

An abstract artwork featuring a dark, textured background. Scattered across the scene are numerous small, colorful squares in various shades including orange, pink, blue, green, yellow, and purple. Thin, dark, branching lines, resembling roots or veins, crisscross the composition, connecting the squares and creating a sense of movement and structure. The overall effect is a complex, multi-layered visual field.

C i t y o f M e r i d i a n , M i s s i s s i p p i

Comprehensive Annual Financial Report
For The Fiscal Year Ended September 30, 2006

CITY OF MERIDIAN, MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2006**

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

Clo Ann Rabb's "Operation Hope" is featured on our cover. She is a local artist whose artwork can also be found on the cover of the City of Meridian 2006 Annual Report. She works in metal collage, paper collage, oil on canvas and oil and metal leaf on paper. Rabb has won numerous awards and is represented in private and corporate collections and galleries.

CITY OF MERIDIAN, MISSISSIPPI
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 For the Fiscal Year Ended September 30, 2006

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INTRODUCTORY SECTION

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**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

2412 7th Street (Temporary)
Post Office Box 1430
Meridian, MS 39302-1430
www.meridianms.org

March 16, 2007

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

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, 2006.

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

The City's financial statements have been audited in accordance with auditing standards generally accepted in the United States of America by Breazeale, Saunders & O'Neil, Ltd., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2006 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, 2006, 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, with six hospitals that employ over 4,000 healthcare professionals and staff. The federal government has a major presence in the area with the Meridian Naval Air Station ("NAS Meridian"), which provides training for both naval carrier pilots and technical training for various enlisted personnel. 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. A major training center, the Department logged 23,000 classroom hours for training in disciplines, such as firearms qualification, defensive driving for teens, incident command, interstate criminal enforcement and threat and risk assessment. More than 1,500 students attended classes, which included K-9 training, a terrorism course, CPR and first aid, domestic violence response, Glock armor training and motorcycle training. Our Public Safety Training Center serves as the location of a six-state disaster training program through the Federal Railroad Administration.

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. The grand opening of the MSU Riley Education and Performing Arts Center

in September 2006, was the significant event of the year. It represented both an enormous contribution to downtown development and a major component to the development of Meridian as an arts and cultural center for the state and region. Since opening, the center has enjoyed a tremendously successful first year with musical performances ranging from gospel, blues, jazz and country and theatre performances of comedy, drama and world cultural shows. Numerous conferences have been held in the conference center facilities. Efforts continue with a developer for redevelopment of the 17-story art deco-style Threefoot Building, as a hotel and community center to serve as a companion component to the Riley Education and Performing Arts Center. Another companion arts project, The Mississippi Arts and Entertainment Center at Bonita Lakes, has acquired seed money. Design professionals have been hired and have developed a master plan. The Center is currently working on funding for design and construction of the project.

Renovation and restoration of another significant architectural and historical downtown building, the 1915 City Hall, has begun with the relocation of municipal government functions to temporary quarters. This two year project will return the National Register of Historic Places municipal building to its original look while integrating modern technology. The property located between the Riley Center and City Hall has been acquired and will ultimately be used to create a mall effect linking the two historic sites.

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, development of a tourism and business welcome center, and creation of a downtown walking tour. 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.

Property has been acquired and preliminary work has begun for a much needed new facility to house the police department and municipal court. Additionally, planning is underway to build a new fire station in the Bonita Lakes area to better provide coverage for that growing area. Bonds in the amount of \$10,000,000 were issued in June, 2006, for the City Hall, police and fire station projects.

Affordable housing initiatives included identifying and making available surplus city property for developers, donation of seven lots to Habitat for Humanity and city support for the \$17.2 million Hope VI project. This Meridian Housing Authority project will result in 72 mixed-income housing units at one site and 130 rental and 20 owners units at another site.

The previously started \$6,000,000 street paving project has now been completed. Also, construction of a 500,000 gallon water tank was completed to serve the Meridian/Lauderdale County Industrial Park.

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, with \$3,600,000 to be issued in fiscal year 2007.

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, 2006, City employees contributed \$1,074,738. The Meridian Airport Authority made contributions to PERS during the year ended September 30, 2006, of approximately \$20,830. Ten-year historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS June 30, 2006, 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, 2006 was \$215,748; the City's total payroll for all employees was \$15,856,906. At September 30, 2006, the date of the most recent actuarial valuation, there were 4 participating general municipal employees, firefighters and police officers.

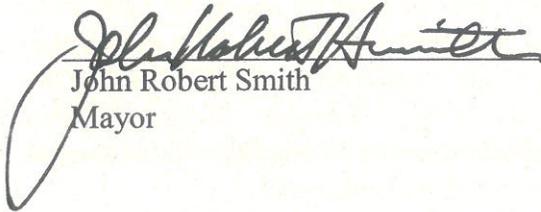
Awards and Acknowledgements

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, 2005. This was the tenth 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.

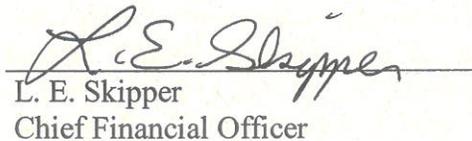
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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, 2005

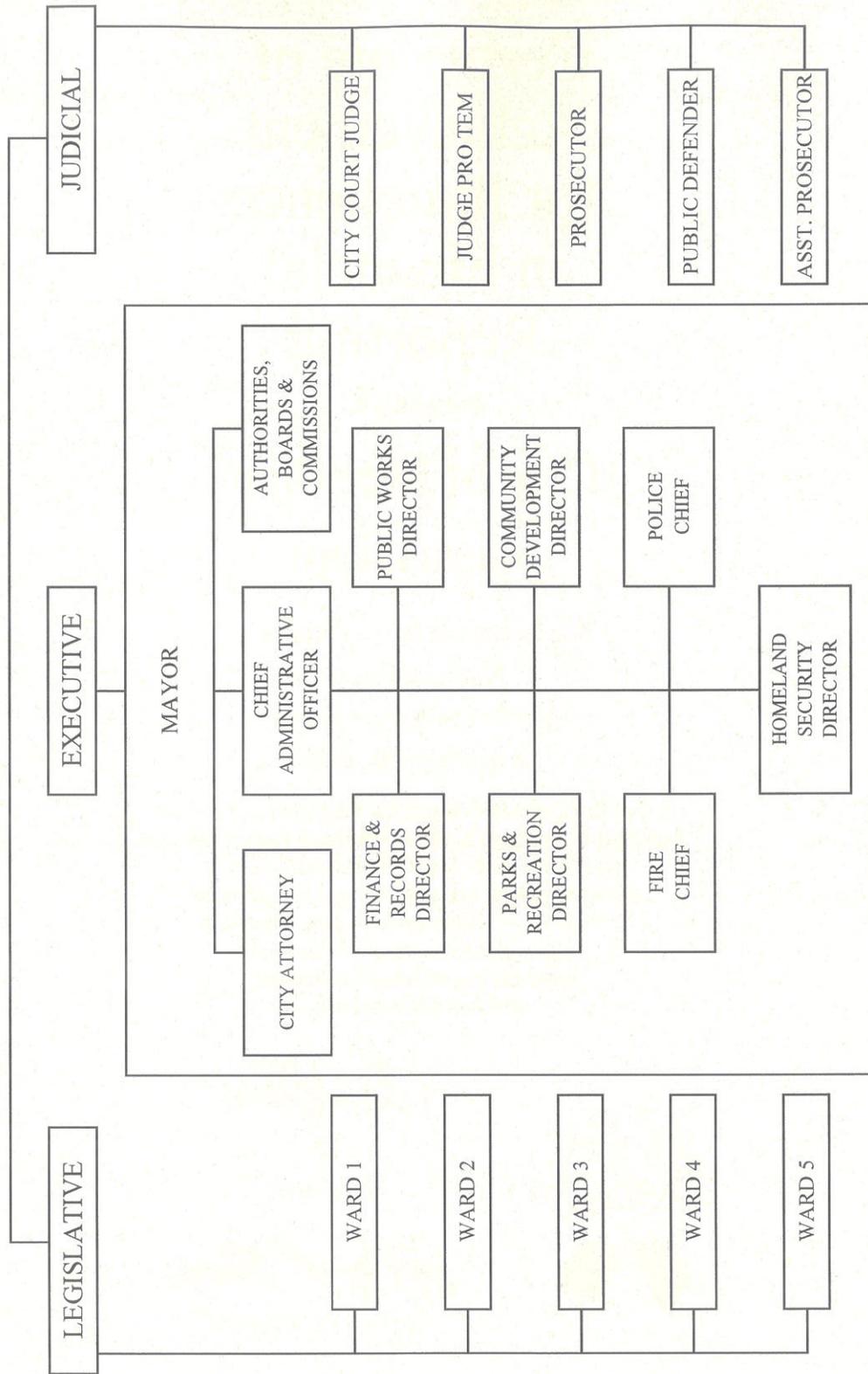
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

CITY OF MERIDIAN, MISSISSIPPI
 Organizational Structure
 September 30, 2006



CITY OF MERIDIAN, MISSISSIPPI

Listing of City Officials

September 30, 2006

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	Jeff Homan
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, 2006, 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 99.8%, 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 respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2006, and the respective changes in financial position and, where applicable, cash flows 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 February 27, 2007, 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 assessing 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 nonmajor fund financial 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 nonmajor fund financial 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 and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them. 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 stated, in all material respects, in relation to the basic financial statements taken as a whole.

Jackson, Mississippi
February 27, 2007

Brayde, Sanders & O'Neil, P.C.

CITY OF MERIDIAN, MISSISSIPPI
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2006

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, 2006. 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 \$87,843 (*net assets*). Of this amount, \$20,854 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$4,953. This increase is attributable to the increased sales activity following Hurricane Katrina. Much of the economic resources were destroyed in the southern half of Mississippi and our area benefited from the recovery in fiscal year 2006, through increased sales taxes and increased grants.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23,961, an increase of \$11,620 in comparison with the prior year. Approximately 36 percent of this total amount, \$8,609, 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 \$6,301 or 25 percent of total general fund expenditures.
- The City's total debt increased by \$6,631 (11 percent) during the current fiscal year. During the year, the City issued \$11,225 in new debt and retired \$4,594 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 24 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, special revenue fund and 2006 general obligation bonds fund, all of which are considered to be major funds. Data from the other 20 nonmajor governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental funds financial statements can be found on pages 32 – 39 of this report.

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

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

The basic proprietary funds financial statements can be found on pages 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 – 92 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 94 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 \$87,843 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (63 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>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 29,589	20,559	11,533	11,393	41,122	31,952
Capital assets	<u>73,135</u>	<u>71,303</u>	<u>47,046</u>	<u>49,415</u>	<u>120,181</u>	<u>120,718</u>
Total assets	<u>102,724</u>	<u>91,862</u>	<u>58,579</u>	<u>60,808</u>	<u>161,303</u>	<u>152,670</u>
Long-term liabilities outstanding	38,270	26,809	29,321	29,187	67,591	55,996
Other liabilities	<u>3,606</u>	<u>9,412</u>	<u>2,263</u>	<u>4,372</u>	<u>5,869</u>	<u>13,784</u>
Total liabilities	<u>41,876</u>	<u>36,221</u>	<u>31,584</u>	<u>33,559</u>	<u>73,460</u>	<u>69,780</u>
Net assets:						
Invested in capital assets, net of related debt	37,481	44,517	18,298	18,510	55,779	63,027
Restricted	7,837	5,842	3,373	2,798	11,210	8,640
Unrestricted	<u>15,530</u>	<u>5,282</u>	<u>5,324</u>	<u>5,941</u>	<u>20,854</u>	<u>11,223</u>
Total net assets	<u>\$ 60,848</u>	<u>55,641</u>	<u>26,995</u>	<u>27,249</u>	<u>87,843</u>	<u>82,890</u>

An additional portion of the City's net assets (13 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$20,854 in *unrestricted net assets* may be used to meet the City's ongoing obligations to citizens and creditors.

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

There was an increase of \$575 in restricted net assets reported in connection with the City's business-type activities. This is a result of increased capital projects in the water and sewer system.

The City's net assets increased \$4,953 during the current fiscal year. This change in net assets is attributable to the increased local economic activity following Hurricane Katrina. Revenues

increased in Charges for Services, Capital Grants and Contributions, and Other Taxes (which includes sales taxes).

Governmental activities. Governmental activities increased the City's net assets by \$5,207, thereby accounting for all 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>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,709	3,087	13,095	12,921	16,804	16,008
Operating grants and contributions	3,229	3,257	-	8	3,229	3,265
Capital grants and contributions	2,169	581	494	1,644	2,663	2,225
General revenues:						
Property taxes	10,122	10,162	975	740	11,097	10,902
Other taxes	17,541	15,522	-	-	17,541	15,522
Grants and contributions not restricted to specific programs	69	64	-	-	69	64
Other	<u>564</u>	<u>259</u>	<u>210</u>	<u>152</u>	<u>774</u>	<u>411</u>
Total revenues	<u>37,403</u>	<u>32,932</u>	<u>14,774</u>	<u>15,465</u>	<u>52,177</u>	<u>48,397</u>
Expenses:						
General government	6,209	5,778	-	-	6,209	5,778
Public safety	16,074	14,875	-	-	16,074	14,875
Highways/streets	6,738	6,650	-	-	6,738	6,650
Sanitation	-	-	2,332	2,234	2,332	2,234
Economic development	105	121	-	-	105	121
Culture and recreation	2,008	1,975	-	-	2,008	1,975
Interest on long-term debt	1,333	1,443	-	-	1,333	1,443
Other	82	127	766	755	848	882
Water and sewer	<u>-</u>	<u>-</u>	<u>11,577</u>	<u>10,879</u>	<u>11,577</u>	<u>10,879</u>
Total expenses	<u>32,549</u>	<u>30,969</u>	<u>14,675</u>	<u>13,868</u>	<u>47,224</u>	<u>44,837</u>
Excess (deficiency) of revenues over (under) expenses before transfers	4,854	1,963	99	1,597	4,953	3,560
Transfers	<u>353</u>	<u>375</u>	<u>(353)</u>	<u>(375)</u>	<u>-</u>	<u>-</u>
Change in net assets	5,207	2,338	(254)	1,222	4,953	3,560
Net assets - beginning	<u>55,641</u>	<u>53,303</u>	<u>27,249</u>	<u>26,027</u>	<u>82,890</u>	<u>79,330</u>
Net assets - ending	\$ <u>60,848</u>	<u>55,641</u>	<u>26,995</u>	<u>27,249</u>	<u>87,843</u>	<u>82,890</u>

- Charges for services increased \$622 or 20 percent in 2006 over 2005.
- Capital grants and contributions increased \$1,588 or 273 percent in 2006 over 2005. This was mostly due to assistance from the Federal Emergency Management Agency following Hurricane Katrina.
- Other taxes (which include sales taxes) increased \$2,019 or 13 percent as a result of economic activity in this area in the aftermath of Hurricane Katrina. Our city is centrally located in the state. People and businesses came to our city to obtain shelter and services due to the destruction in the coastal areas. While we had destroyed trees and interrupted utilities, we did not experience the mass destruction in proportion equivalent to that of the southern portion of the state.
- Total revenues increased \$4,471 or 14 percent.
- Total expenses only increased \$1,580 or 5 percent.

Business-type activities. Business-type activities decreased the City's net assets by (\$254). This is primarily due to receiving \$1,150 less in capital grants and contributions in fiscal year 2006. In addition, our fees do not generate revenue to fully cover depreciation expense.

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 \$23,961, an increase of \$11,620 in comparison with the prior year. Approximately 36 percent of this total amount constitutes an *unreserved fund balance* of \$8,609, 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 \$1,119 for the prior period and for a variety of other restricted or designated purposes in the amount of \$14,233.

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 \$6,301, while total fund balance was \$7,469. 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 25 percent of total general fund expenditures, while total fund balance represents 29 percent of that same amount. The fund balance of the City's general fund increased by \$986, during the current fiscal year. This was primarily due to increased sales tax revenue.

The debt service fund has a total fund balance of \$3,148, all of which is reserved for the payment of debt service. The net increase of \$1,160 during the current year in the debt service fund was a

result of the timing of payment due dates of long-term debt. The special revenue fund's unreserved and total fund balance was \$2,308 at the end of the current fiscal year. The fund balance of the special revenue fund increased \$641 during the current fiscal year. This increase is primarily due to narcotics related forfeitures. The 2006 general obligation bonds fund became a major governmental fund in fiscal year 2006. This fund has a total unreserved fund balance of \$8,655.

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 \$4,816, and those for the waste collection and disposal fund amounted to \$305. The total increase in net assets for the waste collection and disposal fund is \$178 and the water and sewer fund decreased by \$473.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor (\$755 increase in appropriations) and can be briefly summarized as follows:

<u>Description</u>	<u>Increase (Decrease)</u>
General government	\$ 159
Finance and records	138
Community development	123
Parks and recreation	(14)
Public works	122
Police	151
Fire	67
Homeland security	3
Arts district parking garage	<u>6</u>
Total	\$ <u>755</u>

This increase was mainly funded due to increased sales taxes. Actual revenues exceeded the final amended budget by \$2,161. 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	\$ 594
Finance and records	133
Community development	139
Parks and recreation	140
Public works	306
Police	86
Fire	175
Homeland security	182
Arts district parking garage	<u>32</u>
Total	\$ <u>1,787</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, 2006, amounts to \$120,181 (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:

- Began renovation and restoration of City Hall.
- Completed majority of restoration of damages caused by Hurricane Katrina.
- Completed the Bonita Lakes Trails Project.
- Completed construction of a new water tank at the industrial park.
- Completed a major street overlay project.

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>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 7,136	6,869	272	272	7,408	7,141
Building and system	17,976	18,190	45,642	47,757	63,618	65,947
Improvements other than buildings	1,444	731	27	28	1,471	759
Machinery and equipment	5,069	4,504	940	785	6,009	5,289
Infrastructure	39,466	35,941	-	-	39,466	35,941
Construction in progress	<u>2,044</u>	<u>5,068</u>	<u>165</u>	<u>573</u>	<u>2,209</u>	<u>5,641</u>
Total	\$ <u>73,135</u>	<u>71,303</u>	<u>47,046</u>	<u>49,415</u>	<u>120,181</u>	<u>120,718</u>

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

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$45,440. Of this amount, \$19,070 comprises debt backed by the full faith and credit of the City, \$6,335 is special obligation bonds, \$3,765 is tax increment financing bonds and \$3,780 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City's total bonded debt increased by \$6,700 (17 percent) during the current fiscal year. The increase is due to issuance of new bonds exceeding retirements.

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

<u>Description</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General obligation bonds	\$ 19,070	9,955	-	-	19,070	9,955
Special obligation bonds	6,335	6,565	-	-	6,335	6,565
Limited obligation tax increment financing bonds	3,765	4,545	-	-	3,765	4,545
Special assessment debt with governmental commitment	3,780	4,020	-	-	3,780	4,020
Revenue bonds	-	-	<u>12,490</u>	<u>13,655</u>	<u>12,490</u>	<u>13,655</u>
Total	\$ <u>32,950</u>	<u>25,085</u>	<u>12,490</u>	<u>13,655</u>	<u>45,440</u>	<u>38,740</u>

The City maintains excellent bond ratings for both general obligation and revenue bond debt. The general obligation bonds maintain an "A+" rating from Standard & Poor's Ratings Services and an "A2" rating from Moody's Investors Service. The revenue bonds of the water and sewer fund have been rated "BBB" by Standard and Poor's Ratings Services and "Baa1" by Moody's Investors Service.

State statutes limit the amount of general obligation debt a government entity may issue to 15 percent of its total assessed valuation. The current debt limitation of the City is \$39,211 which is significantly in excess of the City's net outstanding general obligation debt of \$15,922 applicable to the debt limitation.

Additional information on the City's long-term debt can be found in note 9 on pages 79 – 84 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City is currently 9.1 percent, which is an increase from the rate of 8.4 percent a year ago. The statewide average is 6.8 percent as compared to the national average of 4.4 percent. The affects of Hurricane Katrina are still being felt throughout the state.
- The revitalization of the City continued with the issuance of 988 building permits with a construction value of \$49 million.
- Inflationary trends in the region are slightly higher than the national average. The change in CPI in the past year for Mississippi was 2.7 percent verses the national average of 2.1 percent.
- Sales tax collections year to date in fiscal year 2007 are down 5 percent from the previous fiscal year. As recovery efforts were progressively improving, people and businesses began migrating to their original locations. As a result, sales figures are returning to pre-Katrina trends.

All of these factors were considered in preparing the City's budget for the 2007 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$6,301. The City has appropriated \$2,750 of this amount for spending in the 2007 fiscal year budget.

The water and sewer fund's rates will be increased during the 2007 budget year. The water and sewer rates will be increased by an average of 4 percent for all customers. The water and sewer rates affect both residential and industrial consumers by approximately the same percentage. These rate increases are necessary to finance operations, capital replacement 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, 2006

<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	\$ 21,658,352	2,850,245	24,508,597	907,708
Investments	1,250,000	100,000	1,350,000	8,709
Receivables, net:				
Taxes	1,251,477	-	1,251,477	-
Accounts	684,421	1,427,966	2,112,387	288,041
Special assessments	1,204,253	-	1,204,253	-
Intergovernmental	1,452,435	48,001	1,500,436	68,608
Interest	12,280	946	13,226	-
Miscellaneous	85,959	3,988	89,947	-
Due from component units	20,909	-	20,909	-
Internal balances	(95,059)	95,059	-	-
Inventory	55,061	393,180	448,241	51,923
Prepaid items	98,785	34,541	133,326	33,046
Deferred charges	711,604	461,382	1,172,986	-
Temporarily restricted assets -				
Cash and investments	-	6,117,252	6,117,252	188,157
Asset held for resale	1,197,874	-	1,197,874	-
Capital assets not being depreciated:				
Land	7,136,280	271,666	7,407,946	507,500
Collections - historical treasures	141,250	-	141,250	-
Construction in progress	2,043,661	164,889	2,208,550	2,925,265
Capital assets net of accumulated depreciation:				
Buildings	17,976,410	-	17,976,410	1,537,629
Water and sewer system	-	45,642,320	45,642,320	-
Improvements other than buildings	1,444,433	26,767	1,471,200	8,464,517
Machinery and equipment	4,927,423	940,598	5,868,021	590,725
Infrastructure	39,465,726	-	39,465,726	-
Total assets	<u>102,723,534</u>	<u>58,578,800</u>	<u>161,302,334</u>	<u>15,571,828</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
Statement of Net Assets
September 30, 2006

<u>LIABILITIES</u>	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Bank overdraft	\$ -	-	-	2,736
Accounts payable and other current liabilities	2,491,116	918,855	3,409,971	381,061
Accrued interest	348,356	-	348,356	-
Accrued salaries	564,740	123,592	688,332	-
Accrued sales tax	-	13,400	13,400	-
Deposits payable	182,018	729,543	911,561	-
Notes payable	-	-	-	41,928
Liabilities payable from restricted assets	-	477,442	477,442	-
Unearned revenue	19,546	-	19,546	52,327
Noncurrent liabilities:				
Due within one year:				
Bonds, loans and leases payable	3,018,890	79,977	3,098,867	-
Bonds and loans payable from restricted assets	-	2,267,235	2,267,235	-
Deferred revenue forward invested funds	-	47,005	47,005	-
Compensated absences	437,240	66,630	503,870	-
Claims and judgments	114,236	-	114,236	-
Due in more than one year:				
Bonds, loans and leases payable	32,635,408	26,400,684	59,036,092	-
Deferred revenue forward invested funds	-	323,800	323,800	-
Compensated absences	874,479	135,280	1,009,759	-
Pension obligation	1,189,950	-	1,189,950	-
Total liabilities	<u>41,875,979</u>	<u>31,583,443</u>	<u>73,459,422</u>	<u>478,052</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	37,480,885	18,298,344	55,779,229	14,025,636
Restricted for:				
Debt service	3,147,616	1,687,649	4,835,265	-
Capital projects	2,381,315	1,684,926	4,066,241	188,157
Public safety	2,248,293	-	2,248,293	-
Culture and recreation	21,341	-	21,341	-
Economic development	38,007	-	38,007	-
Unrestricted	<u>15,530,098</u>	<u>5,324,438</u>	<u>20,854,536</u>	<u>879,983</u>
Total net assets	<u>\$ 60,847,555</u>	<u>26,995,357</u>	<u>87,842,912</u>	<u>15,093,776</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, 2006

<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	\$ 6,208,520	1,062,910	-	-
Public safety	16,074,484	2,483,505	3,176,076	46,500
Public works	6,737,997	-	-	-
Culture and recreation	2,008,435	162,484	6,525	15,786
Economic development	104,554	-	46,480	2,107,137
Other	81,692	-	-	-
Interest on long-term debt	1,333,435	-	-	-
Total governmental activities	<u>32,549,117</u>	<u>3,708,899</u>	<u>3,229,081</u>	<u>2,169,423</u>
Business-type activities:				
Water and sewer	11,576,890	11,035,728	-	494,140
Waste collection and disposal	2,331,535	1,564,086	-	-
Golf course	394,502	342,616	-	-
Union Station	334,844	116,982	-	-
Concessions	37,206	35,778	-	-
Total business-type activities	<u>14,674,977</u>	<u>13,095,190</u>	<u>-</u>	<u>494,140</u>
Total primary government	<u>\$ 47,224,094</u>	<u>16,804,089</u>	<u>3,229,081</u>	<u>2,663,563</u>
Component units:				
Meridian Airport Authority	\$ 5,503,879	5,110,906	25,217	458,400
Nonmajor component units	499,698	69,365	378,476	96,549
Total component units	<u>\$ 6,003,577</u>	<u>5,180,271</u>	<u>403,693</u>	<u>554,949</u>

General revenues:

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

Transfers

Total general revenues and transfers

Change in net assets

Net assets, October 1, 2005

Net assets, September 30, 2006

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>
(5,145,610)	-	(5,145,610)	-
(10,368,403)	-	(10,368,403)	-
(6,737,997)	-	(6,737,997)	-
(1,823,640)	-	(1,823,640)	-
2,049,063	-	2,049,063	-
(81,692)	-	(81,692)	-
<u>(1,333,435)</u>	<u>-</u>	<u>(1,333,435)</u>	<u>-</u>
<u>(23,441,714)</u>	<u>-</u>	<u>(23,441,714)</u>	<u>-</u>
-	(47,022)	(47,022)	-
-	(767,449)	(767,449)	-
-	(51,886)	(51,886)	-
-	(217,862)	(217,862)	-
<u>-</u>	<u>(1,428)</u>	<u>(1,428)</u>	<u>-</u>
<u>-</u>	<u>(1,085,647)</u>	<u>(1,085,647)</u>	<u>-</u>
<u>(23,441,714)</u>	<u>(1,085,647)</u>	<u>(24,527,361)</u>	<u>-</u>
-	-	-	90,644
<u>-</u>	<u>-</u>	<u>-</u>	<u>44,692</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>135,336</u>
10,121,543	975,162	11,096,705	-
14,170,051	-	14,170,051	-
2,381,383	-	2,381,383	-
970,699	-	970,699	-
19,239	-	19,239	-
69,208	-	69,208	-
563,547	209,233	772,780	32,442
<u>352,550</u>	<u>(352,550)</u>	<u>-</u>	<u>-</u>
<u>28,648,220</u>	<u>831,845</u>	<u>29,480,065</u>	<u>32,442</u>
5,206,506	(253,802)	4,952,704	167,778
<u>55,641,049</u>	<u>27,249,159</u>	<u>82,890,208</u>	<u>14,925,998</u>
\$ <u>60,847,555</u>	<u>26,995,357</u>	<u>87,842,912</u>	<u>15,093,776</u>

CITY OF MERIDIAN, MISSISSIPPI

Balance Sheet
Governmental Funds
September 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>2006 General Obligation Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 5,181,880	3,074,859	2,365,277	8,747,496	1,322,766	20,692,278
Investments	1,250,000	-	-	-	-	1,250,000
Receivables, net:						
Taxes	1,216,321	35,156	-	-	-	1,251,477
Accounts	684,421	-	-	-	-	684,421
Special assessments	-	1,204,253	-	-	-	1,204,253
Intergovernmental	75,952	-	1,080,955	-	295,528	1,452,435
Interest	12,280	-	-	-	-	12,280
Miscellaneous	1,654	-	33,656	-	-	35,310
Due from other funds	1,330,811	40,423	154,112	-	253,762	1,779,108
Due from component units	10,445	-	-	-	-	10,445
Prepaid items	98,785	-	-	-	-	98,785
Asset held for resale	-	-	-	-	1,197,874	1,197,874
Total assets	\$ <u>9,862,549</u>	<u>4,354,691</u>	<u>3,634,000</u>	<u>8,747,496</u>	<u>3,069,930</u>	<u>29,668,666</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 1,243,653	2,822	190,035	92,996	301,879	1,831,385
Accrued salaries	564,740	-	-	-	-	564,740
Deposits payable	182,018	-	-	-	-	182,018
Due to other funds	402,662	-	1,134,572	-	368,942	1,906,176
Unearned revenue	-	1,204,253	1,752	-	17,794	1,223,799
Total liabilities	<u>2,393,073</u>	<u>1,207,075</u>	<u>1,326,359</u>	<u>92,996</u>	<u>688,615</u>	<u>5,708,118</u>
Fund balances:						
Reserved:						
Encumbrances	1,069,285	-	-	-	49,169	1,118,454
Prepaid items	98,785	-	-	-	-	98,785
Debt service	-	3,147,616	-	-	-	3,147,616
Asset held for resale	-	-	-	-	1,197,874	1,197,874
Unreserved, designated for subsequent years' expenditures, reported in -						
Capital projects funds	-	-	-	8,654,500	1,134,272	9,788,772
Unreserved, reported in:						
General fund	6,301,406	-	-	-	-	6,301,406
Special revenue fund	-	-	2,307,641	-	-	2,307,641
Total fund balances	<u>7,469,476</u>	<u>3,147,616</u>	<u>2,307,641</u>	<u>8,654,500</u>	<u>2,381,315</u>	<u>23,960,548</u>
Total liabilities and fund balances	\$ <u>9,862,549</u>	<u>4,354,691</u>	<u>3,634,000</u>	<u>8,747,496</u>	<u>3,069,930</u>	<u>29,668,666</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, 2006

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

Fund balances - total governmental funds	\$ 23,960,548
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance	73,135,183
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds balance	1,204,253
Bond issuance costs are amortized over the life of the bonds on the statement of net assets.	711,604
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.	(38,618,559)
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 \$48,477).	<u>454,526</u>
Net assets of governmental activities	\$ <u>60,847,555</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, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>2006 General Obligation Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Taxes:						
Property	\$ 6,508,930	3,451,522	-	-	-	9,960,452
Sales	14,170,051	-	-	-	-	14,170,051
Franchise	2,381,383	-	-	-	-	2,381,383
County road	970,699	-	-	-	-	970,699
Motor fuel	19,239	-	-	-	-	19,239
Licenses and permits	304,979	-	-	-	-	304,979
Intergovernmental	414,267	-	2,909,307	-	1,589,487	4,913,061
Charges for services	162,484	-	-	-	-	162,484
Fines and forfeitures	923,877	-	1,559,628	-	-	2,483,505
Special assessments	-	78,756	-	-	-	78,756
Payments in lieu of taxes	80,903	-	-	-	-	80,903
Local contributions	517,650	-	37,001	-	-	554,651
Interest on investments	234,669	90,642	65,291	114,582	58,363	563,547
Interest costs and damages	90,737	-	-	-	-	90,737
Miscellaneous	275,850	-	482,537	-	-	758,387
Total revenues	<u>27,055,718</u>	<u>3,620,920</u>	<u>5,053,764</u>	<u>114,582</u>	<u>1,647,850</u>	<u>37,492,834</u>
Expenditures:						
Current:						
General government	5,843,429	-	-	-	-	5,843,429
Public safety	12,088,628	-	4,331,769	-	-	16,420,397
Public works	4,222,660	-	-	-	-	4,222,660
Culture and recreation	1,993,981	-	33,043	-	-	2,027,024
Economic development	-	-	104,554	-	-	104,554
Other	103,921	-	-	163,647	-	267,568
Capital outlay	912,180	-	-	161,248	3,759,448	4,832,876
Debt service:						
Principal retirement	160,161	2,196,186	-	-	-	2,356,347
Interest and fiscal charges	44,637	1,309,168	-	-	-	1,353,805
Total expenditures	<u>25,369,597</u>	<u>3,505,354</u>	<u>4,469,366</u>	<u>324,895</u>	<u>3,759,448</u>	<u>37,428,660</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,686,121</u>	<u>115,566</u>	<u>584,398</u>	<u>(210,313)</u>	<u>(2,111,598)</u>	<u>64,174</u>
Other financing sources (uses):						
Transfers in	708,470	1,044,370	61,386	-	1,145,763	2,959,989
Transfers out	(1,408,186)	-	(5,254)	(1,135,187)	(80,812)	(2,629,439)
General obligation bonds issued	-	-	-	10,000,000	-	10,000,000
Negotiable note issued	-	-	-	-	1,225,000	1,225,000
Total other financing sources (uses)	<u>(699,716)</u>	<u>1,044,370</u>	<u>56,132</u>	<u>8,864,813</u>	<u>2,289,951</u>	<u>11,555,550</u>
Net change in fund balances	986,405	1,159,936	640,530	8,654,500	178,353	11,619,724
Fund balances, October 1, 2005	<u>6,483,071</u>	<u>1,987,680</u>	<u>1,667,111</u>	<u>-</u>	<u>2,202,962</u>	<u>12,340,824</u>
Fund balances, September 30, 2006	<u>\$ 7,469,476</u>	<u>3,147,616</u>	<u>2,307,641</u>	<u>8,654,500</u>	<u>2,381,315</u>	<u>23,960,548</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, 2006

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

Net change in fund balances - total governmental funds	\$ 11,619,724
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.	1,835,687
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.	(3,169)
Special assessment revenues related to prior periods reported as revenues in the governmental funds are not reported as revenues in the statement of activities.	(89,305)
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.	(8,868,653)
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.	638,915
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 \$48,477).	<u>73,307</u>
Change in net assets of governmental activities	\$ <u>5,206,506</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, 2006

	<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	\$ 7,475,000	7,475,000	7,478,520	3,520
Sales	12,100,000	12,100,000	13,590,999	1,490,999
County road	820,000	840,000	968,316	128,316
Gasoline	20,000	20,000	19,239	(761)
Payment in lieu of taxes	88,000	88,000	80,903	(7,097)
Intergovernmental:				
Alcoholic beverage	45,000	45,000	48,150	3,150
State Fire Insurance Fund	180,000	180,000	203,254	23,254
Municipal aid	20,000	20,000	20,833	833
Grant	349,000	349,000	144,240	(204,760)
Franchise:				
Mississippi Power Company	1,350,000	1,400,000	1,645,581	245,581
Mississippi Valley Gas Company	200,000	222,500	277,111	54,611
Comcast Cable Company	315,000	315,000	323,273	8,273
Fines and forfeitures	810,000	810,000	923,877	113,877
Licenses and permits:				
Privilege license	130,000	130,000	124,183	(5,817)
Building and allied permits	150,000	150,000	180,796	30,796
Charges for services:				
Garbage collection	1,500,000	1,500,000	1,498,738	(1,262)
Recreation	130,000	130,000	138,836	8,836
Enterprise Funds	645,500	645,500	645,500	-
Parking fees	14,400	20,000	22,573	2,573
Out-of-county tonnage	-	-	46,547	46,547
Miscellaneous	200,000	220,000	325,866	105,866
Interest on investments	90,000	110,000	220,082	110,082
Interest costs and damages	85,000	85,000	88,466	3,466
Total revenues	<u>26,716,900</u>	<u>26,855,000</u>	<u>29,015,883</u>	<u>2,160,883</u>
Expenditures:				
General government:				
Personnel services	1,076,550	1,088,550	1,052,561	35,989
Supplies and expenses	604,900	720,800	682,586	38,214
Capital outlay	9,000	5,600	4,085	1,515
Transfers and other charges	1,446,800	1,481,800	963,853	517,947
Total general government	<u>3,137,250</u>	<u>3,296,750</u>	<u>2,703,085</u>	<u>593,665</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, 2006

	<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	\$ 1,260,650	1,245,150	1,164,291	80,859
Supplies and expenses	1,343,650	1,349,261	1,300,488	48,773
Capital outlay	195,900	343,682	340,588	3,094
Transfers and other charges	35,000	35,000	35,000	-
Total finance and records	<u>2,835,200</u>	<u>2,973,093</u>	<u>2,840,367</u>	<u>132,726</u>
Community development:				
Personnel services	934,650	934,650	926,769	7,881
Supplies and expenses	251,300	208,700	164,521	44,179
Capital outlay	22,050	22,160	21,695	465
Transfers and other charges	411,650	576,962	490,699	86,263
Total community development	<u>1,619,650</u>	<u>1,742,472</u>	<u>1,603,684</u>	<u>138,788</u>
Parks and recreation:				
Personnel services	1,412,300	1,384,500	1,324,689	59,811
Supplies and expenses	584,950	594,983	575,519	19,464
Capital outlay	83,500	83,500	81,056	2,444
Transfers and other charges	195,200	199,450	140,792	58,658
Total parks and recreation	<u>2,275,950</u>	<u>2,262,433</u>	<u>2,122,056</u>	<u>140,377</u>
Public works:				
Personnel services	3,344,000	3,281,340	3,032,097	249,243
Supplies and expenses	1,025,200	1,105,715	1,085,461	20,254
Capital outlay	195,400	173,900	138,682	35,218
Transfers and other charges	2,804,200	2,930,210	2,929,310	900
Total public works	<u>7,368,800</u>	<u>7,491,165</u>	<u>7,185,550</u>	<u>305,615</u>
Police:				
Personnel services	4,890,850	4,920,850	4,872,213	48,637
Supplies and expenses	1,617,750	1,692,476	1,667,038	25,438
Capital outlay	35,950	47,370	47,106	264
Transfers and other charges	50,000	85,000	73,354	11,646
Total police	<u>6,594,550</u>	<u>6,745,696</u>	<u>6,659,711</u>	<u>85,985</u>
Fire:				
Personnel services	4,656,350	4,641,810	4,522,236	119,574
Supplies and expenses	663,000	640,530	585,720	54,810
Capital outlay	152,750	247,750	246,702	1,048
Transfers and other charges	-	8,650	8,645	5
Total fire	<u>5,472,100</u>	<u>5,538,740</u>	<u>5,363,303</u>	<u>175,437</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, 2006

	<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	\$ 289,550	289,550	289,316	234
Supplies and expenses	318,250	319,322	155,706	163,616
Capital outlay	27,000	28,700	10,907	17,793
Total homeland security	<u>634,800</u>	<u>637,572</u>	<u>455,929</u>	<u>181,643</u>
Arts District Parking Garage:				
Personnel services	96,850	83,500	70,948	12,552
Supplies and expenses	77,000	84,000	75,506	8,494
Transfers and other charges	<u>35,550</u>	<u>47,500</u>	<u>36,113</u>	<u>11,387</u>
Total homeland security	<u>209,400</u>	<u>215,000</u>	<u>182,567</u>	<u>32,433</u>
Total expenditures	<u>30,147,700</u>	<u>30,902,921</u>	<u>29,116,252</u>	<u>1,786,669</u>
Net change in fund balances	(3,430,800)	(4,047,921)	(100,369)	3,947,552
Fund balances, October 1, 2005	<u>5,208,890</u>	<u>5,208,890</u>	<u>5,208,890</u>	-
Fund balances, September 30, 2006	\$ <u>1,778,090</u>	<u>1,160,969</u>	<u>5,108,521</u>	<u>3,947,552</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues	\$ 890,000	6,050,000	6,174,722	124,722
Expenditures - Project costs	<u>790,000</u>	<u>6,050,000</u>	<u>4,698,270</u>	<u>1,351,730</u>
Net change in fund balances	100,000	-	1,476,452	1,476,452
Fund balances, October 1, 2005	<u>100,000</u>	<u>100,000</u>	<u>(423,218)</u>	<u>(523,218)</u>
Fund balances, September 30, 2006	\$ <u>200,000</u>	<u>100,000</u>	<u>1,053,234</u>	<u>953,234</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, 2006

	Business-type Activities - Enterprise Funds				Governmental
	Water & Sewer	Waste Collection & Disposal	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,135,738	514,302	200,205	2,850,245	966,074
Investments	100,000	-	-	100,000	-
Restricted cash, cash equivalents and investments:					
Revenue Bond Construction Funds	287,482	-	-	287,482	-
Other Construction Funds	1,483,265	-	-	1,483,265	-
Revenue Bond Debt Service Account	2,466,542	-	-	2,466,542	-
Receivables:					
Accounts	1,358,337	162,324	-	1,520,661	-
Less allowance for uncollectibles	(92,695)	-	-	(92,695)	-
Intergovernmental	48,001	-	-	48,001	-
Interest	946	-	-	946	-
Miscellaneous	-	-	3,988	3,988	50,649
Due from other funds	56,925	19,882	-	76,807	80,486
Due from component units	-	-	-	-	10,464
Inventory	357,947	-	35,233	393,180	55,061
Prepaid items	32,656	-	1,885	34,541	-
Total current assets	<u>8,235,144</u>	<u>696,508</u>	<u>241,311</u>	<u>9,172,963</u>	<u>1,162,734</u>
Noncurrent assets:					
Restricted cash, cash equivalents and investments:					
Revenue Bond Cushion Account	1,704,213	-	-	1,704,213	-
Revenue Bond Contingent Account	87,875	-	-	87,875	-
Revenue Bond Depreciation Account	87,875	-	-	87,875	-
Total restricted cash, cash equivalents and investments	<u>1,879,963</u>	<u>-</u>	<u>-</u>	<u>1,879,963</u>	<u>-</u>
Deferred charges	<u>461,382</u>	<u>-</u>	<u>-</u>	<u>461,382</u>	<u>-</u>
Capital assets:					
Land	271,666	-	-	271,666	-
Buildings	-	-	117,128	117,128	-
Water and sewer system	90,839,066	-	-	90,839,066	-
Improvements other than buildings	-	-	113,067	113,067	-
Machinery and equipment	3,295,619	19,626	399,715	3,714,960	-
Construction in progress	164,889	-	-	164,889	-
Total capital assets	94,571,240	19,626	629,910	95,220,776	-
Less accumulated depreciation	(47,582,391)	(10,991)	(581,154)	(48,174,536)	-
Capital assets (net of accumulated depreciation)	<u>46,988,849</u>	<u>8,635</u>	<u>48,756</u>	<u>47,046,240</u>	<u>-</u>
Total noncurrent assets	<u>49,330,194</u>	<u>8,635</u>	<u>48,756</u>	<u>49,387,585</u>	<u>-</u>
Total assets	<u>57,565,338</u>	<u>705,143</u>	<u>290,067</u>	<u>58,560,548</u>	<u>1,162,734</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI

Statement of Net Assets

Proprietary Funds

September 30, 2006

	Business-type Activities - Enterprise Funds				Governmental
	Water & Sewer	Waste Collection & Disposal	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 469,186	385,484	64,185	918,855	659,731
Liabilities payable from restricted assets:					
Accounts payable	85,821	-	-	85,821	-
Revenue bonds payable	1,230,000	-	-	1,230,000	-
Promissory loans	1,037,235	-	-	1,037,235	-
Interest payable	391,621	-	-	391,621	-
Accrued liabilities:					
Payroll	97,423	5,781	20,388	123,592	-
Compensated absences	66,630	-	-	66,630	-
Sales tax	11,130	-	2,270	13,400	-
Customer deposits	729,543	-	-	729,543	-
Due to other funds	30,031	41	153	30,225	-
Deferred revenue forward invested funds	47,005	-	-	47,005	-
Current portion of capital leases	79,781	-	196	79,977	-
Total current liabilities	<u>4,275,406</u>	<u>391,306</u>	<u>87,192</u>	<u>4,753,904</u>	<u>659,731</u>
Noncurrent liabilities:					
Deferred revenue forward invested funds	323,800	-	-	323,800	-
Compensated absences	135,280	-	-	135,280	-
Revenue bonds payable (net of deferred refunding costs of \$173,792)	11,086,208	-	-	11,086,208	-
Promissory loans (net of deferred refunding costs of \$493,073)	14,557,888	-	-	14,557,888	-
Capital leases payable	754,113	-	2,475	756,588	-
Total noncurrent liabilities	<u>26,857,289</u>	<u>-</u>	<u>2,475</u>	<u>26,859,764</u>	<u>-</u>
Total liabilities	<u>31,132,695</u>	<u>391,306</u>	<u>89,667</u>	<u>31,613,668</u>	<u>659,731</u>
NET ASSETS					
Invested in capital assets, net of related debt	18,243,624	8,635	46,085	18,298,344	-
Restricted for:					
Debt service	1,687,649	-	-	1,687,649	-
Capital projects	1,684,926	-	-	1,684,926	-
Unrestricted	4,816,444	305,202	154,315	5,275,961	503,003
Total net assets	<u>\$ 26,432,643</u>	<u>313,837</u>	<u>200,400</u>	<u>26,946,880</u>	<u>503,003</u>
Reconciliation to government-wide statement of net assets:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				48,477	
Net assets of business-types activities				<u>\$ 26,995,357</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, 2006

	Business-type Activities - Enterprise Funds			Total Enterprise Funds	Governmental
	Water & Sewer	Waste Collection & Disposal	Nonmajor Enterprise Funds		Activities - Internal Service Funds
Operating revenues:					
Charges for sales and services:					
Water sales	\$ 5,714,152	-	-	5,714,152	-
Sewer charges	5,103,797	-	-	5,103,797	-
Tap fees	59,843	-	-	59,843	-
Garbage collection fees	-	1,519,981	-	1,519,981	-
Out-of-county tonnage	-	44,105	-	44,105	-
Memberships	-	-	76,120	76,120	-
Green fees	-	-	77,945	77,945	-
Cart rental	-	-	58,296	58,296	-
Concessions	-	-	164,685	164,685	-
Internal service charges	-	-	-	-	3,185,042
Rental income	-	-	116,800	116,800	-
Miscellaneous	157,936	-	1,530	159,466	222,305
Total operating revenues	<u>11,035,728</u>	<u>1,564,086</u>	<u>495,376</u>	<u>13,095,190</u>	<u>3,407,347</u>
Operating expenses:					
Personnel services	2,932,936	47,755	242,216	3,222,907	-
Supplies and materials	505,705	370	149,890	655,965	458,205
Rent and utilities	1,164,804	885	69,967	1,235,656	-
Operation, maintenance, and repairs	862,171	1,901	168,444	1,032,516	555,880
Garbage disposal services	-	2,275,169	-	2,275,169	-
Depreciation and amortization	3,785,041	3,532	13,339	3,801,912	-
Claims paid	-	-	-	-	2,354,409
Miscellaneous	950,012	1,923	121,657	1,073,592	-
Total operating expenses	<u>10,200,669</u>	<u>2,331,535</u>	<u>765,513</u>	<u>13,297,717</u>	<u>3,368,494</u>
Operating income (loss)	<u>835,059</u>	<u>(767,449)</u>	<u>(270,137)</u>	<u>(202,527)</u>	<u>38,853</u>
Nonoperating revenues (expenses):					
Ad valorem taxes	-	975,162	-	975,162	-
Interest income	190,726	14,454	4,053	209,233	27,639
Interest expense	(1,429,605)	-	(163)	(1,429,768)	-
Gain (loss) on disposal of capital asset	38,199	-	(876)	37,323	-
Total nonoperating revenues (expenses)	<u>(1,200,680)</u>	<u>989,616</u>	<u>3,014</u>	<u>(208,050)</u>	<u>27,639</u>
Income (loss) before capital grants and transfers	<u>(365,621)</u>	<u>222,167</u>	<u>(267,123)</u>	<u>(410,577)</u>	<u>66,492</u>
Capital grants and transfers:					
Capital grant	494,140	-	-	494,140	-
Transfers in	-	-	292,950	292,950	22,000
Transfers out	(601,500)	(44,000)	-	(645,500)	-
Total capital grants and transfers	<u>(107,360)</u>	<u>(44,000)</u>	<u>292,950</u>	<u>141,590</u>	<u>22,000</u>
Change in net assets	<u>(472,981)</u>	<u>178,167</u>	<u>25,827</u>	<u>(268,987)</u>	<u>88,492</u>
Net assets, October 1, 2005	<u>26,905,624</u>	<u>135,670</u>	<u>174,573</u>		<u>414,511</u>
Net assets, September 30, 2006	<u>\$ 26,432,643</u>	<u>313,837</u>	<u>200,400</u>		<u>503,003</u>
Reconciliation to government-wide statement of activities:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				15,185	
Change in net assets of business-types activities				<u>\$ (253,802)</u>	

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

CITY OF MERIDIAN, MISSISSIPPI
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2006

	Business-type Activities - Enterprise Funds				Governmental
	Water & Sewer	Waste Collection & Disposal	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
Cash flows from operating activities:					
Receipts from customers and users	\$ 11,092,637	1,560,038	496,756	13,149,431	3,356,863
Payments to suppliers	(3,382,332)	(2,083,291)	(502,527)	(5,968,150)	(3,221,891)
Payments to employees	(2,965,961)	(46,900)	(241,123)	(3,253,984)	-
Net cash provided by (used in) operating activities	<u>4,744,344</u>	<u>(570,153)</u>	<u>(246,894)</u>	<u>3,927,297</u>	<u>134,972</u>
Cash flows from noncapital financing activities:					
Operating grants received	1,105,103	-	-	1,105,103	-
Ad valorem taxes received	-	975,162	-	975,162	-
Transfers to other funds	(601,500)	(44,000)	-	(645,500)	-
Transfers from other funds	-	-	292,950	292,950	22,000
Net cash provided by noncapital financing activities	<u>503,603</u>	<u>931,162</u>	<u>292,950</u>	<u>1,727,715</u>	<u>22,000</u>
Cash flows from capital and related financing activities:					
Capital contributions	494,140	-	-	494,140	-
Acquisition and construction of capital assets	(1,130,959)	-	-	(1,130,959)	-
Payments on long-term debt:					
Revenue bonds	(1,165,000)	-	-	(1,165,000)	-
Promissory notes	(996,226)	-	-	(996,226)	-
Capital lease payments	(76,343)	-	-	(76,343)	-
Interest paid on revenue bonds and other debt	(1,459,138)	-	(163)	(1,459,301)	-
Proceeds from sale of capital assets	38,199	-	-	38,199	-
Net cash used in capital and related financing activities	<u>(4,295,327)</u>	<u>-</u>	<u>(163)</u>	<u>(4,295,490)</u>	<u>-</u>
Cash flows from investing activities -					
Interest received	145,303	14,454	4,053	163,810	27,639
Net increase in cash and cash equivalents	1,097,923	375,463	49,946	1,523,332	184,611
Cash and cash equivalents, October 1, 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>
Cash and cash equivalents, September 30, 2006 (including \$3,474,179 in restricted accounts)	\$ <u>5,609,917</u>	<u>514,302</u>	<u>200,205</u>	<u>6,324,424</u>	<u>966,074</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2006

	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)	\$ 835,059	(767,449)	(270,137)	(202,527)	38,853
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	3,785,041	3,532	13,339	3,801,912	-
Changes in assets and liabilities:					
Accounts receivable	21,381	5,825	1,380	28,586	-
Receivables - miscellaneous	-	-	-	-	(50,649)
Due from other funds	-	(9,873)	-	(9,873)	4,094
Due from component units	-	-	-	-	(3,928)
Inventory	48,444	-	(4,491)	43,953	1,499
Prepaid items	(2,427)	-	(75)	(2,502)	-
Accounts payable	51,478	196,924	11,213	259,615	145,103
Accrued liabilities	(37,586)	855	1,965	(34,766)	-
Customer deposits	35,528	-	-	35,528	-
Due to other funds	7,426	33	(88)	7,371	-
Total adjustments	<u>3,909,285</u>	<u>197,296</u>	<u>23,243</u>	<u>4,129,824</u>	<u>96,119</u>
Net cash provided by (used in) operating activities	\$ <u>4,744,344</u>	<u>(570,153)</u>	<u>(246,894)</u>	<u>3,927,297</u>	<u>134,972</u>
Noncash investing, capital, and financing activities:					
Water and sewer system infrastructure contributed by developers	\$ <u>189,805</u>	<u>-</u>	<u>-</u>	<u>189,805</u>	<u>-</u>
Amortization of deferred revenue forward invested funds	\$ <u>48,832</u>	<u>-</u>	<u>-</u>	<u>48,832</u>	<u>-</u>

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

CITY OF MERIDIAN, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
September 30, 2006

		<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$	810,159
Intergovernmental receivables- County		<u>211,797</u>
Total assets	\$	<u>1,021,956</u>
<u>LIABILITIES</u>		
Intergovernmental payables:		
Schools	\$	790,181
PERS		144,879
State		37,991
Employee insurance withheld		<u>48,905</u>
Total liabilities	\$	<u>1,021,956</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, 2006

	<u>Meridian Airport Authority</u>	<u>Nonmajor Component Units</u>	<u>Total Component Units</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 483,685	424,023	907,708
Investments	-	8,709	8,709
Receivables:			
Accounts	286,338	1,703	288,041
Intergovernmental:			
Federal	31,606	-	31,606
State	13,609	23,393	37,002
Inventory	51,923	-	51,923
Prepaid items	30,455	2,591	33,046
Restricted assets - cash	188,157	-	188,157
Capital assets not being depreciated:			
Land	500,000	7,500	507,500
Construction in progress	2,925,265	-	2,925,265
Capital assets (net of accumulated depreciation):			
Buildings	1,537,629	-	1,537,629
Improvements other than buildings	8,464,517	-	8,464,517
Machinery and equipment	449,634	141,091	590,725
Total assets	<u>14,962,818</u>	<u>609,010</u>	<u>15,571,828</u>
<u>LIABILITIES</u>			
Bank overdraft	-	2,736	2,736
Notes payable	-	41,928	41,928
Accounts payable	281,074	47,046	328,120
Accrued liabilities	44,987	7,954	52,941
Unearned revenue	52,327	-	52,327
Total liabilities	<u>378,388</u>	<u>99,664</u>	<u>478,052</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	13,877,045	148,591	14,025,636
Restricted for capital projects	188,157	-	188,157
Unrestricted	519,228	360,755	879,983
Total net assets	\$ <u>14,584,430</u>	<u>509,346</u>	<u>15,093,776</u>

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

CITY OF MERIDIAN, MISSISSIPPI
Statement of Activities
Component Units
For the Fiscal Year Ended September 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Meridian Airport Authority</u>	<u>Nonmajor Component Units</u>	<u>Total</u>
Component units:							
Meridian Airport Authority	\$ 5,503,879	5,110,906	25,217	458,400	90,644	-	90,644
Nonmajor component units	<u>499,698</u>	<u>69,365</u>	<u>378,476</u>	<u>96,549</u>	-	<u>44,692</u>	<u>44,692</u>
Total component units	\$ <u>6,003,577</u>	<u>5,180,271</u>	<u>403,693</u>	<u>554,949</u>	90,644	44,692	135,336
	General revenues -						
	Interest income				<u>27,442</u>	<u>5,000</u>	<u>32,442</u>
	Change in net assets				118,086	49,692	167,778
	Net assets, October 1, 2005				<u>14,466,344</u>	<u>459,654</u>	<u>14,925,998</u>
	Net assets, September 30, 2006				\$ <u>14,584,430</u>	<u>509,346</u>	<u>15,093,776</u>

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(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.

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, 2006

(1) Summary of Significant Accounting Policies (Continued)

(a) Reporting Entity (Continued)

Major Discretely Presented Component Unit -

Meridian Airport Authority

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

Nonmajor Discretely Presented Component Units:

Meridian Transportation Commission

Meridian Transportation Commission (“MTC”) was created by the City on November 7, 1972, in accordance with Title 21, Chapter 27, Article 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.

Meridian and Bonita Lakes Development Authority

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(1) Summary of Significant Accounting Policies (Continued)

(a) Reporting Entity (Continued)

Nonmajor Discretely Presented Component Units (Continued):

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.

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, 2006

(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, 2006

(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. (Agency funds, however, do not have a measurement focus since they do not report equity or present an operating statement reporting changes in equity.) Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

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

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

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

The **special revenue fund** accounts for specific revenue sources that are legally restricted to expenditures for public safety, culture and recreation, and economic development.

The **2006 general obligation bonds capital project fund** accounts for bond proceeds to be used to renovate and restore City Hall and to build a new Police Station and a new Fire Station.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

The **agency funds** which account for resources held by the City in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, organizations, or other governments.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(1) Summary of Significant Accounting Policies (Continued)

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

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.

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.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

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

(e) **Cash and Cash Equivalents and Investments (Continued)**

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

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

(f) **Receivables and Payables**

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

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

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(1) Summary of Significant Accounting Policies (Continued)

(f) Receivables and Payables (Continued)

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

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

The tax rate of the City is expressed in terms of mills (ten mills equal one cent). For the year ended September 30, 2006, the City's 2006 combined tax rate for general governmental services and other municipal purposes was 113.73 or \$113.73 per \$1,000 of assessed valuation, expressed as follows:

<u>Description</u>	<u>Mills</u>		<u>Increase (Decrease)</u>
	<u>2006</u>	<u>2005</u>	
General	25.56	26.19	(.63)
Solid waste fund	4.00	4.00	-
Fire and police disability retirement fund (closed)	5.05	4.79	.26
General municipal retirement fund (closed)	3.00	3.00	-
Debt service (general bonds and interest)	12.47	12.10	.37
Meridian Separate School District	<u>63.65</u>	<u>64.37</u>	<u>(.72)</u>
Total mills	<u>113.73</u>	<u>114.45</u>	<u>(.72)</u>

(g) Inventories and Prepaid Items

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

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(1) Summary of Significant Accounting Policies (Continued)

(g) Inventories and Prepaid Items (Continued)

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

(h) 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.

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, 2006, 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

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(1) Summary of Significant Accounting Policies (Continued)

(i) Capital Assets (Continued)

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.

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.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(1) Summary of Significant Accounting Policies (Continued)

(j) Compensated Absences (Continued)

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

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

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

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.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(1) Summary of Significant Accounting Policies (Continued)

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

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.

(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.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

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

(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 2005 financial statement amounts have been reclassified to conform with the 2006 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.

(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	\$ (32,950,000)
Promissory loans payable	(694,481)
Negotiable notes payable	(1,225,000)
Accrued interest payable	(348,356)
Capital leases payable	(784,817)
Compensated absences	(1,311,719)
Pension obligation	(1,189,950)
Claims and judgments	<u>(114,236)</u>
Net adjustment to reduce fund balances – total governmental funds to arrive at net assets – governmental activities	\$ <u>(38,618,559)</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

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

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

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	\$ 503,003
Less internal payable representing charges in excess of cost to business-type activities	<u>(48,477)</u>
Net adjustment to increase fund balances – total governmental funds to arrive at net assets – governmental activities	\$ <u>454,526</u>

(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	\$ 5,522,799
Depreciation expense	<u>(3,687,112)</u>
Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	\$ <u>1,835,687</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(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	\$ 23,620
Amortization of deferred charges	253,353
Compensated absences	183,673
Claims and judgments	(17,787)
Pension obligation	<u>196,056</u>
Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	 \$ <u>638,915</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	\$ 88,492
Less profit from charges to business-type activities	<u>(15,185)</u>
Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	 \$ <u>73,307</u>

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(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	\$ 33,292
Current year	<u>15,185</u>
Net adjustment to increase net assets – total enterprise funds to arrive at net assets – business-type activities	\$ <u>48,477</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 2006, the original total budgeted expenditures were \$77,930,600 and were increased by amendments to \$94,803,720.

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(3) Stewardship, Compliance and Accountability (Continued)

(a) Budgetary Information (Continued)

expenses, capital outlay, and transfers and other charges) is the minimum legal level determined by the State Auditor where expenditures may not exceed appropriations. The City adopts budgets for 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, 2006

(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	\$ (100,369)	1,476,452
Basis differences:		
Net accrued revenues and related receivables	(2,173,295)	(1,132,953)
Net accrued expenditures and related liabilities	<u>3,260,069</u>	<u>297,031</u>
Net change in fund balances – GAAP basis	\$ <u>986,405</u>	<u>640,530</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 \$28,603,837 and the bank balance was \$28,699,255. 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, 2006

(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 \$1,095,865 and the bank balance was \$1,223,561. MAA's bank balances 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 \$235,058. In February, 2007, MRA's deposits were collateralized in accordance with State law as described above.

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:	
Federal Home Loan Mortgage Corporate Discount Notes	\$ 2,158,000
Federated Government Obligations	1,213
Federal National Mortgage Association Discount Notes	304,000
Repurchase agreements	<u>877,000</u>
Total investments	\$ <u>3,340,213</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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(4) Deposits and Investments (Continued)

funds. It is the City's policy to limit its investments to those allowed by the State statute. The City's investments in U.S. Government securities are rated AAA by Standard & Poor's and by Moody's Investors Service.

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	\$ 26,692
Cash with trustee	815,266
Carrying amount of deposits	28,603,837
Carrying amount of investments	<u>3,340,213</u>
Total cash and investments	\$ <u>32,786,008</u>
Cash and cash equivalents	\$ 24,508,597
Cash and investments – restricted	6,117,252
Investments	<u>1,350,000</u>
Total reported on the government-wide statement of net assets	31,975,849
Cash and cash equivalents reported on the statement of fiduciary assets and liabilities not included on the government-wide statement of net assets	<u>810,159</u>
Total reported	\$ <u>32,786,008</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(5) Capital Assets

Primary government:

Capital asset activity for the year ended September 30, 2006, was as follows:

	Balance			Balance
	September 30,			September 30,
	<u>2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>2006</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,869,030	267,250	-	7,136,280
Collections - historical treasures	141,250	-	-	141,250
Construction-in-progress	<u>5,067,857</u>	<u>2,570,563</u>	<u>5,594,759</u>	<u>2,043,661</u>
Total capital assets, not being depreciated	<u>12,078,137</u>	<u>2,837,813</u>	<u>5,594,759</u>	<u>9,321,191</u>
Capital assets, being depreciated:				
Buildings	22,781,050	232,249	-	23,013,299
Improvements other than buildings	1,441,352	769,485	-	2,210,837
Machinery and equipment	11,218,695	1,455,569	68,158	12,606,106
Infrastructure	<u>71,648,329</u>	<u>5,822,442</u>	<u>-</u>	<u>77,470,771</u>
Total capital assets, being depreciated	<u>107,089,426</u>	<u>8,279,745</u>	<u>68,158</u>	<u>115,301,013</u>
Less accumulated depreciation for:				
Buildings	4,591,522	445,367	-	5,036,889
Improvements other than buildings	710,025	56,379	-	766,404
Machinery and equipment	6,855,913	887,759	64,989	7,678,683
Infrastructure	<u>35,707,438</u>	<u>2,297,607</u>	<u>-</u>	<u>38,005,045</u>
Total accumulated depreciation	<u>47,864,898</u>	<u>3,687,112</u>	<u>64,989</u>	<u>51,487,021</u>
Total capital assets, being depreciated, net	<u>59,224,528</u>	<u>4,592,633</u>	<u>3,169</u>	<u>63,813,992</u>
Total governmental activities				
capital assets, net	\$ <u>71,302,665</u>	<u>7,430,446</u>	<u>5,597,928</u>	<u>73,135,183</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(5) Capital Assets (Continued)

	<u>Balance</u> <u>September 30,</u> <u>2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>September 30,</u> <u>2006</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 271,666	-	-	271,666
Construction-in-progress	<u>572,616</u>	<u>707,142</u>	<u>1,114,869</u>	<u>164,889</u>
Total capital assets, not being depreciated	<u>844,282</u>	<u>707,142</u>	<u>1,114,869</u>	<u>436,555</u>
Capital assets, being depreciated:				
Buildings	117,128	-	-	117,128
Water and sewer system	89,479,045	1,360,021	-	90,839,066
Improvements other than buildings	113,067	-	-	113,067
Machinery and equipment	<u>3,474,308</u>	<u>368,471</u>	<u>127,819</u>	<u>3,714,960</u>
Total capital assets, being depreciated	<u>93,183,548</u>	<u>1,728,492</u>	<u>127,819</u>	<u>94,784,221</u>
Less accumulated depreciation for:				
Buildings	114,958	2,170	-	117,128
Water and sewer system	41,723,628	3,473,118	-	45,196,746
Improvements other than buildings	84,885	1,415	-	86,300
Machinery and equipment	<u>2,689,021</u>	<u>212,283</u>	<u>126,942</u>	<u>2,774,362</u>
Total accumulated depreciation	<u>44,612,492</u>	<u>3,688,986</u>	<u>126,942</u>	<u>48,174,536</u>
Total capital assets, being depreciated, net	<u>48,571,056</u>	<u>(1,960,494)</u>	<u>877</u>	<u>46,609,685</u>
Total business-type activities capital assets, net	\$ <u>49,415,338</u>	<u>(1,253,352)</u>	<u>1,115,746</u>	<u>47,046,240</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(5) Capital Assets (Continued)

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

	<u>Amount</u>
Governmental activities:	
General government	\$ 420,345
Public safety	617,002
Public works	2,567,379
Culture and recreation	<u>82,386</u>
Total depreciation expense - governmental activities	\$ <u>3,687,112</u>
Business-type activities:	
Water and sewer department	\$ 3,672,115
Waste collection and disposal	3,532
Golf course	12,171
Union Station	<u>1,168</u>
Total depreciation expense - business-type activities	\$ <u>3,688,986</u>

Construction-in-progress is composed of:

Governmental activities:	
City Hall improvements	\$ 805,261
Gallagher Creek project	575,148
8th Street signalization project	377,149
Riley Center right-of-way improvements	161,248
North Hills at Highway 39 project	<u>124,855</u>
Total governmental activities	<u>2,043,661</u>
Business-type activities:	
South Industrial Park sewer improvements	87,275
Sweet Gum Bottom Road	<u>77,614</u>
Total business-type activities	<u>164,889</u>
Total construction-in-progress	\$ <u>2,208,550</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(5) Capital Assets (Continued)

Discretely presented component units:

Capital asset activity for the year ended September 30, 2006, was as follows:

	Balance September 30, <u>2005</u>	<u>Increases</u>	<u>Decreases</u>	Balance September 30, <u>2006</u>
Meridian Airport Authority:				
Capital assets, not being depreciated:				
Land	\$ 500,000	-	-	500,000
Construction-in-progress	<u>4,390,840</u>	<u>558,998</u>	<u>2,024,573</u>	<u>2,925,265</u>
Total capital assets, not being depreciated	<u>4,890,840</u>	<u>558,998</u>	<u>2,024,573</u>	<u>3,425,265</u>
Capital assets, being depreciated:				
Buildings	2,629,499	-	-	2,629,499
Improvements other than buildings	11,766,904	1,955,281	-	13,722,185
Machinery and equipment	<u>673,596</u>	<u>195,042</u>	<u>36,479</u>	<u>832,159</u>
Total capital assets, being depreciated	<u>15,069,999</u>	<u>2,150,323</u>	<u>36,479</u>	<u>17,183,843</u>
Less accumulated depreciation for:				
Buildings	1,027,575	64,295	-	1,091,870
Improvements other than buildings	4,641,514	616,154	-	5,257,668
Machinery and equipment	<u>305,416</u>	<u>107,583</u>	<u>30,474</u>	<u>382,525</u>
Total accumulated depreciation	<u>5,974,505</u>	<u>788,032</u>	<u>30,474</u>	<u>6,732,063</u>
Total capital assets, being depreciated, net	<u>9,095,494</u>	<u>1,362,291</u>	<u>6,005</u>	<u>10,451,780</u>
Total Meridian Airport Authority	\$ <u>13,986,334</u>	<u>1,921,289</u>	<u>2,030,578</u>	<u>13,877,045</u>
Nonmajor component units:				
Capital assets, not being depreciated -				
Land	\$ 7,500	-	-	7,500
Capital assets, being depreciated:				
Machinery and equipment	424,997	101,729	131,324	395,402
Less accumulated depreciation	<u>358,139</u>	<u>27,496</u>	<u>131,324</u>	<u>254,311</u>
Total nonmajor component units	\$ <u>74,358</u>	<u>74,233</u>	<u>-</u>	<u>148,591</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(6) Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2006 is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Water & Sewer Fund	\$ 12,106
	Special Revenue Fund	1,134,572
	Nonmajor Governmental Funds	184,133
Debt Service Fund	General Fund	40,423
Special Revenue Fund	General Fund	154,112
Nonmajor Governmental Funds	General Fund	125,878
	Nonmajor Governmental Funds	127,884
Water & Sewer Fund	Nonmajor Governmental Funds	56,925
Waste Collection & Disposal Fund	General Fund	19,882
Internal Service Funds	General Fund	62,367
	Water & Sewer Fund	17,925
	Waste Collection & Disposal	41
	Nonmajor Enterprise Funds	<u>153</u>
Total due to/from other funds		\$ <u>1,936,401</u>

Due to primary government:

Due from component units:

General Fund	Meridian Transportation Commission	\$ <u>10,445</u>
Internal Service Funds	Meridian Transportation Commission	\$ <u>10,464</u>

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, 2006

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

Interfund transfers:

	<u>Transfers in:</u>						<u>Total</u>
	<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	\$ -	1,031,850	61,386	-	292,950	22,000	1,408,186
Special Revenue Fund	5,254	-	-	-	-	-	5,254
Major Capital Project Fund	-	-	-	1,135,187	-	-	1,135,187
Nonmajor Governmental Funds	57,716	12,520	-	10,576	-	-	80,812
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>708,470</u>	<u>1,044,370</u>	<u>61,386</u>	<u>1,145,763</u>	<u>292,950</u>	<u>22,000</u>	<u>3,274,939</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, 2006, follows:

<u>Description</u>	<u>October 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2006</u>
Discretely presented nonmajor component unit -				
Meridian Transportation Commission: 5.2% \$40,850 line of credit with a financial institution; maturing annually.	\$ 24,388	16,462	-	40,850
Other	<u>3,170</u>	<u>-</u>	<u>2,092</u>	<u>1,078</u>
Total notes payable	\$ <u>27,558</u>	<u>16,462</u>	<u>2,092</u>	<u>41,928</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(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, 2006. The future minimum lease payments for these leases follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2007	\$ 36,000
2008	36,000
2009	<u>24,000</u>
Total minimum future rental payments	\$ <u>96,000</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, 2006, follows:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery and equipment	\$ 1,283,312	1,185,958
Less accumulated depreciation	<u>(313,626)</u>	<u>(271,733)</u>
Total leased equipment capitalized	\$ <u>969,686</u>	<u>914,225</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(8) Leases (Continued)

The future minimum lease obligations and the net present value of minimum lease commitments at September 30, 2006, follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2007	\$ 204,809	127,421
2008	180,873	106,140
2009	71,226	106,140
2010	71,226	106,140
2011	71,226	106,140
2012-2016	356,130	530,700
2017	<u>76,929</u>	<u>26,535</u>
Total minimum lease commitments	1,032,419	1,109,216
Less amount representing imputed interest	<u>(247,602)</u>	<u>(272,651)</u>
Present value of minimum lease payments	784,817	836,565
Current portion of obligations under capital leases	<u>(166,462)</u>	<u>(79,977)</u>
Obligations under capital leases, less current installments	\$ <u>618,355</u>	<u>756,588</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(9) Long-Term Debt

A summary of long-term debt at September 30, 2006, follows:

	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities:		
Outstanding bonds:		
General government	3.25 – 6.25%	\$ 19,070,000
Special obligation bonds – parking facilities	2.75 - 4.5%	6,335,000
Limited obligation bonds – tax increment financing	9.0%	3,765,000
Special assessment debt with City commitment	4.5 - 6.75%	3,780,000
Other debt:		
Promissory loans	3.0%	694,481
Negotiable notes	5.45%	1,225,000
Capital leases	3.09 - 5.87%	784,817
Compensated absences		1,311,719
Pension obligation		1,189,950
Claims and judgments		<u>114,236</u>
Total governmental activities		38,270,203
Less current portion payable		<u>(3,570,366)</u>
Governmental activities, net		\$ <u>34,699,837</u>
Business-type activities:		
Water & sewer revenue bonds:		
Advanced refunding of a refunding	6.0 - 6.5%	\$ 4,045,000
Improvements and repairs to water system	4.6 - 6.5%	3,210,000
Improvements, repairs and extension to water system	4.5 - 6.375%	3,600,000
Improvements, repairs and extension to water system	5.0 - 6.25%	1,635,000
Less deferred issue costs on refunding bonds		<u>(173,792)</u>
Total revenue bonds		<u>12,316,208</u>
Water & sewer promissory loans	1.0 - 6.125%	16,088,196
Less deferred issue costs on refunding bonds		<u>(493,073)</u>
Total promissory loans		<u>15,595,123</u>
Capital leases	2.83 – 5.87%	<u>836,565</u>
Deferred revenue forward invested funds		<u>370,805</u>
Compensated absences		<u>201,910</u>
Total business-type activities		29,320,611
Less current portion payable		<u>(2,460,847)</u>
Business activities, net		\$ <u>26,859,764</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(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						Total
	General Obligation Bonds	Special Obligation Bonds	Limited Obligations Bonds	Special Assessment Debt	Promissory Loans	Negotiable Notes	
2007	\$ 2,066,940	523,276	1,107,625	475,671	82,869	286,500	4,542,881
2008	2,073,548	516,124	1,054,275	475,657	82,869	286,500	4,488,973
2009	1,963,973	528,476	540,725	474,729	82,869	286,500	3,877,272
2010	1,971,238	530,843	531,750	473,128	82,869	286,500	3,876,328
2011	1,831,717	527,494	530,075	480,619	82,869	286,500	3,739,274
2012-2016	7,771,862	2,682,980	1,042,525	2,250,378	393,628	-	14,141,373
2017-2021	4,946,613	2,751,175	-	593,305	-	-	8,291,093
2021-2026	<u>3,872,500</u>	<u>1,123,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,995,713</u>
Total	\$ <u>26,498,391</u>	<u>9,183,581</u>	<u>4,806,975</u>	<u>5,223,487</u>	<u>807,973</u>	<u>1,432,500</u>	<u>47,952,907</u>
Interest included in above totals	\$ <u>7,428,391</u>	<u>2,848,581</u>	<u>1,041,975</u>	<u>1,443,487</u>	<u>113,492</u>	<u>207,500</u>	<u>13,083,426</u>

Year Ending September 30,	Business-type Activities		
	Revenue Bonds	Promissory Loans	Total
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	950,105	1,689,260	2,639,365
2012-2016	4,893,188	6,762,946	11,656,134
2017-2021	1,517,081	4,351,362	5,868,443
2021-2026	<u>-</u>	<u>2,696,913</u>	<u>2,696,913</u>
Total	\$ <u>15,906,138</u>	<u>22,300,440</u>	<u>38,206,578</u>
Interest included in above totals	\$ <u>3,416,138</u>	<u>6,212,244</u>	<u>9,628,382</u>

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(9) Long-Term Debt (Continued)

A summary of changes in the long-term liabilities during the year ended September 30, 2006, follows:

<u>Description</u>	<u>October 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2006</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation debt	\$ 9,955,000	10,000,000	885,000	19,070,000	1,255,000
Special obligation bonds	6,565,000	-	230,000	6,335,000	250,000
Limited obligation bonds	4,545,000	-	780,000	3,765,000	805,000
Special assessment with City commitment	4,020,000	-	240,000	3,780,000	260,000
Less deferred issue costs on refunding bonds	<u>(3,250)</u>	<u>-</u>	<u>(3,250)</u>	<u>-</u>	<u>-</u>
Total bonds payable	25,081,750	10,000,000	2,131,750	32,950,000	2,570,000
Promissory loans	755,667	-	61,186	694,481	62,733
Negotiable notes	-	1,225,000	-	1,225,000	219,695
Capital leases	944,978	-	160,161	784,817	166,462
Compensated absences	1,495,392	1,048,119	1,231,792	1,311,719	437,240
Pension obligation	1,386,006	1,834,269	2,030,325	1,189,950	-
Claims and judgments	<u>96,449</u>	<u>405,034</u>	<u>387,247</u>	<u>114,236</u>	<u>114,236</u>
Governmental activities long-term liabilities	\$ <u>29,760,242</u>	<u>14,512,422</u>	<u>6,002,461</u>	<u>38,270,203</u>	<u>3,570,366</u>
Business-type activities:					
Revenue bonds	\$ 13,655,000	-	1,165,000	12,490,000	1,230,000
Less deferred issue costs on refunding bonds	<u>(192,413)</u>	<u>-</u>	<u>(18,621)</u>	<u>(173,792)</u>	<u>-</u>
Promissory loans	17,084,422	-	996,226	16,088,196	1,037,235
Less deferred issue costs on refunding loans	<u>(554,707)</u>	<u>-</u>	<u>(61,634)</u>	<u>(493,073)</u>	<u>-</u>
Capital leases	912,910	-	76,345	836,565	79,977
Deferred revenue forward invested funds	419,638	-	48,833	370,805	47,005
Compensated absences	<u>222,265</u>	<u>200,435</u>	<u>220,790</u>	<u>201,910</u>	<u>66,630</u>
Business-type activities long-term liabilities	\$ <u>31,547,115</u>	<u>200,435</u>	<u>2,426,939</u>	<u>29,320,611</u>	<u>2,460,847</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, 2006

(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 \$13,910,000.

The City issued general obligation bonds during fiscal year 2006, in the amount of \$10,000,000. The proceeds from this bond issue will be used to renovate and restore City Hall and to build a new Police Station and a new Fire Station.

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.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(9) Long-Term Debt (Continued)

Revenue Bonds

The City also issues bonds whereby the City pledges income derived from user fees of its water and sewer operations. The balance of revenue bonds outstanding as of September 30, 2006 amounted to \$12,316,208, net of \$173,792 of long-term financing costs. The original amount of revenue bonds issued in prior years was \$21,710,000.

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, 2006, the outstanding balance on the defeased bonds was \$3,990,000. 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.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

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

Promissory Loans (Continued)

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, 2006, the outstanding balance on the defeased bonds was \$5,525,000. This refunding resulted in a decrease in future debt service payments of \$549,006.

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 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, 2006, 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.

Negotiable Notes

The City issued \$1,225,000 of taxable negotiable notes dated September 28, 2006. The proceeds from these notes were used for the acquisition of a building and land for redevelopment within the City's urban renewal district.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(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, 2006 and for each of the next five years and in aggregate, follows:

<u>Year Ending</u> <u>September 30,</u>		<u>Amount</u>
2007	\$	145,714
2008		96,781
2009		69,433
2010		66,059
2011		<u>149,202</u>
Total minimum future rentals	\$	<u>527,189</u>

(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 and sewer fund, golf course fund and Union Station fund, as well as the appropriate department within each fund and by component units. There were no significant reductions in insurance coverage in fiscal 2006, from the prior year. Settled claims have not exceeded commercial coverage in any of the past several years.

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(11) Risk Management (Continued)

Changes in the balances of claims liabilities during the fiscal years ended September 30, 2006 and 2005, follows:

<u>Description</u>	<u>2006</u>	<u>2005</u>
Unpaid claims, beginning of year	\$ 96,449	75,612
Incurred claims (including IBNR's)	405,034	367,980
Claim payments	<u>(387,247)</u>	<u>(347,143)</u>
Unpaid claims, end of year	\$ <u>114,236</u>	<u>96,449</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.

Benefit payments plus an administrative charge are made to the third-party administrator who approves and processes all claims. The Fund collects interfund premiums from insured funds and departments. Interfund premiums are based on the insured funds' claims experience and are adjusted to cover all reported claims. Claims settlement and loss expenses are accrued in the Fund for the settlement value of claims reported and estimated value of claims incurred but not reported, up to stop-loss. No actuarial study has been performed on the Fund. Changes in the balances of claims liabilities during the fiscal years ended September 30, 2006 and 2005 follows:

<u>Description</u>	<u>2006</u>	<u>2005</u>
Unpaid claims, beginning of year	\$ 354,331	-
Incurred claims (including IBNR's)	2,332,172	2,115,694
Claim payments	<u>(1,995,527)</u>	<u>(1,761,363)</u>
Unpaid claims, end of year	\$ <u>690,976</u>	<u>354,331</u>

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(12) Subsequent Events

In November, 2006, the City's Council approved the adoption and implementation of the Tax Increment Financing Plan of 2006, for the Meridian Crossroads Project. The tax increment finance bonds are not to exceed \$4,500,000.

In February, 2007, the City approved the intent to issue \$3,600,000 in general obligation water and sewer bonds, Series 2007. The purpose is to provide funds for projects at the City's freshwater and wastewater plants.

(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.

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 under construction the installation of a sanitary sewer service to residents along Sweetgum Bottom Road. The cost of this project is estimated to be \$800,000. These costs are funded with proceeds from the sale of bonds and a grant committed to be provided by the federal government.

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 \$127,420 (as of December, 2006). 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, 2006

(14) Construction and Commitments (Continued)

The City has committed to a contract for the development of a collection system rehabilitation program. The cost of this project is estimated to be \$950,325. Future expenditures related to this project will be funded from grants committed to be provided by the United States Environmental Protection Agency. This is a congressionally mandated project.

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 \$353,000. 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.

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 are funded through a grant provided by the federal government.

In fiscal year 2006, the City began a renovation and restoration project of the City Hall. This project is being funded with proceeds from the sale of \$10,000,000 bonds issued by the City.

(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, 2006

(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, 2006, was \$4,971,974,000. The City's payroll for employees covered by PERS for the year ended September 30, 2006, was \$14,823,955; the City's total payroll was \$15,856,906 for the year ended September 30, 2006.

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, 2006, the total additional annual payments were \$232,710,000.

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, 2006, City employees contributed \$1,074,738. 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 2006. The City is required by statute to contribute to PERS at an actuarially determined rate. For the years ended September 30, 2006, 2005, and 2004, the City's contribution requirements representing 10.75% (from October 1, 2005 through June 30, 2006) and 11.30% (from July 1, 2006 through September 30, 2006) of covered payroll were \$1,615,369, \$1,513,620, and \$1,302,347, respectively. The City contributed 100% of its requirements in each of these years.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(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, 2006 of approximately \$20,830. The component unit's total payroll was approximately \$505,500 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, 2006, 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, 2006 was \$215,748; the City's total payroll for all employees was \$15,856,906. At September 30, 2006, the date of the most recent actuarial valuation, there were 4 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, 2006

(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, 2006, the City levied 8.05 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 2006, 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, 2006

(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, 2005, using the entry age actuarial cost method, the level dollar closed amortization method (with a twenty-nine year remaining amortization period), and a five-year smoothed market asset valuation 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 .5% - 2.0% per year compounded annually attributable to seniority and/or merit.

The following provides pension cost and obligation information for MRS:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Components of annual pension cost:			
Annual required contribution	\$ 1,841,677	1,774,294	1,744,105
Interest cost	110,880	121,624	130,734
Adjustment to required contribution	<u>(118,288)</u>	<u>(129,750)</u>	<u>(139,468)</u>
Total annual pension cost	1,834,269	1,766,168	1,735,371
Less: contributions made	<u>2,030,325</u>	<u>1,900,463</u>	<u>1,849,246</u>
Decrease in net pension obligation	\$ <u>(196,056)</u>	<u>(134,295)</u>	<u>(113,875)</u>
Percentage of annual pension cost contributed	<u>110.69%</u>	<u>107.60%</u>	<u>106.56%</u>
Net pension obligation at year end	\$ <u>1,189,949</u>	<u>1,386,006</u>	<u>1,520,301</u>

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)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability ("AAL") - Entry Age (b)</u>	<u>Funded Ratio (a/b)</u>	<u>Unfunded AAL ("UAAL") (b-a)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u>
9/30/06	\$ 9,156	\$ 29,491	31.0%	\$ 20,335	176	11,554.0 %
9/30/05	9,319	29,951	31.1%	20,632	226	9,129.2 %
9/30/04	10,244	30,312	33.8%	20,068	212	9,466.0 %

Notes to Schedule of Funding Progress

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

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

For additional information regarding this schedule, refer to the separately issued Public Employees' Retirement System of Mississippi Comprehensive Annual Financial Report for 2005 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.

Police Station – This fund is used to account for the bond proceeds used to fund the acquisition of land and construction of a new police station.

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

2006 Negotiable Notes – This fund is used to account for the proceeds and disbursements of the taxable negotiable notes dated September 28, 2006, used for the acquisition of a building and land for redevelopment within the City's urban renewal district.

CITY OF MERIDIAN, MISSISSIPPI
 Combining Balance Sheet
 Nonmajor Governmental Funds
 Nonmajor Capital Projects Funds
 September 30, 2006

	<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>2003 General Obligation Bonds</u>	<u>2003 Flood Damage</u>
<u>ASSETS</u>									
Cash and cash equivalents	\$ 386,204	25,585	47,472	-	-	7,119	17,794	805,886	-
Grant receivable	-	-	-	-	-	-	-	-	151,818
Due from other funds	-	-	-	-	-	-	-	109,343	125,878
Asset held for resale	-	-	-	-	-	-	-	-	-
Total assets	\$ 386,204	25,585	47,472	-	-	7,119	17,794	915,229	277,696
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts payable	\$ 2,189	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	18,541	241,058
Unearned revenue	-	-	-	-	-	-	17,794	-	-
Total liabilities	2,189	-	-	-	-	-	17,794	18,541	241,058
Fund balances (deficit):									
Reserved for encumbrances	-	-	42,512	-	-	2,500	-	-	-
Reserved - asset held for resale	-	-	-	-	-	-	-	-	-
Unreserved, designated for subsequent years' expenditures	384,015	25,585	4,960	-	-	4,619	-	896,688	36,638
Total fund balances (deficit)	384,015	25,585	47,472	-	-	7,119	-	896,688	36,638
Total liabilities and fund balances	\$ 386,204	25,585	47,472	-	-	7,119	17,794	915,229	277,696

SCHEDULE 2

<u>Training Burn Tower</u>	<u>Highway 19 Drainage</u>	<u>Gallagher Creek Drainage</u>	<u>Lake Drive Realignment</u>	<u>8th Street Signalization Project</u>	<u>Highway 39 at 33rd Street</u>	<u>North Hills - 10th Avenue to Highway 39</u>	<u>City Hall Roof</u>	<u>Police Station</u>	<u>City Hall Improvements</u>	<u>2006 Negotiable Notes</u>	<u>Total Nonmajor Governmental Funds</u>
-	2,338	-	-	-	814	2,428	-	-	-	27,126	1,322,766
-	-	16,639	41,547	32,616	-	52,908	-	-	-	-	295,528
-	-	-	10,387	8,154	-	-	-	-	-	-	253,762
-	-	-	-	-	-	-	-	-	-	<u>1,197,874</u>	<u>1,197,874</u>
-	<u>2,338</u>	<u>16,639</u>	<u>51,934</u>	<u>40,770</u>	<u>814</u>	<u>55,336</u>	-	-	-	<u>1,225,000</u>	<u>3,069,930</u>
-	-	-	-	-	-	-	-	-	277,461	22,229	301,879
-	-	16,639	51,934	40,770	-	-	-	-	-	-	368,942
-	-	-	-	-	-	-	-	-	-	-	<u>17,794</u>
-	-	<u>16,639</u>	<u>51,934</u>	<u>40,770</u>	-	-	-	-	<u>277,461</u>	<u>22,229</u>	<u>688,615</u>
-	2,135	-	-	-	-	2,022	-	-	-	-	49,169
-	-	-	-	-	-	-	-	-	-	1,197,874	1,197,874
-	<u>203</u>	-	-	-	<u>814</u>	<u>53,314</u>	-	-	<u>(277,461)</u>	<u>4,897</u>	<u>1,134,272</u>
-	<u>2,338</u>	-	-	-	<u>814</u>	<u>55,336</u>	-	-	<u>(277,461)</u>	<u>1,202,771</u>	<u>2,381,315</u>
-	<u>2,338</u>	<u>16,639</u>	<u>51,934</u>	<u>40,770</u>	<u>814</u>	<u>55,336</u>	-	-	-	<u>1,225,000</u>	<u>3,069,930</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, 2006

	Sowashee Project	1999 General Obligation Bonds	2000 General Obligation Bonds	2000A Tax Increment Financing Bonds	2000B Tax Increment Financing Bonds	Urban Renewal Parking Garage Bonds	I20/159 Interchange Project	2003 General Obligation Bonds	2003 Flood Damage
Revenues:									
Intergovernmental:									
Federal	\$ -	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-	-
Interest on investments	14,398	1,155	1,483	316	75	4,336	60	33,954	-
Total revenues	<u>14,398</u>	<u>1,155</u>	<u>1,483</u>	<u>316</u>	<u>75</u>	<u>4,336</u>	<u>60</u>	<u>33,954</u>	<u>-</u>
Expenditures:									
Construction contracts	-	4,860	-	-	-	22,133	-	296,400	-
Engineering and other	267,461	-	-	-	-	5,447	60	-	-
Total expenditures	<u>267,461</u>	<u>4,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,580</u>	<u>60</u>	<u>296,400</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(253,063)</u>	<u>(3,705)</u>	<u>1,483</u>	<u>316</u>	<u>75</u>	<u>(23,244)</u>	<u>-</u>	<u>(262,446)</u>	<u>-</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	(9,986)	-	(10,120)	(2,400)	-	-	(539)	-
Negotiable note issued	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(9,986)</u>	<u>-</u>	<u>(10,120)</u>	<u>(2,400)</u>	<u>-</u>	<u>-</u>	<u>(539)</u>	<u>-</u>
Net change in fund balances	<u>(253,063)</u>	<u>(13,691)</u>	<u>1,483</u>	<u>(9,804)</u>	<u>(2,325)</u>	<u>(23,244)</u>	<u>-</u>	<u>(262,985)</u>	<u>-</u>
Fund balances, October 1, 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>	<u>-</u>	<u>1,159,673</u>	<u>36,638</u>
Fund balances (deficit), September 30, 2006	\$ <u>384,015</u>	<u>25,585</u>	<u>47,472</u>	<u>-</u>	<u>-</u>	<u>7,119</u>	<u>-</u>	<u>896,688</u>	<u>36,638</u>

SCHEDULE 3

<u>Training Burn Tower</u>	<u>Highway 19 Drainage</u>	<u>Gallagher Creek Drainage</u>	<u>Lake Drive Realignment</u>	<u>8th Street Signalization Project</u>	<u>Highway 39 at 33rd Street</u>	<u>North Hills - 10th Avenue to Highway 39</u>	<u>City Hall Roof</u>	<u>Police Station</u>	<u>City Hall Improvements</u>	<u>2006 Negotiable Notes</u>	<u>Total Nonmajor Governmental Funds</u>
-	-	521,401	372,088	338,659	182,339	-	-	-	-	-	1,414,487
-	-	-	-	-	-	-	175,000	-	-	-	175,000
<u>198</u>	<u>1,094</u>	<u>-</u>	<u>-</u>	<u>82</u>	<u>190</u>	<u>76</u>	<u>946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,363</u>
<u>198</u>	<u>1,094</u>	<u>521,401</u>	<u>372,088</u>	<u>338,741</u>	<u>182,529</u>	<u>76</u>	<u>175,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,647,850</u>
17,700	-	506,539	336,947	308,112	190,240	-	243,746	-	892,128	-	2,818,805
-	-	<u>14,862</u>	<u>35,090</u>	<u>31,219</u>	<u>20,569</u>	-	<u>23,186</u>	<u>472,654</u>	<u>47,866</u>	<u>22,229</u>	<u>940,643</u>
<u>17,700</u>	<u>-</u>	<u>521,401</u>	<u>372,037</u>	<u>339,331</u>	<u>210,809</u>	<u>-</u>	<u>266,932</u>	<u>472,654</u>	<u>939,994</u>	<u>22,229</u>	<u>3,759,448</u>
(17,502)	1,094	-	51	(590)	(28,280)	76	(90,986)	(472,654)	(939,994)	(22,229)	(2,111,598)
-	-	-	-	590	-	-	9,986	472,654	662,533	-	1,145,763
(328)	(57,388)	-	(51)	-	-	-	-	-	-	-	(80,812)
-	-	-	-	-	-	-	-	-	-	1,225,000	1,225,000
<u>(328)</u>	<u>(57,388)</u>	<u>-</u>	<u>(51)</u>	<u>590</u>	<u>-</u>	<u>-</u>	<u>9,986</u>	<u>472,654</u>	<u>662,533</u>	<u>1,225,000</u>	<u>2,289,951</u>
(17,830)	(56,294)	-	-	-	(28,280)	76	(81,000)	-	(277,461)	1,202,771	178,353
<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>-</u>	<u>-</u>	<u>-</u>	<u>2,202,962</u>
<u>-</u>	<u>2,338</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>814</u>	<u>55,336</u>	<u>-</u>	<u>-</u>	<u>(277,461)</u>	<u>1,202,771</u>	<u>2,381,315</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, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues	\$ 5,350,000	4,665,767	(684,233)
Expenditures - debt service	<u>5,350,000</u>	<u>3,512,475</u>	<u>1,837,525</u>
Net change in fund balances	-	1,153,292	1,153,292
Fund Balance, October 1, 2005	<u>-</u>	<u>2,811,808</u>	<u>2,811,808</u>
Fund Balance, September 30, 2006	\$ <u>-</u>	<u>3,965,100</u>	<u>3,965,100</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues	\$ 4,540,000	11,590,000	14,525,214	2,935,214
Expenditures - capital outlay	<u>4,290,000</u>	<u>4,500,000</u>	<u>4,493,565</u>	<u>6,435</u>
Net change in fund balances	250,000	7,090,000	10,031,649	2,941,649
Fund balance, October 1, 2005	<u>2,250,000</u>	<u>2,250,000</u>	<u>4,600,042</u>	<u>2,350,042</u>
Fund balance, September 30, 2006	\$ <u>2,500,000</u>	<u>9,340,000</u>	<u>14,631,691</u>	<u>5,291,691</u>

CITY OF MERIDIAN, MISSISSIPPI
Schedule of General Fund Expenditures
By Departments and Divisions
For the Fiscal Year Ended September 30, 2006
(With Comparative Totals for the Fiscal Year Ended September 30, 2005)

	<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	\$ 812,739	860,928	705,145	3,188,743	3,413,855
Salaries - overtime	883	4,959	708	220,773	318,002
Salaries - temporaries	-	-	3,556	-	3,513
Fringe benefits	240,031	299,002	217,806	1,113,549	1,142,161
Total personnel services	<u>1,053,653</u>	<u>1,164,889</u>	<u>927,215</u>	<u>4,523,065</u>	<u>4,877,531</u>
Contractual services and supplies:					
Supplies - office	6,647	6,463	3,594	1,522	3,122
Supplies - operating	218	4,751	4,457	6,277	42,091
Supplies - household	-	4,044	-	8,930	3,108
Supplies - uniforms and clothing	-	-	2,194	16,491	47,278
Supplies - materials direct	-	45	1,157	-	-
Materials - small tools and workorders	184	1,366	123	4,393	288
Professional services	451,188	53,791	12,864	6,114	246,996
Telephone	5,049	68,669	8,177	5,107	18,006
Postage	232	750	5,487	50	2,031
Travel	20,009	616	9,632	7,470	14,101
Freight	-	28	8	-	13
Advertising and publishing	14,955	3,432	11,561	127	55
Printing and binding	1,262	3,429	1,874	391	4,580
Insurance	59,782	38,088	50,828	216,890	441,098
Utilities	295	892,258	-	81,152	51,161
Operating and maintenance - buildings	4,161	46,591	-	14,259	54,643
Operating and maintenance - grounds	578	2,656	-	473	-
Operating and maintenance - equipment	1,308	17,121	4,212	9,675	11,256
Operating and maintenance - vehicles	7,111	1,958	17,118	83,505	414,162
Operating and maintenance - computer services	7,452	36,369	7,954	29,294	46,779
Rentals	519	5,505	3,662	-	8,718
Judgments and claims	-	1,822	1,738	34,245	119,112
Dues and subscriptions	23,646	2,567	6,865	1,298	1,136
Public relations	26,201	-	-	657	959
Refunds	-	1,666	50	-	-
Job training	7,578	1,152	4,160	12,587	31,591
Safety	-	-	-	29,535	-
Hospital and medical	9,190	-	-	21,420	81,786
Total contractual services & supplies	<u>647,565</u>	<u>1,195,137</u>	<u>157,715</u>	<u>591,862</u>	<u>1,644,070</u>
Capital outlay:					
Buildings	-	-	-	-	-
Improvements other than buildings	517,650	-	-	-	-
Machinery and equipment	4,085	146,426	12,963	27,136	42,943
Vehicles	-	-	12,601	-	-
Total capital outlay	<u>521,735</u>	<u>146,426</u>	<u>25,564</u>	<u>27,136</u>	<u>42,943</u>
Debt service:					
Principal	-	35,532	-	102,230	-
Interest	-	35,695	-	7,416	-
Total debt service	<u>-</u>	<u>71,227</u>	<u>-</u>	<u>109,646</u>	<u>-</u>
Transfers and other charges:					
Transfer to other funds	1,053,850	-	245,133	-	38,415
Special projects	118,993	35,000	141,498	8,645	-
Miscellaneous contributions	330,420	-	-	-	-
Other projects and charges	3,929	-	-	-	-
Total transfers and other charges	<u>1,507,192</u>	<u>35,000</u>	<u>386,631</u>	<u>8,645</u>	<u>38,415</u>
Total General Fund expenditures - 2006	<u>3,730,145</u>	<u>2,612,679</u>	<u>1,497,125</u>	<u>5,260,354</u>	<u>6,602,959</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>
Increase (decrease)	<u>\$ 524,997</u>	<u>110,660</u>	<u>98,807</u>	<u>(398,288)</u>	<u>29,737</u>

SCHEDULE 6

Homeland Security	Public Works	Parks, Recreation & Cultural Affairs	Arts District Parking Garage	Totals		Increase (Decrease)
				2006	2005	
199,198	2,185,094	770,347	59,583	12,195,632	12,098,325	97,307
1,473	71,141	19,593	-	637,532	442,376	195,156
25,366	11,943	246,965	-	291,343	232,243	59,100
62,899	766,583	286,375	-	4,128,406	3,950,241	178,165
<u>288,936</u>	<u>3,034,761</u>	<u>1,323,280</u>	<u>59,583</u>	<u>17,252,913</u>	<u>16,723,185</u>	<u>529,728</u>
1,195	2,827	1,426	1,749	28,545	32,417	(3,872)
16,031	71,204	52,639	-	197,668	191,892	5,776
1,173	4,029	16,956	-	38,240	38,218	22
1,713	17,364	3,274	-	88,314	110,165	(21,851)
-	135,370	9,678	1,747	147,997	133,376	14,621
2,422	7,874	3,135	-	19,785	24,289	(4,504)
28,621	10,629	51,080	25,226	886,509	851,566	34,943
6,221	7,255	3,438	3,029	124,951	107,783	17,168
303	1,853	1,680	3	12,389	27,081	(14,692)
9,189	1,766	98	6,304	69,185	66,170	3,015
-	84	-	-	133	363	(230)
-	307	2,500	-	32,937	36,916	(3,979)
338	76	2,815	-	14,765	15,593	(828)
19,687	308,082	74,744	6,116	1,215,315	1,132,847	82,468
9,924	50,665	179,486	28,525	1,293,466	1,103,960	189,506
3,346	32,141	33,876	411	189,428	114,948	74,480
33	5,660	40,813	11,113	61,326	48,406	12,920
14,426	85,302	49,132	4,951	197,383	173,548	23,835
16,023	257,285	34,104	-	831,266	712,688	118,578
9,399	15,829	8,326	318	161,720	258,160	(96,440)
-	1,761	3,705	-	23,870	17,667	6,203
-	56,939	9,442	-	223,298	291,636	(68,338)
1,291	988	190	-	37,981	34,507	3,474
3,818	-	-	-	31,635	7,791	23,844
-	-	-	75	1,791	2,610	(819)
8,677	2,377	163	-	68,285	89,140	(20,855)
689	11,779	1,862	40	43,905	43,584	321
-	400	-	-	112,796	118,470	(5,674)
<u>154,519</u>	<u>1,089,846</u>	<u>584,562</u>	<u>89,607</u>	<u>6,154,883</u>	<u>5,785,791</u>	<u>369,092</u>
-	-	26,499	-	26,499	19,770	6,729
-	-	7,304	-	524,954	45,027	479,927
8,305	18,252	35,721	-	295,831	869,475	(573,644)
-	52,295	-	-	64,896	381,317	(316,421)
<u>8,305</u>	<u>70,547</u>	<u>69,524</u>	<u>-</u>	<u>912,180</u>	<u>1,315,589</u>	<u>(403,409)</u>
-	22,399	-	-	160,161	55,044	105,117
-	1,526	-	-	44,637	40,107	4,530
-	23,925	-	-	204,798	95,151	109,647
-	788	70,000	-	1,408,186	1,482,043	(73,857)
-	98,053	86,139	22,146	510,474	404,183	106,291
-	-	-	-	330,420	376,365	(45,945)
-	-	-	-	3,929	38,600	(34,671)
-	98,841	156,139	22,146	2,253,009	2,301,191	(48,182)
451,760	4,317,920	2,133,505	171,336	26,777,783	26,220,907	556,876
567,212	4,256,870	2,005,240	54,236	26,220,907		
<u>(115,452)</u>	<u>61,050</u>	<u>128,265</u>	<u>117,100</u>	<u>556,876</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, 2006

	<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	\$ 66,982	121,080	12,143	200,205
Receivables - miscellaneous	-	3,988	-	3,988
Inventory	32,536	-	2,697	35,233
Prepaid items	882	1,003	-	1,885
Total current assets	<u>100,400</u>	<u>126,071</u>	<u>14,840</u>	<u>241,311</u>
Capital assets:				
Buildings	117,128	-	-	117,128
Improvements other than buildings	113,067	-	-	113,067
Machinery and equipment	389,814	9,901	-	399,715
Total capital assets	620,009	9,901	-	629,910
Less accumulated depreciation	(571,253)	(9,901)	-	(581,154)
Capital assets (net of accumulated depreciation)	<u>48,756</u>	<u>-</u>	<u>-</u>	<u>48,756</u>
Total assets	<u>149,156</u>	<u>126,071</u>	<u>14,840</u>	<u>290,067</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	15,457	46,885	1,843	64,185
Accrued liabilities:				
Payroll	15,992	4,247	149	20,388
Sales tax	1,644	-	626	2,270
Due to other funds	146	7	-	153
Current portion of capital leases	196	-	-	196
Total current liabilities	<u>33,435</u>	<u>51,139</u>	<u>2,618</u>	<u>87,192</u>
Noncurrent liabilities -				
Capital lease payable, net of current portion	2,475	-	-	2,475
Total liabilities	<u>35,910</u>	<u>51,139</u>	<u>2,618</u>	<u>89,667</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	46,085	-	-	46,085
Unrestricted	67,161	74,932	12,222	154,315
Total net assets	<u>\$ 113,246</u>	<u>74,932</u>	<u>12,222</u>	<u>200,400</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, 2006

	<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	\$ 76,120	-	-	76,120
Green fees	77,945	-	-	77,945
Cart rental	58,296	-	-	58,296
Concessions	129,997	-	34,688	164,685
Rental income	-	116,800	-	116,800
Miscellaneous	258	182	1,090	1,530
Total operating revenues	<u>342,616</u>	<u>116,982</u>	<u>35,778</u>	<u>495,376</u>
Operating expenses:				
Personnel services	164,640	60,055	17,521	242,216
Supplies and materials	118,033	13,631	18,226	149,890
Rent and utilities	19,695	50,272	-	69,967
Operation, maintenance, and repairs	68,758	99,686	-	168,444
Depreciation	12,171	1,168	-	13,339
Miscellaneous	11,042	109,156	1,459	121,657
Total operating expenses	<u>394,339</u>	<u>333,968</u>	<u>37,206</u>	<u>765,513</u>
Operating loss	<u>(51,723)</u>	<u>(216,986)</u>	<u>(1,428)</u>	<u>(270,137)</u>
Nonoperating revenues (expenses):				
Interest income	207	3,447	399	4,053
Interest expense	(163)	-	-	(163)
Loss on disposal of capital asset	-	(876)	-	(876)
Total nonoperating revenues (expenses)	<u>44</u>	<u>2,571</u>	<u>399</u>	<u>3,014</u>
Loss before transfers in	<u>(51,679)</u>	<u>(214,415)</u>	<u>(1,029)</u>	<u>(267,123)</u>
Transfers in	<u>70,000</u>	<u>222,950</u>	<u>-</u>	<u>292,950</u>
Change in net assets	18,321	8,535	(1,029)	25,827
Net assets, October 1, 2005	<u>94,925</u>	<u>66,397</u>	<u>13,251</u>	<u>174,573</u>
Net assets, September 30, 2006	\$ <u>113,246</u>	<u>74,932</u>	<u>12,222</u>	<u>200,400</u>

SCHEDULE 9

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended September 30, 2006

	<u>Golf Course</u>	<u>Union Station</u>	<u>Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 342,616	118,362	35,778	496,756
Payments to suppliers	(215,677)	(267,986)	(18,864)	(502,527)
Payments to employees	<u>(164,691)</u>	<u>(58,283)</u>	<u>(18,149)</u>	<u>(241,123)</u>
Net cash used in operating activities	(37,752)	(207,907)	(1,235)	(246,894)
Cash flows from noncapital financing activities -				
Transfers from other funds	70,000	222,950	-	292,950
Cash flows from capital and related financing activities -				
Interest payments - capital lease	(163)	-	-	(163)
Cash flows from investing activities -				
Interest received	<u>207</u>	<u>3,447</u>	<u>399</u>	<u>4,053</u>
Net increase (decrease) in cash and cash equivalents	32,292	18,490	(836)	49,946
Cash and cash equivalents, October 1, 2005	<u>34,690</u>	<u>102,590</u>	<u>12,979</u>	<u>150,259</u>
Cash and cash equivalents, September 30, 2006	\$ <u>66,982</u>	<u>121,080</u>	<u>12,143</u>	<u>200,205</u>
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ <u>(51,723)</u>	<u>(216,986)</u>	<u>(1,428)</u>	<u>(270,137)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation	12,171	1,168	-	13,339
Changes in assets and liabilities:				
Accounts receivable	-	1,380	-	1,380
Inventory	(4,456)	-	(35)	(4,491)
Prepaid items	(67)	(8)	-	(75)
Accounts payable	6,103	4,760	350	11,213
Accrued liabilities	315	1,772	(122)	1,965
Due to other funds	<u>(95)</u>	<u>7</u>	<u>-</u>	<u>(88)</u>
Total adjustments	<u>13,971</u>	<u>9,079</u>	<u>193</u>	<u>23,243</u>
Net cash used in operating activities	\$ <u>(37,752)</u>	<u>(207,907)</u>	<u>(1,235)</u>	<u>(246,894)</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.

SCHEDULE 10**CITY OF MERIDIAN, MISSISSIPPI**

Combining Statement of Net Assets

Internal Service Funds

September 30, 2006

	<u>Municipal Supply</u>	<u>Municipal Office Supply</u>	<u>Health and Life Insurance Reserve</u>	<u>Unemployment Compensation</u>	<u>Total Internal Service Funds</u>
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 120,731	6,266	836,656	2,421	966,074
Receivables - miscellaneous	-	-	50,649	-	50,649
Due from other funds:					
General fund	62,367	-	-	-	62,367
Water and sewer fund	17,925	-	-	-	17,925
Waste collection & disposal fund	41	-	-	-	41
Golf course fund	146	-	-	-	146
Union Station fund	7	-	-	-	7
Due from component unit	10,464	-	-	-	10,464
Inventory	<u>52,147</u>	<u>2,914</u>	<u>-</u>	<u>-</u>	<u>55,061</u>
Total current assets	263,828	9,180	887,305	2,421	1,162,734
<u>LIABILITIES</u>					
Current liabilities -					
Accounts payable	<u>51,948</u>	<u>155</u>	<u>607,628</u>	<u>-</u>	<u>659,731</u>
<u>NET ASSETS</u>					
Unrestricted	\$ <u>211,880</u>	<u>9,025</u>	<u>279,677</u>	<u>2,421</u>	<u>503,003</u>

SCHEDULE 11**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, 2006

	<u>Municipal Supply</u>	<u>Municipal Office Supply</u>	<u>Health and Life Insurance Reserve</u>	<u>Unemployment Compensation</u>	<u>Total Internal Service Funds</u>
Operating revenues:					
Charges for sales and services	\$ 462,945	7,179	-	-	470,124
Premiums	-	-	2,714,918	-	2,714,918
Reinsurance reimbursement	-	-	222,305	-	222,305
Total operating revenues	<u>462,945</u>	<u>7,179</u>	<u>2,937,223</u>	<u>-</u>	<u>3,407,347</u>
Operating expenses:					
Administration fees	-	-	555,880	-	555,880
Costs of sales and services	452,767	5,438	-	-	458,205
Claims paid	-	-	2,332,172	22,237	2,354,409
Total operating expenses	<u>452,767</u>	<u>5,438</u>	<u>2,888,052</u>	<u>22,237</u>	<u>3,368,494</u>
Operating income (loss)	10,178	1,741	49,171	(22,237)	38,853
Nonoperating revenues -					
Interest income	<u>4,197</u>	<u>225</u>	<u>23,212</u>	<u>5</u>	<u>27,639</u>
Income (loss) before transfers in	14,375	1,966	72,383	(22,232)	66,492
Transfers in	-	-	-	<u>22,000</u>	<u>22,000</u>
Change in net assets	14,375	1,966	72,383	(232)	88,492
Net assets, October 1, 2005	<u>197,505</u>	<u>7,059</u>	<u>207,294</u>	<u>2,653</u>	<u>414,511</u>
Net assets, September 30, 2006	\$ <u><u>211,880</u></u>	<u><u>9,025</u></u>	<u><u>279,677</u></u>	<u><u>2,421</u></u>	<u><u>503,003</u></u>

CITY OF MERIDIAN, MISSISSIPPI
 Combining Statement of Cash Flows
 Internal Service Funds
 For the Fiscal Year Ended September 30, 2006

	<u>Municipal Supply</u>	<u>Municipal Office Supply</u>	<u>Health and Life Insurance Reserve</u>	<u>Unemployment Compensation</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities:					
Receipts from customers and users	\$ 463,110	7,179	2,886,574	-	3,356,863
Payments to suppliers	<u>(453,709)</u>	<u>(5,351)</u>	<u>(2,740,594)</u>	<u>(22,237)</u>	<u>(3,221,891)</u>
Net cash provided by (used in) operating activities	9,401	1,828	145,980	(22,237)	134,972
Cash flows from noncapital financing activities -					
Transfers from other funds	-	-	-	22,000	22,000
Cash flows from investing activities -					
Interest received	<u>4,197</u>	<u>225</u>	<u>23,212</u>	<u>5</u>	<u>27,639</u>
Net increase (decrease) in cash and cash equivalents	13,598	2,053	169,192	(232)	184,611
Cash and cash equivalents, October 1, 2005	<u>107,133</u>	<u>4,213</u>	<u>667,464</u>	<u>2,653</u>	<u>781,463</u>
Cash and cash equivalents, September 30, 2006	\$ <u>120,731</u>	<u>6,266</u>	<u>836,656</u>	<u>2,421</u>	<u>966,074</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ <u>10,178</u>	<u>1,741</u>	<u>49,171</u>	<u>(22,237)</u>	<u>38,853</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Changes in assets and liabilities:					
Receivables - miscellaneous	-	-	(50,649)	-	(50,649)
Due from other funds	4,094	-	-	-	4,094
Due from component units	(3,928)	-	-	-	(3,928)
Inventory	1,309	190	-	-	1,499
Accounts payable	<u>(2,252)</u>	<u>(103)</u>	<u>147,458</u>	-	<u>145,103</u>
Total adjustments	<u>(777)</u>	<u>87</u>	<u>96,809</u>	-	<u>96,119</u>
Net cash provided by (used in) operating activities	\$ <u>9,401</u>	<u>1,828</u>	<u>145,980</u>	<u>(22,237)</u>	<u>134,972</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.

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, 2006

	<u>Firemen & Policemen Disability & Relief</u>	<u>General Retirement</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 Agency Funds</u>
Cash and cash equivalents	\$ 76,937	45,696	62,710	507,790	48,905	-	37,991	30,130	810,159
Intergovernmental receivables-County	13,681	8,565	20,139	160,799	-	-	-	8,613	211,797
Total assets	<u>\$ 90,618</u>	<u>54,261</u>	<u>82,849</u>	<u>668,589</u>	<u>48,905</u>	<u>-</u>	<u>37,991</u>	<u>38,743</u>	<u>1,021,956</u>
<u>LIABILITIES</u>									
Intergovernmental payables:									
Schools	-	-	82,849	668,589	-	-	-	38,743	790,181
PERS	90,618	54,261	-	-	-	-	-	-	144,879
State	-	-	-	-	-	-	37,991	-	37,991
Employee insurance withheld	-	-	-	-	48,905	-	-	-	48,905
Total liabilities	<u>\$ 90,618</u>	<u>54,261</u>	<u>82,849</u>	<u>668,589</u>	<u>48,905</u>	<u>-</u>	<u>37,991</u>	<u>38,743</u>	<u>1,021,956</u>

CITY OF MERIDIAN, MISSISSIPPI
 Combining Statement of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 For the Fiscal Year Ended September 30, 2006

	<u>Balance</u> <u>September 30,</u> <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30,</u> <u>2006</u>
Firemen & Policemen Disability & Relief				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 72,977	1,275,613	1,271,653	76,937
Intergovernmental - county	<u>12,734</u>	<u>13,681</u>	<u>12,734</u>	<u>13,681</u>
Total assets	\$ <u>85,711</u>	<u>1,289,294</u>	<u>1,284,387</u>	<u>90,618</u>
<u>LIABILITIES</u>				
Intergovernmental - PERS	\$ <u>85,711</u>	<u>1,289,294</u>	<u>1,284,387</u>	<u>90,618</u>
General Retirement				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 45,735	758,634	758,673	45,696
Intergovernmental - county	<u>7,974</u>	<u>8,565</u>	<u>7,974</u>	<u>8,565</u>
Total assets	\$ <u>53,709</u>	<u>767,199</u>	<u>766,647</u>	<u>54,261</u>
<u>LIABILITIES</u>				
Intergovernmental - State	\$ <u>53,709</u>	<u>767,199</u>	<u>766,647</u>	<u>54,261</u>
Meridian Community College				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 62,344	1,802,612	1,802,246	62,710
Intergovernmental - county	<u>18,880</u>	<u>20,139</u>	<u>18,880</u>	<u>20,139</u>
Total assets	\$ <u>81,224</u>	<u>1,822,751</u>	<u>1,821,126</u>	<u>82,849</u>
<u>LIABILITIES</u>				
Intergovernmental - schools	\$ <u>81,224</u>	<u>1,822,751</u>	<u>1,821,126</u>	<u>82,849</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
 Combining Statement of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 For the Fiscal Year Ended September 30, 2006

	Balance September 30, <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2006</u>
Meridian Separate School District				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 515,522	13,825,642	13,833,374	507,790
Intergovernmental - county	<u>148,209</u>	<u>160,799</u>	<u>148,209</u>	<u>160,799</u>
Total assets	\$ <u>663,731</u>	<u>13,986,441</u>	<u>13,981,583</u>	<u>668,589</u>
<u>LIABILITIES</u>				
Intergovernmental - schools	\$ <u>663,731</u>	<u>13,986,441</u>	<u>13,981,583</u>	<u>668,589</u>
Hospital Insurance				
<u>ASSETS</u>				
Cash and cash equivalents	\$ <u>48,637</u>	<u>510,717</u>	<u>510,449</u>	<u>48,905</u>
<u>LIABILITIES</u>				
Employee insurance withheld	\$ <u>48,637</u>	<u>510,717</u>	<u>510,449</u>	<u>48,905</u>
Conn Sheehan Insurance				
<u>ASSETS</u>				
Cash and cash equivalents	\$ <u>406,158</u>	<u>-</u>	<u>406,158</u>	<u>-</u>
<u>LIABILITIES</u>				
Intergovernmental - component unit	\$ <u>406,158</u>	<u>-</u>	<u>406,158</u>	<u>-</u>
State Police Fines & Fees				
<u>ASSETS</u>				
Cash and cash equivalents	\$ <u>55,994</u>	<u>893,270</u>	<u>911,273</u>	<u>37,991</u>
<u>LIABILITIES</u>				
Intergovernmental - state	\$ <u>55,994</u>	<u>893,270</u>	<u>911,273</u>	<u>37,991</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
 Combining Statement of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 For the Fiscal Year Ended September 30, 2006

	Balance September 30, 2005	Additions	Deletions	Balance September 30, 2006
<u>Meridian Separate School District Bonds & Interest</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 26,446	860,831	857,147	30,130
Intergovernmental - county	<u>8,072</u>	<u>8,613</u>	<u>8,072</u>	<u>8,613</u>
Total assets	\$ <u>34,518</u>	<u>869,444</u>	<u>865,219</u>	<u>38,743</u>
<u>LIABILITIES</u>				
Intergovernmental - schools	\$ <u>34,518</u>	<u>869,444</u>	<u>865,219</u>	<u>38,743</u>
<u>Total Agency Funds</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,233,813	19,927,319	20,350,973	810,159
Intergovernmental receivables	<u>195,869</u>	<u>211,797</u>	<u>195,869</u>	<u>211,797</u>
Total assets	\$ <u>1,429,682</u>	<u>20,139,116</u>	<u>20,546,842</u>	<u>1,021,956</u>
<u>LIABILITIES</u>				
Intergovernmental	\$ 1,381,045	19,628,399	20,036,393	973,051
Employee insurance withheld	<u>48,637</u>	<u>510,717</u>	<u>510,449</u>	<u>48,905</u>
Total liabilities	\$ <u>1,429,682</u>	<u>20,139,116</u>	<u>20,546,842</u>	<u>1,021,956</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, 2006

	<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	\$ -	869	423,154	424,023
Investments	8,709	-	-	8,709
Receivables:				
Accounts	1,703	-	-	1,703
Intergovernmental - State	23,393	-	-	23,393
Prepaid items	<u>2,591</u>	<u>-</u>	<u>-</u>	<u>2,591</u>
Total current assets	36,396	869	423,154	460,419
Capital assets not being depreciated -				
Land	-	-	7,500	7,500
Capital assets (net of accumulated depreciation) -				
Machinery and equipment	<u>141,091</u>	<u>-</u>	<u>-</u>	<u>141,091</u>
Total assets	<u>177,487</u>	<u>869</u>	<u>430,654</u>	<u>609,010</u>
<u>LIABILITIES</u>				
Current liabilities:				
Bank overdraft	2,736	-	-	2,736
Notes payable	41,928	-	-	41,928
Accounts payable	47,046	-	-	47,046
Accrued liabilities	<u>7,954</u>	<u>-</u>	<u>-</u>	<u>7,954</u>
Total current liabilities	<u>99,664</u>	<u>-</u>	<u>-</u>	<u>99,664</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	141,091	-	7,500	148,591
Unrestricted (deficit)	<u>(63,268)</u>	<u>869</u>	<u>423,154</u>	<u>360,755</u>
Total net assets	\$ <u>77,823</u>	<u>869</u>	<u>430,654</u>	<u>509,346</u>

CITY OF MERIDIAN, MISSISSIPPI

Combining Statement of Activities

Nonmajor Component Units

For the Fiscal Year Ended September 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				Total Nonmajor Component Units
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Meridian Transportation Commission	Bonita Lakes Development Authority	Meridian Redevelopment Authority		
Component units:								
Meridian Transportation Commission	\$ 490,229	371,637	96,549	47,322	-	-	47,322	
Meridian and Bonita Lakes Development Authority	3,759	3,759	-	-	-	-	-	
Meridian Redevelopment Authority	5,710	3,080	-	-	-	(2,630)	(2,630)	
Total component units	<u>\$ 499,698</u>	<u>378,476</u>	<u>96,549</u>	<u>47,322</u>	<u>-</u>	<u>(2,630)</u>	<u>44,692</u>	
General revenues -								
Interest income				-	3	4,997	5,000	
Change in net assets				47,322	3	2,367	49,692	
Net assets, October 1, 2005				<u>30,501</u>	<u>866</u>	<u>428,287</u>	<u>459,654</u>	
Net assets, September 30, 2006				<u>\$ 77,823</u>	<u>869</u>	<u>430,654</u>	<u>509,346</u>	

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OTHER SUPPLEMENTARY INFORMATION

CITY OF MERIDIAN, MISSISSIPPI
 Schedule Reconciling Original Ad Valorem
 Tax Rolls to Fund Collections
 For the Fiscal Year Ended September 30, 2006

	<u>Assessed</u> <u>Value</u>	<u>Millage</u>	<u>Ad Valorem</u> <u>Taxes</u>
City of Meridian:			
Realty	\$ 152,879,026	50.08	\$ 7,656,182
Personal property - other than auto	44,442,516	50.08	2,225,681
Public utilities	25,521,330	50.08	1,278,108
Personal autos - 2003 rates	547	50.08	27
Personal autos - 2005 rates	3,851,970	50.08	192,907
Personal autos - 2006 rates	<u>32,179,899</u>	50.08	<u>1,611,569</u>
Total City of Meridian valuation	\$ <u>258,875,288</u>		12,964,474
Less homestead exemption allowed			<u>(854,266)</u>
Total City ad valorem taxes			12,110,208
Adjustments to original tax roll:			
Realty		81,614	
Personal		(68,820)	
Homestead exemption		<u>(2,132)</u>	10,662
Add:			
Actual homestead reimbursement		589,348	
Prior year tax collection		90,518	
Payments in lieu of taxes		80,903	
Motor vehicle rent tax		67,333	
Aircraft		5,717	
Mobile homes		<u>7,142</u>	<u>840,961</u>
Total City to account for			<u>12,961,831</u>
Separate School District:			
Realty	\$ 160,715,401	63.65	10,229,535
Personal property - other than auto	53,810,290	63.65	3,425,025
Public utilities	35,583,519	63.65	2,264,891
Personal autos - 2003 rates	547	62.37	34
Personal autos - 2005 rates	3,905,390	64.37	251,390
Personal autos - 2006 rates	<u>32,504,982</u>	63.65	<u>2,068,942</u>
Total Separate School District valuation	\$ <u>286,520,129</u>		18,239,817
Less homestead exemption allowed			<u>(1,693,758)</u>
Total Separate School District ad valorem taxes			16,546,059
Adjustments to original tax roll:			
Realty		98,071	
Personal		(80,540)	
Homestead exemption		<u>5,406</u>	22,937
Add:			
Prior year tax collection		92,160	
Mobile homes		23,727	<u>115,887</u>
Total Separate School District to account for			<u>16,684,883</u>
Total City of Meridian and Separate School District to account for			\$ <u>29,646,714</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
 Schedule Reconciling Original Ad Valorem
 Tax Rolls to Fund Collections
 For the Fiscal Year Ended September 30, 2006

	<u>Taxes</u>	<u>Homestead Reimbursement</u>	<u>Total</u>
Accounted for as follows:			
General Fund	\$ 7,130,654	347,866	7,478,520
General Fund - Pilot	80,903	-	80,903
General Bond & Interest	3,004,615	146,749	3,151,364
School Bond & Interest	860,831	-	860,831
Police & Fire Disability	1,216,184	59,429	1,275,613
General Retirement	723,330	35,304	758,634
School Fund	<u>15,533,775</u>	<u>-</u>	<u>15,533,775</u>
 Total accounted for	 \$ <u>28,550,292</u>	 <u>589,348</u>	 29,139,640
 Balance represented by:			
Real property held from tax sale			15,046
Unpaid personal property			200,765
Held by tax collector			46,787
Sold to state			28,653
Tax collector's commission			206,243
Unaccounted for			<u>9,580</u>
 Total ad valorem taxes			\$ <u>29,646,714</u>

SCHEDULE 18**CITY OF MERIDIAN, MISSISSIPPI**

Schedule of Investments

September 30, 2006

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
General fund - unrestricted:				
Certificate of deposit	07/11/2006	01/08/2007	4.21%	\$ 500,000
Certificate of deposit	07/11/2006	01/09/2007	4.50%	250,000
Certificate of deposit	07/11/2006	01/09/2007	4.50%	250,000
Certificate of deposit	07/12/2006	01/10/2007	4.50%	<u>250,000</u>
Total general fund investments - unrestricted				<u>1,250,000</u>
Proprietary funds:				
Unrestricted -				
Certificate of deposit	07/11/2006	01/08/2007	4.21%	\$ <u>100,000</u>
Restricted:				
Certificate of deposit	12/30/2005	12/30/2006	4.09%	179,860
Federal Home Loan Mortgage Corporate Discount Notes	N/A	12/27/2006	N/A	759,000
Federal Home Loan Mortgage Corporate Discount Notes	N/A	12/27/2006	N/A	971,000
Federal Home Loan Mortgage Corporate Discount Notes	N/A	10/31/2006	N/A	428,000
Federated Government Obligations		-	N/A	975
Federated Government Obligations		-	N/A	238
Federal National Mortgage Association Discount Notes	N/A	11/01/06	N/A	<u>304,000</u>
Total restricted funds				<u>2,643,073</u>
Total proprietary funds investments				\$ <u>2,743,073</u>
Total unrestricted investments				\$ <u>1,350,000</u>
Total restricted investments				\$ <u>2,643,073</u>
Total repurchase agreements - presented as cash and cash equivalents in various fund types				\$ <u>877,000</u>

SCHEDULE 19**CITY OF MERIDIAN, MISSISSIPPI**
Schedule of Surety Bonds for Municipal Officials
September 30, 2006

<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, 2006

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance September 30, 2005</u>	<u>Principal Payments</u>	<u>New Issues</u>	<u>Balance September 30, 2006</u>
Governmental activities:							
Public Improvements of 1993	08/01/1993	3.8-5.4%	\$ 1,160,000	315,000	100,000	-	215,000
Public Improvements of 1998	03/01/1998	4.2-6.0%	4,500,000	2,820,000	290,000	-	2,530,000
Public Improvement of 1999	04/01/1999	4.1-5.7%	1,150,000	785,000	70,000	-	715,000
Public Improvement of 2000	05/01/2000	4.4-6.25%	1,100,000	625,000	110,000	-	515,000
Public Improvement of 2003	07/01/2003	3.25-4.125%	6,000,000	5,410,000	315,000	-	5,095,000
Public Improvement of 2006	06/01/2006	4.0-5.5%	10,000,000	-	-	10,000,000	10,000,000
Total general obligations bonds			23,910,000	9,955,000	885,000	10,000,000	19,070,000
Special Obligation Bonds 2003A	07/01/2003	2.75-4.5%	5,500,000	5,150,000	185,000	-	4,965,000
Special Obligation Bonds 2003B	07/01/2003	3.3-3.375%	1,500,000	1,415,000	45,000	-	1,370,000
Total special obligation bonds			7,000,000	6,565,000	230,000	-	6,335,000
Limited Obligation Tax Increment Bonds	12/01/1996	9.0%	4,160,000	1,560,000	520,000	-	1,040,000
Limited Obligation Tax Increment Bonds	09/01/2000	9.0%	2,200,000	2,040,000	175,000	-	1,865,000
Limited Obligation Tax Increment Bonds	12/01/2000	9.0%	1,100,000	945,000	85,000	-	860,000
Total tax increment bonds			7,460,000	4,545,000	780,000	-	3,765,000
Revolving loan - capital improvements	06/01/2001	3.00%	1,000,000	755,667	61,186	-	694,481
Total promissory loans			1,000,000	755,667	61,186	-	694,481
Taxable Negotiable Notes	09/28/2006	5.45%	1,225,000	-	-	1,225,000	1,225,000
Total taxable negotiable notes			1,225,000	-	-	1,225,000	1,225,000
Special Street Improvements	08/01/1995	4.8-6.75%	1,920,000	1,255,000	95,000	-	1,160,000
Special Assessment Public Improvement	06/01/1996	4.7-6.7%	2,000,000	1,370,000	85,000	-	1,285,000
Special Assessment Public Improvement	06/01/2000	5.2-6.25%	1,125,000	955,000	40,000	-	915,000
Special Assessment Public Imp 2001	08/01/2001	4.5-6.0%	500,000	440,000	20,000	-	420,000
Total special assessment			5,545,000	4,020,000	240,000	-	3,780,000
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	709,066	587,660	35,532	-	552,128
Trustmark Lease - street sweeper	11/21/2003	3.35%	67,223	45,556	22,399	-	23,157
Hancock Bank - fire truck	02/17/2005	3.09%	311,762	311,762	102,230	-	209,532
Total capital leases			1,088,051	944,978	160,161	-	784,817
Total governmental activities			\$ 47,228,051	26,785,645	2,356,347	11,225,000	35,654,298
Business-type activities:							
Water and Sewer Revenue	07/01/1994	6.0-6.5%	\$ 9,710,000	4,700,000	655,000	-	4,045,000
Water and Sewer Revenue	12/01/1995	4.6-6.5%	5,000,000	3,440,000	230,000	-	3,210,000
Water and Sewer Revenue	10/01/1997	4.5-6.375%	5,000,000	3,810,000	210,000	-	3,600,000
Water and Sewer Revenue	06/01/2000	5.0-6.25%	2,000,000	1,705,000	70,000	-	1,635,000
Total revenue bonds			21,710,000	13,655,000	1,165,000	-	12,490,000
Water and sewer promissory loan	12/01/1998	4.7-6.125%	5,300,000	4,825,000	155,000	-	4,670,000
Loan - capital improvements	01/01/2001	3.00%	360,000	199,422	36,226	-	163,196
Water and sewer promissory loan	11/29/2001	2.3-5.125%	3,100,000	2,850,000	90,000	-	2,760,000
Water and sewer promissory loan	07/01/2003	2.6-3.25%	7,590,000	6,400,000	620,000	-	5,780,000
Water and sewer promissory loan	03/24/2004	1.0-5.0%	2,900,000	2,810,000	95,000	-	2,715,000
Total promissory loans			19,250,000	17,084,422	996,226	-	16,088,196
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	1,053,181	869,416	56,219	-	813,197
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	3,460	2,671	-	-	2,671
Trustmark Lease - trucks	05/11/2004	2.83%	61,171	40,823	20,126	-	20,697
Total capital leases			1,117,812	912,910	76,345	-	836,565
Total business-type activities			\$ 42,077,812	31,652,332	2,237,571	-	29,414,761

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Long-Term Debt Maturities
September 30, 2006

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance September 30, 2006</u>	<u>2007</u>
<u>Governmental activities:</u>					
Public Improvements of 1993	08/01/1993	3.8-5.4%	\$ 1,160,000	215,000	105,000
Public Improvements of 1998	03/01/1998	4.2-6.0%	4,500,000	2,530,000	310,000
Public Improvement of 1999	04/01/1999	4.1-5.7%	1,150,000	715,000	75,000
Public Improvement of 2000	05/01/2000	4.4-6.25%	1,100,000	515,000	120,000
Public Improvement of 2003	07/01/2003	3.25-4.125%	6,000,000	5,095,000	330,000
Public Improvement of 2006	06/01/2006	4.0-5.5%	10,000,000	10,000,000	315,000
Total general obligations bonds			<u>23,910,000</u>	<u>19,070,000</u>	<u>1,255,000</u>
Special Obligation Bonds 2003A	07/01/2003	2.75-4.5%	5,500,000	4,965,000	200,000
Special Obligation Bonds 2003B	07/01/2003	3.3-3.375%	1,500,000	1,370,000	50,000
Total special obligation bonds			<u>7,000,000</u>	<u>6,335,000</u>	<u>250,000</u>
Limited Obligation Tax Increment Bonds (TIF)	12/01/1996	9.0%	4,160,000	1,040,000	520,000
Limited Obligation Tax Increment Bonds (TIF)	09/01/2000	9.0%	2,200,000	1,865,000	190,000
Limited Obligation Tax Increment Bonds (TIF)	12/01/2000	9.0%	1,100,000	860,000	95,000
Total tax increment bonds			<u>7,460,000</u>	<u>3,765,000</u>	<u>805,000</u>
Revolving loan - capital improvements	06/01/2001	3.00%	1,000,000	694,481	62,733
Total promissory loans			<u>1,000,000</u>	<u>694,481</u>	<u>62,733</u>
Taxable Negotiable Notes	09/28/2006	5.45%	1,225,000	1,225,000	219,695
Total taxable negotiable notes			<u>1,225,000</u>	<u>1,225,000</u>	<u>219,695</u>
Special Street Improvements	08/01/1995	4.8-6.75%	1,920,000	1,160,000	100,000
Special Assessment Public Improvement	06/01/1996	4.7-6.7%	2,000,000	1,285,000	95,000
Special Assessment Public Improvement	06/01/2000	5.2-6.25%	1,125,000	915,000	45,000
Special Assessment Public Imp 2001	08/01/2001	4.5-6.0%	500,000	420,000	20,000
Total special assessment			<u>5,545,000</u>	<u>3,780,000</u>	<u>260,000</u>
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	709,066	552,128	40,133
Trustmark Lease - street sweeper	11/21/2003	3.35%	67,223	23,157	23,157
Hancock Bank - fire truck	02/17/2005	3.09%	311,762	209,532	103,172
Total capital leases			<u>1,088,051</u>	<u>784,817</u>	<u>166,462</u>
Total governmental activities			\$ <u>47,228,051</u>	<u>35,654,298</u>	<u>3,018,890</u>
<u>Business-type activities:</u>					
Water and Sewer Revenue	07/01/1994	6.0-6.5%	\$ 9,710,000	4,045,000	690,000
Water and Sewer Revenue	12/01/1995	4.6-6.5%	5,000,000	3,210,000	245,000
Water and Sewer Revenue	10/01/1997	4.5-6.375%	5,000,000	3,600,000	220,000
Water and Sewer Revenue	06/01/2000	5.0-6.25%	2,000,000	1,635,000	75,000
Total revenue bonds			<u>21,710,000</u>	<u>12,490,000</u>	<u>1,230,000</u>
Water and sewer promissory loan	12/01/1998	4.7-6.125%	5,300,000	4,670,000	165,000
Loan - capital improvements	01/01/2001	3.00%	360,000	163,196	37,235
Water and sewer promissory loan	11/29/2001	2.3-5.125%	3,100,000	2,760,000	90,000
Water and sewer promissory loan	07/01/2003	2.6-3.25%	7,590,000	5,780,000	645,000
Water and sewer promissory loan	03/24/2004	1.0-5.0%	2,900,000	2,715,000	100,000
Total promissory loans			<u>19,250,000</u>	<u>16,088,196</u>	<u>1,037,235</u>
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	1,053,181	813,197	59,084
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	3,460	2,671	196
Trustmark Lease - trucks	05/11/2004	2.83%	61,171	20,697	20,697
Total capital leases			<u>1,117,812</u>	<u>836,565</u>	<u>79,977</u>
Total business-type activities			\$ <u>42,077,812</u>	<u>29,414,761</u>	<u>2,347,212</u>

SCHEDULE 21

Maturities for the Years Ended September 30,

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012 - 2016</u>	<u>2017 - 2021</u>	<u>2022 - 2026</u>
110,000	-	-	-	-	-	-
325,000	340,000	360,000	380,000	815,000	-	-
80,000	85,000	85,000	90,000	300,000	-	-
125,000	130,000	140,000	-	-	-	-
345,000	360,000	375,000	390,000	2,250,000	1,045,000	-
<u>330,000</u>	<u>345,000</u>	<u>360,000</u>	<u>375,000</u>	<u>2,165,000</u>	<u>2,710,000</u>	<u>3,400,000</u>
<u>1,315,000</u>	<u>1,260,000</u>	<u>1,320,000</u>	<u>1,235,000</u>	<u>5,530,000</u>	<u>3,755,000</u>	<u>3,400,000</u>
200,000	215,000	225,000	235,000	1,365,000	1,715,000	810,000
<u>50,000</u>	<u>55,000</u>	<u>60,000</u>	<u>60,000</u>	<u>365,000</u>	<u>490,000</u>	<u>240,000</u>
<u>250,000</u>	<u>270,000</u>	<u>285,000</u>	<u>295,000</u>	<u>1,730,000</u>	<u>2,205,000</u>	<u>1,050,000</u>
520,000	-	-	-	-	-	-
205,000	255,000	270,000	290,000	655,000	-	-
<u>100,000</u>	<u>110,000</u>	<u>120,000</u>	<u>135,000</u>	<u>300,000</u>	-	-
<u>825,000</u>	<u>365,000</u>	<u>390,000</u>	<u>425,000</u>	<u>955,000</u>	-	-
64,642	66,608	68,634	70,721	361,143	-	-
<u>64,642</u>	<u>66,608</u>	<u>68,634</u>	<u>70,721</u>	<u>361,143</u>	-	-
<u>231,676</u>	<u>244,311</u>	<u>257,634</u>	<u>271,684</u>	-	-	-
<u>231,676</u>	<u>244,311</u>	<u>257,634</u>	<u>271,684</u>	-	-	-
105,000	110,000	120,000	125,000	600,000	-	-
105,000	110,000	115,000	125,000	735,000	-	-
45,000	50,000	50,000	55,000	330,000	340,000	-
<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>25,000</u>	<u>140,000</u>	<u>175,000</u>	-
<u>275,000</u>	<u>290,000</u>	<u>305,000</u>	<u>330,000</u>	<u>1,805,000</u>	<u>515,000</u>	-
42,555	45,123	47,847	50,734	303,468	22,268	-
-	-	-	-	-	-	-
<u>106,360</u>	-	-	-	-	-	-
<u>148,915</u>	<u>45,123</u>	<u>47,847</u>	<u>50,734</u>	<u>303,468</u>	<u>22,268</u>	-
<u>3,110,233</u>	<u>2,541,042</u>	<u>2,674,115</u>	<u>2,678,139</u>	<u>10,684,611</u>	<u>6,497,268</u>	<u>4,450,000</u>
735,000	775,000	1,845,000	-	-	-	-
260,000	275,000	290,000	305,000	1,835,000	-	-
230,000	245,000	260,000	270,000	1,605,000	770,000	-
<u>80,000</u>	<u>85,000</u>	<u>90,000</u>	<u>95,000</u>	<u>590,000</u>	<u>620,000</u>	-
<u>1,305,000</u>	<u>1,380,000</u>	<u>2,485,000</u>	<u>670,000</u>	<u>4,030,000</u>	<u>1,390,000</u>	-
175,000	185,000	195,000	215,000	1,235,000	1,640,000	860,000
38,368	39,535	40,738	7,320	-	-	-
95,000	95,000	100,000	105,000	600,000	735,000	940,000
665,000	685,000	710,000	730,000	2,345,000	-	-
<u>105,000</u>	<u>110,000</u>	<u>115,000</u>	<u>120,000</u>	<u>685,000</u>	<u>860,000</u>	<u>620,000</u>
<u>1,078,368</u>	<u>1,114,535</u>	<u>1,160,738</u>	<u>1,177,320</u>	<u>4,865,000</u>	<u>3,235,000</u>	<u>2,420,000</u>
63,208	67,022	71,067	75,356	450,744	26,716	-
208	220	233	247	1,567	-	-
-	-	-	-	-	-	-
<u>63,416</u>	<u>67,242</u>	<u>71,300</u>	<u>75,603</u>	<u>452,311</u>	<u>26,716</u>	-
<u>2,446,784</u>	<u>2,561,777</u>	<u>3,717,038</u>	<u>1,922,923</u>	<u>9,347,311</u>	<u>4,651,716</u>	<u>2,420,000</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 Five Fiscal Years¹
 (accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities:					
Invested in capital assets, net of related debt	\$ 23,260	\$ 31,813	\$ 36,915	\$ 44,517	\$ 37,481
Restricted	3,136	14,336	7,229	5,842	7,837
Unrestricted	<u>23,816</u>	<u>6,204</u>	<u>9,159</u>	<u>5,282</u>	<u>15,530</u>
Total governmental activities net assets	<u>\$ 50,212</u>	<u>\$ 52,353</u>	<u>\$ 53,303</u>	<u>\$ 55,641</u>	<u>\$ 60,848</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 20,538	\$ 20,085	\$ 17,957	\$ 18,510	\$ 18,298
Restricted	5,147	3,449	4,564	2,798	3,373
Unrestricted	<u>3,256</u>	<u>3,639</u>	<u>3,506</u>	<u>5,941</u>	<u>5,324</u>
Total business-type activities net assets	<u>\$ 28,941</u>	<u>\$ 27,173</u>	<u>\$ 26,027</u>	<u>\$ 27,249</u>	<u>\$ 26,995</u>
Primary government					
Invested in capital assets, net of related debt	\$ 43,798	\$ 51,898	\$ 54,872	\$ 63,027	\$ 55,779
Restricted	8,283	17,785	11,793	8,640	11,210
Unrestricted	<u>27,072</u>	<u>9,843</u>	<u>12,665</u>	<u>11,223</u>	<u>20,854</u>
Total primary government net assets	<u>\$ 79,153</u>	<u>\$ 79,526</u>	<u>\$ 79,330</u>	<u>\$ 82,890</u>	<u>\$ 87,843</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 1997 through 2001.

CITY OF MERIDIAN, MISSISSIPPI
 Changes in Net Assets
 Last Five Fiscal Years¹
 (accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses					
Governmental activities:					
General government	\$ 5,548	\$ 5,291	\$ 5,738	\$ 5,778	\$ 6,209
Public safety	10,395	10,864	11,981	14,875	16,074
Public works	5,608	6,230	6,770	6,650	6,738
Culture and recreation	1,609	1,806	1,968	1,975	2,008
Economic development	156	85	169	121	105
Other	71	50	101	127	82
Interest on long-term debt	<u>1,553</u>	<u>1,390</u>	<u>1,685</u>	<u>1,443</u>	<u>1,333</u>
Total governmental activities expenses	<u>24,940</u>	<u>25,716</u>	<u>28,412</u>	<u>30,969</u>	<u>32,549</u>
Business-type activities:					
Water and sewer	8,324	10,742	10,381	10,879	11,577
Waste collection and disposal	2,174	2,529	2,739	2,234	2,332
Golf course	453	433	423	407	394
Union Station	251	254	284	307	335
Concessions	<u>41</u>	<u>48</u>	<u>39</u>	<u>41</u>	<u>37</u>
Total business-type activities expenses	<u>11,243</u>	<u>14,006</u>	<u>13,866</u>	<u>13,868</u>	<u>14,675</u>
Total primary government expenses	<u>\$ 36,183</u>	<u>\$ 39,722</u>	<u>\$ 42,278</u>	<u>\$ 44,837</u>	<u>\$ 47,224</u>
Program revenues					
Governmental activities:					
Charges for services:					
General government	562	827	681	788	1,063
Public safety	605	853	1,148	2,164	2,484
Culture and recreation	110	137	144	135	162
Operating grants and contributions	792	817	1,168	3,257	3,229
Capital grants and contributions	<u>60</u>	<u>280</u>	<u>603</u>	<u>581</u>	<u>2,169</u>
Total governmental activities program revenues	<u>2,129</u>	<u>2,914</u>	<u>3,744</u>	<u>6,925</u>	<u>9,107</u>
Business-type activities:					
Charges for services:					
Water and sewer	9,442	9,002	9,798	10,902	11,036
Waste collection and disposal	1,607	1,599	1,580	1,569	1,564
Golf course	421	367	346	310	343
Union Station	90	98	103	97	117
Concessions	46	45	41	43	36
Operating grants and contributions	2,823	312	253	8	-
Capital grants and contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,644</u>	<u>494</u>
Total business-type activities program revenues	<u>14,429</u>	<u>11,423</u>	<u>12,121</u>	<u>14,573</u>	<u>13,590</u>
Total primary government program revenues	<u>\$ 16,558</u>	<u>\$ 14,337</u>	<u>\$ 15,865</u>	<u>\$ 21,498</u>	<u>\$ 22,697</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI

Changes in Net Assets

Last Five Fiscal Years¹

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year				
	2002	2003	2004	2005	2006
<u>Net (expense)/revenue</u>					
Governmental activities	\$ (22,811)	\$ (22,802)	\$ (24,668)	\$ (24,044)	\$ (23,442)
Business-type activities	3,186	(2,583)	(1,745)	705	(1,085)
Total primary government net (expense)/revenue	<u>\$ (19,625)</u>	<u>\$ (25,385)</u>	<u>\$ (26,413)</u>	<u>\$ (23,339)</u>	<u>\$ (24,527)</u>
<u>General revenues and other changes in net assets</u>					
Governmental activities:					
Taxes:					
Property taxes	\$ 9,385	\$ 9,828	\$ 10,107	\$ 10,162	\$ 10,121
Sales taxes	11,450	11,839	12,179	12,715	14,170
Franchise taxes	1,747	1,794	1,845	1,990	2,381
County road taxes	651	868	815	798	971
Motor fuel taxes	19	19	19	19	19
Unrestricted grants and contributions	61	68	65	64	69
Unrestricted investment earnings	173	149	176	259	564
Gain on sale of capital assets	-	21	17	-	-
Transfers	700	357	395	375	353
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>	<u>28,648</u>
Business-type activities:					
Property taxes	823	901	882	740	975
Unrestricted investment earnings	201	270	113	152	210
Transfers	(700)	(357)	(395)	(375)	(353)
Total business-type activities general revenues and other changes in net assets	<u>324</u>	<u>814</u>	<u>600</u>	<u>517</u>	<u>832</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>\$ 29,480</u>
<u>Change in Net Assets</u>					
Governmental activities	\$ 1,375	\$ 2,141	\$ 950	\$ 2,338	\$ 5,206
Business-type activities	3,510	(1,769)	(1,145)	1,222	(253)
Total primary government change in net assets	<u>\$ 4,885</u>	<u>\$ 372</u>	<u>\$ (195)</u>	<u>\$ 3,560</u>	<u>\$ 4,953</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 1997 through 2001.

SCHEDULE 24

CITY OF MERIDIAN, MISSISSIPPI
Governmental Activities Tax Revenues by Source
Last Five 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
2006	10,121	14,170	2,381	971	19	27,662

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 1997 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>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>	<u>2006</u>
General fund:										
Reserved	\$ 336	\$ 556	\$ 418	\$ 662	\$ 297	\$ 348	\$ 1,000	\$ 880	\$ 845	\$ 1,168
Unreserved	<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>	<u>6,301</u>
Total general fund	<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>	<u>\$ 7,469</u>
All other governmental funds:										
Reserved	\$ 3,822	\$ 3,729	\$ 4,541	\$ 2,776	\$ 2,438	\$ 2,396	\$ 8,510	\$ 4,721	\$ 3,006	\$ 4,395
Unreserved, reported in:										
Special revenue funds	194	210	241	183	50	228	340	533	1,006	2,308
Capital projects funds	<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>	<u>9,789</u>
Total all other governmental funds	<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>	<u>\$ 16,492</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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues:										
Taxes	\$ 18,128	\$ 19,093	\$ 20,167	\$ 20,093	\$ 19,874	\$ 21,322	\$ 22,380	\$ 22,944	\$ 23,534	\$ 25,121
Franchise	1,445	1,538	1,481	1,582	1,748	1,747	1,794	1,845	1,990	2,381
Payments in lieu of taxes	131	97	132	144	107	112	100	86	83	80
Intergovernmental	9,690	3,456	1,780	1,694	2,173	864	976	1,613	3,746	4,913
Fines and forfeitures	891	948	849	775	638	605	853	1,148	2,164	2,484
Licenses and permits	270	199	256	240	232	233	225	298	302	305
Charges for services	1,433	1,394	1,555	1,545	1,09	110	137	144	135	162
Special assessments	64	122	113	151	119	127	120	132	96	79
Local contributions	1,203	258	203	69	81	49	189	223	155	555
Investment earnings	618	627	582	561	529	173	148	176	259	564
Interest costs and damages	147	138	151	165	83	69	84	94	95	91
Miscellaneous	301	292	434	198	249	328	652	471	499	758
Total Revenues	34,321	28,162	27,703	27,217	25,942	25,739	27,658	29,174	33,058	37,493
Expenditures:										
General government	4,180	4,529	4,708	4,896	4,843	5,116	4,885	5,342	5,440	5,843
Public safety	8,873	9,422	9,894	10,510	9,956	9,998	10,576	11,500	14,767	16,420
Public works	5,035	5,066	5,007	5,201	2,966	2,876	3,541	3,827	3,956	4,223
Culture and recreation	1,720	2,133	1,605	1,571	1,527	1,535	1,750	1,884	1,963	2,027
Economic development	5,363	1,075	156	153	153	156	85	169	411	105
Other	74	32	66	84	65	71	51	102	127	268
Capital outlay	10,280	5,607	4,006	6,881	4,366	4,644	2,438	8,855	4,529	4,833
Debt service:										
Principal	2,559	2,464	2,848	2,794	3,893	4,064	3,346	3,440	3,059	2,356
Interest	1,341	1,756	1,730	1,530	1,685	1,634	1,261	1,705	1,506	1,354
Total expenditures	39,425	32,084	30,020	33,620	29,454	30,094	27,933	36,824	35,758	37,429
Excess (deficiency) of revenues over (under) expenditures	(5,104)	(3,922)	(2,317)	(6,403)	(3,512)	(4,355)	(275)	(7,650)	(2,700)	64

(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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Other financing sources (uses):										
Transfers in	\$ 1,940	\$ 854	\$ 915	\$ 1,338	\$ 2,332	\$ 2,611	\$ 1,438	\$ 2,634	\$ 1,929	\$ 2,960
Transfers out	(1,308)	(413)	(486)	(861)	(1,801)	(1,968)	(984)	(2,264)	(1,576)	(2,629)
Refunding bonds issued	-	-	-	-	-	-	-	-	-	-
Bonds issued	4,191	4,522	1,157	4,431	2,610	-	13,000	-	-	10,000
Negotiable notes issued	-	-	-	-	-	-	-	-	-	1,225
Capital leases	211	114	40	1,108	-	709	-	67	312	-
Total other financing source (uses)	<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>	<u>11,556</u>
Net change in fund balance	<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>	<u>\$ 11,620</u>
Debt service as a percentage of noncapital expenditures	<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>	<u>11.4%</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.

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</u> <u>Year</u>	<u>Property</u> <u>Tax</u>	<u>Sales</u> <u>Tax¹</u>	<u>Franchise</u> <u>Tax</u>	<u>County</u> <u>Road</u> <u>Tax</u>	<u>Motor</u> <u>Fuel</u> <u>Tax</u>	<u>Total</u>
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
2006	9,961	14,170	2,381	971	19	27,502

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

¹Sales taxes are levied by the State of Mississippi. The State remits to the City a portion of the taxes generated from sales within the City.

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					
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%
2006	58,094	122,836	36,032	44,443	2,530	258,875	50.08	1,657,502	15.62%

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					Lauderdale County					Overlapping Rates						
	Special					Total					Total						
	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	Operating Millage	Debt Service Millage	School District Millage	Meridian Community College	Total Millage
1997	21.17	19.07	11.00	-	51.24	36.24	6.02	42.26	46.72	5.24	51.96	6.19	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	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	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	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	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	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	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	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	54.38	2.99	57.37	7.00	159.24
2006	25.56	12.47	8.05	4.00	50.08	38.36	7.09	45.45	53.30	3.35	56.65	7.00	53.30	3.35	56.65	7.00	159.18

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>2006</u>			<u>1997</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	\$ 10,514	1	4.06%	\$ 15,310	1	7.88%
Bonita Lakes Mall/Bonita Properties, Inc./CBL	7,549	2	2.92%	----		----
Bell South Telecommunications	7,402	3	2.86%	8,982	2	4.62%
Wal-Mart	4,562	4	1.76%	1,960	5	1.01%
Riley Memorial Hospital	4,344	5	1.68%	1,222	10	0.63%
Anderson Infirmary Benevolent Association	2,752	6	1.06%	2,400	3	1.24%
Peavey Electronics	2,682	7	1.04%	2,025	4	1.04%
Norfolk Southern Railroad	1,903	8	0.74%	1,920	6	0.99%
Mississippi Valley Gas Company	1,841	9	0.71%	1,338	9	0.69%
Rush Foundation Hospital	1,483	10	0.57%	1,757	7	0.90%
Sowashee Investment, et al	----		----	<u>1,412</u>	8	<u>0.73%</u>
Totals	<u>\$ 45,032</u>		<u>17.40%</u>	<u>\$ 38,326</u>		<u>19.73%</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 Ended September 30,</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
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%
2006	12,962	12,835	99.02%	283	13,118	101.20%

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 Bonds	Special Assessment Bonds	Limited Obligation Bonds	Special Obligation Bonds	Certificates of Participation	Revolving Loan	Taxable Negotiable Notes	Capital Leases	Sewer Revenue Bonds	Water & Sewer Promissory Notes	Capital Leases	Sewer Revenue Bonds	Water & Sewer Promissory Notes	Capital Leases				
1997	\$ 14,170	\$ 4,370	\$ 4,160	\$ -	\$ 1,330	\$ -	\$ -	\$ -	\$ 689	\$ 22,695	\$ 160	\$ 177	\$ 47,751	6.36%	\$ 1,178			
1998	17,075	4,065	4,160	-	1,140	-	-	-	388	26,850	72	107	53,857	7.05%	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	6.71%	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	7.32%	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			
2006	19,070	3,780	3,765	6,335	-	694	1,225	-	785	12,490	16,088	837	65,069	6.37%	1,676			

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.

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>Capita</u>²
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
2006	19,070	3,148	15,922	0.96%	410

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, 2006
(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	\$ 44,200	51.09%	\$ 22,582
Debt repaid with property taxes: School	<u>4,029</u>	90.62%	<u>3,651</u>
Subtotal, overlapping debt	48,229		26,233
City of Meridian direct debt	<u>19,070</u>	100.00%	<u>19,070</u>
Total direct and overlapping debt	<u>\$ 67,299</u>		<u>\$ 45,303</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>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>	<u>2006</u>
Debt Limit	\$ 29,306	\$ 29,873	\$ 32,013	\$ 33,170	\$ 34,016	\$ 34,783	\$ 38,261	\$ 38,544	\$ 38,739	\$ 39,211
Total net debt applicable to limit	<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>	<u>15,922</u>
Legal debt margin	<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>	<u>\$ 23,289</u>
Total net debt applicable to the limit as a percentage of debt limit	<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>	<u>40.61%</u>

Legal Debt Margin Calculation for Fiscal Year 2006:

Assessed value	\$ 258,875
Add back: exempt real property	<u>2,530</u>
Total assessed value	<u>\$ 261,405</u>
Debt limit (15% of total assessed value)	<u>\$ 39,211</u>
Debt applicable to limit:	
General obligation bonds	19,070
Less: Amount set aside for repayment of general obligation debt	<u>(3,148)</u>
Total net debt applicable to limit	<u>15,922</u>
Legal debt margin	<u>\$ 23,289</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>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
1997	\$ 7,181	\$ 4,331	\$ 2,850	\$ 800	\$ 1,561	120.71%
1998	8,076	4,155	3,921	845	1,316	181.44%
1999	8,500	4,421	4,079	1,045	1,683	149.52%
2000	8,728	4,461	4,267	1,105	1,725	150.78%
2001	8,459	4,837	3,622	1,230	1,725	122.57%
2002	9,442	4,777	4,665	1,370	1,518	161.53%
2003	9,002	5,435	3,567	1,555	1,655	111.12%
2004	9,798	5,269	4,529	1,845	1,495	135.60%
2005	10,902	5,690	5,212	2,020	1,516	147.40%
2006	11,036	6,416	4,620	2,125	1,399	131.10%

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
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%
2006	38,605	1,015,543	26,306	35.6	6,722	9.1%

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 Nine Years Ago
(amounts expressed in thousands)

<u>Taxpayer</u>	<u>2006</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	10.38%	1,643	1	9.17%
East Mississippi State Hospital	1,150	2	7.96%	1,071	3	5.98%
Rush Foundation Hospital	1,123	3	7.77%	1,161	2	6.48%
Jeff Anderson Regional Medical Center	1,065	4	7.37%	839	6	4.68%
Meridian Public Schools	995	5	5.54%	938	5	5.23%
Riley Memorial Hospital	550	6	6.83%	1,016	4	5.67%
City of Meridian	509	7	3.52%	585	7	3.26%
Avery Dennison	471	8	3.26%	533	8	2.97%
Meridian Community College	389	9	2.69%	450	9	2.51%
Mississippi Air National Guard	<u>370</u>	10	<u>2.56%</u>	<u>389</u>	10	<u>2.17%</u>
Totals	<u>8,122</u>		<u>57.88%</u>	<u>8,625</u>		<u>48.12%</u>

Source: Mississippi Employment Security Commission

SCHEDULE 39

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>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>	<u>2006</u>
General government	49	49	50	50	49	50	49	47	46	47
Public safety:										
Police:										
Officers	113	114	109	99	100	104	94	96	104	106
Civilians	31	32	27	31	21	15	15	17	18	18
Fire:										
Firefighters and officers	113	112	110	114	108	106	105	106	103	104
Civilians	7	8	8	10	10	10	11	10	9	10
Highways and streets	80	79	73	71	69	74	69	68	70	75
Sanitation	1	1	1	1	1	1	1	2	1	1
Culture and recreation	44	42	41	40	33	42	42	45	52	45
Water	51	52	49	50	54	51	48	51	52	50
Sewer	46	43	44	42	40	43	44	45	44	44
Golf course	5	5	4	5	5	5	5	5	3	3
Union Station	-	-	1	1	1	1	1	2	2	2
Municipal Garage	17	13	17	15	12	13	13	15	15	14
Homeland Security	-	-	-	-	-	-	-	2	6	7
Community Development	19	20	20	19	20	20	21	21	20	21
Totals	<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>	<u>547</u>

Source: City's payroll department.

CITY OF MERIDIAN, MISSISSIPPI

Operating Indicators by Function
Last Ten Fiscal Years

<u>Function</u>	<u>Fiscal Year</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>	<u>2006</u>
Police:										
Physical arrests	6,830	6,050	5,247	4,896	4,223	3,956	4,514	4,322	4,568	4,376
Parking violations	14,460	12,821	10,841	8,276	5,612	5,813	6,757	7,045	7,544	7,717
Traffic violations	10,310	12,771	14,404	9,921	7,033	9,261	12,272	11,564	13,049	14,766
Fire:										
Number calls answered	1,943	2,099	2,728	2,826	3,051	3,315	2,848	2,752	2,743	3,273
Inspections	1,366	1,536	1,687	1,540	955	1,900	2,048	2,844	3,051	3,734
Highways and streets:										
Street resurfacing (miles)	35	-	-	16	-	8	-	10	35	-
Potholes repaired	463	427	256	252	382	327	284	348	355	260
Culture and recreation¹:										
Senior Citizen Center classes	-	-	-	-	798	812	841	912	1,075	1,096
Water:										
New connections	80	76	66	74	183	56	45	74	71	112
Water mains breaks	1,355	2,193	1,554	1,786	1,512	1,415	1,143	1,193	1,286	948
Average daily consumption (millions of gallons)	4.619	5.120	5.353	5.196	5.260	5.347	5.401	5.916	4.802	4.495
Wastewater:										
Average daily sewerage treatment (millions of gallons)	7.380	8.290	7.040	7.460	9.100	9.450	10.090	9.560	11.570	10.800

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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	34	31	27	26	24	28	36	37	43	71
Fire stations	7	7	7	7	7	7	7	7	7	7
Highways and streets:										
Streets (miles)	303.38	303.97	303.97	303.97	304.68	306.01	306.01	306.15	306.83	306.83
Streetlights ¹	-	-	-	-	-	6,267	6,273	6,287	6,298	6,351
Traffic signals	116	116	116	116	116	118	118	118	120	121
Culture and recreation:										
Parks acreage	221	221	224	224	225	225	226	286	286	286
Parks	12	12	13	13	14	15	16	17	17	17
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	6	6	8	8	18	18	18	18	18	18
Community centers	4	4	3	3	3	3	3	3	3	3
Softball/Baseball fields	16	16	16	16	16	16	18	18	18	18
Soccer fields	9	9	9	12	12	12	12	12	12	12
Golf course	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains (miles)	400	400	405	408	420	426	426	426	428	428
Fire hydrants	3,638	3,666	3,672	3,694	3,721	3,777	3,793	3,802	3,820	3,832
Maximum daily capacity (thousands of gallons)	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500
Sewer:										
Sanitary sewers (miles)	400	400	405	410	418	424	442	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	14,000	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, 2006

Federal Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Number/Federal Contract	Program or Award Amount	Accrued (Deferred) Revenue 9/30/2005	Federal Receipts	Federal Disbursements/Expenditures	Accrued (Deferred) Revenue 9/30/2006	Cumulative Federal Receipts	Cumulative Federal Disbursements/Expenditures	Fund Type
U. S. Department of Housing & Urban Development										
Pass through Mississippi Department of Economic and Community Development:										
Home 2000 Grant	14.231	M00-SG-28-01-00	\$ 350,000	\$ 450	\$ 450	\$ -	\$ -	\$ 124,745	\$ 124,745	Special revenue
CDBG Public Facilities	14.228	B-03-DC-280001	325,000	-	-	-	-	-	-	Enterprise fund
Homeowners Assistance	14.239	M05-SG-280-100	225,255	-	10,575	10,575	-	10,575	10,575	Special revenue
Total U.S. Department of Housing & Urban Development										
				450	11,025	10,575	-	135,320	135,320	
U. S. Department of Transportation										
Federal Railroad Administration										
120/159 Interchange Project	20.205	DTRF53-001-H-00301	1,047,000	54,273	144,240	127,803	37,836 (17,794)	620,218	658,054	General fund
Pass through Mississippi Department of Transportation:										
Lake Drive Realignment - TEA21	20.205	STP-0075-01(008)	416,839	41,751	372,292	372,088	41,547	372,292	413,839	Capital projects
Signalization Program - TEA21	20.205	STP-9450-00(004)	368,914	30,255	336,298	338,659	32,616	336,298	368,914	Capital projects
Highway 39 at 33rd Street - TEA21	20.205	STP-0074-01(004)	210,370	28,031	210,370	182,339	-	210,370	210,370	Capital projects
North Hills/Highway 39	20.205	Not assigned	53,000	52,908	-	-	52,908	-	52,908	Capital projects
Bonita Lake Trails Grant	20.205	28-RT-0033	214,720	122,390	-	888	123,278	65,331	188,609	Special revenue
Bonita Lake Trails Grant	20.205	28-RT-0033	55,908	55,908	-	-	-	55,908	55,908	Special revenue
Total U.S. Department of Transportation										
				665,341	1,416,727	1,021,777	270,391	1,958,036	2,228,427	
U. S. Department of Homeland Security										
Pass through Mississippi Department of Public Safety:										
2003 Flood Assistance	83.544	FEMA-1459-DR-MS	263,400	93,432	-	-	93,432	169,939	263,371	Capital projects
Domestic Cooperative Preparedness	97.004	3SUP-80	40,000	8,258	8,258	-	-	39,999	39,999	Special revenue
Domestic Cooperative Preparedness	97.004	3SSG-3002	95,400	33,246	48,941	15,695	-	95,400	95,400	Special revenue
Domestic Preparedness Equipment Grant	97.004	3SSGR-4011	46,500	-	46,500	46,500	-	46,500	46,500	Special revenue
Homeland Security - Planner	97.004	3SSG-5015	80,000	4,013	4,013	-	-	80,000	80,000	Special revenue
Homeland Security - Trainer	97.004	3SSG-5017	80,000	31,113	31,388	91	(184)	80,000	79,816	Special revenue
Homeland Security - Other Supplies	97.004	3SSG-5016	10,000	4,515	4,515	-	-	10,000	10,000	Special revenue
Homeland Security	97.004	04LE258	69,900	49,198	55,816	6,618	-	55,816	55,816	Special revenue
Homeland Security	16.007	4HS258R	850,000	202,666	184,087	139,362	157,941	184,087	342,028	Special revenue
Homeland Security	97.067	05HS258	48,600	-	-	317	317	-	317	Special revenue
Homeland Security	97.067	05LE258	39,613	-	-	8,493	8,493	-	8,493	Special revenue
Hurricane Ivan Clean Up	97.036	FEMA-1550-MS-DR	693,890	617,561	504,174	1,818,193	113,387	504,174	617,561	Special revenue
Hurricane Katrina Clean Up	97.036	FEMA-1604-MS-DR	3,039,982	972,251	2,532,366	221,429	238,078	2,532,366	2,790,444	Special revenue
Hurricane Katrina Personal Property	97.036	FEMA-1604-MS-DR	221,429	-	-	116,625	116,625	-	221,429	Special revenue
Hurricane Katrina Hazardous Limbs	97.036	FEMA-1604-MS-DR	116,625	-	-	7,096	7,096	-	116,625	Special revenue
Hurricane Katrina Clean Up	97.036	FEMA-1604-MS-DR	7,885	-	-	-	-	-	7,096	Special revenue
Hurricane Dennis	97.036	FEMA-1594-MS-DR	14,002	14,002	14,002	-	-	14,002	14,002	Special revenue
Total U.S. Department of Homeland Security										
				2,030,255	3,434,060	2,380,419	976,614	3,812,283	4,788,897	

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended September 30, 2006

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Number/ Federal Contract	Program or Award Amount	Accrued (Deferred) Revenue 9/30/2005	Federal Receipts	Federal Share Disbursements/ Expenditures	Accrued (Deferred) Revenue 9/30/2006	Cumulative Federal Receipts	Cumulative Federal Share Disbursements	Fund Type
U. S. Department of Interior										
Pass through Mississippi Forestry Commission:										
Urban and Community Forestry Grant	10.664	05 DG-11083128-08	\$ 2,500	\$ -	\$ -	\$ 2,067	\$ 2,067	\$ -	\$ 2,067	Special revenue
Transportation Enhanced Tree Planting Program	61.510	N/A	15,000	-	14,997	14,997	-	14,997	14,997	Special revenue
Total U.S. Department of Interior					14,997	17,064	2,067	14,997	17,064	
U. S. Department of Justice										
Pass through Mississippi Department of Public Safety:										
Wesley House/Victim Assistance	16.575	3NW2222	87,894	-	73,459	73,459	-	73,459	73,459	Special revenue
Multi-Jurisdictional Drug Task Force	16.579	4NM2221	210,298	37,745	37,745	-	-	185,584	185,584	Special revenue
Multi-Jurisdictional Drug Task Force	16.579	05NM2221	188,335	-	142,647	175,422	32,775	142,647	175,422	Special revenue
Alcohol Countermeasures	20.600	05-TA-222-1	90,000	28,531	28,531	-	-	59,736	59,736	Special revenue
Alcohol Countermeasures	20.600	154 ATF	85,525	-	72,935	84,819	11,884	72,935	84,819	Special revenue
Domestic Violence Grant	16.588	3SL-222-1	47,446	5,284	7,437	2,173	-	47,446	47,446	Special revenue
Domestic Violence Grant	16.588	03SL2222	26,350	-	22,611	22,611	-	22,611	22,611	Special revenue
Domestic Violence Grant	16.588	04SL2221	36,251	-	2,266	8,586	6,320	2,266	8,586	Special revenue
Underage Drinking Enforcement	16.727	4-UA-222-1	8,005	481	5,495	5,047	33	6,871	6,904	Special revenue
Seat Belt Enforcement	20.600	157 IOP FY06	10,000	-	4,266	7,985	3,719	4,266	7,985	Special revenue
Vests	16.607	2004 BUIBX-04023457	32,250	-	6,960	6,960	-	6,960	6,960	Special revenue
GMS JAG Grant	16.738	2005DJBX0984	45,416	-	45,416	45,416	-	45,416	45,416	Special revenue
Total U.S. Department of Justice				72,041	449,788	432,478	54,731	670,197	724,928	
U. S. Department of Agriculture										
Bonita Lakes Dam Project										
Gallagher Creek/Highland Park	10.916	69-4423-5-1330	400,000	99,244	99,244	-	-	400,000	400,000	Capital projects
Total U.S. Department of Agriculture	10.916	69-4423-3-9355	600,000	3,498	508,259	521,400	16,639	515,596	532,235	Capital projects
				102,742	607,503	521,400	16,639	915,596	932,235	
U. S. Department of Commerce										
Water & Sewer - New Industrial Park										
	11.300	04-01-05169	1,500,000	1,243,666	1,500,000	256,334	-	1,500,000	1,500,000	Enterprise fund
U. S. Environmental Protection Agency										
South Industrial Park Study										
	66.202	XP-96402004	867,300	-	-	48,001	48,001	-	48,001	Enterprise fund
Total federal financial assistance				\$ 4,114,495	\$ 7,434,100	\$ 4,688,048	\$ 1,368,443	\$ 9,006,429	\$ 10,374,872	

CITY OF MERIDIAN, MISSISSIPPI
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2006

(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, 2006

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, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 27, 2007. 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 99.8% 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 February 27, 2007.

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, Scales : O. Neil, Jtd.

February 27, 2007
Jackson, Mississippi

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON 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, 2006. 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 \$377,176 in federal awards; and the Meridian Transportation Commission ("MTC"), which expended \$208,343 in federal awards; both of which are not included in the schedule during the year ended September 30, 2006. 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, 2006.

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.

Byrd, Sanders & O'Neil, P.A.

February 27, 2007
Jackson, Mississippi

CITY OF MERIDIAN, MISSISSIPPI
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended September 30, 2006

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>
10.916	Natural Resources Conservation Service - Gallagher Creek Erosion Control
97.036	Disaster Assistance – Cluster of Programs
16.579	Byrne Formula Grant Program – Multi-Jurisdictional Drug Task Force

Continued

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2006

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, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 27, 2007. 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 99.8% 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.

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

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

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

Breazeale, Saunders & O'Neil, Ltd.

February 27, 2007
Jackson, Mississippi