures	26,753	39,425	32,084	30,020	33,620	29,454	30,094	27,933	36,824	35,758
Excess (deficiency) of revenues over (under) expenditures	(2,274)	(5,104)	(3,922)	(2,317)	(6,403)	(3,512)	(4,355)	(275)	(7,650)	(2,700)

(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									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Other financing sources (uses):										
Transfers in	\$ 832	\$ 1,940	\$ 854	\$ 915	\$ 1,338	\$ 2,332	\$ 2,611	\$ 1,438	\$ 2,634	\$ 1,929
Transfers out	(207)	(1,308)	(413)	(486)	(861)	(1,801)	(1,968)	(984)	(2,264)	(1,576)
Refunding bonds issued	4,210	-	-	-	-	-	-	-	-	-
Bonds issued	2,000	4,191	4,522	1,157	4,431	2,610	-	13,000	-	-
Premium on bonds issued	-	-	-	-	-	-	-	-	-	-
Discount on bonds issued	-	-	-	-	-	-	-	-	-	-
Payments to refunded bond escrow agent	(4,210)	-	-	-	-	-	-	-	-	-
Capital leases	369	211	114	40	1,108	-	709	-	67	312
Total other financing source (uses)	<u>2,994</u>	<u>5,034</u>	<u>5,077</u>	<u>1,626</u>	<u>6,016</u>	<u>3,141</u>	<u>1,352</u>	<u>13,454</u>	<u>437</u>	<u>665</u>
Net change in fund balance	<u>\$ 720</u>	<u>\$ (70)</u>	<u>\$ 1,155</u>	<u>\$ (691)</u>	<u>\$ (387)</u>	<u>\$ (371)</u>	<u>\$ (3,003)</u>	<u>\$ 13,179</u>	<u>\$ (7,213)</u>	<u>\$ (2,035)</u>
Debt service as a percentage of noncapital expenditures	<u>15.3%</u>	<u>13.4%</u>	<u>15.9%</u>	<u>17.6%</u>	<u>16.2%</u>	<u>22.2%</u>	<u>22.4%</u>	<u>18.1%</u>	<u>18.4%</u>	<u>14.6%</u>

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

Note: Beginning in fiscal year 2001, the City moved the waste collection and disposal operations from the General Fund to the newly created the Waste Collection and Disposal Enterprise Fund.

SCHEDULE 27

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>County Road Tax</u>	<u>Motor Fuel Tax</u>	<u>Total</u>
1996	\$ 7,430	\$ 9,771	\$ 1,480	\$ 495	\$ 20	\$ 19,196
1997	7,810	9,803	1,445	495	20	19,573
1998	7,681	10,913	1,538	479	20	20,631
1999	8,362	11,308	1,481	477	20	21,648
2000	8,622	10,954	1,582	497	20	21,675
2001	8,507	10,764	1,748	583	20	21,622
2002	9,202	11,450	1,747	651	19	23,069
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

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

SCHEDULE 28

CITY OF MERIDIAN, MISSISSIPPI

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

Fiscal Year Ended September 30,	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Motor Vehicles	Other					
1996	\$ 44,519	\$ 91,062	\$ 31,475	\$ 21,446	\$ 1,642	\$ 186,860	\$ 50.21	\$ 1,212,506	15.41%
1997	44,809	93,342	32,313	24,909	1,702	193,671	51.24	1,251,069	15.48%
1998	45,113	94,874	33,401	25,762	1,735	197,415	49.14	1,275,411	15.48%
1999	45,507	103,500	33,487	30,925	1,876	211,543	49.14	1,375,761	15.38%
2000	45,719	107,289	33,457	34,665	1,990	219,140	49.14	1,419,875	15.43%
2001	46,604	112,525	32,113	35,533	1,506	225,269	49.14	1,447,275	15.57%
2002	46,652	112,307	34,065	38,864	2,043	229,845	51.49	1,470,234	15.63%
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%

Source: Lauderdale County real and personal property tax rolls.

Note: During 2002, all property in Lauderdale County was reappraised and resulted in an increase in assessed values.

SCHEDULE 29

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	
1996	21.32	18.39	10.50	-	50.21	36.06	6.20	42.26	49.77	5.52	55.29	5.97	153.73
1997	21.17	19.07	11.00	-	51.24	36.24	6.02	42.26	46.72	5.24	51.96	6.19	151.65
1998	21.17	17.62	10.35	-	49.14	35.44	6.82	42.26	49.42	2.91	52.33	6.28	150.01
1999	21.48	17.31	10.35	-	49.14	34.76	7.50	42.26	50.66	2.21	52.87	5.83	150.10
2000	23.44	15.25	10.45	-	49.14	34.04	8.22	42.26	54.24	2.95	57.19	6.16	154.75
2001	21.86	15.00	8.28	4.00	49.14	33.25	9.86	43.11	52.91	3.77	56.68	6.57	155.50
2002	24.69	15.01	7.79	4.00	51.49	34.04	9.07	43.11	52.68	4.70	57.38	7.00	158.98
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

Source: Office of the City Clerk.

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

Beginning in fiscal year 2001, the City created the Waste Collection and Disposal Enterprise Fund. At that time, a specific tax millage was assessed for the Waste Collection and Disposal Fund and the General Fund levy was reduced by a like amount.

CITY OF MERIDIAN, MISSISSIPPI
 Principal Property Taxpayers
 Current and Nine Years Ago
 (amounts expressed in thousands)

<u>Taxpayer</u>	<u>2005</u>			<u>1996</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	\$ 10,686	1	4.18%	\$ 14,663	1	7.86%
Bell South Telecommunications	8,075	2	3.16%	8,993	2	4.82%
Bonita Lakes Mall/Bonita Properties, Inc./CBL	7,886	3	3.09%	----		----
Wal-Mart	4,566	4	1.79%	2,135	4	1.14%
Riley Memorial Hospital	4,279	5	1.68%	1,159	10	0.62%
Anderson Infirmary Benevolent Association	2,365	6	0.93%	1,799	6	0.96%
Peavey Electronics	2,074	7	0.81%	2,198	3	1.18%
Norfolk Southern Railroad	1,784	8	0.70%	1,881	5	1.01%
Mississippi Valley Gas Company	1,669	9	0.65%	1,336	8	0.72%
Rush Foundation Hospital	1,417	10	0.55%	1,590	7	0.85%
Sowashee Investment, et al	----		----	<u>1,305</u>	9	<u>0.70%</u>
Totals	<u>\$ 44,801</u>		<u>17.54%</u>	<u>\$ 37,059</u>		<u>19.86%</u>

Source: Lauderdale County real and personal property tax rolls.

SCHEDULE 31

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

<u>Fiscal Year</u> <u>Ended</u> <u>September 30,</u>	<u>Total Tax</u> <u>Levy for</u> <u>Fiscal Year</u>	<u>Collected within the</u> <u>Fiscal Year of the Levy</u>		<u>Collections in</u> <u>Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>
1996	\$ 9,852	\$ 9,225	93.64%	\$ 234	\$ 9,459	96.01%
1997	10,220	9,653	94.45%	242	9,895	96.82%
1998	10,435	10,034	96.16%	240	10,274	98.46%
1999	10,776	10,643	98.77%	232	10,875	100.92%
2000	11,173	11,033	98.75%	236	11,269	100.86%
2001	11,349	11,258	99.20%	327	11,585	102.08%
2002	11,863	11,764	99.17%	165	11,929	100.56%
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%	269	12,751	101.09%

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

SCHEDULE 32

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 ¹	Per Capita ¹
	General Obligation					Special Obligation					Water & Sewer							
	Bonds	Assessment	Special	Limited	Bonds	Bonds	Participation	Revolving	Capital	Leases	Revenue	Promissory	Notes	Capital	Leases			
1996	\$ 15,880	\$ 4,680	\$ -	\$ -	\$ -	\$ 1,515	\$ -	\$ -	\$ -	\$ -	\$ 833	\$ 23,495	\$ 248	\$ 117	\$ 46,768	6.20%	\$ 1,149	
1997	14,170	4,370	-	4,160	-	1,330	-	-	-	689	22,695	160	177	47,751	6.21%	1,178		
1998	17,075	4,065	-	4,160	-	1,140	-	-	-	388	26,850	72	107	53,857	6.22%	1,338		
1999	16,100	3,740	-	4,160	-	945	-	-	-	232	25,805	5,312	95	56,389	6.51%	1,401		
2000	14,965	4,630	-	6,360	-	745	-	-	-	1,217	26,700	5,300	114	60,031	6.98%	1,502		
2001	12,440	4,850	-	6,940	-	545	982	-	-	843	25,470	5,587	76	57,733	6.36%	1,444		
2002	9,735	4,655	-	6,420	-	340	933	-	-	1,176	24,160	8,594	1,136	57,149	6.29%	1,430		
2003	13,790	4,450	-	5,900	7,000	130	877	-	-	766	23,370	8,406	1,004	65,693	6.96%	1,662		
2004	11,770	4,240	-	5,230	6,790	-	815	-	-	688	14,750	18,045	986	63,314	6.71%	1,600		
2005	9,955	4,020	-	4,545	6,565	-	756	-	-	945	13,655	17,084	913	58,438	6.30%	1,505		

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

¹See the Schedule of Demographic and Economic Statistics for personal income and population data.

SCHEDULE 33

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

<u>Fiscal</u> <u>Year</u>	General Obligation <u>Bonds</u>	Less: Amounts Available in Debt Service <u>Fund</u>	<u>Total</u>	Percentage of Estimated Actual Taxable Value¹ of <u>Property</u>	Per <u>Capita²</u>
1996	\$ 15,880	\$ 1,337	\$ 14,543	1.20%	\$ 357
1997	14,170	2,810	11,360	0.91%	280
1998	17,075	2,695	14,380	1.13%	357
1999	16,100	2,269	13,831	1.01%	344
2000	14,965	2,176	12,789	0.90%	320
2001	12,440	2,099	10,341	0.71%	259
2002	9,735	2,194	7,541	0.51%	189
2003	13,790	2,085	11,705	0.73%	296
2004	11,770	1,983	9,787	0.60%	247
2005	9,955	1,988	7,967	0.48%	205

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

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

²See the Schedule of Demographic and Economic Statistics for population data.

SCHEDULE 34

CITY OF MERIDIAN, MISSISSIPPI
Direct and Overlapping Governmental Activities Debt
As of September 30, 2005
(amounts expressed in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County	\$ 27,015	51.31%	\$ 13,861
Debt repaid with property taxes: School	<u>4,851</u>	91.64%	<u>4,445</u>
Subtotal, overlapping debt	31,866		18,306
City of Meridian direct debt	<u>9,955</u>	100.00%	<u>9,955</u>
Total direct and overlapping debt	<u>\$ 41,821</u>		<u>\$ 28,261</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.

¹The 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.

CITY OF MERIDIAN, MISSISSIPPI

Legal Debt Margin Information

Last Ten Fiscal Years

(amounts expressed in thousands)

	Fiscal year									
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt Limit	\$ 28,275	\$ 29,306	\$ 29,873	\$ 32,013	\$ 33,170	\$ 34,016	\$ 34,783	\$ 38,261	\$ 38,544	\$ 38,739
Total net debt applicable to limit	<u>14,543</u>	<u>11,360</u>	<u>14,380</u>	<u>13,831</u>	<u>12,789</u>	<u>10,341</u>	<u>7,541</u>	<u>11,705</u>	<u>9,787</u>	<u>7,967</u>
Legal debt margin	<u>\$ 13,732</u>	<u>\$ 17,946</u>	<u>\$ 15,493</u>	<u>\$ 18,182</u>	<u>\$ 20,381</u>	<u>\$ 23,675</u>	<u>\$ 27,242</u>	<u>\$ 26,556</u>	<u>\$ 28,757</u>	<u>\$ 30,772</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>51.43%</u>	<u>38.76%</u>	<u>48.14%</u>	<u>43.20%</u>	<u>38.56%</u>	<u>30.40%</u>	<u>21.68%</u>	<u>30.59%</u>	<u>25.39%</u>	<u>20.57%</u>

Legal Debt Margin Calculation for Fiscal Year 2005:

Assessed value	\$ 255,347
Add back: exempt real property	<u>2,911</u>
Total assessed value	<u>\$ 258,258</u>
Debt limit (15% of total assessed value)	\$ 38,739
Debt applicable to limit:	
General obligation bonds	9,955
Less: Amount set aside for repayment of general obligation debt	<u>(1,988)</u>
Total net debt applicable to limit	<u>7,967</u>
Legal debt margin	<u>\$ 30,772</u>

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 36

CITY OF MERIDIAN, MISSISSIPPI

Pledged-Revenue Bond Coverage

Last Ten Fiscal Years

(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Water & Sewer Charges and Other</u>	<u>Less: Operating Expenses¹</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Total</u>	<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>		
1996	\$ 7,113	\$ 4,072	\$ 3,041	\$ 625	\$ 1,414	\$ 2,039	149.14%
1997	7,181	4,331	2,850	800	1,561	2,361	120.71%
1998	8,076	4,155	3,921	845	1,316	2,161	181.44%
1999	8,500	4,421	4,079	1,045	1,683	2,728	149.52%
2000	8,728	4,461	4,267	1,105	1,725	2,830	150.78%
2001	8,459	4,837	3,622	1,230	1,725	2,955	122.57%
2002	9,442	4,777	4,665	1,370	1,518	2,888	161.53%
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	10,903	5,690	5,213	2,020	1,516	3,536	147.43%

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.

¹Total operating expenses exclusive of depreciation and amortization expense.

SCHEDULE 37

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

Fiscal Year	Population¹	Personal Income (amounts expressed in thousands)	Per Capita Personal Income²	Median Age³	School Enrollment⁴	Unemployment Rate⁵
1996	40,720	\$ 753,849	\$ 18,513	34.7	7,215	4.8%
1997	40,534	769,173	18,976	34.7	7,200	5.5%
1998	40,255	866,328	21,521	36.5	7,271	5.8%
1999	40,255	866,328	21,521	36.5	7,139	6.2%
2000	39,968	860,151	21,521	36.5	7,089	6.0%
2001	39,968	908,153	22,722	34.6	6,898	5.4%
2002	39,968	908,153	22,722	34.6	6,695	6.1%
2003	39,518	943,255	23,869	34.6	6,619	6.5%
2004	39,559	944,234	23,869	35.5	6,305	7.6%
2005	38,833	926,905	23,869	35.5	6,449	8.4%

Sources:

- ¹Information obtained from the U.S. Census Bureau website at www.census.gov
- ²Mississippi Employment Security Commission
- ³East Mississippi Business Development Corp. and Mississippi Department of Employment Security
- ⁴Meridian Separate School District
- ⁵Labor Market Data, Mississippi Employment Security Commission

Note:

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

SCHEDULE 38

CITY OF MERIDIAN, MISSISSIPPI
Principal Employers
Current and Eight Years Ago¹
(amounts expressed in thousands)

<u>Taxpayer</u>	<u>2005</u>			<u>1997</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>
Peavey Electronics Corporation	1,500	1	9.99%	1,643	1	9.17%
East Mississippi State Hospital	1,150	2	7.66%	1,071	3	5.98%
Rush Foundation Hospital	1,123	3	7.48%	1,161	2	6.48%
Jeff Anderson Regional Medical Center	1,065	4	7.09%	839	6	4.68%
Meridian Public Schools	987	5	6.57%	938	5	5.23%
Avery Dennison	800	6	5.33%	533	8	2.97%
City of Meridian	510	7	3.40%	585	7	3.26%
Meridian Community College	471	8	3.14%	450	9	2.51%
Mississippi Air National Guard	389	9	2.59%	389	10	2.17%
Wal-mart	370	10	2.46%	----		----
Riley Memorial Hospital	----		----	<u>1,016</u>	4	<u>5.67%</u>
Totals	<u>8,365</u>		<u>55.71%</u>	<u>8,625</u>		<u>48.12%</u>

Source: Mississippi Employment Security Commission

¹Principal employer information is not available for 1996.

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

<u>Function</u>	<u>Full-time Equivalent Employees as of September 30,</u>									
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General government	47	49	49	50	50	49	50	49	47	46
Public safety:										
Police:										
Officers	111	113	114	109	99	100	104	94	96	104
Civilians	32	31	32	27	31	21	15	15	17	18
Fire:										
Firefighters and officers	107	113	112	110	114	108	106	105	106	103
Civilians	6	7	8	8	10	10	10	11	10	9
Highways and streets	79	80	79	73	71	69	74	69	68	70
Sanitation	1	1	1	1	1	1	1	1	2	1
Culture and recreation	43	44	42	41	40	33	42	42	45	52
Water	47	51	52	49	50	54	51	48	51	52
Sewer	47	46	43	44	42	40	43	44	45	44
Golf course	5	5	5	4	5	5	5	5	5	3
Union Station	-	-	-	1	1	1	1	1	2	2
Municipal Garage	16	17	13	17	15	12	13	13	15	15
Homeland Security	-	-	-	-	-	-	-	-	2	6
Community Development	18	19	20	20	19	20	20	21	21	20
Totals	<u>559</u>	<u>576</u>	<u>570</u>	<u>554</u>	<u>548</u>	<u>523</u>	<u>535</u>	<u>518</u>	<u>532</u>	<u>545</u>

Source: City's payroll department.

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

Function	Fiscal Year									
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Police:										
Physical arrests	5,962	6,830	6,050	5,247	4,896	4,223	3,956	4,514	4,322	4,568
Parking violations	12,018	14,460	12,821	10,841	8,276	5,612	5,813	6,757	7,045	7,544
Traffic violations	7,549	10,310	12,771	14,404	9,921	7,033	9,261	12,272	11,564	13,049
Fire:										
Number calls answered	1,904	1,943	2,099	2,728	2,826	3,051	3,315	2,848	2,752	2,743
Inspections	1,350	1,366	1,536	1,687	1,540	955	1,900	2,048	2,844	3,051
Highways and streets:										
Street resurfacing (miles)	-	35	-	-	16	-	8	-	10	35
Potholes repaired	342	463	427	256	252	382	327	284	348	355
Culture and recreation¹:										
Senior Citizen Center classes	-	-	-	-	-	798	812	841	912	1,075
Water:										
New connections	73	80	76	66	74	183	56	45	74	71
Water mains breaks	1,344	1,355	2,193	1,554	1,786	1,512	1,415	1,143	1,193	1,286
Average daily consumption (millions of gallons)	5.188	4.619	5.120	5.353	5.196	5.260	5.347	5.401	5.916	4.802
Wastewater:										
Average daily sewerage treatment (millions of gallons)	7.650	7.380	8.290	7.040	7.460	9.100	9.450	10.090	9.560	11.570

Source: Various City departments.

¹Culture and recreation statistics are not available prior to fiscal year 2001.

SCHEDULE 41

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

Function	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	37	34	31	27	26	24	28	36	37	43
Fire stations	7	7	7	7	7	7	7	7	7	7
Highways and streets:										
Streets (miles)	301.57	303.38	303.97	303.97	303.97	304.68	306.01	306.01	306.15	306.83
Streetlights ¹	-	-	-	-	-	-	6,267	6,273	6,287	6,298
Traffic signals	116	116	116	116	116	116	118	118	118	120
Culture and recreation:										
Parks acreage	140	221	221	224	224	225	225	226	286	286
Parks	10	12	12	13	13	14	15	16	17	17
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	6	6	6	8	8	18	18	18	18	18
Community centers	5	4	4	3	3	3	3	3	3	3
Softball/Baseball fields	12	16	16	16	16	16	16	18	18	18
Soccer fields	9	9	9	9	12	12	12	12	12	12
Golf course	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains (miles)	400	400	400	405	408	420	426	426	426	428
Fire hydrants	3,619	3,638	3,666	3,672	3,694	3,721	3,777	3,793	3,802	3,820
Maximum daily capacity (thousands of gallons)	10,000	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500
Sewer:										
Sanitary sewers (miles)	400	400	400	405	410	418	424	442	442	442
Storm sewers (miles)	200	200	200	200	200	200	200	200	200	200
Maximum daily treatment capacity (thousands of gallons)	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	14,000	14,000

Source: Various City departments.

¹Information on streetlights is not available prior to fiscal year 2002.

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, 2005

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Number/ Federal Contract	Program or Award Amount	Accrued (Deferred) Revenue 09/30/2004	Federal Receipts	Federal Share Disbursements/ Expenditures	Accrued (Deferred) Revenue 09/30/2005	Cumulative Federal Receipts	Cumulative Federal Share Disbursements Expenditures	Fund Type
U. S. Department of Housing & Urban Development										
Pass through Mississippi Department of Economic and Community Development:										
CLG - Williams House Roof	15.904	N/A	\$ 25,682	\$ 22,576	\$ 25,682	\$ 3,106	\$ -	\$ 25,682	\$ 25,682	Special revenue
Home 2000 Grant	14.231	M00-SG-28-01-00	350,000	-	-	450	450	124,295	124,745	Special revenue
Total U.S. Department of Housing & Urban Development				22,576	25,682	3,556	450	149,977	150,427	
U. S. Department of Agriculture										
Bonita Lakes Dam Project	10.916	69-4423-5-1330	400,000	-	300,756	400,000	99,244	300,756	400,000	Capital projects
U. S. Department of Transportation										
Federal Railroad Administration	20.301	DTRF53-001-H-00301	698,000	113,284	349,506	290,495	54,273	475,978	530,251	General fund
I20/I59 Interchange Project	20.205	N/A	1,250,000	181,999	-	97,826	279,825	-	279,825	Capital projects
Pass through Mississippi Department of Transportation:										
Lake Drive Realignment - TEA21	20.205	STP-0075-01(008)	287,500	17,831	-	23,920	41,751	-	41,751	Capital projects
Signalization Program - TEA21	20.205	STP-9450-00(004)	201,250	16,284	-	13,971	30,255	-	30,255	Capital projects
Highway 39 at 33rd Street - TEA21	20.205	STP-0074-01(004)	172,500	21,387	-	6,644	28,031	-	28,031	Capital projects
North Hills/Highway 39	20.205	N/A	1,800,000	16,379	-	36,529	52,908	-	52,908	Capital projects
Bonita Lake Trails Grant	20.205	28-RT-0033	214,720	-	52,265	174,655	122,390	52,265	174,655	Special revenue
Bonita Lake Trails Grant	20.205	N/A	55,908	-	-	55,908	55,908	-	55,908	Special revenue
Total U.S. Department of Transportation				367,164	401,771	699,948	665,341	528,243	1,193,584	
U. S. Department of Homeland Security										
Pass through Mississippi Department of Public Safety:										
2003 Flood Assistance	83.544	FEMA-1459-DR-MS	262,272	92,334	-	-	92,334	169,938	262,272	Capital projects
Domestic Cooperative Preparedness	97.004	2003-MUT-30023	40,000	4,318	4,318	8,258	8,258	31,741	39,999	Special revenue
Domestic Cooperative Preparedness	97.004	2002-TECX-0130	252,800	161,845	252,800	90,955	-	252,800	252,800	Special revenue
Domestic Cooperative Preparedness	97.004	2003-MUT-30023	95,400	46,519	46,459	33,186	33,246	46,459	79,705	Special revenue
Homeland Security - Planner	97.004	2003-MUT-30023	80,000	39,675	75,987	40,325	4,013	75,987	80,000	Special revenue
Homeland Security - Trainer	97.004	2003-MUT-30023	80,000	41,127	48,612	38,598	31,113	48,612	79,725	Special revenue
Homeland Security - Other Supplies	97.004	2003-MUT-30023	10,000	1,985	5,485	8,015	4,515	5,485	10,000	Special revenue
Ratheon ACU 1000	97.004	2002-TECX-0130	25,000	25,000	25,000	-	-	25,000	25,000	Special revenue
Domestic Cooperative Preparedness	97.004	2002-TECX-0121	55,042	-	55,042	55,042	-	55,042	55,042	Special revenue
Homeland Security	97.004	04LE258	69,900	-	-	49,198	49,198	-	49,198	Special revenue
Homeland Security	97.004	4HS258R	850,000	-	-	202,666	202,666	-	202,666	Special revenue
Hurricane Ivan Clean Up	97.030	FEMA-1550-MS-DR	693,890	-	-	619,420	619,420	-	619,420	Special revenue
Hurricane Katrina Clean Up	97.030	FEMA-1604-MS-DR	1,300,000	-	-	972,251	972,251	-	972,251	Special revenue
Hurricane Dennis	97.030	FEMA-1594-MS-DR	14,002	-	-	14,002	14,002	-	14,002	General fund
Homeland Security Critical Infrastructure Protection	97.004	2003-MUT-30023	9,849	-	9,849	9,849	-	9,849	9,849	General fund
Total U.S. Department of Homeland Security				412,803	523,552	2,141,765	2,031,016	720,913	2,751,929	

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended September 30, 2005

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Number/ Federal Contract	Program or Award Amount	Accrued (Deferred) Revenue 09/30/2004	Federal Receipts	Federal Share Disbursements/Expenditures	Accrued (Deferred) Revenue 09/30/2005	Cumulative Federal Receipts	Cumulative Federal Disbursements/Expenditures	Fund Type
U. S. Department of Interior										
Pass through Mississippi Forestry Commission:										
Urban and Community Forestry Grant	10.664	N/A	\$ 2,500	\$ -	\$ 2,492	\$ 2,492	\$ -	\$ 2,492	\$ 2,492	Special revenue
Transportation Enhanced Tree Planting Program	10.664	N/A	15,000	-	14,884	14,884	-	14,884	14,884	Special revenue
Certified Local Government Grant	10.664	N/A	9,000	-	9,000	9,000	-	9,000	9,000	Special revenue
Total U.S. Department of Interior					<u>26,376</u>	<u>26,376</u>		<u>26,376</u>	<u>26,376</u>	
U. S. Department of Justice										
Local Law Enforcement Block Grant	16.592	2003-LB-BX-0924	25,713	(1,237)	-	1,237	-	25,713	25,713	Special revenue
Local Law Enforcement Block Grant	16.592	2004-LB-BX-1084	10,812	(10,812)	-	10,812	-	10,812	10,812	Special revenue
Total Local Law Enforcement Grants				<u>(12,049)</u>		<u>12,049</u>		<u>36,525</u>	<u>36,525</u>	
Pass through Mississippi Department of Public Safety:										
Wesley House/Victim Assistance	16.575	3NW2222	95,114	-	85,268	85,268	-	85,268	85,268	Agency
Multi-Jurisdictional Drug Task Force	16.579	3NM2222	205,423	18,548	18,548	-	-	169,649	169,649	Special revenue
Multi-Jurisdictional Drug Task Force	16.579	4NM2221	210,298	-	147,839	185,584	37,745	147,839	185,584	Special revenue
Alcohol Countermeasures	20.600	4-TA-222-1	75,000	1,423	1,423	-	-	74,928	74,928	Special revenue
Alcohol Countermeasures	20.600	05-TA-222-1	90,000	-	31,205	59,736	28,531	31,205	59,736	Special revenue
Stop Violence Against Women	16.579	2002-WF-BX0047	46,890	14,901	14,901	-	-	46,645	46,645	Special revenue
Domestic Violence Grant	16.579	3SL-222-1	46,689	10,487	39,989	34,786	5,284	39,989	45,273	Special revenue
Underage Drinking Enforcement	16.727	4-UA-222-1	8,005	-	1,376	1,857	481	1,376	1,857	Special revenue
Total Mississippi Department of Public Safety				<u>45,359</u>	<u>340,549</u>	<u>367,231</u>	<u>72,041</u>	<u>596,899</u>	<u>668,940</u>	
Total U.S. Department of Justice				<u>33,310</u>	<u>340,549</u>	<u>379,280</u>	<u>72,041</u>	<u>633,424</u>	<u>705,465</u>	
U. S. Department of Defense										
Office of Economic Assistance Grant	12.614	AP0550-05-01	153,000	-	94,623	94,623	-	94,623	94,623	Special revenue
U. S. Department of Commerce										
Water & Sewer - New Industrial Park	11.300	N/A	1,463,000	-	-	1,243,666	1,243,666	-	1,243,666	Enterprise fund
Total federal financial assistance				<u>\$ 835,853</u>	<u>\$ 1,713,309</u>	<u>\$ 4,989,214</u>	<u>\$ 4,111,758</u>	<u>\$ 2,454,312</u>	<u>\$ 6,566,070</u>	

CITY OF MERIDIAN, MISSISSIPPI
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2005

(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, 2005

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 John Robert Smith 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, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 16, 2006. We did not audit the financial statements of the Meridian Transportation Commission or the Meridian Airport Authority, which represent 97.2% of the assets and 92.4% of the 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

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely

**The Honorable Mayor John Robert Smith and
Honorable Members of the City Council
City of Meridian, Mississippi:
Page two**

period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 March 16, 2006.

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.

By: Bryson Sanders ; O'Neil, J.A.

March 16, 2006

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

**The Honorable Mayor John Robert Smith and
Honorable Members of the City Council
City of Meridian, Mississippi**

Compliance

We have audited the compliance of the City of Meridian, Mississippi ("City") with the types of compliance requirements described in the *U. S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. 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 \$727,014 in federal awards; and the Meridian Transportation Commission ("MTC"), which expended \$206,186 in federal awards; both of which are not included in the schedule during the year ended September 30, 2005. Our audit described below, did not include the operations of MAA or MTC because they engaged other auditors to perform audits 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 on the City's compliance with those requirements.

**The Honorable Mayor John Robert Smith 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 are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program in order to determine our 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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.

Brigade, Sader & O'Neil, Ltd.

March 16, 2006

CITY OF MERIDIAN, MISSISSIPPI
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended September 30, 2005

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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.004	State Domestic Preparedness Equipment Support Program - Cluster of Programs
97.030	Disaster Assistance – Cluster of Programs
10.916	Bonita Lakes Dam Project
11.300	Public Works and Economic Development
20.205	Highway Planning and Construction – Cluster of Programs

Continued

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2005

Section I - Summary of Audit Results (Continued)

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

Auditee determined to be a low-risk auditee? Yes

Section II - Findings - Financial Statement Audit

No reportable conditions, 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 John Robert Smith 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 remaining fund information of the City of Meridian, Mississippi ("City") as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 16, 2006. We did not audit the financial statements of the Meridian Transportation Commission or the Meridian Airport Authority, which represent 97.2% of the assets and 92.4% of the 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.

In connection with our audit, nothing came to our attention that caused us to believe that the City is not in compliance with the requirements of the State of Mississippi Office of the State Auditor, as set forth in the Municipal Compliance Questionnaire and Mississippi State Code, Ann. 1972.

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.

Breazeale, Saunders & O'Neil, Ltd.

March 16, 2006