



CITY OF MERIDIAN, MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

CITY OF MERIDIAN, MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2010**

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

CITY OF MERIDIAN, MISSISSIPPI
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended September 30, 2010

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INTRODUCTORY SECTION

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A better longitude on life.

March 28, 2011

Mayor:

CHERI BARRY
(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

BOBBY R. SMITH
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) 485-1035

Homeland Security:

(601) 484-6890
FAX: (601) 484-6895

Parks and Recreation:

(601) 485-1802
FAX: (601) 485-1851

Police:

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

Public Works:

(601) 485-1920
FAX: (601) 485-1864

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, 2010.

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, 2010, 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, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

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

The City has operated under the mayor-council form of government since 1985. Legislative authority is vested in a part-time governing city council consisting of five council members elected by wards. The city council is responsible, among other things, for passing ordinances, adopting the budget and hiring an independent accountant to provide a full and complete examination of all books of the City at the end of each fiscal year. Executive authority is vested in a full-time mayor elected at-large. The mayor is responsible, among other things, for enforcing the charter and ordinances of the municipality and all general laws applicable thereto, for overseeing day-to-day operation of the City, appointing the heads of the various departments subject to council confirmation, annually reporting to council and the public on the work of the previous year, making recommendations for action by the council and supervising all of the departments of the City. The mayor may approve ordinances adopted by the council or veto such action 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 Meridian Redevelopment Agency is reported as a blended component unit.

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

Factors Affecting Financial Condition

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

Local economy. The City continues to have a diverse economy with 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.

While the City is not immune to the economic environment that exists in our nation at this time, the City fared better than many communities did in 2010. Some administrative adjustments were made, as sales tax revenues declined in 2010 and budget projections were adjusted accordingly. A major policy change was made to overtime pay. In 2009, the City paid over \$1,000,000 in total overtime pay, the majority of which came from the fire and police departments. Those two departments accounted for \$750,000 in overtime pay. In 2010, the fire and police department spent \$400,000 in overtime pay. In total, the City reduced overtime pay by over \$500,000. Historically, Meridian has not suffered the severe swings in revenue that other areas suffered during economic downturns.

Additionally, the City serves as a regional health center, with five hospitals that employ over 5,000 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 base also provides

the RCTA or Regional Counter-Drug Training Academy. This provides training for a variety of law enforcement entities from throughout the southeast in the war on drugs. The City's Public Safety Training Facility is recognized as a Level 2 law enforcement academy by the Mississippi Police Board of Standards and Training. The facility provides training in a variety of courses for multiple entities both from within the state and out of state. Additionally, the Public Safety Training Facility has a working Amtrak rail site complete with rail cars and is the only active training site in the country for passenger rail rescue courses. The City is also home to the first municipal Department of Homeland Security in the state and serves as the lead agency for a nine county regional response team that serves central Mississippi. The team is part of a 27 county task force that is supported by the Mississippi Department of Homeland Security. During 2010, the City created a Neighborhood Engagement Team or the N.E.T. The N.E.T.'s mission is to engage the citizens in a personal manner. This is a team of five officers funded by a grant whose sole mission is to respond to individual citizens. In addition to the patrol officers, detectives, and other MPD personnel who work the case, the N.E.T. will personally visit individuals and address their concerns. This builds a bond between citizens and the police department. This also strengthens the police presence in our neighborhoods and serves as a deterrent to crime.

Meridian is the center of a large trade area and continues to meet the medical, retail, industrial, cultural and recreational needs of hundreds of thousands of people. The City of Meridian worked with Mississippi State University and the Riley Foundation to donate the Kress Building to the University. This donation, along with the Riley Foundation's donation of the Newberry Building to the University, will allow Mississippi State to greatly expand their presence in downtown Meridian.

The renovation of the 22nd Avenue Bridge, known as the gateway into downtown was completed. This project, paid from \$1,000,000 in bonds, included replacing concrete approaches and the installation of new rails and antique lighting, similar to that around the MSU Riley Center. The restoration of historic 1915 City Hall continued with the final phase in interior restoration. This project will return the National Register of Historic Places building to its original look while integrating modern technology.

Meridian recently designated an Entertainment District, which will provide income tax incentives for investors and developers to choose Meridian to build and renovate entertainment venues. Meridian is the first city in Mississippi to be approved for the designation. Within the district – which ranges from the old Value Fair Mall area through downtown and midtown – businesses can construct or renovate a venue and receive a tax break in the form of an accelerated depreciation deduction.

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

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

Major initiatives. One significant ongoing project includes a major computer and software project to replace and improve the City information technology systems. Significant projects to be addressed include continued replacement and maintenance of aging water and sewer plants and lines to be financed through grants and bond issues, a new police complex and a new fire station in the recently annexed north portion of the City.

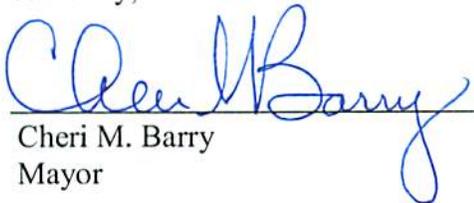
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report ("CAFR") for the fiscal year ended September 30, 2009. This was the fourteenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

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

Sincerely,


Cheri M. Barry
Mayor


L. E. Skipper
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Meridian
Mississippi

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

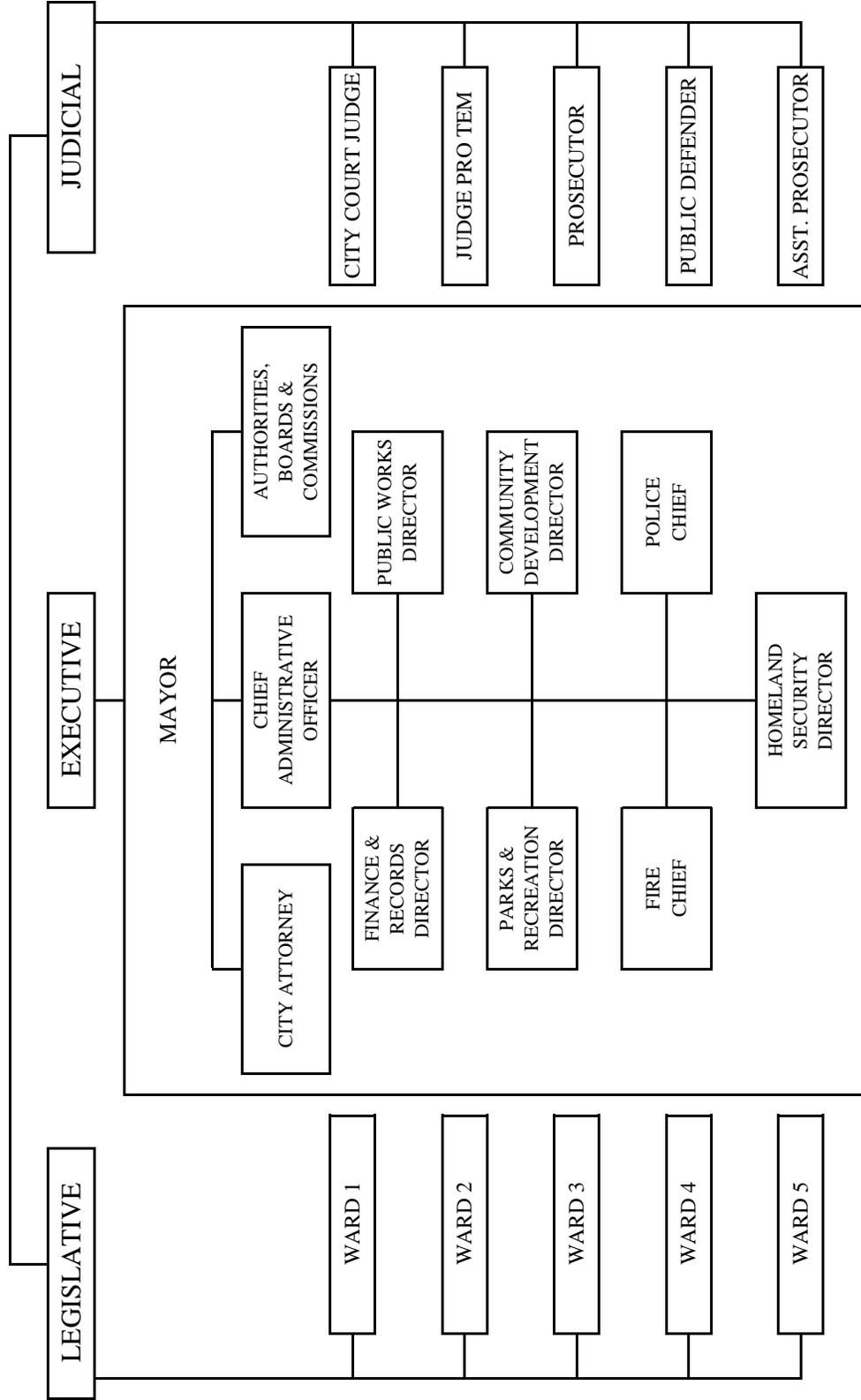
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

CITY OF MERIDIAN, MISSISSIPPI
 Organizational Structure
 September 30, 2010



CITY OF MERIDIAN, MISSISSIPPI

Listing of City Officials

September 30, 2010

Elected Officials

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

Appointed Officials

Chief Administrative Officer	Mark McDonald
Finance & Records Director/City Clerk	Ed Skipper
Public Works Director	Monty Jackson
Parks & Recreation Director	Mark Naylor
Community Development Director	Don Farrar
Fire Chief	Anthony Clayton
Police Chief	Lee Shelbourn
Homeland Security Director	Tim Miller
City Attorney	Ronnie L. Walton

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Meridian, Mississippi ("City") as of and for the year ended September 30, 2010, 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 99.99% and 99.97%, 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, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2011, 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

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

other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules, other supplementary information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Jackson, Mississippi
March 28, 2011

CITY OF MERIDIAN, MISSISSIPPI
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2010

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, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3 - 7 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$110,809 (*net assets*). Of this amount, \$6,880 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$1,832. This change in net assets is largely attributable to expenditures for infrastructure financed through the issuance of limited obligation tax increment bonds and the payment of pre-development expenses incurred in conjunction with the Threefoot Building Redevelopment Agreement that was terminated, offset by an increase in property taxes.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$21,732, a decrease of \$1,898 in comparison with the prior year. Approximately 45 percent of this total amount, \$9,670, is *available for spending* at the City's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$5,684 or 18 percent of total general fund expenditures.
- The City's total debt decreased by \$1,863 (3 percent) during the current fiscal year. During the year, the City issued \$5,400 in new debt and retired \$7,263 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 Meridian Redevelopment Agency, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

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

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

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

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

The City maintains 18 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 City Hall improvements fund all of which are considered to be major funds. Data from the other 14 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 and its special revenue fund. A budgetary comparison statement has been provided for the general fund and the special revenue fund to demonstrate compliance with these budgets.

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

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

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

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

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 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 \$110,809 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (84 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Meridian's Net Assets

<u>Description</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 27,231	29,292	11,913	12,970	39,144	42,262
Capital assets, net	<u>106,157</u>	<u>103,490</u>	<u>35,563</u>	<u>38,483</u>	<u>141,720</u>	<u>141,973</u>
Total assets	<u>133,388</u>	<u>132,782</u>	<u>47,476</u>	<u>51,453</u>	<u>180,864</u>	<u>184,235</u>
Long-term liabilities outstanding	45,327	43,271	18,393	22,115	63,720	65,386
Other liabilities	<u>4,055</u>	<u>3,890</u>	<u>2,280</u>	<u>2,318</u>	<u>6,335</u>	<u>6,208</u>
Total liabilities	<u>49,382</u>	<u>47,161</u>	<u>20,673</u>	<u>24,433</u>	<u>70,055</u>	<u>71,594</u>
Net assets:						
Invested in capital assets, net of related debt	72,823	75,492	19,767	19,326	92,590	94,818
Restricted	6,985	6,429	4,354	5,441	11,339	11,870
Unrestricted	<u>4,198</u>	<u>3,700</u>	<u>2,682</u>	<u>2,253</u>	<u>6,880</u>	<u>5,953</u>
Total net assets	<u>\$ 84,006</u>	<u>85,621</u>	<u>26,803</u>	<u>27,020</u>	<u>110,809</u>	<u>112,641</u>

An additional portion of the City's net assets (10 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,880 in *unrestricted net assets* may be used to meet the City's ongoing obligations to citizens and creditors.

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

There was a decrease of \$1,087 in restricted net assets reported in connection with the City's business-type activities. This is a result of decreased funds available for capital projects in the water and sewer system.

The City's net assets decreased \$1,832 during the current fiscal year. This change in net assets is largely attributable to expenditures for infrastructure financed through the issuance of limited obligation tax increment bonds and the payment of pre-development expenses incurred in conjunction with the Threefoot Building Redevelopment Agreement that was terminated, offset by an increase in property taxes.

Governmental activities. Governmental activities decreased the City's net assets by \$1,615. Key elements of these changes in net assets 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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,951	2,344	14,416	13,734	16,367	16,078
Operating grants and contributions	1,645	1,572	-	-	1,645	1,572
Capital grants and contributions	3,699	1,497	-	65	3,699	1,562
General revenues:						
Property taxes	14,173	12,085	506	999	14,679	13,084
Other taxes	17,392	17,701	-	-	17,392	17,701
Grants and contributions not restricted to specific programs	73	74	-	-	73	74
Other	<u>196</u>	<u>146</u>	<u>114</u>	<u>100</u>	<u>310</u>	<u>246</u>
Total revenues	<u>39,129</u>	<u>35,419</u>	<u>15,036</u>	<u>14,898</u>	<u>54,165</u>	<u>50,317</u>
Expenses:						
General government	8,825	7,017	-	-	8,825	7,017
Public safety	16,238	16,010	-	-	16,238	16,010
Public works	8,187	7,440	-	-	8,187	7,440
Culture and recreation	2,284	2,307	-	-	2,284	2,307
Economic development	2,976	22	-	-	2,976	22
Sanitation	-	-	2,466	2,526	2,466	2,526
Interest on long-term debt	2,071	1,615	-	-	2,071	1,615
Other	11	42	778	835	789	877
Water and sewer	<u>-</u>	<u>-</u>	<u>12,161</u>	<u>12,557</u>	<u>12,161</u>	<u>12,557</u>
Total expenses	<u>40,592</u>	<u>34,453</u>	<u>15,405</u>	<u>15,918</u>	<u>55,997</u>	<u>50,371</u>
Excess (deficiency) of revenues over (under) expenses before transfers and special items	(1,463)	966	(369)	(1,020)	(1,832)	(54)
Special item - annexed property	-	23,549	-	-	-	23,549
Transfers	<u>(152)</u>	<u>528</u>	<u>152</u>	<u>(528)</u>	<u>-</u>	<u>-</u>
Change in net assets	(1,615)	25,043	(217)	(1,548)	(1,832)	23,495
Net assets - beginning	<u>85,621</u>	<u>60,578</u>	<u>27,020</u>	<u>28,568</u>	<u>112,641</u>	<u>89,146</u>
Net assets - ending	\$ <u>84,006</u>	<u>85,621</u>	<u>26,803</u>	<u>27,020</u>	<u>110,809</u>	<u>112,641</u>

- Property taxes increased \$2,088 or 17% in 2010 over 2009. This increase in 2010 property tax receipts for the City was mostly due to the 2009 annexation of approximately nine square miles and approximately 1,400 new residents into the City of Meridian.
- Charges for services decreased \$393 or 17 percent in 2010 under 2009.
- Operating grants and contributions increased \$73 or 5 percent in 2010 over 2009. This was mostly due to an increase in operating grants for economic development.
- Capital grants and contributions increased \$2,202 or 147 percent in 2010 over 2009. This was largely due to a capital grant for the repair and rehabilitation of the dam at Bonita Lakes and capital infrastructure assets contributed by developers.
- Other taxes (which include sales taxes) decreased \$309 or 2 percent.
- Total revenues increased \$3,710 or 10 percent.
- Total expenses increased \$6,139 or 18 percent. This was mainly due to economic development expenditures for infrastructure financed through the issuance of limited obligation tax increment bonds and the payment of pre-development expenses incurred in conjunction with the Threefoot Building Redevelopment Agreement that was terminated.

Business-type activities. Business-type activities decreased the City's net assets by \$217. This is primarily due to increased charges for services of \$682 and decreased property tax revenues of \$493. Rates for garbage pickup were increased during fiscal year 2010 and rates for water and sewer usage were increased at the end of fiscal year 2010.

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 \$21,732, a decrease of \$1,898 in comparison with the prior year. Approximately 45 percent of this total amount constitutes an *unreserved, undesignated fund balance* of \$9,670, which is available for spending at the City's discretion. \$1,893 is unreserved, but designated for subsequent years' expenditures for capital projects. 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 \$5,799 for the prior period and for a variety of other restricted purposes in the amount of \$4,370.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$5,684, while total fund balance was \$8,369. 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 18 percent of total general fund expenditures, while total fund balance represents 27 percent of that same amount. The fund balance of the City's general fund increased by \$1,608, during the current fiscal year. This was primarily due to the increase in property tax revenues.

The debt service fund has a total fund balance of \$2,916, all of which is reserved for the payment of debt service. The net increase of \$236 during the current year in the debt service fund is a result of the timing of payment due dates of long-term debt. The special revenue fund's total fund balance is \$4,405 at the end of the current fiscal year. \$419 of the special revenue fund balance is reserved for encumbrances. The remaining special revenue fund balance of \$3,986 is unreserved. The fund balance of the special revenue fund increased \$386 during the current fiscal year. This increase is largely due to assets acquired by the Meridian Redevelopment Agency upon the dissolution of the Meridian Redevelopment Authority. The City Hall improvements fund has a total fund balance of \$4,095, all of which is reserved for encumbrances. The fund balance of the City Hall improvements fund decreased \$3,689 during the current fiscal year. This decrease is from the expenditure of bond funds for the renovation and restoration of City Hall.

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 \$2,351, and those for the waste collection and disposal fund amounted to \$138. The total decrease in net assets for the waste collection and disposal fund is \$132 and the water and sewer fund decreased by \$152.

General Fund Budgetary Highlights

Difference between the original budget and the final amended budget was a \$505 decrease in expenditures. Changes within the levels of expenditures can be briefly summarized as follows:

<u>Description</u>	<u>Increase (Decrease)</u>
General government	\$ 11
Finance and records	(123)
Community development	(9)
Parks and recreation	(121)
Public works	(174)
Police	18
Fire	(78)
Homeland security	(29)
Total	\$ (505)

Actual revenues exceeded the final amended budget by \$1,565.

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	\$ 724
Finance and records	150
Community development	133
Parks and recreation	203
Public works	692
Police	430
Fire	517
Homeland security	114
Arts district parking garage	22
Total	\$ 2,985

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, 2010, amounts to \$141,720 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

- Continued renovation and restoration of City Hall.
- Continued installation of an integrated financial, customer, and maintenance management software system.
- Continued repairs to the Bonita Lakes Dam.
- Completed repairs and upgrades to the 22nd Avenue Bridge.
- Safety upgrades and enhancements to the 26th Avenue Viaduct.
- Replacement of the 29th Avenue Bridge at Sowashee Creek.
- Upgrade of signals in the downtown Meridian Central Business District.

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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 7,925	7,818	248	272	8,173	8,090
Right of ways	3	3	-	-	3	3
Building and system	17,940	17,984	34,063	36,833	52,003	54,817
Improvements other than buildings	2,157	2,253	25	25	2,182	2,278
Machinery and equipment	4,076	4,975	652	823	4,728	5,798
Infrastructure	57,632	59,113	-	-	57,632	59,113
Construction in progress	<u>16,424</u>	<u>11,344</u>	<u>575</u>	<u>530</u>	<u>16,999</u>	<u>11,874</u>
Total	\$ <u>106,157</u>	<u>103,490</u>	<u>35,563</u>	<u>38,483</u>	<u>141,720</u>	<u>141,973</u>

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

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$47,450. Of this amount, \$27,750 comprises debt backed by the full faith and credit of the City, \$5,280 is special obligation bonds, \$5,680 is tax increment financing bonds and \$2,650 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City's total bonded debt decreased by \$970 (2 percent) during the current fiscal year. The decrease is due to retirements exceeding issuance of new bonds.

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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General obligation bonds	\$ 27,750	29,555	-	-	27,750	29,555
Special obligation bonds	5,280	5,565	-	-	5,280	5,565
Limited obligation tax increment financing bonds	5,680	1,770	-	-	5,680	1,770
Special assessment debt with governmental commitment	2,650	2,955	-	-	2,650	2,955
Revenue bonds	-	-	<u>6,090</u>	<u>8,575</u>	<u>6,090</u>	<u>8,575</u>
Total	\$ <u>41,360</u>	<u>39,845</u>	<u>6,090</u>	<u>8,575</u>	<u>47,450</u>	<u>48,420</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 "Aa3" 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 \$51,948 which is significantly in excess of the City's net outstanding general obligation debt of \$24,834 applicable to the debt limitation.

Additional information on the City's long-term debt can be found in note 9 on pages 77 - 82 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City is currently 14.7 percent, which is a decrease from the rate of 16.2 percent a year ago. The statewide average is 10.7 percent as compared to the national average of 9.8 percent.
- The revitalization of the City continued with the issuance of 811 building permits with a construction value of \$46 million.
- Inflationary trends in the City are slightly higher than the national average. The change in CPI in the past year for the City was an increase of 2.0 percent versus the national average increase of 1.1 percent.
- Sales tax collections year to date in fiscal year 2011 are up .5% from the previous fiscal year. During the first six months of fiscal year 2011, the City has received \$6,685 in sales tax collections, compared to \$6,654 received during the same period of fiscal year 2010.

All of these factors were considered in preparing the City's budget for the 2011 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$5,684. The City has appropriated \$2,240 of this amount for spending in the 2011 fiscal year budget.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF MERIDIAN, MISSISSIPPI
Statement of Net Assets
September 30, 2010

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
<u>ASSETS</u>				
Cash and cash equivalents	\$ 13,828,391	2,092,831	15,921,222	1,141,771
Investments	1,550,000	-	1,550,000	-
Receivables, net:				
Taxes	1,312,449	-	1,312,449	-
Accounts	744,809	1,281,858	2,026,667	766,100
Special assessments	904,117	-	904,117	-
Intergovernmental	57,978	-	57,978	232,320
Interest	3,967	-	3,967	-
Miscellaneous	64,184	7,647	71,831	-
Due from component units	10,095	2,319	12,414	-
Internal balances	29,938	(29,938)	-	-
Inventory	54,102	397,562	451,664	240,172
Prepaid items	85,079	29,232	114,311	47,240
Deferred charges	961,728	333,168	1,294,896	-
Net pension asset	-	-	-	-
Temporarily restricted assets:				
Cash and investments	4,796,952	7,798,651	12,595,603	229,464
Intergovernmental receivables	1,457,756	-	1,457,756	-
Assets held for resale	1,368,632	-	1,368,632	-
Capital assets not being depreciated:				
Land	7,924,810	247,787	8,172,597	500,000
Right of ways	2,600	-	2,600	-
Collections - historical treasures	141,250	-	141,250	-
Construction in progress	16,423,856	574,969	16,998,825	5,611,963
Capital assets net of accumulated depreciation:				
Buildings	17,940,298	5,700	17,945,998	3,791,994
Water and sewer system	-	34,056,946	34,056,946	-
Improvements other than buildings	2,156,934	24,975	2,181,909	11,106,660
Machinery and equipment	3,934,818	652,337	4,587,155	1,832,265
Infrastructure	<u>57,632,675</u>	<u>-</u>	<u>57,632,675</u>	<u>-</u>
Total assets	<u>133,387,418</u>	<u>47,476,044</u>	<u>180,863,462</u>	<u>25,499,949</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI

Statement of Net Assets

September 30, 2010

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
<u>LIABILITIES</u>				
Accounts payable and other current liabilities	\$ 1,768,605	835,468	2,604,073	1,501,051
Accrued interest	661,011	-	661,011	-
Accrued salaries	822,426	189,838	1,012,264	-
Accrued sales tax	-	9,870	9,870	-
Deposits payable	220,183	-	220,183	-
Notes payable	-	-	-	21,207
Liabilities payable from restricted assets	572,556	1,244,945	1,817,501	-
Unearned revenue	10,000	-	10,000	2,175
Noncurrent liabilities:				
Due within one year:				
Deferred revenue forward invested funds	-	40,354	40,354	16,690
Bonds, loans and leases payable	3,686,958	75,604	3,762,562	58,324
Bonds and loans payable from restricted assets	-	1,767,066	1,767,066	-
Compensated absences	463,797	67,298	531,095	-
Claims and judgments	273,041	-	273,041	-
Due in more than one year:				
Deferred revenue forward invested funds	-	152,725	152,725	-
Bonds, loans and leases payable	39,975,565	16,152,910	56,128,475	233,294
Compensated absences	927,593	136,635	1,064,228	-
Total liabilities	<u>49,381,735</u>	<u>20,672,713</u>	<u>70,054,448</u>	<u>1,832,741</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	72,822,750	19,767,331	92,590,081	22,842,882
Restricted for:				
Debt service	2,254,817	3,505,708	5,760,525	-
Capital projects	325,524	847,801	1,173,325	229,464
Public safety	4,010,998	-	4,010,998	-
Culture and recreation	7,819	-	7,819	-
Economic development	386,181	-	386,181	-
Unrestricted	4,197,594	2,682,491	6,880,085	594,862
Total net assets	<u>\$ 84,005,683</u>	<u>26,803,331</u>	<u>110,809,014</u>	<u>23,667,208</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, 2010

<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	\$ 8,824,742	354,702	-	-
Public safety	16,237,605	1,219,648	1,034,283	470,002
Public works	8,186,586	-	-	346,447
Culture and recreation	2,284,479	375,691	-	1,213,468
Economic development	2,976,340	-	611,066	1,668,708
Other	10,649	-	-	-
Interest on long-term debt	<u>2,071,347</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>40,591,748</u>	<u>1,950,041</u>	<u>1,645,349</u>	<u>3,698,625</u>
Business-type activities:				
Water and sewer	12,160,766	12,144,930	-	-
Waste collection and disposal	2,466,173	1,869,585	-	-
Golf course	396,660	271,009	-	-
Union Station	352,394	84,503	-	-
Concessions	<u>28,680</u>	<u>45,691</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>15,404,673</u>	<u>14,415,718</u>	<u>-</u>	<u>-</u>
Total primary government	\$ <u>55,996,421</u>	<u>16,365,759</u>	<u>1,645,349</u>	<u>3,698,625</u>
Component units:				
Meridian Airport Authority	\$ 10,198,932	9,569,011	20,915	3,618,248
Nonmajor component units	<u>660,786</u>	<u>82,061</u>	<u>672,658</u>	<u>-</u>
Total component units	\$ <u>10,859,718</u>	<u>9,651,072</u>	<u>693,573</u>	<u>3,618,248</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

**Special item - assets conveyed to City of Meridian
Transfers**

Total general revenues, special items, and transfers

Change in net assets

Net assets, October 1, 2009

Net assets, September 30, 2010

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental	Business-type	Total	Component
Activities	Activities		Units
(8,470,040)	-	(8,470,040)	-
(13,513,672)	-	(13,513,672)	-
(7,840,139)	-	(7,840,139)	-
(695,320)	-	(695,320)	-
(696,566)	-	(696,566)	-
(10,649)	-	(10,649)	-
<u>(2,071,347)</u>	<u>-</u>	<u>(2,071,347)</u>	<u>-</u>
<u>(33,297,733)</u>	<u>-</u>	<u>(33,297,733)</u>	<u>-</u>
-	(15,836)	(15,836)	-
-	(596,588)	(596,588)	-
-	(125,651)	(125,651)	-
-	(267,891)	(267,891)	-
<u>-</u>	<u>17,011</u>	<u>17,011</u>	<u>-</u>
<u>-</u>	<u>(988,955)</u>	<u>(988,955)</u>	<u>-</u>
<u>(33,297,733)</u>	<u>(988,955)</u>	<u>(34,286,688)</u>	<u>-</u>
-	-	-	3,009,242
<u>-</u>	<u>-</u>	<u>-</u>	<u>93,933</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,103,175</u>
14,173,413	505,829	14,679,242	-
13,501,741	-	13,501,741	-
2,647,337	-	2,647,337	-
1,223,849	-	1,223,849	-
19,238	-	19,238	-
73,419	-	73,419	-
195,772	113,777	309,549	5,659
-	-	-	(415,318)
<u>(152,446)</u>	<u>152,446</u>	<u>-</u>	<u>-</u>
<u>31,682,323</u>	<u>772,052</u>	<u>32,454,375</u>	<u>(409,659)</u>
(1,615,410)	(216,903)	(1,832,313)	2,693,516
<u>85,621,093</u>	<u>27,020,234</u>	<u>112,641,327</u>	<u>20,973,692</u>
\$ <u>84,005,683</u>	<u>26,803,331</u>	<u>110,809,014</u>	<u>23,667,208</u>

CITY OF MERIDIAN, MISSISSIPPI

Balance Sheet
Governmental Funds
September 30, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>City Hall Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 5,240,899	2,371,286	16,116	4,686,544	1,355,983	13,670,828
Investments	1,350,000	-	200,000	-	-	1,550,000
Receivables, net:						
Taxes	1,166,480	145,969	-	-	-	1,312,449
Accounts	744,809	-	-	-	-	744,809
Special assessments	-	904,117	-	-	-	904,117
Intergovernmental	57,978	-	-	-	-	57,978
Interest	3,563	-	404	-	-	3,967
Miscellaneous	1,896	-	-	-	-	1,896
Due from other funds	680,301	-	161,931	-	69,378	911,610
Due from component units	3,494	-	-	-	-	3,494
Prepaid items	85,079	-	-	-	-	85,079
Asset held for resale	1,368,632	-	-	-	-	1,368,632
Restricted assets:						
Cash	-	400,000	4,017,199	-	379,753	4,796,952
Intergovernmental receivables	-	-	797,765	-	659,991	1,457,756
Total assets	\$ <u>10,703,131</u>	<u>3,821,372</u>	<u>5,193,415</u>	<u>4,686,544</u>	<u>2,465,105</u>	<u>26,869,567</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 665,142	1,427	750	591,474	-	1,258,793
Accrued salaries	822,426	-	-	-	-	822,426
Deposits payable	220,183	-	-	-	-	220,183
Due to other funds	616,567	-	556,118	-	177,296	1,349,981
Deferred revenue	10,000	904,117	-	-	-	914,117
Liabilities payable from restricted assets:						
Accounts payable	-	-	201,432	-	341,007	542,439
Accrued salaries	-	-	2,188	-	-	2,188
Deferred revenue	-	-	27,929	-	-	27,929
Total liabilities	<u>2,334,318</u>	<u>905,544</u>	<u>788,417</u>	<u>591,474</u>	<u>518,303</u>	<u>5,138,056</u>
Fund balances:						
Reserved:						
Encumbrances	1,231,112	-	419,088	4,095,070	53,912	5,799,182
Prepaid items	85,079	-	-	-	-	85,079
Debt service	-	2,915,828	-	-	-	2,915,828
Asset held for resale	1,368,632	-	-	-	-	1,368,632
Unreserved, designated for subsequent years' expenditures, reported in -						
Capital projects funds	-	-	-	-	1,892,890	1,892,890
Unreserved, undesignated reported in:						
General fund	5,683,990	-	-	-	-	5,683,990
Special revenue fund	-	-	3,985,910	-	-	3,985,910
Total fund balances	<u>8,368,813</u>	<u>2,915,828</u>	<u>4,404,998</u>	<u>4,095,070</u>	<u>1,946,802</u>	<u>21,731,511</u>
Total liabilities and fund balances	\$ <u>10,703,131</u>	<u>3,821,372</u>	<u>5,193,415</u>	<u>4,686,544</u>	<u>2,465,105</u>	<u>26,869,567</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, 2010

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

Fund balances - total governmental funds	\$ 21,731,511
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance	106,157,241
Other long-term assets (special assessments) are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds balance sheet.	904,117
Bond issuance costs are amortized over the life of the bonds on the statement of net assets.	961,728
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.	(45,987,965)
Internal service funds are used to charge the costs of certain activities, such as garage services, office supplies, and unemployment compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets (net of amount allocated to business-type activities of \$11,019).	<u>239,051</u>
Net assets of governmental activities	\$ <u><u>84,005,683</u></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, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>City Hall Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Taxes:						
Property	\$ 9,827,885	4,143,380	-	-	-	13,971,265
Sales	13,501,741	-	-	-	-	13,501,741
Franchise	2,647,337	-	-	-	-	2,647,337
County road	1,223,849	-	-	-	-	1,223,849
Motor fuel	19,238	-	-	-	-	19,238
Licenses and permits	300,690	-	-	-	-	300,690
Intergovernmental	291,100	-	2,095,960	-	1,500,788	3,887,848
Charges for services	375,691	-	-	-	-	375,691
Fines and forfeitures	1,020,145	-	199,503	-	-	1,219,648
Special assessments	-	74,074	-	-	-	74,074
Payments in lieu of taxes	67,712	-	-	-	-	67,712
Local contributions	11,010	-	449,917	-	-	460,927
Interest on investments	71,730	26,565	30,300	51,083	16,094	195,772
Interest costs and damages	131,820	-	-	-	-	131,820
Miscellaneous	74,608	-	10,378	-	-	84,986
Total revenues	<u>29,564,556</u>	<u>4,244,019</u>	<u>2,786,058</u>	<u>51,083</u>	<u>1,516,882</u>	<u>38,162,598</u>
Expenditures:						
Current:						
General government	7,633,852	-	-	-	-	7,633,852
Public safety	13,809,497	-	922,055	-	-	14,731,552
Public works	4,440,867	-	-	-	-	4,440,867
Culture and recreation	2,119,348	-	1,287,137	-	-	3,406,485
Economic development	3,119,600	-	81,472	-	-	3,201,072
Other	10,649	-	-	-	-	10,649
Capital outlay	-	-	-	3,592,815	2,478,490	6,071,305
Debt service:						
Principal retirement	386,859	3,111,611	-	-	-	3,498,470
Interest and fiscal charges	38,823	1,943,268	-	-	-	1,982,091
Bond issuance costs	-	-	-	304,000	-	304,000
Total expenditures	<u>31,559,495</u>	<u>5,054,879</u>	<u>2,290,664</u>	<u>3,896,815</u>	<u>2,478,490</u>	<u>45,280,343</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,994,939)</u>	<u>(810,860)</u>	<u>495,394</u>	<u>(3,845,732)</u>	<u>(961,608)</u>	<u>(7,117,745)</u>
Other financing sources (uses):						
Transfers in	4,765,100	1,046,828	47,790	156,911	190	6,016,819
Transfers out	(1,161,808)	-	(156,911)	-	(4,877,897)	(6,196,616)
Bonds/negotiable notes issued	-	-	-	-	5,400,000	5,400,000
Total other financing sources (uses)	<u>3,603,292</u>	<u>1,046,828</u>	<u>(109,121)</u>	<u>156,911</u>	<u>522,293</u>	<u>5,220,203</u>
Net change in fund balances	1,608,353	235,968	386,273	(3,688,821)	(439,315)	(1,897,542)
Fund balances, October 1, 2009	<u>6,760,460</u>	<u>2,679,860</u>	<u>4,018,725</u>	<u>7,783,891</u>	<u>2,386,117</u>	<u>23,629,053</u>
Fund balances, September 30, 2010	<u>\$ 8,368,813</u>	<u>2,915,828</u>	<u>4,404,998</u>	<u>4,095,070</u>	<u>1,946,802</u>	<u>21,731,511</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, 2010

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

Net change in fund balances - total governmental funds	\$ (1,897,542)
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.	2,571,762
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the cost of the capital assets disposed of.	(251,464)
Governmental funds do not report contributed capital assets because they do not provide current financial resources. However, in the statement of activities the fair values of contributed capital assets is recorded as capital contributions.	346,447
Special assessment revenues related to prior periods reported as revenues in the governmental funds are not reported as revenues in the statement of activities.	(71,458)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,901,530)
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.	(401,362)
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 loss of the internal service funds is reported with governmental activities (net of amount allocated to business-type activities of \$2,641).	<u>(10,263)</u>
Change in net assets of governmental activities	\$ <u>(1,615,410)</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis) Amounts</u>	<u>Final Budget - Positive (Negative)</u>
Revenues:				
Taxes:				
Ad valorem	\$ 9,982,500	9,982,500	10,337,965	355,465
Sales	13,000,000	12,523,910	13,430,893	906,983
County road	985,000	985,000	1,225,852	240,852
Gasoline	20,000	20,000	19,238	(762)
Payment in lieu of taxes	70,000	70,000	67,712	(2,288)
Intergovernmental:				
Alcoholic beverage	51,000	51,000	51,850	850
State Fire Insurance Fund	210,000	210,000	217,681	7,681
Municipal aid	20,000	20,000	20,744	744
Grant	108,000	108,000	152,998	44,998
Franchise:				
Mississippi Power Company	2,100,000	2,100,000	2,063,807	(36,193)
Mississippi Valley Gas Company	190,000	190,000	165,410	(24,590)
Comcast Cable Company	370,000	370,000	411,423	41,423
East Mississippi Electric Power Assn.	-	-	49,370	49,370
Fines and forfeitures	1,180,000	1,180,000	1,020,145	(159,855)
Licenses and permits:				
Privilege license	110,000	110,000	131,896	21,896
Building and allied permits	140,000	140,000	168,794	28,794
Charges for services:				
Garbage collection	1,815,000	1,815,000	1,794,710	(20,290)
Recreation	130,000	130,000	136,138	6,138
Enterprise Funds	645,500	645,500	645,500	-
Parking fees	30,000	30,000	30,244	244
Out-of-county tonnage	-	-	49,791	49,791
Miscellaneous	230,000	230,000	259,193	29,193
Interest on investments	80,000	80,000	73,192	(6,808)
Interest costs and damages	100,000	100,000	131,179	31,179
Total revenues	<u>31,567,000</u>	<u>31,090,910</u>	<u>32,655,725</u>	<u>1,564,815</u>
Expenditures:				
General government:				
Personnel services	1,271,900	1,311,900	1,311,839	61
Supplies and expenses	649,100	649,100	522,975	126,125
Capital outlay	3,000	3,000	2,218	782
Transfers and other charges	<u>1,622,000</u>	<u>1,592,900</u>	<u>996,215</u>	<u>596,685</u>
Total general government	<u>3,546,000</u>	<u>3,556,900</u>	<u>2,833,247</u>	<u>723,653</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis) Amounts</u>	<u>Final Budget - Positive (Negative)</u>
Expenditures (continued):				
Finance and records:				
Personnel services	\$ 1,359,750	1,309,750	1,271,918	37,832
Supplies and expenses	1,777,050	1,705,150	1,597,569	107,581
Capital outlay	61,375	59,875	55,049	4,826
Transfers and other charges	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>
Total finance and records	<u>3,233,175</u>	<u>3,109,775</u>	<u>2,959,536</u>	<u>150,239</u>
Community development:				
Personnel services	1,066,150	1,025,650	988,757	36,893
Supplies and expenses	283,750	266,250	184,815	81,435
Capital outlay	15,235	9,235	311	8,924
Transfers and other charges	<u>411,000</u>	<u>466,000</u>	<u>460,804</u>	<u>5,196</u>
Total community development	<u>1,776,135</u>	<u>1,767,135</u>	<u>1,634,687</u>	<u>132,448</u>
Parks and recreation:				
Personnel services	1,568,500	1,468,500	1,399,656	68,844
Supplies and expenses	733,750	729,750	638,577	91,173
Capital outlay	23,890	29,000	22,115	6,885
Transfers and other charges	<u>208,000</u>	<u>186,000</u>	<u>149,620</u>	<u>36,380</u>
Total parks and recreation	<u>2,534,140</u>	<u>2,413,250</u>	<u>2,209,968</u>	<u>203,282</u>
Public works:				
Personnel services	3,763,200	3,594,400	3,194,663	399,737
Supplies and expenses	1,201,375	1,204,675	1,086,193	118,482
Capital outlay	129,885	121,585	16,727	104,858
Transfers and other charges	<u>2,465,000</u>	<u>2,465,000</u>	<u>2,396,232</u>	<u>68,768</u>
Total public works	<u>7,559,460</u>	<u>7,385,660</u>	<u>6,693,815</u>	<u>691,845</u>
Police:				
Personnel services	5,843,363	5,774,563	5,360,585	413,978
Supplies and expenses	1,911,825	2,005,825	1,994,215	11,610
Capital outlay	24,720	18,020	13,480	4,540
Transfers and other charges	<u>45,000</u>	<u>45,000</u>	<u>44,999</u>	<u>1</u>
Total police	<u>7,824,908</u>	<u>7,843,408</u>	<u>7,413,279</u>	<u>430,129</u>
Fire:				
Personnel services	5,628,892	5,594,992	5,220,251	374,741
Supplies and expenses	767,670	727,170	605,411	121,759
Capital outlay	398,620	394,620	384,000	10,620
Transfers and other charges	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total fire	<u>6,805,182</u>	<u>6,726,782</u>	<u>6,209,662</u>	<u>517,120</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
Expenditures (continued):				
Homeland Security:				
Personnel services	\$ 274,600	309,600	265,273	44,327
Supplies and expenses	259,750	221,750	156,131	65,619
Capital outlay	25,425	6,825	2,966	3,859
Transfers and other charges	<u>10,000</u>	<u>2,500</u>	<u>2,487</u>	<u>13</u>
Total homeland security	<u>569,775</u>	<u>540,675</u>	<u>426,857</u>	<u>113,818</u>
Arts District Parking Garage:				
Personnel services	70,000	80,700	75,844	4,856
Supplies and expenses	<u>148,450</u>	<u>137,750</u>	<u>120,470</u>	<u>17,280</u>
Total arts district parking garage	<u>218,450</u>	<u>218,450</u>	<u>196,314</u>	<u>22,136</u>
Total expenditures	<u>34,067,225</u>	<u>33,562,035</u>	<u>30,577,365</u>	<u>2,984,670</u>
Net change in fund balances	\$ <u>(2,500,225)</u>	<u>(2,471,125)</u>	2,078,360	<u>4,549,485</u>
Fund balances, October 1, 2009			<u>3,691,632</u>	
Fund balances, September 30, 2010			\$ <u>5,769,992</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, 2010

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis) Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues	\$ 1,034,000	2,747,000	3,206,178	459,178
Expenditures -				
Project costs	<u>1,196,000</u>	<u>1,500,000</u>	<u>824,288</u>	<u>675,712</u>
Net change in fund balances	\$ <u>(162,000)</u>	<u>1,247,000</u>	2,381,890	<u>1,134,890</u>
Fund balances, October 1, 2009			<u>1,074,866</u>	
Fund balances, September 30, 2010			\$ <u>3,456,756</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, 2010

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Water</u> <u>& Sewer</u>	<u>Waste</u> <u>Collection</u> <u>& Disposal</u>	<u>Nonmajor</u> <u>Enterprise</u> <u>Funds</u>	<u>Total</u> <u>Enterprise</u> <u>Funds</u>	<u>Internal</u> <u>Service</u> <u>Funds</u>
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 1,729,677	154,102	209,052	2,092,831	157,563
Restricted cash, cash equivalents and investments:					
Customer deposits	808,798	-	-	808,798	-
Revenue Bond Construction Funds	2,403,038	-	-	2,403,038	-
Other Construction Funds	836,126	-	-	836,126	-
Revenue Bond Debt Service Account	2,861,382	-	-	2,861,382	-
Receivables:					
Accounts	1,179,563	194,990	-	1,374,553	-
Less allowance for uncollectibles	(92,695)	-	-	(92,695)	-
Miscellaneous	-	-	7,647	7,647	62,288
Due from other funds	58,290	8,444	22	66,756	485,246
Due from component units	-	-	2,319	2,319	6,601
Inventory	353,049	-	44,513	397,562	54,102
Prepaid items	27,552	-	1,680	29,232	-
Total current assets	10,164,780	357,536	265,233	10,787,549	765,800
Noncurrent assets:					
Restricted cash, cash equivalents and investments:					
Revenue Bond Cushion Account	732,923	-	-	732,923	-
Revenue Bond Contingent Account	78,192	-	-	78,192	-
Revenue Bond Depreciation Account	78,192	-	-	78,192	-
Total restricted cash, cash equivalents and investments	<u>889,307</u>	<u>-</u>	<u>-</u>	<u>889,307</u>	<u>-</u>
Deferred charges	<u>333,168</u>	<u>-</u>	<u>-</u>	<u>333,168</u>	<u>-</u>
Capital assets:					
Land	247,787	-	-	247,787	-
Buildings	-	-	126,628	126,628	-
Water and sewer system	93,447,988	-	-	93,447,988	-
Improvements other than buildings	-	-	98,924	98,924	-
Machinery and equipment	3,193,071	19,626	394,601	3,607,298	-
Construction in progress	574,969	-	-	574,969	-
Total capital assets	97,463,815	19,626	620,153	98,103,594	-
Less accumulated depreciation	<u>(61,966,735)</u>	<u>(17,663)</u>	<u>(556,482)</u>	<u>(62,540,880)</u>	<u>-</u>
Capital assets (net of accumulated depreciation)	<u>35,497,080</u>	<u>1,963</u>	<u>63,671</u>	<u>35,562,714</u>	<u>-</u>
Total noncurrent assets	36,719,555	1,963	63,671	36,785,189	-
Total assets	46,884,335	359,499	328,904	47,572,738	765,800

(Continued)

CITY OF MERIDIAN, MISSISSIPPI

Statement of Net Assets

Proprietary Funds

September 30, 2010

	Business-type Activities - Enterprise Funds			Total Enterprise Funds	Governmental
	Water & Sewer	Waste Collection & Disposal	Nonmajor Enterprise Funds		Activities - Internal Service Funds
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable	\$ 585,181	211,466	38,821	835,468	509,812
Liabilities payable from restricted assets:					
Customer deposits	808,798	-	-	808,798	-
Accounts payable	191,166	-	-	191,166	-
Revenue bonds payable	651,380	-	-	651,380	-
Promissory loans	1,115,686	-	-	1,115,686	-
Interest payable	244,981	-	-	244,981	-
Accrued liabilities:					
Payroll	145,833	7,072	36,933	189,838	-
Compensated absences	67,298	-	-	67,298	-
Sales tax	7,357	-	2,513	9,870	-
Due to other funds	102,189	742	4,782	107,713	5,918
Deferred revenue forward invested funds	40,354	-	-	40,354	-
Current portion of capital leases	75,356	-	248	75,604	-
Total current liabilities	<u>4,035,579</u>	<u>219,280</u>	<u>83,297</u>	<u>4,338,156</u>	<u>515,730</u>
Noncurrent liabilities:					
Deferred revenue forward invested funds	152,725	-	-	152,725	-
Compensated absences	136,635	-	-	136,635	-
Revenue bonds payable (net of deferred refunding costs of \$99,310)	5,339,310	-	-	5,339,310	-
Promissory loans (net of deferred refunding costs of \$246,536)	10,335,098	-	-	10,335,098	-
Capital leases payable	476,936	-	1,566	478,502	-
Total noncurrent liabilities	<u>16,440,704</u>	<u>-</u>	<u>1,566</u>	<u>16,442,270</u>	<u>-</u>
Total liabilities	<u>20,476,283</u>	<u>219,280</u>	<u>84,863</u>	<u>20,780,426</u>	<u>515,730</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	19,703,511	1,963	61,857	19,767,331	-
Restricted for:					
Debt service	3,505,708	-	-	3,505,708	-
Capital projects	847,801	-	-	847,801	-
Unrestricted	2,351,032	138,256	182,184	2,671,472	250,070
Total net assets	<u>\$ 26,408,052</u>	<u>140,219</u>	<u>244,041</u>	<u>26,792,312</u>	<u>250,070</u>
Reconciliation to government-wide statement of net assets:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				11,019	
Net assets of business-type activities				<u>\$ 26,803,331</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, 2010

	Business-type Activities - Enterprise Funds			Governmental	
	Water & Sewer	Waste Collection & Disposal	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
Operating revenues:					
Charges for sales and services:					
Water sales	\$ 6,379,426	-	-	6,379,426	-
Sewer charges	5,611,256	-	-	5,611,256	-
Tap fees	34,339	-	-	34,339	-
Garbage collection fees	-	1,820,529	-	1,820,529	-
Out-of-county tonnage	-	49,056	-	49,056	-
Memberships	-	-	59,089	59,089	-
Green fees	-	-	61,943	61,943	-
Cart rental	-	-	55,124	55,124	-
Concessions	-	-	138,099	138,099	-
Internal service charges	-	-	-	-	4,169,370
Rental income	-	-	84,503	84,503	-
Miscellaneous	119,909	-	2,445	122,354	267,282
Total operating revenues	12,144,930	1,869,585	401,203	14,415,718	4,436,652
Operating expenses:					
Personnel services	3,314,783	54,829	307,446	3,677,058	-
Supplies and materials	624,921	668	120,272	745,861	475,954
Rent and utilities	1,230,848	709	71,894	1,303,451	-
Operation, maintenance, and repairs	672,403	1,617	156,249	830,269	629,801
Garbage disposal services	-	2,408,038	-	2,408,038	-
Depreciation and amortization	3,922,063	-	10,111	3,932,174	-
Claims paid	-	-	-	-	3,384,479
Miscellaneous	1,395,741	312	111,648	1,507,701	-
Total operating expenses	11,160,759	2,466,173	777,620	14,404,552	4,490,234
Operating income (loss)	984,171	(596,588)	(376,417)	11,166	(53,582)
Nonoperating revenues (expenses):					
Ad valorem taxes	-	505,829	-	505,829	-
Interest income	110,234	2,561	982	113,777	3,678
Interest expense	(973,488)	-	(114)	(973,602)	-
Loss on disposal of capital asset	(23,878)	-	-	(23,878)	-
Total nonoperating revenues (expenses)	(887,132)	508,390	868	(377,874)	3,678
Income (loss) before capital contributions and transfers	97,039	(88,198)	(375,549)	(366,708)	(49,904)
Capital contributions and transfers:					
Capital contributions	51	-	15,274	15,325	-
Transfers in	358,297	-	430,000	788,297	37,000
Transfers out	(607,176)	(44,000)	-	(651,176)	-
Total capital contributions and transfers	(248,828)	(44,000)	445,274	152,446	37,000
Change in net assets	(151,789)	(132,198)	69,725	(214,262)	(12,904)
Net assets, October 1, 2009	26,559,841	272,417	174,316		262,974
Net assets, September 30, 2010	\$ 26,408,052	140,219	244,041		250,070
Reconciliation to government-wide statement of activities:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				(2,641)	
Change in net assets of business-type activities				\$ (216,903)	

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, 2010

	<u>Business-type Activities - Enterprise Funds</u>				Governmental
	<u>Water & Sewer</u>	<u>Waste Collection & Disposal</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	Internal Service Funds
Cash flows from operating activities:					
Receipts from customers and users	\$ 11,989,273	1,844,170	398,422	14,231,865	4,203,669
Payments to suppliers	(3,802,990)	(2,446,518)	(480,406)	(6,729,914)	(4,480,044)
Payments to employees	<u>(3,269,982)</u>	<u>(54,326)</u>	<u>(301,175)</u>	<u>(3,625,483)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>4,916,301</u>	<u>(656,674)</u>	<u>(383,159)</u>	<u>3,876,468</u>	<u>(276,375)</u>
Cash flows from noncapital financing activities:					
Ad valorem taxes received	-	505,829	-	505,829	-
Transfers to other funds	(601,500)	(44,000)	-	(645,500)	-
Transfers from other funds	<u>358,297</u>	<u>-</u>	<u>430,000</u>	<u>788,297</u>	<u>37,000</u>
Net cash provided by (used in) noncapital financing activities	<u>(243,203)</u>	<u>461,829</u>	<u>430,000</u>	<u>648,626</u>	<u>37,000</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(913,772)	-	-	(913,772)	-
Payments on long-term debt:					
Revenue bonds	(2,485,000)	-	-	(2,485,000)	-
Promissory notes	(1,160,738)	-	-	(1,160,738)	-
Capital lease payments	(118,216)	-	(233)	(118,449)	-
Interest paid on revenue bonds and other debt	<u>(1,023,265)</u>	<u>-</u>	<u>(114)</u>	<u>(1,023,379)</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(5,700,991)</u>	<u>-</u>	<u>(347)</u>	<u>(5,701,338)</u>	<u>-</u>
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	179,860	-	-	179,860	-
Interest received	<u>68,689</u>	<u>2,561</u>	<u>982</u>	<u>72,232</u>	<u>3,678</u>
Net cash provided by investing activities	<u>248,549</u>	<u>2,561</u>	<u>982</u>	<u>252,092</u>	<u>3,678</u>
Net increase (decrease) in cash and cash equivalents	(779,344)	(192,284)	47,476	(924,152)	(235,697)
Cash and cash equivalents, September 30, 2009 (including \$6,620,878 in restricted accounts)	<u>8,815,745</u>	<u>346,386</u>	<u>161,576</u>	<u>9,323,707</u>	<u>393,260</u>
Cash and cash equivalents, September 30, 2010 (including \$6,306,724 in restricted accounts)	\$ <u>8,036,401</u>	<u>154,102</u>	<u>209,052</u>	<u>8,399,555</u>	<u>157,563</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2010

	<u>Business-type Activities - Enterprise Funds</u>				Governmental
	<u>Water & Sewer</u>	<u>Waste Collection & Disposal</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 984,171	(596,588)	(376,417)	11,166	(53,582)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	3,922,063	-	10,111	3,932,174	-
Changes in assets and liabilities:					
Accounts receivable	(137,398)	(25,761)	(1,805)	(164,964)	-
Receivables - miscellaneous	-	-	-	-	141,128
Due from other funds	(1,366)	346	(22)	(1,042)	(380,049)
Due from component units	-	-	(954)	(954)	5,938
Inventory	6,434	-	(4,502)	1,932	668
Prepaid items	2,663	-	172	2,835	-
Accounts payable	39,322	(35,915)	(20,649)	(17,242)	3,604
Accrued liabilities	42,227	503	6,384	49,114	-
Customer deposits	(16,894)	-	-	(16,894)	-
Due to other funds	75,079	741	4,523	80,343	5,918
Total adjustments	<u>3,932,130</u>	<u>(60,086)</u>	<u>(6,742)</u>	<u>3,865,302</u>	<u>(222,793)</u>
Net cash provided by (used in) operating activities	\$ <u>4,916,301</u>	<u>(656,674)</u>	<u>(383,159)</u>	<u>3,876,468</u>	<u>(276,375)</u>
Noncash investing, capital, and financing activities:					
Amortization of deferred revenue forward invested funds	\$ <u>41,923</u>	<u>-</u>	<u>-</u>	<u>41,923</u>	<u>-</u>
Increase in fair value of investments	\$ <u>511</u>	<u>-</u>	<u>-</u>	<u>511</u>	<u>-</u>
Noncash capital contributions:					
Capital assets transferred from a governmental fund	\$ <u>51</u>	<u>-</u>	<u>15,274</u>	<u>15,325</u>	<u>-</u>
Capital assets transferred to a governmental fund	\$ <u>5,676</u>	<u>-</u>	<u>-</u>	<u>5,676</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, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,411,393
Intergovernmental receivables - County	<u>142,333</u>
Total assets	\$ <u>1,553,726</u>
<u>LIABILITIES</u>	
Intergovernmental payables:	
Schools	\$ 1,254,311
PERS	196,448
State	54,218
Employee insurance withheld	<u>48,749</u>
Total liabilities	\$ <u>1,553,726</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, 2010

	<u>Meridian Airport Authority</u>	<u>Nonmajor Component Units</u>	<u>Total Component Units</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,139,081	2,690	1,141,771
Receivables:			
Accounts	765,796	304	766,100
Intergovernmental:			
Federal	150,094	-	150,094
State	53,296	28,930	82,226
Inventory	240,172	-	240,172
Prepaid items	47,240	-	47,240
Restricted assets - cash	229,464	-	229,464
Capital assets not being depreciated:			
Land	500,000	-	500,000
Construction in progress	5,611,963	-	5,611,963
Capital assets (net of accumulated depreciation):			
Buildings	3,791,994	-	3,791,994
Improvements other than buildings	11,106,660	-	11,106,660
Machinery and equipment	<u>1,562,322</u>	<u>269,943</u>	<u>1,832,265</u>
Total assets	<u>25,198,082</u>	<u>301,867</u>	<u>25,499,949</u>
<u>LIABILITIES</u>			
Line of credit	-	21,207	21,207
Accounts payable	1,328,780	20,307	1,349,087
Accrued liabilities	140,985	10,979	151,964
Unearned revenue	2,175	-	2,175
Noncurrent liabilities:			
Deferred revenue	16,690	-	16,690
Note payable due within one year	58,324	-	58,324
Note payable due in more than one year	<u>233,294</u>	<u>-</u>	<u>233,294</u>
Total liabilities	<u>1,780,248</u>	<u>52,493</u>	<u>1,832,741</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	22,572,939	269,943	22,842,882
Restricted for capital projects	229,464	-	229,464
Unrestricted	<u>615,431</u>	<u>(20,569)</u>	<u>594,862</u>
Total net assets	\$ <u>23,417,834</u>	<u>249,374</u>	<u>23,667,208</u>

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

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

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

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

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

Blended Component Unit -

Meridian Redevelopment Agency

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

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2010

(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, 2010

(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. Effective May 4, 2010, MRA was dissolved by resolution of the City Council and all assets, authorities, powers and functions of MRA were conveyed to the City for the use of the Meridian Redevelopment Agency, created to serve as the urban renewal and redevelopment agency for the City. MRA had a five-member board appointed by the City’s Mayor and approved by the City Council. The Community Development Department of the City provided 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 had/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 723 23 rd Avenue Meridian, Mississippi	Meridian Redevelopment Authority 723 23 rd Avenue Meridian, Mississippi

Related Organizations:

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

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2010

(1) Summary of Significant Accounting Policies (Continued)

(a) Reporting Entity (Continued)

Related Organizations (Continued):

Following is a list of related organizations:

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(1) Summary of Significant Accounting Policies (Continued)

(b) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

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

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2010

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Property taxes, sales and liquor taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

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

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 **City Hall improvements fund** accounts for bond proceeds to be used for the renovation and restoration of City Hall.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(1) Summary of Significant Accounting Policies (Continued)

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

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

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

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

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

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

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, 2010

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(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, 2010, the City's 2010 combined tax rate for general governmental services and other municipal purposes was 115.07 or \$115.07 per \$1,000 of assessed valuation, expressed as follows:

<u>Description</u>	<u>Mills</u>		<u>Increase (Decrease)</u>
	<u>2010</u>	<u>2009</u>	
General	29.92	25.71	4.21
Solid waste fund	1.60	4.00	(2.40)
Fire and police disability retirement fund (closed)	4.44	5.75	(1.31)
General municipal retirement fund (closed)	3.00	3.00	-
Debt service (general bonds and interest)	11.88	12.38	(.50)
Meridian Separate School District	57.23	55.98	1.25
Meridian Community College	<u>7.00</u>	<u>7.00</u>	<u>-</u>
Total mills	<u>115.07</u>	<u>113.82</u>	<u>1.25</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, 2010

(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" 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, 2010, 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, 2010

(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 - 40
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, 2010

(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, 2010

(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, 2010

(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 2009 financial statement amounts have been reclassified to conform with the 2010 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	\$ (41,360,000)
Promissory loans payable	(430,550)
Negotiable notes payable	(1,371,684)
Accrued interest payable	(661,011)
Capital leases payable	(500,289)
Compensated absences	(1,391,390)
Claims and judgments	<u>(273,041)</u>
Net adjustment to reduce fund balances – total governmental funds to arrive at net assets – governmental activities	\$ <u>(45,987,965)</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(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	\$ 250,070
Less internal payable representing charges in excess of cost to business-type activities	<u>(11,019)</u>
Net adjustment to increase fund balances – total governmental funds to arrive at net assets – governmental activities	\$ <u>239,051</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	\$ 7,544,036
Depreciation expense	<u>(4,972,274)</u>
Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	\$ <u>2,571,762</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

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

<u>Description</u>	<u>Amount</u>
Street infrastructure contributed by developers reported with capital grants and contributions	\$ <u>346,447</u>

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

<u>Description</u>	<u>Amount</u>
Debt issued:	
Issuance of tax increment limited obligation bonds	\$ (4,300,000)
Issuance of taxable negotiable notes	(1,100,000)
Principal repayments:	
Bonds payable	2,785,000
Promissory loans payable	68,977
Negotiable notes payable	257,634
Capital leases payable	<u>386,859</u>
Net adjustment to decrease net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	\$ <u>(1,901,530)</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(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	\$ (89,256)
Amortization of deferred charges	(115,907)
Deferred charges for new debt issues	304,000
Compensated absences	91,300
Claims and judgments	(245,895)
Prepaid pension obligation	<u>(345,604)</u>
Net adjustment to decrease net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	\$ <u>(401,362)</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	\$ (12,904)
Less loss from charges to business-type activities	<u>2,641</u>
Net adjustment to decrease net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	\$ <u>(10,263)</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(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 year	\$ 13,660
Current year	<u>(2,641)</u>
Net adjustment to increase net assets – total enterprise funds to arrive at net assets – business-type activities	\$ <u>11,019</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 2010, the original total budgeted expenditures were \$95,216,525 and were increased by amendments to \$102,543,235.

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, 2010

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

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

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

The City's appropriated budget is adopted by fund, function and object. State law allows a governing authority to revise its budget at any time except in specific situations as defined in Mississippi Municipal Budget Law, Section 21-35-25. Budget revisions that result in more than a 10% 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, 2010

(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	\$ 2,078,360	2,381,890
Basis differences:		
Net accrued revenues and related receivables	1,673,930	(370,581)
Net accrued expenditures and related liabilities	<u>(2,143,937)</u>	<u>(1,625,036)</u>
Net change in fund balances – GAAP basis	\$ <u>1,608,353</u>	<u>386,273</u>

(c) **Excess of expenditures over appropriations**

For the year ended September 30, 2010, expenditures exceeded appropriations in the Debt Service Fund and the Capital Projects Funds. The Debt Service Fund expenditures exceeded appropriations by \$194,799. The Capital Projects Funds capital outlay expenditures exceeded appropriations by \$773,718. These excess expenditures were funded by greater than expected revenues.

(d) **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.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(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 \$29,005,307 and the bank balance was \$29,008,589. The entire bank balance was covered by federal depository insurance or collateralized in accordance with state law. The collateral for public entities' deposits in financial institutions are held in the name of the Mississippi State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of deposits for discretely presented component units was \$1,371,235 and the bank balance was \$1,369,117. These bank balances were covered by federal depository insurance or collateralized in accordance with State law as described above.

Investments

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

<u>Description</u>	<u>Fair Value</u>	<u>Maturity Date</u> <u>(Within One Year)</u>
U.S. Government Securities:		
Federal National Mortgage Association Pool	\$ 759,002	10/01/2010
U. S. Treasury Bills	304,000	10/28/2010
U. S. Treasury Bills	427,777	11/26/2010
Federated Government Obligation Fund	1,146	-
Certificates of Deposit:		
Citizens National Bank	675,000	01/04/2011
Community Bank	675,000	01/06/2011
Citizens National Bank	<u>200,000</u>	01/18/2011
Total investments	\$ <u>3,041,925</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, thereby reducing any interest rate risk.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(4) Deposits and Investments (Continued)

Credit risk: The City and its component units are allowed, by State statute, to invest excess funds in any bonds or other direct obligations of the United States of America, of the State of Mississippi, or of any county or municipality of Mississippi, when such county or municipal bonds have been properly approved; or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository; or in interest-bearing time certificates of deposit with any financial institution approved for the deposit of state funds. It is the City's policy to limit its investments to those allowed by the State statute. The City's investments in the Federated Government Obligations Fund are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Concentration of credit risk: The City complies with the State statute regarding investments; as a result, concentration risk is 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	\$ 19,738
Cash with trustee	961,248
Carrying amount of deposits (including certificates of deposits)	29,005,307
Carrying amount of investments (securities)	<u>1,491,925</u>
Total cash and investments	\$ <u>31,478,218</u>
Cash and cash equivalents	\$ 15,921,222
Cash and investments – restricted	12,595,603
Investments	<u>1,550,000</u>
Total reported on the government-wide statement of net assets	30,066,825
Cash and cash equivalents reported on the statement of fiduciary assets and liabilities not included on the government-wide statement of net assets	<u>1,411,393</u>
Total reported	\$ <u>31,478,218</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(5) Capital Assets

Primary government:

Capital asset activity for the year ended September 30, 2010, was as follows:

	Balance			Balance
	September 30,			September 30,
	<u>2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>2010</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,817,735	108,595	1,520	7,924,810
Right of ways	2,600	-	-	2,600
Collections - historical treasures	141,250	-	-	141,250
Construction-in-progress	<u>11,344,658</u>	<u>7,189,546</u>	<u>2,110,348</u>	<u>16,423,856</u>
Total capital assets, not being depreciated	<u>19,306,243</u>	<u>7,298,141</u>	<u>2,111,868</u>	<u>24,492,516</u>
Capital assets, being depreciated:				
Buildings	24,341,114	588,242	256,487	24,672,869
Improvements other than buildings	3,939,457	54,714	-	3,994,171
Machinery and equipment	13,576,808	152,047	363,036	13,365,819
Infrastructure	<u>104,367,910</u>	<u>1,907,687</u>	<u>-</u>	<u>106,275,597</u>
Total capital assets, being depreciated	<u>146,225,289</u>	<u>2,702,690</u>	<u>619,523</u>	<u>148,308,456</u>
Less accumulated depreciation for:				
Buildings	6,356,667	465,866	89,962	6,732,571
Improvements other than buildings	1,686,568	150,669	-	1,837,237
Machinery and equipment	8,743,151	967,467	279,617	9,431,001
Infrastructure	<u>45,254,650</u>	<u>3,388,272</u>	<u>-</u>	<u>48,642,922</u>
Total accumulated depreciation	<u>62,041,036</u>	<u>4,972,274</u>	<u>369,579</u>	<u>66,643,731</u>
Total capital assets, being depreciated, net	<u>84,184,253</u>	<u>(2,269,584)</u>	<u>249,944</u>	<u>81,664,725</u>
Total governmental activities				
capital assets, net	\$ <u>103,490,496</u>	<u>5,028,557</u>	<u>2,361,812</u>	<u>106,157,241</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(5) Capital Assets (Continued)

	Balance			Balance
	September 30,			September 30,
	<u>2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>2010</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 271,666	-	23,879	247,787
Construction-in-progress	<u>530,494</u>	<u>202,391</u>	<u>157,916</u>	<u>574,969</u>
Total capital assets, not being depreciated	<u>802,160</u>	<u>202,391</u>	<u>181,795</u>	<u>822,756</u>
Capital assets, being depreciated:				
Buildings	126,628	-	-	126,628
Water and sewer system	92,633,277	814,711	-	93,447,988
Improvements other than buildings	98,924	-	-	98,924
Machinery and equipment	<u>3,554,793</u>	<u>69,264</u>	<u>16,759</u>	<u>3,607,298</u>
Total capital assets, being depreciated	<u>96,413,622</u>	<u>883,975</u>	<u>16,759</u>	<u>97,280,838</u>
Less accumulated depreciation for:				
Buildings	119,978	950	-	120,928
Water and sewer system	55,806,951	3,584,091	-	59,391,042
Improvements other than buildings	73,949	-	-	73,949
Machinery and equipment	<u>2,731,514</u>	<u>240,206</u>	<u>16,759</u>	<u>2,954,961</u>
Total accumulated depreciation	<u>58,732,392</u>	<u>3,825,247</u>	<u>16,759</u>	<u>62,540,880</u>
Total capital assets, being depreciated, net	<u>37,681,230</u>	<u>(2,941,272)</u>	<u>-</u>	<u>34,739,958</u>
Total business-type activities				
capital assets, net	\$ <u>38,483,390</u>	<u>(2,738,881)</u>	<u>181,795</u>	<u>35,562,714</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(5) Capital Assets (Continued)

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

	<u>Amount</u>
Governmental activities:	
General government	\$ 422,702
Public safety	839,019
Public works	3,638,067
Culture and recreation	<u>72,486</u>
Total depreciation expense - governmental activities	\$ <u>4,972,274</u>
Business-type activities:	
Water and sewer department	\$ 3,815,136
Golf course	5,398
Union Station	<u>4,713</u>
Total depreciation expense - business-type activities	\$ <u>3,825,247</u>

Construction-in-progress is composed of:

Governmental activities:	
City Hall improvements	\$ 12,903,043
Software conversion	367,436
29th Avenue bridge replacement	957,103
26th Avenue viaduct inspection and repair	694,051
Bonita Lakes Dam rehabilitation	1,403,874
Central Business District signal upgrades	<u>98,349</u>
Total governmental activities	<u>16,423,856</u>
Business-type activities:	
Headworks improvements	190,417
Sewer improvements: South Industrial	
Park and other areas	128,235
SCADA upgrades	137,554
Sludge disposal system	<u>118,763</u>
Total business-type activities	<u>574,969</u>
Total construction-in-progress	\$ <u>16,998,825</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(5) Capital Assets (Continued)

Discretely presented component units:

Capital asset activity for the year ended September 30, 2010, was as follows:

	Balance			Balance
	September 30,			September 30,
	<u>2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>2010</u>
Meridian Airport Authority:				
Capital assets, not being depreciated:				
Land	\$ 500,000	-	-	500,000
Construction-in-progress	<u>1,257,828</u>	<u>4,847,863</u>	<u>493,728</u>	<u>5,611,963</u>
Total capital assets, not being depreciated	<u>1,757,828</u>	<u>4,847,863</u>	<u>493,728</u>	<u>6,111,963</u>
Capital assets, being depreciated:				
Buildings	4,804,767	531,898	12,489	5,324,176
Improvements other than buildings	19,229,836	-	-	19,229,836
Machinery and equipment	<u>2,280,035</u>	<u>281,332</u>	<u>14,200</u>	<u>2,547,167</u>
Total capital assets, being depreciated	<u>26,314,638</u>	<u>813,230</u>	<u>26,689</u>	<u>27,101,179</u>
Less accumulated depreciation for:				
Buildings	1,391,389	145,746	4,953	1,532,182
Improvements other than buildings	7,274,111	849,065	-	8,123,176
Machinery and equipment	<u>649,969</u>	<u>346,316</u>	<u>11,440</u>	<u>984,845</u>
Total accumulated depreciation	<u>9,315,469</u>	<u>1,341,127</u>	<u>16,393</u>	<u>10,640,203</u>
Total capital assets, being depreciated, net	<u>16,999,169</u>	<u>(527,897)</u>	<u>10,296</u>	<u>16,460,976</u>
Total Meridian Airport Authority	\$ <u><u>18,756,997</u></u>	<u><u>4,319,966</u></u>	<u><u>504,024</u></u>	<u><u>22,572,939</u></u>
Nonmajor component units:				
Capital assets, not being depreciated -				
Capital assets held for development	\$ 40,119	-	40,119	-
Capital assets, being depreciated:				
Machinery and equipment	523,478	199,897	-	723,375
Less accumulated depreciation	<u>388,035</u>	<u>65,397</u>	<u>-</u>	<u>453,432</u>
Total nonmajor component units	\$ <u><u>175,562</u></u>	<u><u>134,500</u></u>	<u><u>40,119</u></u>	<u><u>269,943</u></u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(6) Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2010, is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 555,377
	Nonmajor Governmental Funds	120,371
	Internal Service Funds	4,553
Special Revenue Fund	General Fund	161,931
Nonmajor Governmental Funds	General Fund	69,378
Water & Sewer Fund	Nonmajor Governmental Funds	56,925
	Internal Service Funds	1,365
Waste Collection & Disposal Fund	General Fund	8,444
Nonmajor Enterprise Funds	Nonmajor Enterprise Funds	22
Internal Service Funds	General Fund	376,814
	Special Revenue Fund	741
	Water & Sewer Fund	102,189
	Waste Collection & Disposal	742
	Nonmajor Enterprise Funds	<u>4,760</u>
Total due to/from other funds		\$ <u>1,463,612</u>

Due to primary government

Due from component units

General Fund	Meridian Airport Authority	\$ 1,735
	Meridian Transportation Commission	<u>1,759</u>
		\$ <u>3,494</u>
Nonmajor Enterprise Fund	Meridian Transportation Commission	\$ <u>2,319</u>
Internal Service Funds	Meridian Transportation Commission	\$ <u>6,601</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, 2010

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

Interfund transfers:

	<u>Transfers in:</u>								
	<u>General</u>	<u>Debt</u>	<u>Special</u>	<u>City</u>	<u>Nonmajor</u>	<u>Water</u>	<u>Nonmajor</u>	<u>Internal</u>	<u>Total</u>
<u>Transfers out:</u>	<u>Fund</u>	<u>Service</u>	<u>Revenue</u>	<u>Hall</u>	<u>Governmental</u>	<u>& Sewer</u>	<u>Enterprise</u>	<u>Service</u>	<u>transfers</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Improvements</u>	<u>Funds</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>	<u>out</u>
General Fund	\$ -	646,828	47,790	-	190	-	430,000	37,000	1,161,808
Special Revenue Fund	-	-	-	156,911	-	-	-	-	156,911
Nonmajor									
Governmental Funds	4,119,600	400,000	-	-	-	358,297	-	-	4,877,897
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>-</u>	<u>-</u>	<u>44,000</u>
Total transfers in	\$ <u>4,765,100</u>	<u>1,046,828</u>	<u>47,790</u>	<u>156,911</u>	<u>190</u>	<u>358,297</u>	<u>430,000</u>	<u>37,000</u>	6,842,116
Water & Sewer Fund*	<u>5,676</u>								<u>5,676</u>
									\$ <u>6,847,792</u>

* The water & sewer fund transferred capital assets to the general fund. This transfer was recorded in the governmental activities on the government-wide statement of activities. This transfer was not recorded in the general fund statement of revenues, expenditures, and changes in fund balances because governmental funds do not report capital assets.

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, 2010, follows:

	<u>Balance</u>		<u>Balance</u>
	<u>September 30,</u>		<u>September 30,</u>
	<u>2009</u>	<u>Increases</u>	<u>Decreases</u>
			<u>2010</u>
Discretely presented nonmajor component unit -			
Meridian Transportation Commission:			
5.5% \$40,850 line of credit with a financial institution, maturing annually	\$ <u>35,012</u>	<u>-</u>	<u>13,805</u>
			<u>21,207</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(8) Leases

Capital Leases

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

A summary of leased equipment capitalized in the financial statements at September 30, 2010, follows:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery and equipment	\$ 2,023,483	1,056,641
Less accumulated depreciation	<u>(769,823)</u>	<u>(375,584)</u>
Total leased equipment capitalized	\$ <u>1,253,660</u>	<u>681,057</u>

The future minimum lease obligations and the net present value of minimum lease commitments at September 30, 2010, follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2011	\$ 198,623	106,140
2012	71,226	106,140
2013	71,226	106,140
2014	71,226	106,140
2015	71,226	106,140
2016-2020	<u>89,033</u>	<u>132,675</u>
Total minimum lease commitments	572,560	663,375
Less amount representing imputed interest	<u>(72,271)</u>	<u>(109,269)</u>
Present value of minimum lease payments	500,289	554,106
Current portion of obligations under capital leases	<u>(174,553)</u>	<u>(75,604)</u>
Obligations under capital leases, less current installments	\$ <u>325,736</u>	<u>478,502</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(9) Long-Term Liabilities

A summary of long-term liabilities at September 30, 2010, follows:

	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities:		
Outstanding bonds:		
General government	2.6 - 6.25%	\$ 27,750,000
Special obligation bonds – parking facilities	2.75 - 5.375%	5,280,000
Limited obligation bonds – tax increment financing	5.0% - 9.0%	5,680,000
Special assessment debt with City commitment	4.5 - 6.75%	2,650,000
Other debt:		
Promissory loans	3.0%	430,550
Negotiable notes	2.71% - 5.45%	1,371,684
Capital leases	2.85 - 5.87%	500,289
Compensated absences		1,391,390
Claims and judgments		<u>273,041</u>
Total governmental activities		45,326,954
Less current portion payable		<u>(4,423,796)</u>
Governmental activities, net		\$ <u>40,903,158</u>
Business-type activities:		
Water & sewer revenue bonds:		
Improvements and repairs to water system	4.6 - 6.5%	\$ 2,140,000
Improvements, repairs and extension to water system	4.5 - 6.375%	2,645,000
Improvements, repairs and extension to water system	5.0 - 6.25%	1,305,000
Less deferred issue costs on refunding bonds		<u>(99,310)</u>
Total revenue bonds		<u>5,990,690</u>
Water & sewer promissory loans	1.0 - 6.125%	11,697,320
Less deferred issue costs on refunding bonds		<u>(246,536)</u>
Total promissory loans		<u>11,450,784</u>
Capital leases	4.14 - 5.87%	<u>554,106</u>
Deferred revenue forward invested funds		<u>193,079</u>
Compensated absences		<u>203,933</u>
Total business-type activities		18,392,592
Less current portion payable		<u>(1,950,322)</u>
Business activities, net		\$ <u>16,442,270</u>
Discretely presented component unit –		
Meridian Airport Authority –		
Promissory loan		\$ 291,618
Less current portion payable		<u>(58,324)</u>
Business activities, net		\$ <u>233,294</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(9) Long-Term Liabilities (Continued)

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

Year Ending September 30,	Governmental Activities						Total
	General Obligation Bonds	Special Obligation Bonds	Limited Obligations Bonds	Special Assessment Debt	Promissory Loans	Negotiable Notes	
2011	\$ 2,844,509	527,494	1,045,336	480,619	82,869	536,310	5,517,137
2012	2,860,258	533,693	1,036,094	481,667	82,869	243,848	5,238,429
2013	2,876,613	535,200	1,028,775	481,776	82,869	237,886	5,243,119
2014	2,455,076	536,037	510,844	485,542	82,869	231,924	4,302,292
2015	2,359,209	536,207	513,875	487,838	82,869	225,962	4,205,960
2016-2020	10,754,136	2,737,830	2,567,656	864,820	48,340	-	16,972,782
2021-2025	9,193,678	1,678,401	2,458,625	42,040	-	-	13,372,744
2026-2030	<u>4,414,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,414,538</u>
Total	\$ <u>37,758,017</u>	<u>7,084,862</u>	<u>9,161,205</u>	<u>3,324,302</u>	<u>462,685</u>	<u>1,475,930</u>	<u>59,267,001</u>
Interest included in above totals	\$ <u>10,008,017</u>	<u>1,804,862</u>	<u>3,481,205</u>	<u>674,302</u>	<u>32,135</u>	<u>104,246</u>	<u>16,104,767</u>

Year Ending September 30,	Business-type Activities			Discretely Presented Component Unit
	Revenue Bonds	Promissory Loans	Total	Promissory Loan
2011	\$ 950,105	1,689,260	2,639,365	69,988
2012	961,837	1,680,588	2,642,425	67,656
2013	971,190	1,682,270	2,653,460	65,323
2014	974,286	1,686,585	2,660,871	62,990
2015	990,881	858,539	1,849,420	60,657
2016-2020	2,512,075	4,284,907	6,796,982	-
2021-2025	-	3,402,826	3,402,826	-
2026-2030	<u>-</u>	<u>215,506</u>	<u>215,506</u>	<u>-</u>
Total	\$ <u>7,360,374</u>	<u>15,500,481</u>	<u>22,860,855</u>	<u>326,614</u>
Interest included in above totals	\$ <u>1,270,374</u>	<u>3,803,161</u>	<u>5,073,535</u>	<u>34,996</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(9) Long-Term Liabilities (Continued)

A summary of changes in the long-term liabilities during the year ended September 30, 2010, follows:

<u>Description</u>	<u>October 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2010</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation debt	\$ 29,555,000	-	1,805,000	27,750,000	1,745,000
Special obligation bonds	5,565,000	-	285,000	5,280,000	295,000
Limited obligation bonds	1,770,000	4,300,000	390,000	5,680,000	580,000
Special assessment with City commitment	<u>2,955,000</u>	<u>-</u>	<u>305,000</u>	<u>2,650,000</u>	<u>330,000</u>
Total bonds payable	39,845,000	4,300,000	2,785,000	41,360,000	2,950,000
Promissory loans	499,527	-	68,977	430,550	70,721
Negotiable notes	529,318	1,100,000	257,634	1,371,684	491,684
Capital leases	887,148	-	386,859	500,289	174,553
Compensated absences	1,482,690	1,090,900	1,182,200	1,391,390	463,797
Claims and judgments	<u>27,146</u>	<u>733,820</u>	<u>487,925</u>	<u>273,041</u>	<u>273,041</u>
Governmental activities long-term liabilities	\$ <u>43,270,829</u>	<u>7,224,720</u>	<u>5,168,595</u>	<u>45,326,954</u>	<u>4,423,796</u>
Business-type activities:					
Revenue bonds	\$ 8,575,000	-	2,485,000	6,090,000	670,000
Less deferred issue costs on refunding bonds	(117,930)	-	(18,620)	(99,310)	(18,620)
Promissory loans	12,858,058	-	1,160,738	11,697,320	1,177,320
Less deferred issue costs on refunding loans	(308,170)	-	(61,634)	(246,536)	(61,634)
Capital leases	672,555	-	118,449	554,106	75,604
Deferred revenue forward invested funds	235,002	-	41,923	193,079	40,354
Compensated absences	<u>200,878</u>	<u>3,055</u>	<u>-</u>	<u>203,933</u>	<u>67,298</u>
Business-type activities long-term liabilities	\$ <u>22,115,393</u>	<u>3,055</u>	<u>3,725,856</u>	<u>18,392,592</u>	<u>1,950,322</u>
Discretely presented component unit - Meridian Airport Authority -					
Promissory loan	\$ <u>-</u>	<u>291,618</u>	<u>-</u>	<u>291,618</u>	<u>58,324</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, 2010

(9) Long-Term Liabilities (Continued)

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The original amount of general obligation bonds issued in prior years was \$37,350,000.

Special Obligation Bonds

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

Limited Obligation Bonds

The original amount of tax increment limited obligation bonds issued by the City in prior years to provide funds for the costs of constructing certain infrastructure improvements was \$3,300,000. 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.

The City issued tax increment limited obligation bonds during fiscal year 2010, totaling \$4,300,000. The proceeds from the \$4,000,000 bond issue provided funds for the Meridian Crossroads Project. The proceeds from the \$300,000 bond issue provided funds for the Highway 19 and North Hills Project. Both bond issues are payable as described above, in accordance with the City's Tax Increment Financing Plan of 2006.

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, 2010

(9) Long-Term Liabilities (Continued)

Revenue Bonds

The City also issues bonds whereby the City pledges income derived from user fees of its water and sewer operations. The balance of revenue bonds outstanding as of September 30, 2010 amounted to \$5,990,690, net of \$99,310 of long-term financing costs. The original amount of revenue bonds issued in prior years totals \$21,710,000.

In fiscal year 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. During fiscal year 2010, the outstanding balance on the defeased bonds was paid in full. 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 fiscal year 1998 to fund water and sewer line improvements to the west side of Meridian adjacent to the East Mississippi Correctional Facility and toward the annexed area of the City located on the eastern side of the City.

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

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(9) Long-Term Liabilities (Continued)

Promissory Loans (Continued)

In fiscal year 2003, the City entered into a loan agreement whereby the Mississippi Development Bank issued Mississippi Development Bank Special Obligation Bonds and loaned the proceeds in the amount of \$7,590,000 to the City. The proceeds from this loan were used to refund the City's 1994 Combined Water and Sewer System Revenue Bonds. As a result of this refunding, the 1994 bonds are considered fully defeased in substance, and the liability is not reported in the City's financial statements. As of September 30, 2010, the outstanding balance on the defeased bonds was \$3,105,000. This refunding resulted in a decrease in future debt service payments of \$549,006.

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

Negotiable Notes

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

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

Letter of Credit

The City maintains a \$600,000 unsecured irrevocable letter of credit with Citizens National Bank. This letter of credit was issued in favor of Travelers Indemnity Company for support of the City's deductible for workers compensation claims. This letter of credit expires August 1, 2011, with an automatic extension for one year. As of September 30, 2010, the City had no outstanding balance on this letter of credit. The interest rate is set at 1.26%.

Discretely Presented Component Unit –

During fiscal year 2010, the Meridian Airport Authority entered into a 4% promissory loan agreement in the amount of \$291,618 to finance a portion of the purchase of Dean Aircraft Service, Inc.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(10) Lessor Operating Leases

The City of Meridian and Meridian Airport Authority (a discretely presented component unit) leases space to others under various lease agreements. A summary of minimum future rental income on these leases as of September 30, 2010, and for each of the next five years and in aggregate, follows:

<u>Year Ending September 30,</u>	<u>City of Meridian</u>	<u>Meridian Airport Authority</u>
2011	\$ 153,822	93,412
2012	154,201	39,641
2013	59,245	5,944
2014	16,741	4,824
2015	13,740	4,726
Thereafter	<u>87,880</u>	<u>120,607</u>
Total minimum future rentals	\$ <u>485,629</u>	<u>269,154</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 2010, 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, 2010

(11) Risk Management (Continued)

Changes in the balances of claims liabilities during the fiscal years ended September 30, 2010 and 2009, follows:

<u>Description</u>	<u>2010</u>	<u>2009</u>
Unpaid claims, beginning of year	\$ 27,146	143,661
Incurred claims (including IBNR's)	733,820	634,508
Claim payments	<u>(487,925)</u>	<u>(751,023)</u>
Unpaid claims, end of year	\$ <u>273,041</u>	<u>27,146</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 (\$100,000 per participant) stop-loss insurance coverages were obtained to guard against any large unforeseen claim losses. Fully insured transplant coverage was also secured to allow transplants to be fully insured outside of specific and aggregate insurance limits. This plan also provides life insurance on each employee for \$25,000 double indemnity. The City established the health and life insurance reserve fund ("the Fund") in the internal service fund group to account for this activity.

Benefit payments plus an administrative charge are made to the third-party administrator who approves and processes all claims. The Fund collects interfund premiums from insured funds and departments. Interfund premiums are based on the insured funds' claims experience and are adjusted to cover all reported claims. Claims settlement and loss expenses are accrued in the Fund for the settlement value of claims reported and estimated value of claims incurred but not reported, up to stop-loss. No actuarial study has been performed on the Fund. Changes in the balances of claims liabilities during the fiscal years ended September 30, 2010 and 2009 follows:

<u>Description</u>	<u>2010</u>	<u>2009</u>
Unpaid claims, beginning of year	\$ 290,304	276,205
Incurred claims (including IBNR's)	2,939,628	2,762,595
Claim payments	<u>(2,897,191)</u>	<u>(2,748,496)</u>
Unpaid claims, end of year	\$ <u>332,741</u>	<u>290,304</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(12) Pollution Remediation

In July, 2009, the Mississippi Department of Environmental Quality (“MDEQ”) notified the City that it was in violation of section 49-17-29 of the Mississippi Code due to multiple overflows of raw sewage. As a result of this violation, the City has been assessed a civil penalty of \$32,500. The City received a letter from MDEQ in August, 2010, requiring (1) the submission of plans and specifications for the repair or replacement of pipes and manholes in the affected area on or before March 30, 2011; (2) the City to replace lines and make repairs as stipulated in the agreement the last of which to be completed on or before December 31, 2012, in order to reduce inflow and infiltration into the wastewater collection system; (3) the City to develop and implement standard operating procedures to address and minimize sanitary sewer outflows throughout the sewage collection system within 15 days of MDEQ’s approval; and (4) the City to bring the wastewater treatment facility into compliance with its NPDES permit on or before December 31, 2011. Failure to comply with any of these requirements would result in a stipulated penalty of \$500 per day of violation of the relevant deadline. Further, on or before March 31, 2012, the City is required to have complied with the total chlorine residual and ammonia nitrogen limitations in its NPDES permit for three consecutive months. Failure to comply with this requirement would result in a stipulated penalty of \$10,000 plus \$500 per month of non-compliance of the relevant deadline, until three consecutive months of compliance with the requirement. At this time, the City is in compliance with its NPDES permit and is working to accomplish the additional requirements in the MDEQ agreement within the coming year. The City estimates the obligation resulting from this pollution remediation to be approximately \$300,000. This estimate is based on professional judgment, experience, historical cost data of similar projects, and the use of the expected cash flow technique. The City does not expect any recoveries from other parties. Remediation obligation estimates may change over time due to changes in technology, fluctuations in prices or changes in regulations.

(13) Contingent Liabilities

Litigation

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(13) Contingent Liabilities (Continued)

Federally Assisted Programs – Compliance Audits

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

(14) Construction and Commitments

The City has committed to a contract for the development of a collection system rehabilitation program to serve the City of Meridian with projects identified to be completed at the South Industrial Park and other areas. The cost of this project is estimated to be \$2,453,455. Expenditures related to this project are being funded 45% from local funds and 55% from grants congressionally allocated through the United States Environmental Protection Agency (“EPA”).

The City has committed to a contract for upgrading to a supervisory control and data acquisition (“SCADA”) system at the Freshwater Treatment Plants. The cost of this project is estimated to be \$920,000 and will be funded with proceeds from the sale of bonds issued by the City.

The City has committed to contracts for repairs to the Bonita Lakes Dam, which was damaged during Hurricane Katrina. The cost of this project is estimated to be \$2,087,000. Phase I engineering for this project is being funded \$249,000 from the sale of bonds issued by the City. Phase II engineering is funded from \$52,000 in local funds, and \$1,786,000 in construction is funded from a Hurricane Katrina Supplemental Community Development Block Grant.

The City has committed to contracts for safety upgrades and enhancements on the 26th Avenue viaduct and replacement of the 29th Avenue Bridge at Sowashee Creek. The cost of these projects is estimated to be \$1,590,000 and is being funded by American Recovery and Reinvestment Act funds received by the Mississippi Department of Transportation (“MDOT”).

The City has committed to contracts for upgrading traffic signals in downtown Meridian and along 14th Street. The cost of this project is estimated to be \$1,150,000. Expenditures for traffic control devices are being funded 100% from grants committed to be provided by MDOT. Additional construction expenditures for this project are funded 20% from local funds and 80% from Surface Transportation Project (“STP”) funds provided by MDOT.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(14) **Construction and Commitments (Continued)**

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

In fiscal year 2006, the City began a renovation and restoration project of the City Hall. The estimated completion date of this project is in fiscal year 2011. The cost of this project is estimated to be \$17,000,000 and is being funded with proceeds from the sale of \$10,000,000 bonds issued by the City during fiscal year 2006 and a second \$10,000,000 bond issue during fiscal year 2009.

In fiscal year 2008, the City executed an agreement for software and implementation services for a new integrated financial, customer, and maintenance management system. The cost of this project is estimated to be \$609,000. This project will be funded from local funds.

(15) **Solid Waste Management Services Accounting**

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

(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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

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

a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, Accounting Department, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

The payroll for employees covered by PERS (statewide) for the year ended June 30, 2010, was \$5,763,556,000. The City's payroll for employees covered by PERS for the year ended September 30, 2010, was \$15,549,468; the City's total payroll was \$16,907,777 for the year ended September 30, 2010.

Participating employees who are vested and retire at or after age 60 or those who retire regardless of age with at least 25 years of creditable service (30 years of creditable service for employees who become members of PERS on or after July 1, 2011) 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, plus 2.5 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 retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. For members who enter the system on or after July 1, 2007, benefits vest upon completion of eight years of membership service. For members who entered the system before July 1, 2007, 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 adjustment 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 fiscal year thereafter. For the year ended June 30, 2010, the total additional annual payments (statewide) were \$338,628,000.

Funding Policy

The amount employees covered by PERS are required to contribute of their salary to PERS increased from 7.25% to 9.00% effective July 1, 2010. In the year ended September 30, 2010, City employees contributed \$1,188,055. If an employee covered by PERS leaves employment prior to retirement, 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 2010.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2010

(16) Pension and Retirement Plans (Continued)

The City is required by statute to contribute to PERS at an actuarially determined rate. For the years ended September 30, 2010, 2009, and 2008, the City's contribution requirements representing 11.85% (from July 1, 2007 through June 30, 2009), and 12.00% (from July 1, 2009 through September 30, 2010) of covered payroll were \$1,865,457, \$2,035,851, and \$1,907,698, respectively. The City contributed 100% of its requirements in each of these years.

The Meridian Airport Authority (a discretely presented component unit) made contributions to PERS in the years ended September 30, 2010, 2009, and 2008 of \$138,335, \$25,344, and \$23,858, respectively.

Trend Information

Ten year historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS June 30, 2010, 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, 2010 was \$166,093; the City's total payroll for all employees was \$16,907,777. At September 30, 2010, the date of the most recent actuarial valuation, there were 3 participating general municipal employees, firefighters and police officers and 207 retired participants and beneficiaries currently receiving benefits.

The PERS annually issues publicly available information entitled the Report on the Annual Valuation Covering the Participation of the City of Meridian in the Mississippi Municipal Retirement Systems. The report may be obtained by writing to Public Employees' Retirement System, 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, 2010

(16) **Pension and Retirement Plans (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 when due pursuant to formal commitments, as well as statutory requirements. Investment income is recognized when earned. Benefits and refunds paid are recognized when due and payable in accordance with the terms of the Plan. Other expenses 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 are discounted at prevailing interest rates for similar instruments. Short-term investments are reported at fair value when published prices are available, or at cost plus accrued interest, which approximates fair value. The fair value of commingled real estate funds is based on independent appraisals, while Real Estate Investment Trusts traded on a national or international exchange are valued at the last reported sales price at current exchange rates. For individual investments where no readily ascertainable fair 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. For the year ended September 30, 2010, the City levied 7.44 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 2010, 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 7% base contribution rate 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 interest on their accumulated contributions. The City contributes the remaining amounts necessary to finance participation of its employees in MRS. Contribution provisions are established by Sections 21-29, Articles 1, 3, 5 and 7, Mississippi Code Ann. (1972) and annual local legislation. Statutes may be amended only by the State of Mississippi Legislature.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

(16) Pension and Retirement Plans (Continued)

Annual Pension Cost

The required contribution to MRS was determined as part of the actuarial valuation performed as of September 30, 2010, using the entry age actuarial cost method, the level dollar closed amortization method (with a twenty-four 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 4.25% per year compounded annually attributable to inflation, and (c) additional projected salary increases of .25% - 1.75% per year compounded annually attributable to seniority and/or merit.

The following provides pension cost and obligation information for MRS:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Components of annual pension cost:			
Annual required contribution	\$ 1,807,221	1,835,893	1,752,708
Adjustment to required contribution	<u>644,722</u>	<u>774,920</u>	<u>433,877</u>
Total annual pension cost	2,451,943	2,610,813	2,186,585
Less: contributions made	<u>2,451,943</u>	<u>2,610,813</u>	<u>2,186,585</u>
Net pension obligation at year end	\$ <u> -</u>	<u> -</u>	<u> -</u>
Percentage of annual pension cost contributed	<u> 100%</u>	<u> 100%</u>	<u> 100%</u>

Funding Status and Funding Progress

As of September 30, 2010, the most recent actuarial valuation date, the plan was 30.9% funded. The actuarial accrued liability for benefits was \$27.8 million, and the actuarial value of assets was \$8.6 million, resulting in an unfunded actuarial accrued liability (“UALL”) of \$19.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$166,093, and the ratio of UAAL to covered payroll was 11,550.0%. Because MMRS is a closed plan with only 3 active employees, this percentage is highly misleading.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

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

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

(17) **Special Item**

Nonmajor Discretely Presented Component Unit -

Effective May 4, 2010, the Meridian Redevelopment Authority was dissolved by resolution of the City Council and all assets of the Authority were conveyed to the City's blended component unit, Meridian Redevelopment Agency. Meridian Redevelopment Authority reported the \$415,318 of assets conveyed to the City as a special item on the statement of activities.

(18) **Subsequent Events**

In October, 2010, the City executed an \$8,411,225 Water Pollution Control Revolving Loan Fund agreement with the State of Mississippi Commission on Environmental Quality, acting through MDEQ. The purpose of this loan is to provide funds for the rehabilitation of the South Wastewater Treatment Plant.

In February, 2011, the City directed the sale and award of \$4,500,000 in general obligation bonds, Series 2011, dated March 1, 2011. The purpose of this bond issue is to provide funds for the construction of Fire Station No. 9 in the newly annexed area and other City-wide infrastructure improvements.

In March, 2011, the City executed an amendment to the March, 2010 \$210,000 Energy Investment Program Loan Agreement with the Mississippi Development Authority. The purpose of this loan is to provide funds for the installation of various energy conservation measures for the renovation of City Hall. The March, 2011 amendment was adopted to extend the loan agreement date to March 1, 2011 and revise the loan amortization schedule to begin September 1, 2011.

Major Discretely Presented Component Unit – In August, 2010, the Meridian Airport Authority received a five year 3.75 % loan with a local bank in the amount of \$2,000,000 to fund the acquisition, construction, and remodeling of an aircraft maintenance hangar and other improvements. All loan funds are required to be drawn by the Authority within eight months of the issuance of the note. The Authority has drawn the loan funds subsequent to year end.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability ("AAL") - Entry Age (b)	Funded Ratio (a/b)	Unfunded AAL ("UAAL") (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
9/30/10	\$ 8,581	\$ 27,754	30.9%	\$ 19,173	166	11,550.0 %
9/30/09	8,897	28,629	31.1%	19,732	164	12,031.7 %
9/30/08	9,130	28,217	32.4%	19,087	158	12,080.4 %

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 2009 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 was originally used to account for the construction of the water drainage project along the Sowashee Creek in the City’s jurisdiction and is currently accounting for maintenance costs of the same. The financing for this project was from general obligation bonds, U. S. Army Corp of Engineers, and the Pat Harrison Waterway District.

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.

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

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

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

2006 General Obligation Bonds – This fund is used to account for the proceeds and disbursements of the 2006 general obligation bonds.

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

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

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

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

2010 Tax Increment Financing Bonds – This fund is used to account for the bond proceeds used to fund infrastructure improvements to the Highway 19 and North Hills Project site.

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Funds (Continued)

Signal Upgrades – This fund is used to account for the local and grant revenues used to upgrade the traffic signals in the downtown Meridian central business district and along 14th Street.

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

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

CITY OF MERIDIAN, MISSISSIPPI
Combining Balance Sheet
Nonmajor Governmental Funds
Nonmajor Capital Projects Funds
September 30, 2010

	<u>Sowashee Project</u>	<u>Urban Renewal Parking Garage Bonds</u>	<u>2003 General Obligation Bonds</u>	<u>2003 Flood Damage</u>	<u>Highway 19 Drainage</u>	<u>2006 General Obligation Bonds</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ -	-	204,136	-	2,539	1
Due from other funds	-	-	-	69,188	-	-
Restricted assets:						
Cash	379,738	5	-	-	-	-
Intergovernmental receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>318,120</u>	<u>-</u>	<u>-</u>
Total assets	\$ <u>379,738</u>	<u>5</u>	<u>204,136</u>	<u>387,308</u>	<u>2,539</u>	<u>1</u>
 <u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Due to other funds	\$ -	-	-	173,567	-	-
Liabilities payable from restricted assets -						
Accounts payable	<u>2,795</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>2,795</u>	<u>-</u>	<u>-</u>	<u>173,567</u>	<u>-</u>	<u>-</u>
Fund balances:						
Reserved for encumbrances	-	-	-	-	-	-
Unreserved, designated for subsequent years' expenditures	<u>376,943</u>	<u>5</u>	<u>204,136</u>	<u>213,741</u>	<u>2,539</u>	<u>1</u>
Total fund balances	<u>376,943</u>	<u>5</u>	<u>204,136</u>	<u>213,741</u>	<u>2,539</u>	<u>1</u>
Total liabilities and fund balances	\$ <u>379,738</u>	<u>5</u>	<u>204,136</u>	<u>387,308</u>	<u>2,539</u>	<u>1</u>

SCHEDULE 2

<u>2008 General Obligation Bonds</u>	<u>2009 General Obligation Bonds</u>	<u>2009 Tax Increment Financing Bonds</u>	<u>2010 Negotiable Note</u>	<u>2010 Tax Increment Financing Bonds</u>	<u>Signal Upgrades</u>	<u>26th Avenue Viaduct Safety Upgrades</u>	<u>29th Avenue Sowashee Creek Bridge Replacement</u>	<u>Total Nonmajor Governmental Funds</u>
2,249	1,122,311	4,600	20,147	-	-	-	-	1,355,983
-	-	-	-	-	190	-	-	69,378
-	-	-	-	-	-	-	10	379,753
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,188</u>	<u>160,043</u>	<u>156,640</u>	<u>659,991</u>
<u>2,249</u>	<u>1,122,311</u>	<u>4,600</u>	<u>20,147</u>	<u>-</u>	<u>25,378</u>	<u>160,043</u>	<u>156,650</u>	<u>2,465,105</u>
-	-	-	-	-	190	3,539	-	177,296
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,188</u>	<u>156,406</u>	<u>156,618</u>	<u>341,007</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,378</u>	<u>159,945</u>	<u>156,618</u>	<u>518,303</u>
-	-	-	-	-	-	15,476	38,436	53,912
<u>2,249</u>	<u>1,122,311</u>	<u>4,600</u>	<u>20,147</u>	<u>-</u>	<u>-</u>	<u>(15,378)</u>	<u>(38,404)</u>	<u>1,892,890</u>
<u>2,249</u>	<u>1,122,311</u>	<u>4,600</u>	<u>20,147</u>	<u>-</u>	<u>-</u>	<u>98</u>	<u>32</u>	<u>1,946,802</u>
<u>2,249</u>	<u>1,122,311</u>	<u>4,600</u>	<u>20,147</u>	<u>-</u>	<u>25,378</u>	<u>160,043</u>	<u>156,650</u>	<u>2,465,105</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, 2010

	<u>Sowashee Project</u>	<u>Urban Renewal Parking Garage Bonds</u>	<u>2003 General Obligation Bonds</u>	<u>2003 Flood Damage</u>	<u>Highway 19 Drainage</u>	<u>2006 General Obligation Bonds</u>
Revenues:						
Intergovernmental -						
Federal	\$ -	-	-	3,747	-	-
Interest on investments	<u>3,051</u>	-	<u>2,574</u>	-	<u>20</u>	-
Total revenues	<u>3,051</u>	-	<u>2,574</u>	<u>3,747</u>	<u>20</u>	-
Expenditures:						
Construction contracts	-	-	-	-	-	-
Engineering and other	5,590	-	243,749	-	-	-
Miscellaneous	-	<u>4</u>	-	-	-	-
Total expenditures	<u>5,590</u>	<u>4</u>	<u>243,749</u>	-	-	-
Excess (deficiency) of revenues over (under) expenditures	<u>(2,539)</u>	<u>(4)</u>	<u>(241,175)</u>	<u>3,747</u>	<u>20</u>	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Proceeds from bonds issued	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	(2,539)	(4)	(241,175)	3,747	20	-
Fund Balances, October 1, 2009	<u>379,482</u>	<u>9</u>	<u>445,311</u>	<u>209,994</u>	<u>2,519</u>	<u>1</u>
Fund balances, September 30, 2010	\$ <u>376,943</u>	<u>5</u>	<u>204,136</u>	<u>213,741</u>	<u>2,539</u>	<u>1</u>

SCHEDULE 3

2008 General Obligation Bonds	2009 General Obligation Bonds	2009 Tax Increment Financing Bonds	2010 Negotiable Note	2010 Tax Increment Financing Bonds	Signal Upgrades	26th Avenue Viaduct Safety Upgrades	29th Avenue Sowashee Creek Bridge Replacement	Total Nonmajor Governmental Funds
-	-	-	-	-	25,188	624,945	846,908	1,500,788
<u>1,120</u>	<u>8,952</u>	<u>100</u>	<u>147</u>	<u>-</u>	<u>-</u>	<u>98</u>	<u>32</u>	<u>16,094</u>
<u>1,120</u>	<u>8,952</u>	<u>100</u>	<u>147</u>	<u>-</u>	<u>25,188</u>	<u>625,043</u>	<u>846,940</u>	<u>1,516,882</u>
234,313	-	-	-	-	190	624,945	846,908	1,706,356
-	-	194,000	80,000	223,603	25,188	-	-	772,130
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>
<u>234,313</u>	<u>-</u>	<u>194,000</u>	<u>80,000</u>	<u>223,603</u>	<u>25,378</u>	<u>624,945</u>	<u>846,908</u>	<u>2,478,490</u>
<u>(233,193)</u>	<u>8,952</u>	<u>(193,900)</u>	<u>(79,853)</u>	<u>(223,603)</u>	<u>(190)</u>	<u>98</u>	<u>32</u>	<u>(961,608)</u>
-	-	-	-	-	190	-	-	190
-	-	(3,801,500)	(1,000,000)	(76,397)	-	-	-	(4,877,897)
<u>-</u>	<u>-</u>	<u>4,000,000</u>	<u>1,100,000</u>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,400,000</u>
<u>-</u>	<u>-</u>	<u>198,500</u>	<u>100,000</u>	<u>223,603</u>	<u>190</u>	<u>-</u>	<u>-</u>	<u>522,293</u>
(233,193)	8,952	4,600	20,147	-	-	98	32	(439,315)
<u>235,442</u>	<u>1,113,359</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,386,117</u>
<u>2,249</u>	<u>1,122,311</u>	<u>4,600</u>	<u>20,147</u>	<u>-</u>	<u>-</u>	<u>98</u>	<u>32</u>	<u>1,946,802</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, 2010

	<u>Original and Final Budgeted Amounts</u>	<u>Actual (Budgetary Basis) Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues	\$ 4,870,000	5,170,730	300,730
Expenditures - debt service	<u>4,870,000</u>	<u>5,064,799</u>	<u>(194,799)</u>
Net change in fund balances	\$ <u>-</u>	105,931	<u>105,931</u>
Fund Balance, October 1, 2009		<u>2,259,880</u>	
Fund Balance, September 30, 2010		\$ <u>2,365,811</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis) Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$ 200,000	6,023,000	6,799,548	776,548
Expenditures - capital outlay	<u>5,500,000</u>	<u>9,289,000</u>	<u>10,062,718</u>	<u>(773,718)</u>
Net change in fund balances	\$ <u>(5,300,000)</u>	<u>(3,266,000)</u>	(3,263,170)	<u>2,830</u>
Fund balance, October 1, 2009			<u>4,670,687</u>	
Fund balance, September 30, 2010			\$ <u>1,407,517</u>	

CITY OF MERIDIAN, MISSISSIPPI
Schedule of General Fund Expenditures
By Departments and Divisions
For the Fiscal Year Ended September 30, 2010
(With Comparative Totals for the Fiscal Year Ended September 30, 2009)

	Executive, Legislative and Judicial	Finance and Records	Community Development	Fire Department	Police Department
Personnel services:					
Salaries - regular	\$ 942,127	929,198	728,992	3,670,497	3,842,875
Salaries - overtime	963	1,658	693	211,838	153,237
Salaries - temporaries	34,250	-	7,221	6,305	14,423
Fringe benefits	<u>345,612</u>	<u>373,631</u>	<u>271,185</u>	<u>1,484,668</u>	<u>1,495,446</u>
Total personnel services	<u>1,322,952</u>	<u>1,304,487</u>	<u>1,008,091</u>	<u>5,373,308</u>	<u>5,505,981</u>
Contractual services and supplies:					
Supplies - office	7,277	9,663	4,321	2,085	5,033
Supplies - operating	779	4,671	2,527	3,010	35,524
Supplies - household	-	4,395	1,262	10,737	4,649
Supplies - uniforms and clothing	89	-	1,695	8,632	51,122
Supplies - materials direct	-	-	2,819	-	-
Materials - small tools and workorders	653	-	412	2,931	494
Professional services	283,533	68,855	19,495	212	568,579
Telephone	8,180	83,775	5,553	6,130	20,407
Postage	104	821	8,232	379	2,821
Travel	25,596	6,155	3,891	6,642	5,646
Freight	71	-	50	100	-
Advertising and publishing	16,225	2,682	6,752	42	43
Printing and binding	2,001	3,885	1,311	585	4,581
Insurance	101,300	41,203	44,289	189,706	391,171
Utilities	8,018	1,116,175	10,073	105,502	54,224
Operating and maintenance - buildings	3,118	28,089	10,811	12,967	19,415
Operating and maintenance - grounds	-	-	-	209	-
Operating and maintenance - equipment	2,291	5,965	2,548	13,489	3,954
Operating and maintenance - vehicles	3,070	616	12,192	65,133	406,174
Operating and maintenance - computer services	7,064	60,293	22,362	58,772	63,528
Rentals	2,805	10,495	4,362	-	2,639
Judgments and claims	-	1,098	132	40,125	122,140
Dues and subscriptions	20,837	3,590	3,500	1,124	1,819
Public relations	2,412	-	-	670	1,499
Refunds	-	2,610	-	-	-
Job training	9,105	4,950	970	9,873	19,918
Safety	-	-	-	37,877	-
Hospital and medical	<u>13,765</u>	<u>-</u>	<u>-</u>	<u>21,365</u>	<u>56,464</u>
Total contractual services & supplies	<u>518,293</u>	<u>1,459,986</u>	<u>169,559</u>	<u>598,297</u>	<u>1,841,844</u>
Capital outlay:					
Buildings	-	-	-	-	-
Improvements other than buildings	-	-	-	-	-
Machinery and equipment	2,218	81,046	311	9,759	27,793
Vehicles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,214</u>
Total capital outlay	<u>2,218</u>	<u>81,046</u>	<u>311</u>	<u>9,759</u>	<u>56,007</u>
Debt service:					
Principal	-	47,848	-	339,011	-
Interest	<u>-</u>	<u>23,378</u>	<u>-</u>	<u>15,445</u>	<u>-</u>
Total debt service	<u>-</u>	<u>71,226</u>	<u>-</u>	<u>354,456</u>	<u>-</u>
Transfers and other charges:					
Transfer to other funds	684,018	-	311,871	-	30,919
Special projects	-	38,308	123,906	-	10,000
Miscellaneous contributions	428,207	-	-	-	4,080
Other projects and charges	<u>1,010,649</u>	<u>-</u>	<u>3,119,600</u>	<u>-</u>	<u>-</u>
Total transfers and other charges	<u>2,122,874</u>	<u>38,308</u>	<u>3,555,377</u>	<u>-</u>	<u>44,999</u>
Total General Fund expenditures - 2010	3,966,337	2,955,053	4,733,338	6,335,820	7,448,831
Total General Fund expenditures - 2009	<u>3,042,086</u>	<u>3,071,686</u>	<u>1,712,781</u>	<u>6,584,508</u>	<u>7,845,346</u>
Increase (decrease)	\$ <u>924,251</u>	<u>(116,633)</u>	<u>3,020,557</u>	<u>(248,688)</u>	<u>(396,515)</u>

SCHEDULE 6

Homeland Security	Public Works	Parks,	Arts District	Totals		Increase (Decrease)
		Recreation & Cultural Affairs	Parking Garage	2010	2009	
193,455	2,240,260	801,401	61,413	13,410,218	13,841,496	(431,278)
-	41,231	20,729	4,555	434,904	884,918	(450,014)
-	50,839	243,518	-	356,556	328,862	27,694
<u>68,792</u>	<u>954,367</u>	<u>372,709</u>	<u>4,867</u>	<u>5,371,277</u>	<u>4,956,695</u>	<u>414,582</u>
<u>262,247</u>	<u>3,286,697</u>	<u>1,438,357</u>	<u>70,835</u>	<u>19,572,955</u>	<u>20,011,971</u>	<u>(439,016)</u>
1,008	1,776	458	301	31,922	29,777	2,145
8,168	94,619	48,612	48	197,958	200,309	(2,351)
2,321	4,467	17,981	287	46,099	47,008	(909)
1,789	6,035	2,122	-	71,484	109,703	(38,219)
-	124,937	15,218	-	142,974	140,315	2,659
3,931	6,156	3,316	-	17,893	21,666	(3,773)
12,456	51,626	68,007	51,154	1,123,917	1,096,476	27,441
4,197	5,624	2,338	2,167	138,371	142,760	(4,389)
261	1,795	1,680	14	16,107	24,371	(8,264)
1,274	2,352	-	-	51,556	85,127	(33,571)
-	158	-	-	379	485	(106)
-	506	-	-	26,250	39,703	(13,453)
65	450	4,830	-	17,708	18,743	(1,035)
20,616	234,890	65,911	8,906	1,097,992	1,174,738	(76,746)
18,738	59,833	192,710	30,358	1,595,631	1,640,868	(45,237)
11,289	2,812	34,045	3,744	126,290	157,616	(31,326)
83	5,495	31,238	9	37,034	53,309	(16,275)
10,051	45,663	48,095	8,456	140,512	229,776	(89,264)
21,235	250,812	39,740	-	798,972	820,116	(21,144)
25,450	31,222	23,411	-	292,102	197,623	94,479
-	138	2,512	-	22,951	29,935	(6,984)
-	134,499	35,981	-	333,975	427,784	(93,809)
109	2,859	214	-	34,052	41,379	(7,327)
345	-	-	-	4,926	8,842	(3,916)
-	-	-	210	2,820	1,575	1,245
1,397	3,455	405	-	50,073	74,982	(24,909)
1,505	7,109	2,422	-	48,913	51,952	(3,039)
-	250	-	-	91,844	119,670	(27,826)
<u>146,288</u>	<u>1,079,538</u>	<u>641,246</u>	<u>105,654</u>	<u>6,560,705</u>	<u>6,986,608</u>	<u>(425,903)</u>
-	12,624	-	-	12,624	93,792	(81,168)
-	-	9,945	-	9,945	-	9,945
507	26,552	12,884	-	161,070	261,975	(100,905)
-	-	-	-	28,214	68,783	(40,569)
<u>507</u>	<u>39,176</u>	<u>22,829</u>	<u>-</u>	<u>211,853</u>	<u>424,550</u>	<u>(212,697)</u>
-	-	-	-	386,859	395,982	(9,123)
-	-	-	-	38,823	51,496	(12,673)
-	-	-	-	425,682	447,478	(21,796)
-	-	135,000	-	1,161,808	1,009,485	152,323
1,178	35,456	16,916	-	225,764	875,674	(649,910)
-	-	-	-	432,287	491,283	(58,996)
-	-	-	-	4,130,249	5,270	4,124,979
<u>1,178</u>	<u>35,456</u>	<u>151,916</u>	<u>-</u>	<u>5,950,108</u>	<u>2,381,712</u>	<u>3,568,396</u>
410,220	4,440,867	2,254,348	176,489	32,721,303	30,252,319	2,468,984
<u>462,396</u>	<u>4,777,782</u>	<u>2,559,472</u>	<u>196,262</u>	<u>30,252,319</u>		
<u>(52,176)</u>	<u>(336,915)</u>	<u>(305,124)</u>	<u>(19,773)</u>	<u>2,468,984</u>		

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NONMAJOR ENTERPRISE FUNDS

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

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

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

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

SCHEDULE 7**CITY OF MERIDIAN, MISSISSIPPI**

Combining Statement of Net Assets
 Nonmajor Enterprise Funds
 September 30, 2010

<u>ASSETS</u>	<u>Golf</u>	<u>Union</u>	<u>Concessions</u>	<u>Total</u>
	<u>Course</u>	<u>Station</u>		<u>Nonmajor</u>
				<u>Enterprise</u>
				<u>Funds</u>
Current assets:				
Cash and cash equivalents	\$ 72,247	73,220	63,585	209,052
Receivables - miscellaneous	-	7,647	-	7,647
Due from other funds	-	22	-	22
Due from component units	-	2,319	-	2,319
Inventory	40,311	-	4,202	44,513
Prepaid items	<u>746</u>	<u>934</u>	<u>-</u>	<u>1,680</u>
Total current assets	<u>113,304</u>	<u>84,142</u>	<u>67,787</u>	<u>265,233</u>
Capital assets:				
Buildings	126,628	-	-	126,628
Improvements other than buildings	98,924	-	-	98,924
Machinery and equipment	<u>339,530</u>	<u>55,071</u>	<u>-</u>	<u>394,601</u>
Total capital assets	565,082	55,071	-	620,153
Less accumulated depreciation	<u>(525,717)</u>	<u>(30,765)</u>	<u>-</u>	<u>(556,482)</u>
Capital assets (net of accumulated depreciation)	<u>39,365</u>	<u>24,306</u>	<u>-</u>	<u>63,671</u>
Total assets	<u>152,669</u>	<u>108,448</u>	<u>67,787</u>	<u>328,904</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	11,580	26,111	1,130	38,821
Accrued liabilities:				
Payroll	30,661	5,842	430	36,933
Sales tax	1,508	-	1,005	2,513
Due to other funds	3,300	1,482	-	4,782
Current portion of capital leases	<u>248</u>	<u>-</u>	<u>-</u>	<u>248</u>
Total current liabilities	47,297	33,435	2,565	83,297
Noncurrent liabilities -				
Capital lease payable, net of current portion	<u>1,566</u>	<u>-</u>	<u>-</u>	<u>1,566</u>
Total liabilities	<u>48,863</u>	<u>33,435</u>	<u>2,565</u>	<u>84,863</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	37,551	24,306	-	61,857
Unrestricted	<u>66,255</u>	<u>50,707</u>	<u>65,222</u>	<u>182,184</u>
Total net assets	\$ <u>103,806</u>	<u>75,013</u>	<u>65,222</u>	<u>244,041</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, 2010

	<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	\$ 59,089	-	-	59,089
Green fees	61,943	-	-	61,943
Cart rental	55,124	-	-	55,124
Concessions	94,675	-	43,424	138,099
Rental income	-	84,503	-	84,503
Miscellaneous	178	-	2,267	2,445
Total operating revenues	<u>271,009</u>	<u>84,503</u>	<u>45,691</u>	<u>401,203</u>
Operating expenses:				
Personnel services	205,538	90,029	11,879	307,446
Supplies and materials	93,026	10,445	16,801	120,272
Rent and utilities	19,893	52,001	-	71,894
Operation, maintenance, and repairs	63,450	92,799	-	156,249
Depreciation	5,398	4,713	-	10,111
Miscellaneous	9,241	102,407	-	111,648
Total operating expenses	<u>396,546</u>	<u>352,394</u>	<u>28,680</u>	<u>777,620</u>
Operating income (loss)	<u>(125,537)</u>	<u>(267,891)</u>	<u>17,011</u>	<u>(376,417)</u>
Nonoperating revenues (expenses):				
Interest income	68	481	433	982
Interest expense	(114)	-	-	(114)
Total nonoperating revenues (expenses)	<u>(46)</u>	<u>481</u>	<u>433</u>	<u>868</u>
Income (loss) before capital contributions and transfers	<u>(125,583)</u>	<u>(267,410)</u>	<u>17,444</u>	<u>(375,549)</u>
Capital contributions and transfers:				
Capital contributions	-	15,274	-	15,274
Transfers in	135,000	295,000	-	430,000
Total capital contributions and transfers	<u>135,000</u>	<u>310,274</u>	<u>-</u>	<u>445,274</u>
Change in net assets	9,417	42,864	17,444	69,725
Net assets, October 1, 2009	<u>94,389</u>	<u>32,149</u>	<u>47,778</u>	<u>174,316</u>
Net assets, September 30, 2010	\$ <u>103,806</u>	<u>75,013</u>	<u>65,222</u>	<u>244,041</u>

SCHEDULE 9

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended September 30, 2010

	<u>Golf</u>	<u>Union</u>	<u>Concessions</u>	<u>Total</u> <u>Nonmajor</u> <u>Enterprise</u> <u>Funds</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 271,009	81,722	45,691	398,422
Payments to suppliers	(189,722)	(274,925)	(15,759)	(480,406)
Payments to employees	(200,652)	(89,043)	(11,480)	(301,175)
Net cash provided by (used in) operating activities	<u>(119,365)</u>	<u>(282,246)</u>	<u>18,452</u>	<u>(383,159)</u>
Cash flows from noncapital financing activities -				
Transfers from other funds	<u>135,000</u>	<u>295,000</u>	<u>-</u>	<u>430,000</u>
Cash flows from capital and related financing activities:				
Principal payments - capital lease	(233)	-	-	(233)
Interest payments - capital lease	(114)	-	-	(114)
Net cash used in capital and related financing activities	<u>(347)</u>	<u>-</u>	<u>-</u>	<u>(347)</u>
Cash flows from investing activities -				
Interest received	<u>68</u>	<u>481</u>	<u>433</u>	<u>982</u>
Net increase in cash and cash equivalents	15,356	13,235	18,885	47,476
Cash and cash equivalents, October 1, 2009	<u>56,891</u>	<u>59,985</u>	<u>44,700</u>	<u>161,576</u>
Cash and cash equivalents, September 30, 2010	\$ <u>72,247</u>	<u>73,220</u>	<u>63,585</u>	<u>209,052</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (125,537)	(267,891)	17,011	(376,417)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	5,398	4,713	-	10,111
Changes in assets and liabilities:				
Accounts receivable	-	(1,805)	-	(1,805)
Due from other funds	-	(22)	-	(22)
Due from component units	-	(954)	-	(954)
Inventory	(4,358)	-	(144)	(4,502)
Prepaid items	63	109	-	172
Accounts payable	(2,938)	(18,841)	1,130	(20,649)
Accrued liabilities	4,943	986	455	6,384
Due to other funds	<u>3,064</u>	<u>1,459</u>	<u>-</u>	<u>4,523</u>
Total adjustments	<u>6,172</u>	<u>(14,355)</u>	<u>1,441</u>	<u>(6,742)</u>
Net cash provided by (used in) operating activities	\$ <u>(119,365)</u>	<u>(282,246)</u>	<u>18,452</u>	<u>(383,159)</u>
Noncash investing, capital, and financing activities -				
Noncash capital contributions -				
Capital assets transferred from the general fund	\$ <u>-</u>	<u>15,274</u>	<u>-</u>	<u>15,274</u>

INTERNAL SERVICE FUNDS

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

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

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

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

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

CITY OF MERIDIAN, MISSISSIPPI

Combining Statement of Net Assets

Internal Service Funds

September 30, 2010

	<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	\$ 115,041	27,325	15,176	21	157,563
Receivables - miscellaneous	-	-	62,288	-	62,288
Due from other funds:					
General fund	65,775	555	310,484	-	376,814
Special revenue fund	-	-	741	-	741
Water and sewer fund	33,217	58	68,914	-	102,189
Waste collection & disposal fund	1	-	741	-	742
Golf course fund	314	-	2,964	-	3,278
Union Station fund	-	-	1,482	-	1,482
Due from component unit	6,601	-	-	-	6,601
Inventory	<u>52,702</u>	<u>1,400</u>	<u>-</u>	<u>-</u>	<u>54,102</u>
Total current assets	<u>273,651</u>	<u>29,338</u>	<u>462,790</u>	<u>21</u>	<u>765,800</u>
<u>LIABILITIES</u>					
Current liabilities -					
Accounts payable	52,940	-	456,872	-	509,812
Due to other funds:					
General fund	-	-	4,553	-	4,553
Water and sewer fund	<u>-</u>	<u>-</u>	<u>1,365</u>	<u>-</u>	<u>1,365</u>
Total current liabilities	<u>52,940</u>	<u>-</u>	<u>462,790</u>	<u>-</u>	<u>515,730</u>
<u>NET ASSETS</u>					
Unrestricted	\$ <u>220,711</u>	<u>29,338</u>	<u>-</u>	<u>21</u>	<u>250,070</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, 2010

	<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	\$ 468,668	3,262	-	-	471,930
Premiums	-	-	3,697,440	-	3,697,440
Reinsurance reimbursement	-	-	<u>267,282</u>	-	<u>267,282</u>
Total operating revenues	<u>468,668</u>	<u>3,262</u>	<u>3,964,722</u>	<u>-</u>	<u>4,436,652</u>
Operating expenses:					
Administration fees	-	-	629,801	-	629,801
Costs of sales and services	472,243	3,711	-	-	475,954
Claims paid	-	-	<u>3,347,414</u>	<u>37,065</u>	<u>3,384,479</u>
Total operating expenses	<u>472,243</u>	<u>3,711</u>	<u>3,977,215</u>	<u>37,065</u>	<u>4,490,234</u>
Operating loss	(3,575)	(449)	(12,493)	(37,065)	(53,582)
Nonoperating revenues -					
Interest income	<u>1,125</u>	<u>213</u>	<u>2,328</u>	<u>12</u>	<u>3,678</u>
Loss before transfers in	(2,450)	(236)	(10,165)	(37,053)	(49,904)
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,000</u>	<u>37,000</u>
Change in net assets	(2,450)	(236)	(10,165)	(53)	(12,904)
Net assets, October 1, 2009	<u>223,161</u>	<u>29,574</u>	<u>10,165</u>	<u>74</u>	<u>262,974</u>
Net assets, September 30, 2010	\$ <u>220,711</u>	<u>29,338</u>	<u>-</u>	<u>21</u>	<u>250,070</u>

CITY OF MERIDIAN, MISSISSIPPI
 Combining Statement of Cash Flows
 Internal Service Funds
 For the Fiscal Year Ended September 30, 2010

	<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	\$ 480,002	3,143	3,720,524	-	4,203,669
Payments to suppliers	<u>(469,895)</u>	<u>(3,402)</u>	<u>(3,969,682)</u>	<u>(37,065)</u>	<u>(4,480,044)</u>
Net cash provided by (used in) operating activities	10,107	(259)	(249,158)	(37,065)	(276,375)
Cash flows from noncapital financing activities -					
Transfers from other funds	-	-	-	37,000	37,000
Cash flows from investing activities -					
Interest received	<u>1,125</u>	<u>213</u>	<u>2,328</u>	<u>12</u>	<u>3,678</u>
Net increase (decrease) in cash and cash equivalents	11,232	(46)	(246,830)	(53)	(235,697)
Cash and cash equivalents, October 1, 2009	<u>103,809</u>	<u>27,371</u>	<u>262,006</u>	<u>74</u>	<u>393,260</u>
Cash and cash equivalents, September 30, 2010	\$ <u><u>115,041</u></u>	<u><u>27,325</u></u>	<u><u>15,176</u></u>	<u><u>21</u></u>	<u><u>157,563</u></u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:					
Operating loss	\$ <u>(3,575)</u>	<u>(449)</u>	<u>(12,493)</u>	<u>(37,065)</u>	<u>(53,582)</u>
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Changes in assets and liabilities:					
Receivables - miscellaneous	-	-	141,128	-	141,128
Due from other funds	5,396	(119)	(385,326)	-	(380,049)
Due from component units	5,938	-	-	-	5,938
Inventory	209	459	-	-	668
Accounts payable	2,139	(150)	1,615	-	3,604
Due to other funds	-	-	5,918	-	5,918
Total adjustments	<u>13,682</u>	<u>190</u>	<u>(236,665)</u>	<u>-</u>	<u>(222,793)</u>
Net cash provided by (used in) operating activities	\$ <u><u>10,107</u></u>	<u><u>(259)</u></u>	<u><u>(249,158)</u></u>	<u><u>(37,065)</u></u>	<u><u>(276,375)</u></u>

FIDUCIARY FUNDS

Agency Funds

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

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

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

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

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

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

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

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

SCHEDULE 13

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2010

	Firemen & Policemen Disability & Relief	General Retirement	Meridian Community College	Meridian Separate School District	Hospital Insurance	State Police Fines & Fees	Meridian Separate School District Bonds & Interest	Total Agency Funds
<u>ASSETS</u>								
Cash and cash equivalents	\$ 106,473	71,788	115,968	917,926	48,749	54,218	96,271	1,411,393
Intergovernmental receivables - County	<u>11,949</u>	<u>6,238</u>	<u>13,609</u>	<u>98,699</u>	<u>-</u>	<u>-</u>	<u>11,838</u>	<u>142,333</u>
Total assets	\$ <u>118,422</u>	<u>78,026</u>	<u>129,577</u>	<u>1,016,625</u>	<u>48,749</u>	<u>54,218</u>	<u>108,109</u>	<u>1,553,726</u>
<u>LIABILITIES</u>								
Intergovernmental payables:								
Schools	\$ -	-	129,577	1,016,625	-	-	108,109	1,254,311
PERS	118,422	78,026	-	-	-	-	-	196,448
State	-	-	-	-	-	54,218	-	54,218
Employee insurance withheld	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,749</u>	<u>-</u>	<u>-</u>	<u>48,749</u>
Total liabilities	\$ <u>118,422</u>	<u>78,026</u>	<u>129,577</u>	<u>1,016,625</u>	<u>48,749</u>	<u>54,218</u>	<u>108,109</u>	<u>1,553,726</u>

CITY OF MERIDIAN, MISSISSIPPI
 Combining Statement of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 For the Fiscal Year Ended September 30, 2010

	Balance			Balance
	September 30,	Additions	Deletions	September 30,
	2009			2010
Meridian Separate School District				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 728,125	16,189,320	15,999,519	917,926
Intergovernmental - county	<u>124,656</u>	<u>98,699</u>	<u>124,656</u>	<u>98,699</u>
Total assets	\$ <u>852,781</u>	<u>16,288,019</u>	<u>16,124,175</u>	<u>1,016,625</u>
<u>LIABILITIES</u>				
Intergovernmental - schools	\$ <u>852,781</u>	<u>16,288,019</u>	<u>16,124,175</u>	<u>1,016,625</u>
Hospital Insurance				
<u>ASSETS</u>				
Cash and cash equivalents	\$ <u>48,765</u>	<u>1,930,909</u>	<u>1,930,925</u>	<u>48,749</u>
<u>LIABILITIES</u>				
Employee insurance withheld	\$ <u>48,765</u>	<u>1,930,909</u>	<u>1,930,925</u>	<u>48,749</u>
State Police Fines & Fees				
<u>ASSETS</u>				
Cash and cash equivalents	\$ <u>51,206</u>	<u>786,002</u>	<u>782,990</u>	<u>54,218</u>
<u>LIABILITIES</u>				
Intergovernmental - state	\$ <u>51,206</u>	<u>786,002</u>	<u>782,990</u>	<u>54,218</u>
Meridian Separate School District Bonds & Interest				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 82,876	1,815,544	1,802,149	96,271
Intergovernmental - county	<u>15,123</u>	<u>11,838</u>	<u>15,123</u>	<u>11,838</u>
Total assets	\$ <u>97,999</u>	<u>1,827,382</u>	<u>1,817,272</u>	<u>108,109</u>
<u>LIABILITIES</u>				
Intergovernmental - schools	\$ <u>97,999</u>	<u>1,827,382</u>	<u>1,817,272</u>	<u>108,109</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
 Combining Statement of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 For the Fiscal Year Ended September 30, 2010

	Balance September 30, <u>2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2010</u>
	<u>Total Agency Funds</u>			
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,177,621	25,351,973	25,118,201	1,411,393
Intergovernmental receivables	<u>175,636</u>	<u>142,333</u>	<u>175,636</u>	<u>142,333</u>
Total assets	\$ <u><u>1,353,257</u></u>	<u><u>25,494,306</u></u>	<u><u>25,293,837</u></u>	<u><u>1,553,726</u></u>
<u>LIABILITIES</u>				
Intergovernmental payables	\$ 1,304,492	23,563,397	23,362,912	1,504,977
Employee insurance withheld	<u>48,765</u>	<u>1,930,909</u>	<u>1,930,925</u>	<u>48,749</u>
Total liabilities	\$ <u><u>1,353,257</u></u>	<u><u>25,494,306</u></u>	<u><u>25,293,837</u></u>	<u><u>1,553,726</u></u>

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NONMAJOR COMPONENT UNITS

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

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

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 notes 1(a) and 17 of the notes to the financial statements.

CITY OF MERIDIAN, MISSISSIPPI

Combining Statement of Net Assets

Nonmajor Component Units

September 30, 2010

	<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	\$ -	2,690	-	2,690
Receivables:				
Accounts	304	-	-	304
Intergovernmental - State	<u>28,930</u>	<u>-</u>	<u>-</u>	<u>28,930</u>
Total current assets	29,234	2,690	-	31,924
Capital assets (net of accumulated depreciation) -				
Machinery and equipment	<u>269,943</u>	<u>-</u>	<u>-</u>	<u>269,943</u>
Total assets	<u>299,177</u>	<u>2,690</u>	<u>-</u>	<u>301,867</u>
<u>LIABILITIES</u>				
Current liabilities:				
Line of credit	21,207	-	-	21,207
Accounts payable	20,307	-	-	20,307
Accrued liabilities	<u>10,979</u>	<u>-</u>	<u>-</u>	<u>10,979</u>
Total current liabilities	<u>52,493</u>	<u>-</u>	<u>-</u>	<u>52,493</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	269,943	-	-	269,943
Unrestricted	<u>(23,259)</u>	<u>2,690</u>	<u>-</u>	<u>(20,569)</u>
Total net assets	\$ <u>246,684</u>	<u>2,690</u>	<u>-</u>	<u>249,374</u>

CITY OF MERIDIAN, MISSISSIPPI

Combining Statement of Activities

Nonmajor Component Units

For the Fiscal Year Ended September 30, 2010

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Meridian Transportation Commission</u>	<u>Meridian and Bonita Lakes Development Authority</u>	<u>Meridian Redevelopment Authority</u>	<u>Total Nonmajor Component Units</u>
Nonmajor component units:								
Meridian Transportation Commission	\$ 651,327	82,061	668,886	-	99,620	-	-	99,620
Meridian and Bonita Lakes Development Authority	3,472	-	3,772	-	-	300	-	300
Meridian Redevelopment Authority	5,987	-	-	-	-	-	(5,987)	(5,987)
Total nonmajor component units	\$ 660,786	82,061	672,658	-	99,620	300	(5,987)	93,933
General revenues -								
Interest income					22	-	524	546
Special item - assets conveyed to City of Meridian					-	-	(415,318)	(415,318)
Total general revenues and special item					<u>22</u>	<u>-</u>	<u>(414,794)</u>	<u>(414,772)</u>
Change in net assets					99,642	300	(420,781)	(320,839)
Net assets, October 1, 2009					<u>147,042</u>	<u>2,390</u>	<u>420,781</u>	<u>570,213</u>
Net assets, September 30, 2010					<u>\$ 246,684</u>	<u>2,690</u>	<u>-</u>	<u>249,374</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, 2010

	<u>Assessed</u> <u>Value</u>	<u>Millage</u>	<u>Ad Valorem</u> <u>Taxes</u>
City of Meridian:			
Realty	\$ 229,112,169	50.84	\$ 11,648,063
Personal property - other than auto	56,583,887	50.84	2,876,725
Public utilities	24,783,402	50.84	1,259,988
Personal autos - 2009 rates	3,180,030	50.84	161,673
Personal autos - 2010 rates	<u>28,541,739</u>	50.84	<u>1,451,062</u>
Total City of Meridian valuation	\$ <u>342,201,227</u>		17,397,511
Less homestead exemption allowed			<u>(956,081)</u>
Total City ad valorem taxes			16,441,430
Adjustments to original tax roll:			
Realty		(171,780)	
Personal		(80,383)	
Homestead exemption		<u>(7,804)</u>	(259,967)
Add:			
Actual homestead reimbursement		552,959	
Motor vehicle rent tax		68,450	
Payments in lieu of taxes		67,712	
Prior year tax collection		76,552	
Mobile homes		7,037	
Aircraft		<u>5,888</u>	<u>778,598</u>
Total City to account for			<u>16,960,061</u>
<u>Separate School District:</u>			
Realty	\$ 222,308,023	64.23	14,278,844
Personal property - other than auto	60,295,261	64.23	3,872,765
Public utilities	32,618,690	64.23	2,095,098
Personal autos - 2009 rates	3,034,333	62.98	191,102
Personal autos - 2010 rates	<u>26,258,479</u>	64.23	<u>1,686,582</u>
Total Separate School District valuation	\$ <u>344,514,786</u>		22,124,391
Less homestead exemption allowed			<u>(1,762,993)</u>
Total Separate School District ad valorem taxes			20,361,398
Adjustments to original tax roll:			
Realty		(84,641)	
Personal		(44,909)	
Homestead exemption		<u>(6,403)</u>	(135,953)
Add:			
Prior year tax collection		61,927	
Mobile homes		22,107	<u>84,034</u>
Total Separate School District to account for			<u>20,309,479</u>
Total City of Meridian and Separate School District to account for			\$ <u>37,269,540</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
Schedule Reconciling Original Ad Valorem
Tax Rolls to Fund Collections
For the Fiscal Year Ended September 30, 2010

	<u>Taxes</u>	<u>Homestead Reimbursement</u>	<u>Total</u>
Accounted for as follows:			
General Fund	\$ 9,995,139	342,826	10,337,965
General Fund - Pilot	67,712	-	67,712
General Bond and Interest	3,766,579	129,212	3,895,791
School Bond and Interest	1,815,544	-	1,815,544
Police and Fire Disability	1,413,425	48,292	1,461,717
General Retirement	951,296	32,629	983,925
School Fund	<u>18,236,155</u>	<u>-</u>	<u>18,236,155</u>
Total accounted for	\$ <u>36,245,850</u>	<u>552,959</u>	36,798,809
Balance represented by:			
Real property held from tax sale			6,678
Unpaid personal property			162,969
Held by tax collector			1,857
Sold to state			124,715
Tax collector's commission			174,521
Unaccounted for			<u>(9)</u>
Total ad valorem taxes		\$	<u>37,269,540</u>

SCHEDULE 18**CITY OF MERIDIAN, MISSISSIPPI**

Schedule of Investments

September 30, 2010

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
General fund - unrestricted:				
Certificate of deposit	07/06/10	01/04/11	1.14%	\$ 675,000
Certificate of deposit	07/08/10	01/06/11	1.10%	<u>675,000</u>
Total general fund investments - unrestricted				\$ <u>1,350,000</u>
Special revenue fund - restricted -				
Certificate of deposit	07/22/10	01/18/11	1.04%	\$ <u>200,000</u>
Proprietary funds - restricted:				
Federal National Mortgage Association Pool	-	10/01/10	-	\$ 759,002
United States Treasury Bill	-	10/28/10	-	304,000
United States Treasury Bill	-	11/26/10	-	427,777
Federated Government Obligations Fund	-	-	-	<u>1,146</u>
Total proprietary funds investments - restricted				\$ <u>1,491,925</u>

SCHEDULE 19

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2010

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

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

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SCHEDULE 20

CITY OF MERIDIAN, MISSISSIPPI
 Schedule of Changes in Long-Term Debt
 For the Fiscal Year Ended September 30, 2010

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance September 30, 2009</u>	<u>Principal Payments</u>	<u>New Issues</u>	<u>Balance September 30, 2010</u>
Governmental activities:							
Public Improvement of 1998	03/01/1998	4.20-6.00%	\$ 4,500,000	1,555,000	360,000	-	1,195,000
Public Improvement of 1999	04/01/1999	4.10-5.70%	1,150,000	475,000	85,000	-	390,000
Public Improvement of 2000	05/01/2000	4.40-6.25%	1,100,000	140,000	140,000	-	-
Public Improvement of 2003	07/01/2003	3.25-4.125%	6,000,000	4,060,000	375,000	-	3,685,000
Public Improvement of 2006	06/01/2006	4.00-5.50%	10,000,000	9,010,000	360,000	-	8,650,000
Water and Sewer Improvement of 2007	04/01/2007	3.75-5.25%	3,600,000	3,365,000	125,000	-	3,240,000
Public Improvement of 2008	04/22/2008	2.60-3.65%	1,000,000	950,000	50,000	-	900,000
Public Improvement of 2009	06/01/2009	3.00-4.00%	10,000,000	10,000,000	310,000	-	9,690,000
Total general obligations bonds			<u>37,350,000</u>	<u>29,555,000</u>	<u>1,805,000</u>	<u>-</u>	<u>27,750,000</u>
Special Obligation Bonds 2003A	07/01/2003	2.75-4.50%	5,500,000	4,350,000	225,000	-	4,125,000
Special Obligation Bonds 2003B	07/01/2003	3.30-5.375%	1,500,000	1,215,000	60,000	-	1,155,000
Total special obligation bonds			<u>7,000,000</u>	<u>5,565,000</u>	<u>285,000</u>	<u>-</u>	<u>5,280,000</u>
Limited Obligation Tax Increment Bonds	09/01/2000	9.00%	2,200,000	1,215,000	270,000	-	945,000
Limited Obligation Tax Increment Bonds	12/01/2000	9.00%	1,100,000	555,000	120,000	-	435,000
Limited Obligation Tax Increment Bonds	12/17/2009	8.75%	4,000,000	-	-	4,000,000	4,000,000
Limited Obligation Tax Increment Bonds	03/01/2010	5.00%	300,000	-	-	300,000	300,000
Total tax increment bonds			<u>7,600,000</u>	<u>1,770,000</u>	<u>390,000</u>	<u>4,300,000</u>	<u>5,680,000</u>
Revolving loan - capital improvements	06/01/2001	3.00%	1,000,000	499,527	68,977	-	430,550
Total promissory loans			<u>1,000,000</u>	<u>499,527</u>	<u>68,977</u>	<u>-</u>	<u>430,550</u>
Taxable Negotiable Notes	09/28/2006	5.45%	1,225,000	529,318	257,634	-	271,684
Taxable Negotiable Notes	02/18/2010	2.71%	1,100,000	-	-	1,100,000	1,100,000
Total taxable negotiable notes			<u>2,325,000</u>	<u>529,318</u>	<u>257,634</u>	<u>1,100,000</u>	<u>1,371,684</u>
Special Street Improvements	08/01/1995	4.80-6.75%	1,920,000	845,000	120,000	-	725,000
Special Assessment Public Improvement	06/01/1996	4.70-6.70%	2,000,000	975,000	115,000	-	860,000
Special Assessment Public Improvement	06/01/2000	5.20-6.25%	1,125,000	775,000	50,000	-	725,000
Special Assessment Public Imp 2001	08/01/2001	4.50-6.00%	500,000	360,000	20,000	-	340,000
Total special assessment			<u>5,545,000</u>	<u>2,955,000</u>	<u>305,000</u>	<u>-</u>	<u>2,650,000</u>
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	709,066	424,317	47,847	-	376,470
Trustmark Lease - fire truck	08/27/2007	4.14%	649,617	218,670	218,670	-	-
Trustmark Lease - rescue pumper	04/04/2008	2.85%	364,800	244,161	120,342	-	123,819
Total capital leases			<u>1,723,483</u>	<u>887,148</u>	<u>386,859</u>	<u>-</u>	<u>500,289</u>
Total governmental activities			\$ 62,543,483	41,760,993	3,498,470	5,400,000	43,662,523
Business-type activities:							
Water and Sewer Revenue	07/01/1994	6.00-6.50%	\$ 9,710,000	1,845,000	1,845,000	-	-
Water and Sewer Revenue	12/01/1995	4.60-6.50%	5,000,000	2,430,000	290,000	-	2,140,000
Water and Sewer Revenue	10/01/1997	4.50-6.375%	5,000,000	2,905,000	260,000	-	2,645,000
Water and Sewer Revenue	06/01/2000	5.00-6.25%	2,000,000	1,395,000	90,000	-	1,305,000
Total revenue bonds			<u>21,710,000</u>	<u>8,575,000</u>	<u>2,485,000</u>	<u>-</u>	<u>6,090,000</u>
Water and sewer promissory loan	12/01/1998	4.70-6.125%	5,300,000	4,145,000	195,000	-	3,950,000
Loan - capital improvements	01/01/2001	3.00%	360,000	48,058	40,738	-	7,320
Water and sewer promissory loan	11/29/2001	2.30-5.125%	3,100,000	2,480,000	100,000	-	2,380,000
Water and sewer promissory loan	07/01/2003	2.60-3.25%	7,590,000	3,785,000	710,000	-	3,075,000
Water and sewer promissory loan	03/24/2004	1.00-5.00%	2,900,000	2,400,000	115,000	-	2,285,000
Total promissory loans			<u>19,250,000</u>	<u>12,858,058</u>	<u>1,160,738</u>	<u>-</u>	<u>11,697,320</u>
CitiCapital lease - energy saving equipment	05/21/2002	5.87%	1,053,181	623,359	71,067	-	552,292
CitiCapital lease - energy saving equipment	05/21/2002	5.87%	3,460	2,047	233	-	1,814
Trustmark lease - flush truck	07/20/2007	4.14%	139,474	47,149	47,149	-	-
Total capital leases			<u>1,196,115</u>	<u>672,555</u>	<u>118,449</u>	<u>-</u>	<u>554,106</u>
Total business-type activities			\$ 42,156,115	22,105,613	3,764,187	-	18,341,426

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Long-Term Debt Maturities
September 30, 2010

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance September 30, 2010</u>	<u>2011</u>
<u>Governmental activities:</u>					
Public Improvement of 1998	03/01/1998	4.20-6.00%	\$ 4,500,000	1,195,000	380,000
Public Improvement of 1999	04/01/1999	4.10-5.70%	1,150,000	390,000	90,000
Public Improvement of 2003	07/01/2003	3.25-4.125%	6,000,000	3,685,000	390,000
Public Improvement of 2006	06/01/2006	4.00-5.50%	10,000,000	8,650,000	375,000
Water and Sewer Improvement of 2007	04/01/2007	3.75-5.25%	3,600,000	3,240,000	130,000
Public Improvement of 2008	04/22/2008	2.60-3.65%	1,000,000	900,000	55,000
Public Improvement of 2009	06/01/2009	3.00-4.00%	<u>10,000,000</u>	<u>9,690,000</u>	<u>325,000</u>
Total general obligations bonds			<u>36,250,000</u>	<u>27,750,000</u>	<u>1,745,000</u>
Special Obligation Bonds 2003A	07/01/2003	2.75-4.50%	5,500,000	4,125,000	235,000
Special Obligation Bonds 2003B	07/01/2003	3.30-5.375%	<u>1,500,000</u>	<u>1,155,000</u>	<u>60,000</u>
Total special obligation bonds			<u>7,000,000</u>	<u>5,280,000</u>	<u>295,000</u>
Limited Obligation Tax Increment Bonds	09/01/2000	9.00%	2,200,000	945,000	290,000
Limited Obligation Tax Increment Bonds	12/01/2000	9.00%	1,100,000	435,000	135,000
Limited Obligation Tax Increment Bonds	12/17/2009	8.75%	4,000,000	4,000,000	135,000
Limited Obligation Tax Increment Bonds	03/01/2010	5.00%	<u>300,000</u>	<u>300,000</u>	<u>20,000</u>
Total tax increment bonds			<u>7,600,000</u>	<u>5,680,000</u>	<u>580,000</u>
Revolving loan - capital improvements	06/01/2001	3.00%	<u>1,000,000</u>	<u>430,550</u>	<u>70,721</u>
Total promissory loans			<u>1,000,000</u>	<u>430,550</u>	<u>70,721</u>
Taxable Negotiable Notes	09/28/2006	5.45%	1,225,000	271,684	271,684
Taxable Negotiable Notes	02/18/2010	2.71%	<u>1,100,000</u>	<u>1,100,000</u>	<u>220,000</u>
Total taxable negotiable notes			<u>2,325,000</u>	<u>1,371,684</u>	<u>491,684</u>
Special Street Improvements	08/01/1995	4.80-6.75%	1,920,000	725,000	125,000
Special Assessment Public Improvement	06/01/1996	4.70-6.70%	2,000,000	860,000	125,000
Special Assessment Public Improvement	06/01/2000	5.20-6.25%	1,125,000	725,000	55,000
Special Assessment Public Imp 2001	08/01/2001	4.50-6.00%	<u>500,000</u>	<u>340,000</u>	<u>25,000</u>
Total special assessment			<u>5,545,000</u>	<u>2,650,000</u>	<u>330,000</u>
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	709,066	376,470	50,734
Trustmark Lease - rescue pumper	04/04/2008	2.85%	<u>364,800</u>	<u>123,819</u>	<u>123,819</u>
Total capital leases			<u>1,073,866</u>	<u>500,289</u>	<u>174,553</u>
Total governmental activities			\$ <u>60,793,866</u>	<u>43,662,523</u>	<u>3,686,958</u>
<u>Business-type activities:</u>					
Water and Sewer Revenue	12/01/1995	4.60-6.50%	\$ 5,000,000	2,140,000	305,000
Water and Sewer Revenue	10/01/1997	4.50-6.375%	5,000,000	2,645,000	270,000
Water and Sewer Revenue	06/01/2000	5.00-6.25%	<u>2,000,000</u>	<u>1,305,000</u>	<u>95,000</u>
Total revenue bonds			<u>12,000,000</u>	<u>6,090,000</u>	<u>670,000</u>
Water and sewer promissory loan	12/01/1998	4.70-6.125%	5,300,000	3,950,000	215,000
Loan - capital improvements	01/01/2001	3.00%	360,000	7,320	7,320
Water and sewer promissory loan	11/29/2001	2.30-5.125%	3,100,000	2,380,000	105,000
Water and sewer promissory loan	07/01/2003	2.60-3.25%	7,590,000	3,075,000	730,000
Water and sewer promissory loan	03/24/2004	1.00-5.00%	<u>2,900,000</u>	<u>2,285,000</u>	<u>120,000</u>
Total promissory loans			<u>19,250,000</u>	<u>11,697,320</u>	<u>1,177,320</u>
CitiCapital lease - energy saving equipment	05/21/2002	5.87%	1,053,181	552,292	75,356
CitiCapital lease - energy saving equipment	05/21/2002	5.87%	<u>3,460</u>	<u>1,814</u>	<u>248</u>
Total capital leases			<u>1,056,641</u>	<u>554,106</u>	<u>75,604</u>
Total business-type activities			\$ <u>32,306,641</u>	<u>18,341,426</u>	<u>1,922,924</u>

SCHEDULE 21

Maturities for the Years Ended September 30,						
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016 - 2020</u>	<u>2021 - 2025</u>	<u>2026 - 2030</u>
395,000	420,000	-	-	-	-	-
95,000	100,000	105,000	-	-	-	-
410,000	430,000	450,000	470,000	1,535,000	-	-
400,000	410,000	430,000	450,000	2,590,000	3,255,000	740,000
135,000	145,000	150,000	155,000	895,000	1,110,000	520,000
55,000	60,000	60,000	65,000	355,000	250,000	-
<u>340,000</u>	<u>355,000</u>	<u>375,000</u>	<u>400,000</u>	<u>2,245,000</u>	<u>2,845,000</u>	<u>2,805,000</u>
<u>1,830,000</u>	<u>1,920,000</u>	<u>1,570,000</u>	<u>1,540,000</u>	<u>7,620,000</u>	<u>7,460,000</u>	<u>4,065,000</u>
250,000	260,000	270,000	285,000	1,640,000	1,185,000	-
65,000	70,000	75,000	75,000	460,000	350,000	-
<u>315,000</u>	<u>330,000</u>	<u>345,000</u>	<u>360,000</u>	<u>2,100,000</u>	<u>1,535,000</u>	-
315,000	340,000	-	-	-	-	-
145,000	155,000	-	-	-	-	-
145,000	160,000	175,000	190,000	1,255,000	1,940,000	-
20,000	20,000	20,000	25,000	135,000	60,000	-
<u>625,000</u>	<u>675,000</u>	<u>195,000</u>	<u>215,000</u>	<u>1,390,000</u>	<u>2,000,000</u>	-
<u>72,872</u>	<u>75,089</u>	<u>77,373</u>	<u>79,726</u>	<u>54,769</u>	-	-
<u>72,872</u>	<u>75,089</u>	<u>77,373</u>	<u>79,726</u>	<u>54,769</u>	-	-
-	-	-	-	-	-	-
<u>220,000</u>	<u>220,000</u>	<u>220,000</u>	<u>220,000</u>	-	-	-
<u>220,000</u>	<u>220,000</u>	<u>220,000</u>	<u>220,000</u>	-	-	-
135,000	145,000	155,000	165,000	-	-	-
130,000	140,000	145,000	155,000	165,000	-	-
60,000	60,000	65,000	70,000	415,000	-	-
25,000	25,000	30,000	30,000	165,000	40,000	-
<u>350,000</u>	<u>370,000</u>	<u>395,000</u>	<u>420,000</u>	<u>745,000</u>	<u>40,000</u>	-
53,796	57,043	60,486	64,136	90,275	-	-
-	-	-	-	-	-	-
<u>53,796</u>	<u>57,043</u>	<u>60,486</u>	<u>64,136</u>	<u>90,275</u>	-	-
<u>3,466,668</u>	<u>3,647,132</u>	<u>2,862,859</u>	<u>2,898,862</u>	<u>12,000,044</u>	<u>11,035,000</u>	<u>4,065,000</u>
325,000	345,000	365,000	390,000	410,000	-	-
285,000	305,000	320,000	340,000	1,125,000	-	-
<u>105,000</u>	<u>110,000</u>	<u>115,000</u>	<u>125,000</u>	<u>755,000</u>	-	-
<u>715,000</u>	<u>760,000</u>	<u>800,000</u>	<u>855,000</u>	<u>2,290,000</u>	-	-
225,000	235,000	245,000	260,000	1,500,000	1,270,000	-
-	-	-	-	-	-	-
110,000	115,000	120,000	125,000	705,000	895,000	205,000
755,000	780,000	810,000	-	-	-	-
<u>125,000</u>	<u>130,000</u>	<u>135,000</u>	<u>145,000</u>	<u>820,000</u>	<u>810,000</u>	-
<u>1,215,000</u>	<u>1,260,000</u>	<u>1,310,000</u>	<u>530,000</u>	<u>3,025,000</u>	<u>2,975,000</u>	<u>205,000</u>
79,904	84,727	89,840	95,262	127,203	-	-
261	278	295	313	419	-	-
<u>80,165</u>	<u>85,005</u>	<u>90,135</u>	<u>95,575</u>	<u>127,622</u>	-	-
<u>2,010,165</u>	<u>2,105,005</u>	<u>2,200,135</u>	<u>1,480,575</u>	<u>5,442,622</u>	<u>2,975,000</u>	<u>205,000</u>

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STATISTICAL SECTION

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

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Financial trends information	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 information	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 information.....	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 and 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 Nine 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>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities:									
Invested in capital assets, net of related debt	\$ 43,469	\$ 43,643	\$ 45,586	\$ 45,997	\$ 48,025	\$ 48,799	\$ 50,692	\$ 75,492	\$ 72,823
Restricted	2,447	2,214	1,561	4,009	5,626	6,881	5,810	6,429	6,985
Unrestricted	4,296	6,496	6,156	5,635	7,197	3,920	4,076	3,700	4,198
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>	<u>\$ 59,600</u>	<u>\$ 60,578</u>	<u>\$ 85,621</u>	<u>\$ 84,006</u>
Business-type activities:									
Invested in capital assets, net of related debt	\$ 23,103	\$ 22,052	\$ 20,624	\$ 19,003	\$ 19,534	\$ 18,938	\$ 17,684	\$ 19,326	\$ 19,767
Restricted	4,170	3,362	3,949	4,467	4,021	7,509	7,717	5,441	4,354
Unrestricted	1,668	1,759	1,454	3,779	3,440	3,354	3,167	2,253	2,682
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>	<u>\$ 29,801</u>	<u>\$ 28,568</u>	<u>\$ 27,020</u>	<u>\$ 26,803</u>
Primary government:									
Invested in capital assets, net of related debt	\$ 66,572	\$ 65,695	\$ 66,210	\$ 65,000	\$ 67,559	\$ 67,737	\$ 68,376	\$ 94,818	\$ 92,590
Restricted	6,617	5,576	5,510	8,476	9,647	14,390	13,527	11,870	11,339
Unrestricted	5,964	8,255	7,610	9,414	10,637	7,274	7,243	5,953	6,880
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>	<u>\$ 89,401</u>	<u>\$ 89,146</u>	<u>\$ 112,641</u>	<u>\$ 110,809</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 year 2001.

CITY OF MERIDIAN, MISSISSIPPI

Changes in Net Assets
Last Nine Fiscal Years¹
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Expenses									
Governmental activities:									
General government	\$ 5,548	\$ 5,270	\$ 5,721	\$ 5,778	\$ 6,209	\$ 6,526	\$ 7,211	\$ 7,017	\$ 8,825
Public safety	10,395	10,864	11,981	14,875	16,074	14,976	15,017	16,010	16,238
Public works	5,608	6,230	6,770	6,650	6,738	6,893	6,567	7,440	8,187
Culture and recreation	1,609	1,806	1,968	1,975	2,008	2,156	2,390	2,307	2,284
Economic development	156	85	169	121	105	98	134	42	2,976
Other	71	50	101	127	82	64	6	42	11
Interest on long-term debt	1,553	1,390	1,685	1,443	1,333	1,918	1,772	1,615	2,071
Total governmental activities expenses	<u>24,940</u>	<u>25,695</u>	<u>28,395</u>	<u>30,969</u>	<u>32,549</u>	<u>32,631</u>	<u>33,097</u>	<u>34,453</u>	<u>40,592</u>
Business-type activities:									
Water and sewer	8,324	10,742	10,381	10,879	11,577	12,218	12,078	12,557	12,161
Waste collection and disposal	2,174	2,529	2,739	2,234	2,332	2,380	2,401	2,526	2,466
Golf course	453	433	423	407	394	400	419	418	397
Union Station	251	254	284	307	335	323	331	388	352
Concessions	41	48	39	41	37	26	32	29	29
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>	<u>15,347</u>	<u>15,261</u>	<u>15,918</u>	<u>15,405</u>
Total primary government expenses	<u>\$ 36,183</u>	<u>\$ 39,701</u>	<u>\$ 42,261</u>	<u>\$ 44,837</u>	<u>\$ 47,224</u>	<u>\$ 47,978</u>	<u>\$ 48,358</u>	<u>\$ 50,371</u>	<u>\$ 55,997</u>
Program revenues									
Governmental activities:									
Charges for services:									
General government	562	827	681	788	1,063	587	640	581	355
Public safety	605	853	1,148	2,164	2,484	2,856	1,730	1,590	1,220
Culture and recreation	110	137	144	135	162	164	180	173	376
Operating grants and contributions	792	817	1,168	3,257	3,229	2,194	1,379	1,572	1,645
Capital grants and contributions	60	280	603	581	2,169	250	500	1,497	3,699
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>	<u>6,051</u>	<u>4,429</u>	<u>5,413</u>	<u>7,295</u>
Business-type activities:									
Charges for services:									
Water and sewer	9,442	9,002	9,798	10,902	11,036	10,907	11,125	11,715	12,145
Waste collection and disposal	1,607	1,599	1,580	1,569	1,564	1,560	1,570	1,611	1,870
Golf course	421	367	346	310	343	324	318	284	271
Union Station	90	98	103	97	117	114	103	80	84
Concessions	46	45	41	43	36	35	43	44	46
Operating grants and contributions	2,823	312	253	8	494	-	-	-	-
Capital grants and contributions	-	-	-	1,644	740	740	87	65	-
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>	<u>13,680</u>	<u>13,246</u>	<u>13,799</u>	<u>14,416</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>	<u>\$ 19,731</u>	<u>\$ 17,675</u>	<u>\$ 19,212</u>	<u>\$ 21,711</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI

Changes in Net Assets
Last Nine Fiscal Years¹
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Net (expense)/revenue									
Governmental activities	\$ (22,811)	\$ (22,781)	\$ (24,651)	\$ (24,044)	\$ (23,442)	\$ (26,580)	\$ (28,668)	\$ (29,040)	\$ (33,297)
Business-type activities	3,186	(2,583)	(1,745)	705	(1,085)	(1,667)	(2,015)	(2,119)	(989)
Total primary government net (expense)/revenue	\$ (19,625)	\$ (25,364)	\$ (26,396)	\$ (23,339)	\$ (24,527)	\$ (28,247)	\$ (30,683)	\$ (31,159)	\$ (34,286)
General revenues and other changes in net assets									
Governmental activities:									
Taxes:									
Property taxes	\$ 9,385	\$ 9,828	\$ 10,107	\$ 10,162	\$ 10,121	\$ 10,098	\$ 10,826	\$ 12,085	\$ 14,173
Sales taxes	11,450	11,839	12,179	12,715	14,170	13,574	14,166	13,744	13,502
Franchise taxes	1,747	1,794	1,845	1,990	2,381	2,587	2,568	2,744	2,647
County road taxes	651	868	815	798	971	1,040	1,042	1,194	1,224
Motor fuel taxes	19	19	19	19	19	19	19	19	19
Unrestricted grants and contributions	61	68	65	64	69	65	70	74	73
Unrestricted investment earnings	173	149	176	259	564	1,131	628	146	196
Special item - annexed property	-	-	-	-	-	-	-	23,549	-
Transfers	700	357	395	375	353	(3,182)	327	528	(152)
Total governmental activities general revenues and other changes in net assets	24,186	24,922	25,601	26,382	28,648	25,332	29,646	54,083	31,682
Business-type activities:									
Property taxes	823	901	882	740	975	811	810	999	506
Unrestricted investment earnings	201	270	113	152	210	480	299	100	114
Transfers	(700)	(357)	(395)	(375)	(353)	3,182	(327)	(528)	152
Total business-type activities general revenues and other changes in net assets	324	814	600	517	832	4,473	782	571	772
Total primary government general revenues and other changes in net assets	\$ 24,510	\$ 25,737	\$ 26,201	\$ 26,899	\$ 29,480	\$ 29,805	\$ 30,428	\$ 54,654	\$ 32,454
Change in Net Assets									
Governmental activities	\$ 1,375	\$ 2,141	\$ 950	\$ 2,338	\$ 5,206	\$ (1,248)	\$ 978	\$ 25,043	\$ (1,615)
Business-type activities	3,510	(1,769)	(1,145)	1,222	(253)	2,806	(1,233)	(1,548)	(217)
Total primary government change in net assets	\$ 4,885	\$ 372	\$ (195)	\$ 3,560	\$ 4,953	\$ 1,558	\$ (255)	\$ 23,495	\$ (1,832)

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 year 2001.

SCHEDULE 24

CITY OF MERIDIAN, MISSISSIPPI
Governmental Activities Tax Revenues by Source
Last Nine 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
2007	10,098	13,574	2,587	1,040	19	27,318
2008	10,826	14,166	2,568	1,042	19	28,621
2009	12,085	13,744	2,744	1,194	19	29,786
2010	14,173	13,502	2,647	1,224	19	31,565

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 year 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>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General fund:										
Reserved	\$ 297	\$ 348	\$ 1,000	\$ 880	\$ 845	\$ 1,168	\$ 1,923	\$ 2,554	\$ 2,484	\$ 2,685
Unreserved	<u>3,326</u>	<u>4,871</u>	<u>6,099</u>	<u>6,211</u>	<u>5,638</u>	<u>6,301</u>	<u>6,754</u>	<u>5,618</u>	<u>4,276</u>	<u>5,684</u>
Total general fund	<u>\$ 3,623</u>	<u>\$ 5,219</u>	<u>\$ 7,099</u>	<u>\$ 7,091</u>	<u>\$ 6,483</u>	<u>\$ 7,469</u>	<u>\$ 8,677</u>	<u>\$ 8,172</u>	<u>\$ 6,760</u>	<u>\$ 8,369</u>
All other governmental funds:										
Reserved	\$ 2,438	\$ 2,396	\$ 8,510	\$ 4,721	\$ 3,006	\$ 4,395	\$ 4,407	\$ 6,110	\$ 12,809	\$ 7,484
Unreserved, reported in:										
Special revenue funds	50	228	340	533	1,006	2,308	2,725	3,493	2,076	3,986
Capital projects funds	<u>5,302</u>	<u>567</u>	<u>5,640</u>	<u>2,031</u>	<u>1,846</u>	<u>9,789</u>	<u>7,832</u>	<u>1,957</u>	<u>1,984</u>	<u>1,893</u>
Total all other governmental funds	<u>\$ 7,790</u>	<u>\$ 3,191</u>	<u>\$ 14,490</u>	<u>\$ 7,285</u>	<u>\$ 5,858</u>	<u>\$ 16,492</u>	<u>\$ 14,964</u>	<u>\$ 11,560</u>	<u>\$ 16,869</u>	<u>\$ 13,363</u>

Source: Audit Reports - Governmental Funds Balance Sheet

CITY OF MERIDIAN, MISSISSIPPI

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues:										
Taxes	\$ 19,874	\$ 21,322	\$ 22,380	\$ 22,944	\$ 23,534	\$ 25,121	\$ 24,562	\$ 25,889	\$ 26,859	\$ 28,716
Franchise	1,748	1,747	1,794	1,845	1,990	2,381	2,587	2,568	2,744	2,647
Licenses and permits	232	233	225	298	302	305	373	386	256	301
Intergovernmental	2,173	864	976	1,613	3,746	4,913	2,203	1,514	1,951	3,888
Charges for services	109	110	137	144	135	162	164	180	173	375
Fines and forfeitures	638	605	853	1,148	2,164	2,484	2,855	1,730	1,580	1,219
Special assessments	119	127	120	132	96	79	75	86	67	74
Payments in lieu of taxes	107	112	100	86	83	80	77	66	67	68
Local contributions	81	49	189	223	155	555	307	434	98	461
Investment earnings	529	173	148	176	259	564	1,131	628	146	196
Interest costs and damages	83	69	84	94	95	91	92	99	117	132
Miscellaneous	<u>249</u>	<u>328</u>	<u>652</u>	<u>471</u>	<u>499</u>	<u>758</u>	<u>234</u>	<u>302</u>	<u>389</u>	<u>85</u>
Total Revenues	<u>25,942</u>	<u>25,739</u>	<u>27,658</u>	<u>29,174</u>	<u>33,058</u>	<u>37,493</u>	<u>34,660</u>	<u>33,882</u>	<u>34,447</u>	<u>38,162</u>
Expenditures:										
General government	4,843	5,116	4,885	5,342	5,440	5,843	6,033	6,760	6,836	7,634
Public safety	9,956	9,998	10,576	11,500	14,767	16,420	15,684	14,731	16,117	14,732
Public works	2,966	2,876	3,541	3,827	3,956	4,223	4,425	4,146	4,671	4,441
Culture and recreation	1,527	1,535	1,750	1,884	1,963	2,027	2,065	2,484	2,639	3,406
Economic development	153	156	85	169	411	105	98	134	118	3,201
Other	65	71	51	102	127	268	150	56	42	11
Capital outlay	4,297	4,644	2,083	8,855	4,529	4,647	2,772	5,868	5,860	6,071
Debt service:										
Principal	3,893	4,064	3,346	3,440	3,059	2,356	3,019	3,467	3,062	3,498
Interest	1,685	1,634	1,261	1,705	1,506	1,354	1,736	1,790	1,555	1,982
Bond issuance costs	69	-	355	-	-	186	86	36	165	304
Total expenditures	<u>29,454</u>	<u>30,094</u>	<u>27,933</u>	<u>36,824</u>	<u>35,758</u>	<u>37,429</u>	<u>36,068</u>	<u>39,472</u>	<u>41,065</u>	<u>45,280</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,512)</u>	<u>(4,355)</u>	<u>(275)</u>	<u>(7,650)</u>	<u>(2,700)</u>	<u>64</u>	<u>(1,408)</u>	<u>(5,590)</u>	<u>(6,618)</u>	<u>(7,118)</u>

(Continued)

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

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Other financing sources (uses):										
Transfers in	\$ 2,332	\$ 2,611	\$ 1,438	\$ 2,634	\$ 1,929	\$ 2,960	\$ 4,531	\$ 9,599	\$ 10,304	\$ 6,017
Transfers out	(1,801)	(1,968)	(984)	(2,264)	(1,576)	(2,629)	(7,733)	(9,283)	(9,789)	(6,197)
Bonds issued	2,610	-	13,000	-	-	10,000	3,600	1,000	10,000	4,300
Negotiable notes issued	-	-	-	-	-	1,225	-	-	-	1,100
Capital leases	-	709	-	67	312	-	690	365	-	-
Total other financing source (uses)	<u>3,141</u>	<u>1,352</u>	<u>13,454</u>	<u>437</u>	<u>665</u>	<u>11,556</u>	<u>1,088</u>	<u>1,681</u>	<u>10,515</u>	<u>5,220</u>
Net change in fund balance	<u>\$ (371)</u>	<u>\$ (3,003)</u>	<u>\$ 13,179</u>	<u>\$ (7,213)</u>	<u>\$ (2,035)</u>	<u>\$ 11,620</u>	<u>\$ (320)</u>	<u>\$ (3,909)</u>	<u>\$ 3,897</u>	<u>\$ (1,898)</u>
Debt service as a percentage of noncapital expenditures	<u>N/A</u>	<u>22.4%</u>	<u>17.6%</u>	<u>18.2%</u>	<u>14.8%</u>	<u>11.6%</u>	<u>15.0%</u>	<u>16.0%</u>	<u>13.7%</u>	<u>14.5%</u>

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

N/A - GASB 34 was implemented effective fiscal year 2002, therefore, information on the amounts capitalized on the accrual basis government-wide statements of net assets is not available for the fiscal year 2001.

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>
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
2007	9,929	13,574	2,587	1,040	19	27,149
2008	10,662	14,166	2,568	1,042	19	28,457
2009	11,902	13,744	2,744	1,194	19	29,603
2010	13,971	13,502	2,647	1,224	19	31,363

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

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

SCHEDULE 28

CITY OF MERIDIAN, MISSISSIPPI

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

<u>Fiscal Year Ended September 30,</u>	<u>Real Property</u>		<u>Personal Property</u>		<u>Less: Tax Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Motor Vehicles</u>	<u>Other</u>					
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%
2007	59,190	124,049	34,299	43,847	2,527	258,858	50.08	1,662,921	15.57%
2008	60,176	123,601	32,352	44,701	3,139	257,691	53.08	1,657,190	15.55%
2009	76,714	154,532	32,355	49,060	5,131	307,530	50.84	2,002,797	15.36%
2010	87,063	170,953	31,722	56,584	4,120	342,202	50.84	2,234,043	15.32%

Source: Lauderdale County real and personal property tax rolls.

Note: During 2002 and 2008, all property in Lauderdale County was reappraised and resulted in an increase in assessed values.

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

SCHEDULE 29

CITY OF MERIDIAN, MISSISSIPPI

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

Fiscal Year	City of Meridian										Overlapping Rates					Total Millage
	Special					Lauderdale County					Meridian Separate School District					
	Operating Millage	Debt Service Millage	Revenue Pension Millage	Solid Waste Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School District Millage	Meridian Community College	School District Millage			
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	56.68	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	57.38	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	55.37	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	55.30	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	57.37	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	56.65	159.18		
2007	26.51	11.17	8.40	4.00	50.08	39.27	8.40	47.67	54.00	1.87	55.87	7.00	55.87	160.62		
2008	29.23	11.19	8.66	4.00	53.08	40.66	7.78	48.44	54.40	6.68	61.08	7.00	61.08	169.60		
2009	25.71	12.38	8.75	4.00	50.84	39.66	10.95	50.61	49.89	6.09	55.98	7.00	55.98	164.43		
2010	29.92	11.88	7.44	1.60	50.84	39.36	7.47	46.83	51.42	5.81	57.23	7.00	57.23	161.90		

Source: Office of the City Clerk.

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

CITY OF MERIDIAN, MISSISSIPPI

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

<u>Taxpayer</u>	<u>2010</u>			<u>2001</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Mississippi Power Company	\$ 12,601	1	3.68%	\$ 15,156	1	6.72%
Bonita Lakes Mall/Bonita Properties, Inc./CBL	10,309	2	3.01%	7,308	3	3.24%
Wal-Mart	7,291	3	2.13%	2,103	6	0.93%
Bell South Telecommunications	6,406	4	1.87%	9,360	2	4.15%
Meridian HMA/Riley Hospital	4,866	5	1.42%	4,342	4	1.93%
Meridian Crossroads	4,092	6	1.20%	---	---	---
Anderson Infirmary Benevolent Association	3,280	7	0.96%	2,432	5	1.08%
Peavey Electronics Corporation	2,396	8	0.70%	2,058	7	0.91%
Norfolk Southern Railroad	2,347	9	0.69%	1,896	8	0.84%
Atmos Energy/Mississippi Valley Gas Company	2,125	10	0.62%	---	---	---
Rush Foundation Hospital	---	---	---	1,396	9	0.62%
Sowashee Investment, et al	---	---	---	<u>1,365</u>	10	<u>0.61%</u>
Totals	<u>\$ 55,713</u>		<u>16.28%</u>	<u>\$ 47,416</u>		<u>21.03%</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)

Fiscal Year Ended <u>September 30,</u>	Total Tax Levy for <u>Fiscal Year</u>	Collected within the		Collections in <u>Subsequent Years</u>	Total Collections to Date	
		<u>Fiscal Year of the Levy</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2001	\$ 11,349	\$ 11,258	99.20%	\$ 35	\$ 11,293	99.51%
2002	11,863	11,764	99.17%	43	11,807	99.53%
2003	12,362	12,104	97.91%	47	12,151	98.29%
2004	12,569	12,393	98.60%	59	12,452	99.07%
2005	12,613	12,482	98.96%	70	12,552	99.52%
2006	12,962	12,835	99.02%	42	12,877	99.34%
2007	12,850	12,745	99.18%	30	12,775	99.42%
2008	13,570	13,505	99.52%	54	13,559	99.92%
2009	15,634	15,462	98.90%	76	15,538	99.39%
2010	16,960	16,824	99.20%	-	16,824	99.20%

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	Water & Sewer Revenue Bonds	Sewer Promissory Notes	Capital Leases	Water & Sewer Revenue Bonds	Sewer Promissory Notes	Capital Leases				
2001	\$ 12,440	\$ 4,850	\$ 6,940	\$ -	\$ 545	\$ 982	\$ -	\$ 843	\$ 25,470	\$ 5,587	\$ 76	\$ 57,733	6.52%	\$ 1,465				
2002	9,735	4,655	6,420	-	340	933	-	1,176	24,160	8,594	1,136	57,149	6.29%	1,456				
2003	13,790	4,450	5,900	7,000	130	877	-	766	23,370	8,406	1,004	65,693	7.10%	1,680				
2004	11,770	4,240	5,230	6,790	-	815	-	688	14,750	18,045	986	63,314	6.65%	1,638				
2005	9,955	4,020	4,545	6,565	-	756	-	945	13,655	17,084	913	58,438	5.86%	1,523				
2006	19,070	3,780	3,765	6,335	-	694	1,225	785	12,490	16,088	837	65,069	6.15%	1,703				
2007	21,415	3,520	2,960	6,085	-	631	1,005	1,309	11,260	15,051	896	64,132	5.90%	1,674				
2008	20,985	3,245	2,135	5,835	-	566	774	1,283	9,955	13,973	785	59,536	5.22%	1,557				
2009	29,555	2,955	1,770	5,565	-	500	529	887	8,575	12,858	673	63,867	5.60%	1,671				
2010	27,750	2,650	5,680	5,280	-	431	1,372	500	6,090	11,697	554	62,004	5.05%	1,507				

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

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

SCHEDULE 33

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value¹ of Property</u>	<u>Per Capita²</u>
2001	\$ 12,440	\$ 2,099	\$ 10,341	0.71%	\$ 262
2002	9,735	2,194	7,541	0.51%	192
2003	13,790	2,085	11,705	0.73%	299
2004	11,770	1,983	9,787	0.60%	253
2005	9,955	1,988	7,967	0.48%	208
2006	19,070	3,148	15,922	0.96%	417
2007	21,415	2,950	18,465	1.11%	482
2008	20,985	2,325	18,660	1.13%	488
2009	29,555	2,680	26,875	1.34%	703
2010	27,750	2,916	24,834	1.11%	604

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, 2010
(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	\$ 40,395	51.49%	\$ 20,799
Debt repaid with property taxes: School	<u>17,423</u>	93.08%	<u>16,217</u>
Subtotal, overlapping debt	57,818		37,016
City of Meridian direct debt	<u>27,750</u>	100.00%	<u>27,750</u>
Total direct and overlapping debt	<u>\$ 85,568</u>		<u>\$ 64,766</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.

SCHEDULE 35

CITY OF MERIDIAN, MISSISSIPPI

Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt Limit	\$ 34,016	\$ 34,783	\$ 38,261	\$ 38,544	\$ 38,739	\$ 39,211	\$ 39,208	\$ 39,125	\$ 46,899	\$ 51,948
Total net debt applicable to limit	<u>10,341</u>	<u>7,541</u>	<u>11,705</u>	<u>9,787</u>	<u>7,967</u>	<u>15,922</u>	<u>18,465</u>	<u>18,660</u>	<u>26,875</u>	<u>24,834</u>
Legal debt margin	<u>\$ 23,675</u>	<u>\$ 27,242</u>	<u>\$ 26,556</u>	<u>\$ 28,757</u>	<u>\$ 30,772</u>	<u>\$ 23,289</u>	<u>\$ 20,743</u>	<u>\$ 20,465</u>	<u>\$ 20,024</u>	<u>\$ 27,114</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>30.40%</u>	<u>21.68%</u>	<u>30.59%</u>	<u>25.39%</u>	<u>20.57%</u>	<u>40.61%</u>	<u>47.09%</u>	<u>47.69%</u>	<u>57.30%</u>	<u>47.81%</u>

Legal Debt Margin Calculation for Fiscal Year 2010:

Assessed value	\$ 342,202
Add back: exempt real property	<u>4,120</u>
Total assessed value	<u>\$ 346,322</u>
Debt limit (15% of total assessed value)	\$ 51,948
Debt applicable to limit:	
General obligation bonds	27,750
Less: Amount set aside for repayment of general obligation debt	<u>(2,916)</u>
Total net debt applicable to limit	<u>24,834</u>
Legal debt margin	<u>\$ 27,114</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)

Fiscal Year	Water & Sewer Charges and Other	Less: Operating Expenses¹	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
	Total			Total		
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%
2007	10,907	7,016	3,891	2,230	1,298	110.29%
2008	11,125	6,976	4,149	2,345	1,193	117.27%
2009	11,715	7,510	4,205	2,455	1,072	119.22%
2010	12,145	7,239	4,906	3,605	963	107.40%

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

<u>Fiscal Year</u>	<u>Population¹</u>	<u>Personal Income (amounts expressed in thousands)²</u>	<u>Per Capita Personal Income³</u>	<u>Median Age⁴</u>	<u>School Enrollment⁵</u>	<u>Unemployment Rate⁶</u>
2001	39,395	\$ 885,639	\$ 22,481	34.6	6,898	6.4%
2002	39,245	908,286	23,144	34.6	6,695	7.7%
2003	39,114	924,811	23,644	34.6	6,619	8.4%
2004	38,665	951,546	24,610	35.5	6,305	8.1%
2005	38,360	997,283	25,998	35.6	6,449	8.6%
2006	38,200	1,058,102	27,699	35.9	6,722	7.8%
2007	38,314	1,087,236	28,377	36.5	6,630	8.6%
2008	38,232	1,141,416	29,855	36.6	6,612	9.1%
2009	38,232	1,141,416	29,855	36.2	6,461	12.7%
2010	41,148	1,266,588	29,855	35.7	6,418	14.7%

Sources: ¹U.S. Census Bureau website at www.census.gov.

²This information is not available for the City of Meridian. The amounts used were calculated based on the City of Meridian's population times the per capital personal income for Lauderdale County.

³U.S. Department of Commerce, Bureau of Economic Analysis website at www.bea.gov.

⁴East Mississippi Business Development Corporation, Decision Data Resources.

⁵Meridian Separate School District.

⁶Mississippi Department of Employment Security "Annual Labor Force Report" at www.mdes.ms.gov.

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

SCHEDULE 38**CITY OF MERIDIAN, MISSISSIPPI**

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

<u>Taxpayer</u>	<u>2010</u>			<u>2001</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Rush Foundation Hospital	2,610	1	19.77%	1,123	3	7.42%
East Mississippi State Hospital	1,500	2	11.36%	1,150	2	7.60%
Jeff Anderson Regional Medical Center	1,475	3	11.17%	1,065	4	7.04%
Meridian Public Schools	1,050	4	7.95%	987	5	6.52%
Peavey Electronics Corporation	1,000	5	7.58%	1,700	1	11.24%
Meridian HMA/Riley Hospital	915	6	6.93%	700	6	4.63%
Wal-Mart Supercenters	743	7	5.63%	---	---	---
City of Meridian	570	8	4.32%	579	8	3.83%
Mississippi Air National Guard	420	9	3.18%	389	10	2.57%
Alliance Health Center	385	10	2.92%	---	---	---
Meridian Community College	---	---	---	471	9	3.11%
Winn Dixie Food Stores	---	---	---	<u>589</u>	7	<u>3.89%</u>
Totals	<u>10,668</u>		<u>80.81%</u>	<u>8,753</u>		<u>57.85%</u>

Source: East Mississippi Business Development Corporation

SCHEDULE 39

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

<u>Function</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General government	49	50	49	47	46	47	49	54	49	50
Public safety:										
Police:										
Officers	100	104	94	96	104	106	112	105	111	108
Civilians	21	15	15	17	18	18	14	18	19	15
Fire:										
Firefighters and officers	108	106	105	106	103	104	106	98	101	108
Civilians	10	10	11	10	9	10	8	9	9	11
Highways and streets	69	74	69	68	70	75	70	72	72	60
Sanitation	1	1	1	2	1	1	1	1	1	1
Culture and recreation	33	42	42	45	52	45	49	49	49	56
Water	54	51	48	51	52	50	44	50	48	47
Sewer	40	43	44	45	44	44	45	45	46	44
Golf course	5	5	5	5	3	3	3	3	3	5
Union Station	1	1	1	2	2	2	2	2	2	2
Municipal Garage	12	13	13	15	15	14	11	14	14	13
Homeland Security	-	-	-	2	6	7	6	5	5	5
Community Development	20	20	21	21	20	21	20	19	19	19
Totals	<u>523</u>	<u>535</u>	<u>518</u>	<u>532</u>	<u>545</u>	<u>547</u>	<u>540</u>	<u>544</u>	<u>548</u>	<u>544</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>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Police:										
Physical arrests	4,223	3,956	4,514	4,322	4,568	4,376	4,289	4,785	4,967	4,952
Parking violations	5,612	5,813	6,757	7,045	7,544	7,717	6,481	5,565	6,088	5,329
Traffic violations	7,033	9,261	12,272	11,564	13,049	14,766	10,763	12,663	10,816	8,676
Fire:										
Number calls answered	3,051	3,315	2,848	2,752	2,743	3,273	3,209	3,357	1,666	1,636
Inspections	955	1,900	2,048	2,844	3,051	3,734	3,673	2,907	2,814	1,375
Highways and streets:										
Street resurfacing (miles)	-	8	-	10	35	-	1	-	-	-
Potholes repaired	382	327	284	348	355	260	277	351	352	271
Culture and recreation:										
Meridian Activity Center/Velma Young Park/Highland Park classes	798	812	841	912	1,075	1,096	1,175	1,194	1,215	1,290
Water:										
New connections	183	56	45	74	71	112	93	88	45	30
Water leak repairs	1,512	1,415	1,143	1,193	1,286	948	1,130	823	1,190	1,291
Average daily consumption (millions of gallons)	5.260	5.347	5.401	5.916	4.802	4.495	5.079	5.221	4.447	4.211
Wastewater:										
Average daily sewerage treatment (millions of gallons)	9.100	9.450	10.090	9.560	11.570	10.800	6.350	9.230	5.730	7.100

Source: Various City departments.

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

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	24	28	36	37	43	71	67	77	73	84
Fire stations	7	7	7	7	7	7	7	8	8	8
Highways and streets:										
Streets (miles)	304.68	306.01	306.01	306.15	306.83	306.83	306.83	307.50	330.35	330.35
Streetlights ¹	----	6,267	6,273	6,287	6,298	6,351	6,400	6,411	6,570	6,589
Traffic signals	116	118	118	118	120	121	121	120	120	120
Culture and recreation:										
Parks acreage	225	225	226	286	286	286	286	286	286	286
Parks	14	15	16	17	17	17	17	17	17	17
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	18	18	18	18	18	18	18	18	18	18
Community centers	3	3	3	3	3	3	3	3	3	3
Softball/Baseball fields	16	16	18	18	18	18	18	18	18	18
Soccer fields	12	12	12	12	12	12	12	12	14	14
Golf course	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains (miles)	420	426	426	426	428	428	428	428	429	429
Fire hydrants	3,721	3,777	3,793	3,802	3,820	3,832	2,105	2,113	2,131	2,136
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)	418	424	442	442	442	442	444	444	445	445
Storm sewers (miles)	200	200	200	200	200	200	200	225	225	225
Maximum daily treatment capacity (thousands of gallons)	13,000	13,000	13,000	14,000	14,000	14,000	14,000	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, 2010

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number/ Federal Contract	Program or Award Amount	(Deferred) Revenue 9/30/2009	Federal Receipts	Federal Share Disbursements/ Expenditures	(Deferred) Revenue 9/30/2010	Cumulative Federal Receipts	Federal Share Disbursements Expenditures	Fund Type
U. S. Department of Housing & Urban Development										
Direct program -										
Mississippi Arts and Entertainment Center	14.251	B-06-SP-MS-0540	\$ 198,000	\$ -	\$ -	\$ -	\$ -	\$ 98,780	\$ 98,780	Special revenue
Pass-through Mississippi Development Authority - Katrina CDBG Bonita Lakes Dam Rehab	14.228	R-110-258-01-GZ	1,786,000	21,185	1,037,462	1,093,736	77,459	1,063,037	1,140,496	Special revenue
Total U.S. Department of Housing & Urban Development										
U. S. Department of Justice										
Direct programs:										
Edward Byrne Memorial Justice Assistance	16.738	2007-DJ-BX-0346	43,855	510	24,298	25,803	2,015	41,840	43,855	Special revenue
Edward Byrne Memorial Justice Assistance	16.738	2008-DJ-BX-0323	14,453	-	-	1,020	1,020	5,781	6,801	Special revenue
Edward Byrne Memorial Justice Assistance	16.738	2009-DJ-BX-0058	53,020	-	21,208	21,208	-	21,208	21,208	Special revenue
Edward Byrne Memorial Justice Assistance	16.738	2010-DJ-BX-0589	47,613	-	-	19,045	19,045	-	19,045	Special revenue
ARRA-Meridian City Joint Recovery Act JAG	16.804	2009-SB-B9-1744	257,141	135,422	245,094	109,672	-	245,094	245,094	Special revenue
ARRA-COPS Hiring Recovery Program	16.710	2009RKWX0503	581,680	-	-	-	-	-	-	Special revenue
Total direct programs										
Pass-through Mississippi Department of Public Safety:										
MS Stop Violence Against Women Program	16.588	08SL2221	34,527	2,795	28,396	25,979	378	33,788	34,166	Special revenue
MS Stop Violence Against Women Program	16.588	09SL2221	46,036	-	5,597	8,385	2,788	5,597	8,385	Special revenue
Bulleproof Vests Partnership	16.607	2004 BUBX-04023457	33,250	4,959	4,959	-	-	33,096	33,096	Special revenue
Bulleproof Vests Partnership	16.607	2009 BUBX-08041953	4,637	-	-	-	-	-	-	Special revenue
JAG Multi-Jurisdictional Narcotics Assistance	16.738	06NM2223	165,505	21,571	23,301	297	(1,433)	162,215	160,782	Special revenue
JAG Multi-Jurisdictional Narcotics Assistance	16.738	09NM2221	185,516	-	150,958	181,517	30,559	150,958	181,517	Special revenue
Total pass-through programs										
Total U.S. Department of Justice										
Direct program -										
Federal Railroad Administration	20.313	DTRF53-08-G-00001	250,000	152,998	152,998	-	-	250,000	250,000	General fund
Pass-through Mississippi Department of Public Safety:										
Occupant Protection Seatbelt Enforcement	20.600	09-OP-222-1	15,000	8,051	8,051	-	-	13,808	13,808	Special revenue
Occupant Protection Seatbelt Enforcement	20.600	10-OP-222-1	15,000	-	8,469	8,469	-	8,469	8,469	Special revenue
Meridian DUI Enforcement Program	20.600	09-TA-222-1	100,000	19,445	19,445	-	-	75,590	75,590	Special revenue
Meridian DUI Enforcement Program	20.600	10-TA-222-1	100,000	-	68,267	76,887	8,620	68,267	76,887	Special revenue
Pass-through MS Department of Transportation:										
ARRA-29th Ave. Sowahee Creek Bridge Replacement	20.205	STP-8134-00(001)	1,048,480	-	690,268	846,908	156,640	690,268	846,908	Capital project
ARRA-26th Ave. Viaduct Safety Upgrades	20.205	STP-8161-00(001)	912,797	-	464,902	624,945	160,043	464,902	624,945	Capital project
Central Business District & 14th St. Signal Upgrades	20.205	STP-0320-00(022)	1,075,550	-	-	25,188	25,188	-	25,188	Capital project
Safe Routes to School Project	20.205	SRSP-0320-00(024)	800,626	-	-	-	-	-	-	Capital project
Pass-through MS Department of Wildlife, Fisheries and Parks -										
RTP Bonita Lakes Trail Sign Project	20.219	28-RTP-0149	36,000	-	36,000	36,000	-	36,000	36,000	Special revenue
Total pass-through programs										
Total U.S. Department of Transportation										

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended September 30, 2010

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number/Federal Contract	Program or Award Amount	Accrued (Deferred) Revenue 9/30/2009	Federal Receipts	Federal Share Disbursements/Expenditures	Accrued (Deferred) Revenue 9/30/2010	Cumulative Federal Receipts	Cumulative Federal Share Disbursements/Expenditures	Fund Type
U. S. Environmental Protection Agency Direct program - South Industrial Park Study	66.202	XP-96402004-2	1,349,400	-	-	-	-	587,510	587,510	Enterprise fund
U. S. Department of Energy Direct program - ARRA-Energy Efficiency and Conservation	81.128	DE-EE0001874	182,400	-	182,400	156,911	(25,489)	182,400	156,911	Special revenue
U. S. Department of Health and Human Services Pass-through Mississippi State Department of Health - Fire Academy for Kids	93.136	H28CE000852-03	1,000	-	1,000	1,000	-	1,000	1,000	Special revenue
U. S. Department of Homeland Security Pass-through Mississippi Department of Public Safety: 2003 Flood Assistance	83.544	FEMA-1459-DR-MS	360,509	190,571	-	-	190,571	169,939	360,509	Capital projects
Hurricane Ivan Clean Up	97.036	FEMA-1550-MS-DR	758,483	254,309	-	-	254,309	504,174	758,483	Special revenue
Hurricane Katrina Clean Up	97.036	FEMA-1604-MS-DR	3,070,978	177,191	-	-	177,191	3,079,153	3,256,344	Special revenue
Homeland Security - Citizen Corps	97.053	07CC258	3,725	2,849	3,725	876	-	3,725	3,725	Special revenue
Homeland Security - Citizen Corps	97.053	S8CC258	3,000	-	2,975	2,975	-	2,975	2,975	Special revenue
Homeland Security - Citizen Corps	97.053	08CC258	1,999	-	1,999	1,999	-	1,999	1,999	Special revenue
Homeland Security - Citizen Corps	97.053	09CC258	5,198	-	-	-	-	-	-	Special revenue
Homeland Security - Collapse Structure Training	97.067	S5HS258R	98,685	(120)	-	-	(120)	98,685	98,565	Special revenue
Homeland Security - Regional Response Team	97.067	7HS258T	141,300	81,184	84,667	2,754	(729)	140,581	139,852	Special revenue
Homeland Security - Domestic Preparedness	97.067	07HS258	9,200	9,200	9,200	-	-	9,200	9,200	Special revenue
Homeland Security	97.067	5HS038R	150,000	(118)	-	-	(118)	150,000	149,882	Special revenue
Homeland Security	97.067	6HS258R	150,000	(40)	-	-	(40)	150,000	149,960	Special revenue
Interoperable Emergency Communication	97.067	8IC258T	103,637	36,823	68,290	63,461	31,994	68,290	100,284	Special revenue
Homeland Security - Regional Response Funds	97.073	A8HS258T	22,281	1,077	17,489	16,412	-	17,489	17,489	Special revenue
Homeland Security - Regional Response Funds	97.073	S9HS258T	10,150	-	-	-	-	-	-	Special revenue
Homeland Security - Task Force Training	97.073	08HS258T	125,000	60,880	95,564	34,824	140	95,564	95,704	Special revenue
Homeland Security - Task Force Funds	97.073	S8HS258T	253,633	37,924	118,195	110,776	30,505	118,195	148,700	Special revenue
Homeland Security - Task Force Funds	97.073	09HS258T	61,900	-	-	14,607	14,607	-	14,607	Special revenue
Homeland Security - GPS Units	97.073	08HS258	2,000	-	2,000	2,000	-	2,000	2,000	Special revenue
Homeland Security - Training	97.073	09HS258	100,000	-	26,240	36,800	10,560	26,240	36,800	Special revenue
Law Enforcement Terrorism Prevention Program	97.067	07LE258	28,294	28,294	28,294	-	-	28,294	28,294	Special revenue
Law Enforcement Terrorism Prevention Program	97.067	08LE258	93,000	93,000	93,000	-	-	93,000	93,000	Special revenue
Law Enforcement Terrorism Prevention - GPS Units	97.073	S8LE258	2,000	-	2,000	2,000	-	2,000	2,000	Special revenue
Total U. S. Department of Homeland Security				973,024	551,639	289,484	710,869	4,759,504	5,470,372	
Total federal financial assistance				\$ 1,339,960	\$ 3,724,712	\$ 3,552,454	\$ 1,167,702	\$ 8,999,112	\$ 10,166,813	

¹ The beginning accrued revenue for this grant has been adjusted to reflect that reimbursements for all grant-related expenditures have been requested and received.

² This grant project is funded as expenditures are approved by the funding agency. The award amount, beginning accrued revenue and cumulative Federal share disbursements/expenditures for this grant have been adjusted to include disbursements that were subsequently approved.

³ The beginning accrued revenue for this grant has been adjusted to include an additional \$340 in expenditures that were omitted in a previous year.

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

CITY OF MERIDIAN, MISSISSIPPI
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2010

(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, 2010

There were no prior year findings or questioned costs.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Meridian, Mississippi ("City") as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 28, 2011. We did not audit the financial statements of the Meridian Transportation Commission or the Meridian Airport Authority, which represent 99.99% of the assets and 99.97% 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated March 28, 2011.

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.

Bryce, Sanders & O'Neil, PA

Jackson, Mississippi
March 28, 2011

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

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

Compliance

We have audited City of Meridian, Mississippi's ("City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2010. 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 \$3,062,557 in federal awards; and the Meridian Transportation Commission ("MTC"), which expended \$236,843 in federal awards; both of which are not included in the schedule during the year ended September 30, 2010. 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 of the City's compliance with those requirements.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

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

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

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

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

By: [Signature] & O'Neil, et al.

Jackson, Mississippi
March 28, 2011

CITY OF MERIDIAN, MISSISSIPPI
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended September 30, 2010

Section I - Summary of Audit Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Reportable conditions identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Reportable conditions identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major program tested:

CFDA Number

14.228
 16.738/16.804
 20.205/20.219

Name of Federal Program or Cluster

Katrina CDBG Bonita Lakes Dam Rehab
 Edward Byrne Memorial Justice Assistance
 Highway Planning and Construction/
 Recreational Trails Program

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

Continued

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2010

Section II - Findings - Financial Statement Audit

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

Section III - Findings and Questioned Costs - Federal Award Programs

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of the City of Meridian, Mississippi ("City") as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 28, 2011. We did not audit the financial statements of the Meridian Transportation Commission or the Meridian Airport Authority, which represent 99.99% of the assets and 99.97% 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 City's basic financial statements disclosed no material instances of noncompliance with state laws and regulations.

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

Breazeale, Saunders & O'Neil, Ltd.

Jackson, Mississippi
March 28, 2011