

# *CITY OF MERIDIAN, MISSISSIPPI*



## *Comprehensive Annual Financial Report For The Fiscal Year Ending September 30, 2003*

*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, 2003

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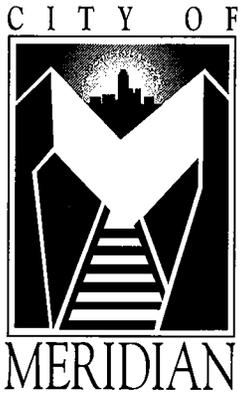
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## **INTRODUCTORY SECTION**

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April 27, 2004

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

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

**Council members:**  
GEORGE M THOMAS  
Ward 1  
  
MARY A. B. PERRY  
Ward 2  
  
BARBARA HENSON  
Ward 3  
  
JESSE E. PALMER, SR.  
Ward 4  
  
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) 485-1878

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

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

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

State of Mississippi law requires that every municipality in the state shall have their 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, 2003.

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 generally accepted auditing standards 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 2003, 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, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of

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

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

### **Profile of the Government**

The City, incorporated in 1860, is located in east central Mississippi, and is the county seat of Lauderdale County. The City currently occupies a land area of approximately 46 square miles and has an official 2000 population of 39,968. The City is empowered to levy a property tax on real and personal properties, utilities and motor vehicles located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing authorities and approved by the appropriate court of jurisdiction.

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

The City provides a full range of services, including police and fire protection; construction and maintenance of streets, drainage ways and other infrastructure; waste and trash collection and disposal; water and sewer services; community and economic development services; and recreational activities and cultural events. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and included as part of the primary government. Accordingly, the Meridian Public Improvement Corporation is reported as a special service fund of the primary government. Discretely presented component units are

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

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

### **Factors Affecting Financial Condition**

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

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

Additionally, the City serves as a regional health center, having four hospitals employing over 4,000 healthcare professionals and staff. The federal government has a major presence in the area with the location of Meridian Naval Air Station which provides training for both naval carrier pilots and technical training for various enlisted personnel. The City is home of the first local Department of Homeland Security in the state and is the leader in a seven-county regional response team, which was recently awarded a grant of nearly \$900,000 for counter-terrorism and natural disaster-related activities. Our Public Safety Training Center serves as the location of a six-state disaster-training program through the Federal Railroad Administration.

Investments in downtown continue the revitalization of the center of the City through both residential and commercial conversion of vacant buildings. Retail growth continues to build on the strength of Bonita Lakes Mall, Wal-Mart Super Center and Lowe's Home Improvement Center, and with the recent announcement of a Sam's Club. Work continues on the Riley Education and Performing Arts Center with completion and re-opening of the Grand Opera

House of Mississippi scheduled for December, 2005. The Arts District Parking Garage, the City's commitment to the Riley project, is scheduled to open in January, 2005. A companion arts project, The Mississippi Arts and Entertainment Center at Bonita Lakes, has acquired seed money and is seeking design professionals for preliminary site work. The board of directors has recently hired a director.

The Meridian Naval Air Station sewage treatment project has been completed and right-of-way has been acquired for water and sewer for the county's new industrial park off Interstate 20/59.

Efforts are in the formulative stage for redevelopment of the 17-story Art Deco-style Threefoot Building, as a hotel center to serve as a companion project to the development of the Riley Education and Performing Arts Center.

**Long-term financial planning.** The City will be addressing a number of significant improvements to the water and sewer system over the next five to seven years. These improvements will be necessary due to upcoming regulations such as the EPA's Capacity, Management, Operations and Maintenance (CMOM) regulations; supporting capital reinvestment and repair to revitalize some infrastructure due to age; and new improvements that will be necessary as a result of current annexation efforts. Project costs will be financed by the issuance of bonds at a current estimated cost of \$6,000,000.

Planning has begun for the eventual replacement of the current aging police station and courtroom with a new facility and an additional fire station for better coverage. Early estimates for these projects are approximately \$5,000,000.

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

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

**Pension and Retirement Plans.** The City and its component units contribute to the Public Employee's Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. Employees covered by PERS are required by statute to contribute 7.25% of their salary to PERS. During the year ended September 30, 2003, City employees contributed \$1,032,558. The Meridian Airport Authority made contributions to PERS during the year ended September 30, 2003, of approximately \$18,000. Ten-year historical trend

information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS June 30, 2003, comprehensive annual financial report.

The City also participates in the Municipal Retirement System (MRS) which has been closed to new participants since July 1, 1976. MRS is an agent multiple-employer defined benefit plan of PERS. MRS was designed to provide retirement benefits for general municipal employees, as well as firefighters and police officers. The City is one of two cities providing retirement benefits to general municipal employees and one of 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 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, 2003 was \$214,435; the City's total payroll for all employees was \$13,841,859. At September 30, 2002, the date of the most recent actuarial valuation, there were 10 participating general municipal employees, firefighters and police officers.

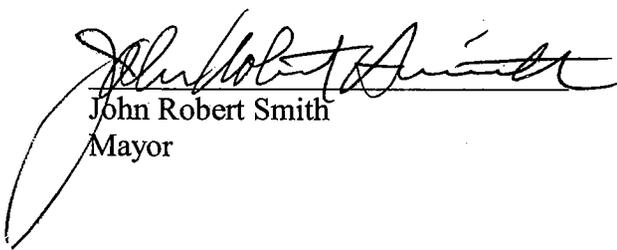
#### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2002. This was the seventh consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

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

Sincerely,

  
John Robert Smith  
Mayor

  
L. E. Skipper  
Chief Financial Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Meridian,  
Mississippi

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2002

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.



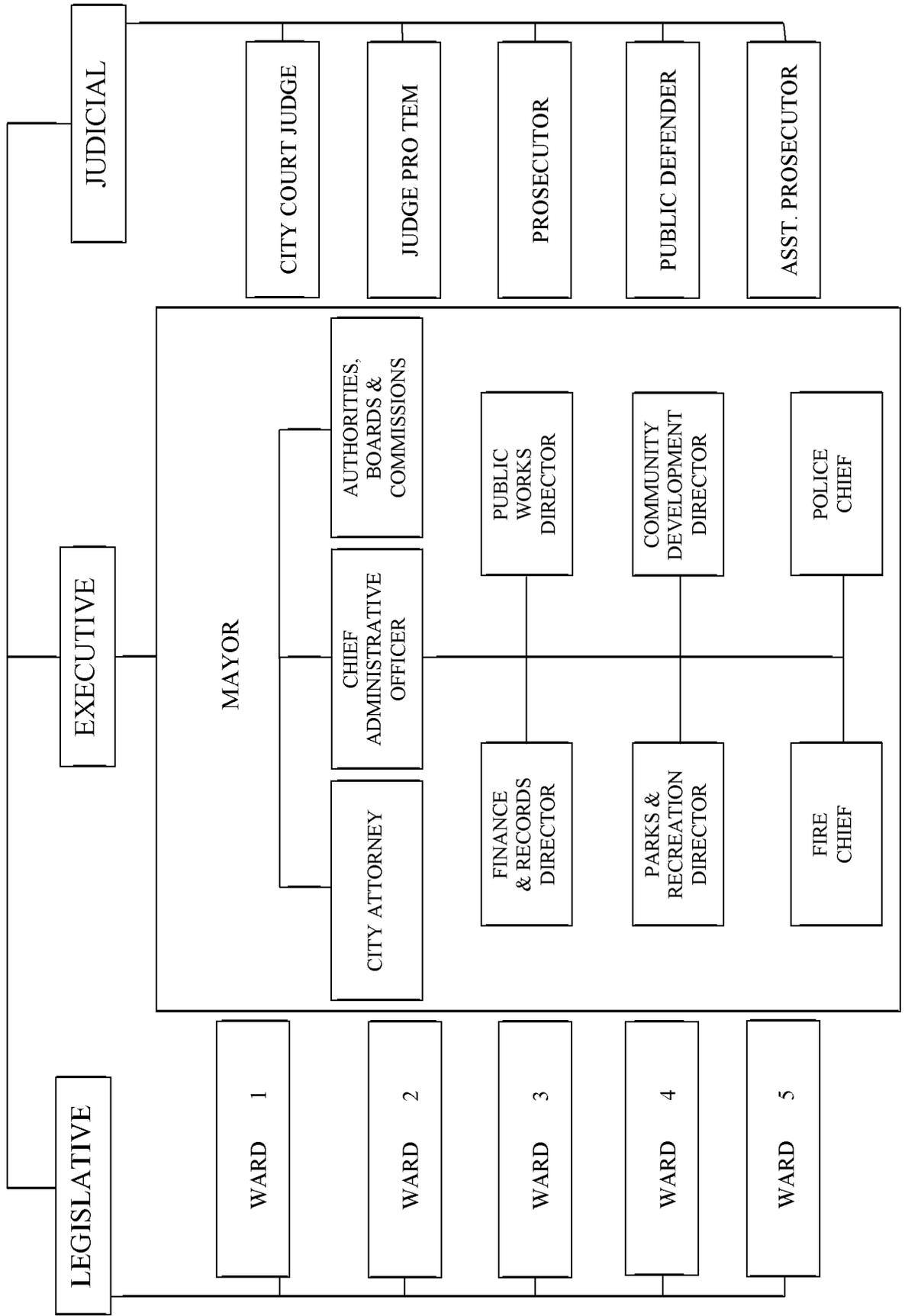
A handwritten signature in cursive script, appearing to read "Edward Henry".

President

A handwritten signature in cursive script, appearing to read "Jeffrey R. Emer".

Executive Director

# CITY OF MERIDIAN, MISSISSIPPI ORGANIZATIONAL STRUCTURE



**CITY OF MERIDIAN, MISSISSIPPI**

Listing of City Officials

September 30, 2003

**Elected Officials**

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

**Appointed Officials**

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

**FINANCIAL SECTION**

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**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Meridian, Mississippi (City) as of and for the year ended September 30, 2003, 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 an opinion 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 99.8% and 100%, 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 opinion, insofar as it relates to the amounts included for these component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

As discussed in note 1 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*, and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, during the year ended September 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management’s discussion and analysis on pages 15 through 23 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

*Brayden, Sanders & O'Neil, Att.*

April 27, 2004

## Management's Discussion and Analysis

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, 2003. 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 \$79,525 (*net assets*). Of this amount, \$24,178 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$372. This increase is attributable to expenditures being less than budgeted and revenues exceeding budget estimates.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$21,589, an increase of \$13,178 in comparison with the prior year. Approximately one-fourth of this total amount, \$5,296, is *available for spending* at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$6,099 or 29 percent of total general fund expenditures.
- The City's total debt increased by \$8,544 (15 per cent) during the current fiscal year. The key factor in this was the issuance of \$13,000 in bonds (Special Obligation Bonds in the amount of \$7 million and General Obligations Bonds in the amount of \$6 million) offset by approximately \$4,456 in current year payments.

### **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, highways and streets, economic development, and culture and recreation. The business-type activities of the City include the Water and Sewer Fund, Waste Collection and Disposal Fund, Golf Course Fund, Union Station Fund and citywide Concessions Fund.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the following legally separate entities for which the City is financially accountable: 1) Meridian Airport Authority, 2) Meridian Transportation Commission, 3) Meridian and Bonita Lakes Development Authority, and 4) Meridian Redevelopment Authority. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 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, urban renewal parking garage bonds, and the 2003 general obligation bonds, all of which are considered to be major funds. Data from the other 14 governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental funds financial statements can be found on pages 30 – 35 of this report.

***Proprietary funds.*** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer Fund, Waste Collection and Disposal Fund, Golf Course Fund, Union Station Fund and a citywide Concessions Fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for service and maintenance costs for its fleet of vehicles. It uses a second internal service fund to account for office supplies. A third internal service fund is used 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. Conversely, the internal service funds are combined into a single, aggregate presentation in the proprietary fund financial statements. Individual fund data for the 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 36 – 41 of this report.

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

The basic fiduciary funds financial statements can be found on page 42 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 45 – 87 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 91 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 93 – 121 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 \$79,525 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (65 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Meridian's Net Assets

<u>Description</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Current and other assets	\$ 26,542	12,695	9,848	12,042	36,390	24,737
Capital assets	<u>64,726</u>	<u>66,300</u>	<u>51,958</u>	<u>54,168</u>	<u>116,684</u>	<u>120,468</u>
<b>Total assets</b>	<u>91,268</u>	<u>78,995</u>	<u>61,806</u>	<u>66,210</u>	<u>153,074</u>	<u>145,205</u>
Long-term liabilities outstanding	31,974	22,555	30,083	32,100	62,057	54,655
Other liabilities	<u>6,941</u>	<u>6,228</u>	<u>4,551</u>	<u>5,169</u>	<u>11,492</u>	<u>11,397</u>
<b>Total liabilities</b>	<u>38,915</u>	<u>28,783</u>	<u>34,634</u>	<u>37,269</u>	<u>73,549</u>	<u>66,052</u>
Net assets:						
Invested in capital assets, net of related debt	31,813	39,940	20,085	20,538	51,898	60,478
Restricted	-	-	3,449	5,147	3,449	5,147
Unrestricted	<u>20,540</u>	<u>10,272</u>	<u>3,638</u>	<u>3,256</u>	<u>24,178</u>	<u>13,528</u>
<b>Total net assets</b>	\$ <u>52,353</u>	<u>50,212</u>	<u>27,172</u>	<u>28,941</u>	<u>79,525</u>	<u>79,153</u>

An additional portion of the City's net assets (4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$24,178) 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 \$1,698 in restricted net assets reported in connection with the City's business-type activities. This is a result of completion of the NAS sewer project with conversion of certain restricted assets associated with revenue bonds to capital assets.

The City's net assets increased by \$372 during the current fiscal year. About one-third of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. The remainder of this growth largely reflects rate increases.

**Governmental activities.** Governmental activities increased the City's net assets by \$2,141, thereby offsetting the decrease in business-type activities. Key elements of this increase are as follows:

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

<b><u>Description</u></b>	<b><u>Governmental Activities</u></b>		<b><u>Business-type Activities</u></b>		<b><u>Total</u></b>	
	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,817	1,278	11,111	11,605	12,928	12,883
Operating grants and contributions	817	792	312	2,823	1,129	3,615
Capital grants and contributions	281	60	-	-	281	60
General revenues:						
Property taxes	9,828	9,385	901	823	10,729	10,208
Other taxes	14,521	13,867	-	-	14,521	13,867
Grants and contributions not restricted to specific programs	68	61	-	-	68	61
Other	<u>169</u>	<u>173</u>	<u>269</u>	<u>201</u>	<u>438</u>	<u>374</u>
Total revenues	<u>27,501</u>	<u>25,616</u>	<u>12,593</u>	<u>15,452</u>	<u>40,094</u>	<u>41,068</u>
<b>Expenses:</b>						
General government	5,291	5,548	-	-	5,291	5,548
Public safety	10,865	10,395	-	-	10,865	10,395
Highways/streets	6,230	5,608	-	-	6,230	5,608
Sanitation	-	-	2,529	2,174	2,529	2,174
Economic development	85	156	-	-	85	156
Culture and recreation	1,805	1,609	-	-	1,805	1,609
Interest on long-term debt	1,390	1,553	-	-	1,390	1,553
Other	50	71	735	745	785	816
Water and Sewer	<u>-</u>	<u>-</u>	<u>10,742</u>	<u>8,324</u>	<u>10,742</u>	<u>8,324</u>
Total expenses	<u>25,716</u>	<u>24,940</u>	<u>14,006</u>	<u>11,243</u>	<u>39,722</u>	<u>36,183</u>
<b>Increase (decrease) in net assets before transfers</b>	1,785	676	(1,413)	4,209	372	4,885
Transfers	<u>356</u>	<u>700</u>	<u>(356)</u>	<u>(700)</u>	<u>-</u>	<u>-</u>
<b>Increase (decrease) in net assets</b>	2,141	1,376	(1,769)	3,509	372	4,885
<b>Net assets - 10/01/02</b>	<u>50,212</u>	<u>48,836</u>	<u>28,941</u>	<u>25,432</u>	<u>79,153</u>	<u>74,268</u>
<b>Net assets - 09/30/03</b>	\$ <u>52,353</u>	<u>50,212</u>	<u>27,172</u>	<u>28,941</u>	<u>79,525</u>	<u>79,153</u>

- Property taxes increased by \$521 (approximately 5 percent) during the year.
- Revenues were higher than anticipated and expenditures were less than budgeted.

For the most part, expenditures remained stable. General government and debt service expenditures decreased and public safety and public works expenditures increased.

**Business-type activities.** Business-type activities decreased the City's net assets by \$1,769. This is primarily due to change in depreciation and regulatory changes in the presentation of financial information.

### **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 \$21,589, an increase of \$13,178 in comparison with the prior year. Approximately one-fourth of this total amount (\$5,296) constitutes *unreserved fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to liquidate contracts and pay purchase orders of the prior period (\$7,355) and for a variety of other restricted or designated purposes (\$8,938).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$6,099, while total fund balance reached \$7,099. 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 29 percent of total general fund expenditures, while total fund balance represents 33 percent of that same amount.

The fund balance of the City's general fund increased by \$1,879 during the current fiscal year. Key factors in this growth are as follows:

- Property taxes increased by \$665.
- Sales tax diversion from the State increased by \$390.
- Fines and forfeitures increased by \$219

The debt service fund has a total fund balance of \$2,085, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was minimal (\$109).

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

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$3,105, and those for the Waste Collection and Disposal Fund amounted to \$416. The total decrease in net assets for both funds was \$1,720 and \$4, respectively. Other factors concerning the finances have already been addressed in the discussion of the City's business-type activities.

## General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor (\$228 increase in appropriations) and can be briefly summarized as follows:

- \$275 increase in general government activities
- \$61 increase in finance and records department
- \$7 increase in community development department
- \$7 increase in parks and recreation department
- \$35 decrease in public works department
- \$175 decrease in the police department
- \$88 increase in the fire department.

Of this increase, \$40 was to be funded from miscellaneous revenue and \$45 from transfer in from an enterprise fund. The remaining \$143 was to be budgeted from available fund balance.

## 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, 2003, amounts to \$116,684 (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:

- An additional wastewater treatment facility for the Water and Sewer Fund was completed
- An extension to the sewer collection system for NAS Meridian was completed
- Phases VI and VII for the Gallagher Creek channelization project were completed
- Drainage improvements on 33<sup>rd</sup> Avenue were completed
- South Industrial Park flood control project was completed.

### 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>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Land	\$ 5,467	5,409	272	272	5,739	5,681
Building & system	12,748	13,070	50,684	38,520	63,432	51,590
Improvements other than buildings	784	831	31	32	815	863
Machinery and equipment	3,354	3,618	648	813	4,002	4,431
Infrastructure	40,476	42,871	-	-	40,476	42,871
Construction in progress	<u>1,897</u>	<u>501</u>	<u>323</u>	<u>14,531</u>	<u>2,220</u>	<u>15,032</u>
<b>Total</b>	\$ <u>64,726</u>	<u>66,300</u>	<u>51,958</u>	<u>54,168</u>	<u>116,684</u>	<u>120,468</u>

Additional information on the City's capital assets can be found in note 5 on pages 67 – 70 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$54,510. Of this amount, \$13,790 comprises debt backed by the full faith and credit of the City, \$7,000 is special obligation bonds, \$5,900 is tax increment financing bonds and \$4,450 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).

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

<b><u>Description</u></b>	<b><u>Governmental Activities</u></b>		<b><u>Business-type Activities</u></b>		<b><u>Total</u></b>	
	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
General obligation bonds	\$ 13,790	9,735	-	-	13,790	9,735
Special obligation bonds	7,000	-	-	-	7,000	-
Limited obligation tax increment financing bonds	5,900	6,420	-	-	5,900	6,420
Special assessment debt with governmental commitment	4,450	4,655	-	-	4,450	4,655
Revenue bonds	-	-	23,370	24,160	23,370	24,160
<b>Total</b>	\$ <b><u>31,140</u></b>	<b><u>20,810</u></b>	<b><u>23,370</u></b>	<b><u>24,160</u></b>	<b><u>54,510</u></b>	<b><u>44,970</u></b>

The City's total bonded debt increased by \$9,540 (21 percent) during the current fiscal year. The key factors in this increase were a \$7,000 special obligation bond to finance public building and a \$6,000 general obligation bonds for street improvements.

The City issued revenue bonds to refinance previously outstanding special revenue bonds of the water and sewer function. The result is expected to be a decrease in future debt service payments of \$549.

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

State statutes limit the amount of general obligation debt a government entity may issue to 15 percent of its total assessed valuation. The current debt limitation of the City is \$37,542 which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in note 8 on pages 73 – 79 of this report.

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

- The unemployment rate for the City is currently 6.4 percent, which is an increase from the rate of 6.1 percent a year ago. This compares favorably to the national average of 6.1 percent but is slightly higher than the state average of 5.7 percent.
- The revitalization of the City's central business district has continued during the past 3 years with 50 new businesses opening.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2004 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$6,099. The City has appropriated \$2,300 of this amount for spending in the 2004 fiscal year budget.

The Water and Sewer Fund's rates were increased for the 2004 budget year. The water and sewer rates were increased by an average of 10 percent for all customers. The water and sewer rates affected both residential and industrial consumers by approximately the same percentage. These rate increases were necessary to finance debt service on the new debt issued by the Water and Sewer Fund.

### **Requests for Information**

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

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## **BASIC FINANCIAL STATEMENTS**

**CITY OF MERIDIAN, MISSISSIPPI**  
Statement of Net Assets  
September 30, 2003

<u>ASSETS</u>	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Cash and cash equivalents	\$ 15,987,017	2,171,626	18,158,643	539,861
Investments	6,286,219	100,000	6,386,219	8,342
Receivables, net:				
Taxes	1,175,234	-	1,175,234	-
Accounts	492,774	670,492	1,163,266	12,837
Special assessments	1,541,809	-	1,541,809	-
Intergovernmental	315,439	-	315,439	477,843
Interest	8,596	288	8,884	-
Miscellaneous	3,997	9,044	13,041	13,317
Due from component units	68,676	-	68,676	-
Internal balances	(71,418)	71,418	-	-
Inventory	55,232	422,523	477,755	-
Prepaid items	69,860	24,410	94,270	21,966
Deferred charges	608,264	470,084	1,078,348	-
Temporarily restricted assets -				
Cash and investments	-	5,908,949	5,908,949	226,927
Capital assets (net of accumulated depreciation):				
Land	5,466,995	271,666	5,738,661	500,000
Buildings	12,747,179	7,183	12,754,362	1,480,309
Water and sewer system	-	50,677,271	50,677,271	-
Improvements other than buildings	784,395	31,010	815,405	8,206,860
Machinery and equipment	3,354,070	647,824	4,001,894	90,132
Infrastructure	40,476,238	-	40,476,238	-
Construction in progress	1,897,235	322,596	2,219,831	2,789,123
<b>Total assets</b>	<u>91,267,811</u>	<u>61,806,384</u>	<u>153,074,195</u>	<u>14,367,517</u>

(Continued)

**CITY OF MERIDIAN, MISSISSIPPI**  
Statement of Net Assets  
September 30, 2003

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
<b><u>LIABILITIES</u></b>				
Accounts payable and other current liabilities	\$ 1,758,490	632,276	2,390,766	534,695
Accrued interest	474,557	-	474,557	-
Accrued salaries	651,696	129,502	781,198	-
Accrued sales tax	-	14,248	14,248	-
Deposits payable	139,180	629,616	768,796	1,150
Liabilities payable from restricted assets	-	2,460,087	2,460,087	-
Deferred revenue	24,722	523,072	547,794	16,704
Noncurrent liabilities:				
Due within one year	3,891,744	161,948	4,053,692	-
Due in more than one year	<u>31,974,233</u>	<u>30,083,291</u>	<u>62,057,524</u>	-
<b>Total liabilities</b>	<u>38,914,622</u>	<u>34,634,040</u>	<u>73,548,662</u>	<u>552,549</u>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	31,813,493	20,085,187	51,898,680	13,066,424
Restricted for:				
Debt service	-	1,313,834	1,313,834	-
Capital projects	-	2,135,028	2,135,028	226,927
Unrestricted	<u>20,539,696</u>	<u>3,638,295</u>	<u>24,177,991</u>	<u>521,617</u>
<b>Total net assets</b>	<u>\$ 52,353,189</u>	<u>27,172,344</u>	<u>79,525,533</u>	<u>13,814,968</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, 2003

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 5,290,667	826,960	-	-
Public safety	10,864,580	853,102	627,767	-
Public works	6,230,296	-	-	-
Culture and recreation	1,805,588	136,681	21,252	-
Economic development	84,848	-	167,829	280,553
Other	50,554	-	-	-
Interest on long-term debt	1,389,605	-	-	-
Total governmental activities	<u>25,716,138</u>	<u>1,816,743</u>	<u>816,848</u>	<u>280,553</u>
Business-type activities:				
Water and sewer	10,741,834	9,001,957	249,491	-
Waste collection and disposal	2,529,121	1,599,142	62,397	-
Golf course	433,220	367,507	-	-
Union station	253,725	98,252	-	-
Concessions	48,250	44,611	-	-
Total business-type activities	<u>14,006,150</u>	<u>11,111,469</u>	<u>311,888</u>	<u>-</u>
<b>Total primary government</b>	<u>\$ 39,722,288</u>	<u>12,928,212</u>	<u>1,128,736</u>	<u>280,553</u>
<b>Component units:</b>				
Meridian Airport Authority	\$ 1,345,281	660,894	210,892	1,474,239
Nonmajor component units	444,427	59,495	329,129	3,000
<b>Total component units</b>	<u>\$ 1,789,708</u>	<u>720,389</u>	<u>540,021</u>	<u>1,477,239</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
- Gain on sale of capital assets

**Transfers**

Total general revenues and transfers

**Change in net assets**

**Net assets, October 1, 2002**

**Net assets, September 30, 2003**

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

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

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
(4,463,707)	-	(4,463,707)	-
(9,383,711)	-	(9,383,711)	-
(6,230,296)	-	(6,230,296)	-
(1,647,655)	-	(1,647,655)	-
363,534	-	363,534	-
(50,554)	-	(50,554)	-
<u>(1,389,605)</u>	<u>-</u>	<u>(1,389,605)</u>	<u>-</u>
<u>(22,801,994)</u>	<u>-</u>	<u>(22,801,994)</u>	<u>-</u>
-	(1,490,386)	(1,490,386)	-
-	(867,582)	(867,582)	-
-	(65,713)	(65,713)	-
-	(155,473)	(155,473)	-
<u>-</u>	<u>(3,639)</u>	<u>(3,639)</u>	<u>-</u>
<u>-</u>	<u>(2,582,793)</u>	<u>(2,582,793)</u>	<u>-</u>
<u>(22,801,994)</u>	<u>(2,582,793)</u>	<u>(25,384,787)</u>	<u>-</u>
-	-	-	1,000,744
<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,803)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>947,941</u>
9,828,322	901,121	10,729,443	-
11,839,530	-	11,839,530	-
1,793,752	-	1,793,752	-
868,134	-	868,134	-
19,307	-	19,307	-
68,158	-	68,158	-
148,491	269,595	418,086	7,947
20,817	-	20,817	45,005
356,796	(356,796)	-	-
<u>24,943,307</u>	<u>813,920</u>	<u>25,757,227</u>	<u>52,952</u>
2,141,313	(1,768,873)	372,440	1,000,893
<u>50,211,876</u>	<u>28,941,217</u>	<u>79,153,093</u>	<u>12,814,075</u>
<u>\$ 52,353,189</u>	<u>27,172,344</u>	<u>79,525,533</u>	<u>13,814,968</u>

**CITY OF MERIDIAN, MISSISSIPPI**

Balance Sheet

Governmental Funds

September 30, 2003

<u>ASSETS</u>	<u>General</u>	<u>Debt Service</u>	<u>Urban Renewal Parking Garage Bonds</u>	<u>2003 General Obligation Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 6,421,776	2,001,651	-	5,990,351	1,449,824	15,863,602
Investments	500,000	-	5,536,219	-	250,000	6,286,219
Receivables, net:						
Taxes	1,138,988	36,246	-	-	-	1,175,234
Accounts	492,774	-	-	-	-	492,774
Special assessments	-	1,541,809	-	-	-	1,541,809
Intergovernmental	60,164	-	-	-	255,275	315,439
Interest	1,441	-	-	6,989	166	8,596
Miscellaneous	-	-	-	-	3,997	3,997
Due from other funds	220,637	49,955	-	-	97,652	368,244
Due from component units	40,848	-	-	-	-	40,848
Prepaid items	<u>69,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,860</u>
<b>Total assets</b>	<b>\$ <u>8,946,488</u></b>	<b><u>3,629,661</u></b>	<b><u>5,536,219</u></b>	<b><u>5,997,340</u></b>	<b><u>2,056,914</u></b>	<b><u>26,166,622</u></b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b>Liabilities:</b>						
Accounts payable	\$ 865,806	2,796	556,717	128,339	171,396	1,725,054
Accrued salaries	651,696	-	-	-	-	651,696
Deposits payable	139,180	-	-	-	-	139,180
Due to other funds	191,211	-	-	-	304,002	495,213
Deferred revenue	<u>-</u>	<u>1,541,809</u>	<u>-</u>	<u>-</u>	<u>24,722</u>	<u>1,566,531</u>
<b>Total liabilities</b>	<b><u>1,847,893</u></b>	<b><u>1,544,605</u></b>	<b><u>556,717</u></b>	<b><u>128,339</u></b>	<b><u>500,120</u></b>	<b><u>4,577,674</u></b>
 <b>Fund balances:</b>						
Reserved:						
Encumbrances	930,218	-	4,907,111	-	1,517,651	7,354,980
Prepaid items	69,860	-	-	-	-	69,860
Debt service	-	2,085,056	-	-	-	2,085,056
Unreserved, designated for capital projects	-	-	72,391	5,869,001	841,606	6,782,998
Unreserved, reported in:						
General fund	6,098,517	-	-	-	-	6,098,517
Special revenue fund	-	-	-	-	340,635	340,635
Capital projects funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,143,098)</u>	<u>(1,143,098)</u>
<b>Total fund balances</b>	<b><u>7,098,595</u></b>	<b><u>2,085,056</u></b>	<b><u>4,979,502</u></b>	<b><u>5,869,001</u></b>	<b><u>1,556,794</u></b>	<b><u>21,588,948</u></b>
<b>Total liabilities and fund balances</b>	<b>\$ <u>8,946,488</u></b>	<b><u>3,629,661</u></b>	<b><u>5,536,219</u></b>	<b><u>5,997,340</u></b>	<b><u>2,056,914</u></b>	<b><u>26,166,622</u></b>

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

**CITY OF MERIDIAN, MISSISSIPPI**  
 Reconciliation of the Balance Sheet of Governmental Funds  
 to the Statement of Net Assets  
 September 30, 2003

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

<b>Fund balances - total governmental funds</b>	\$ 21,588,948
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance	64,726,112
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds balance sheet.	1,541,809
Bond issuance costs are amortized over the life of the bonds on the statement of net assets.	608,264
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 \$1,239).	228,590
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.	<u>(36,340,534)</u>
<b>Net assets of governmental activities</b>	<b>\$ <u>52,353,189</u></b>

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

**CITY OF MERIDIAN, MISSISSIPPI**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended September 30, 2003

	<u>General</u>	<u>Debt Service</u>	<u>Urban Renewal Parking Garage Bonds</u>	<u>2003 General Obligation Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>						
Taxes:						
Property	\$ 6,477,176	3,175,453	-	-	-	9,652,629
Sales	11,839,530	-	-	-	-	11,839,530
Franchise	1,793,752	-	-	-	-	1,793,752
County Road	868,134	-	-	-	-	868,134
Motor Fuel	19,307	-	-	-	-	19,307
Licenses and permits	224,644	-	-	-	-	224,644
Intergovernmental	248,811	-	-	-	727,169	975,980
Charges for services	136,681	-	-	-	-	136,681
Fines and forfeitures	823,646	-	-	-	29,456	853,102
Special assessments	-	120,436	-	-	-	120,436
Payments in lieu of taxes	100,186	-	-	-	-	100,186
Local contributions	-	-	-	-	189,580	189,580
Interest on investments	97,136	21,975	6,000	6,989	16,390	148,490
Interest costs and damages	84,089	-	-	-	-	84,089
Miscellaneous	648,496	-	-	-	2,137	650,633
Total revenues	<u>23,361,588</u>	<u>3,317,864</u>	<u>6,000</u>	<u>6,989</u>	<u>964,732</u>	<u>27,657,173</u>
<b>Expenditures:</b>						
Current:						
General government	4,885,213	-	-	-	-	4,885,213
Public safety	10,088,753	-	-	-	486,981	10,575,734
Public works	3,541,259	-	-	-	-	3,541,259
Culture and recreation	1,718,247	-	-	-	31,766	1,750,013
Economic development	-	-	-	-	84,848	84,848
Other	50,554	-	-	-	-	50,554
Capital outlay	486,003	-	1,451,580	137,988	362,520	2,438,091
Debt Service:						
Principal retirement	410,347	2,935,650	-	-	-	3,345,997
Interest and fiscal charges	50,439	1,210,185	-	-	-	1,260,624
Total expenditures	<u>21,230,815</u>	<u>4,145,835</u>	<u>1,451,580</u>	<u>137,988</u>	<u>966,115</u>	<u>27,932,333</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>2,130,773</u>	<u>(827,971)</u>	<u>(1,445,580)</u>	<u>(130,999)</u>	<u>(1,383)</u>	<u>(275,160)</u>
<b>Other financing sources (uses):</b>						
Transfers in	646,524	718,660	-	-	72,857	1,438,041
Transfers out	(898,361)	-	-	-	(86,024)	(984,385)
Proceeds from issuance of debt	-	-	7,000,000	6,000,000	-	13,000,000
Total other financing sources (uses)	<u>(251,837)</u>	<u>718,660</u>	<u>7,000,000</u>	<u>6,000,000</u>	<u>(13,167)</u>	<u>13,453,656</u>
<b>Net change in fund balances</b>	1,878,936	(109,311)	5,554,420	5,869,001	(14,550)	13,178,496
<b>Fund balances, October 1, 2002</b>	<u>5,219,659</u>	<u>2,194,367</u>	<u>(574,918)</u>	<u>-</u>	<u>1,571,344</u>	<u>8,410,452</u>
<b>Fund balances, September 30, 2003</b>	<u>\$ 7,098,595</u>	<u>2,085,056</u>	<u>4,979,502</u>	<u>5,869,001</u>	<u>1,556,794</u>	<u>21,588,948</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, 2003

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

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 13,178,496</b>
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(1,546,290)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the cost of the capital assets sold.	(27,500)
Special assessment revenues related to prior periods reported as revenues in the governmental funds are not reported as revenues in the statement of activities.	(129,018)
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.	(9,298,905)
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.	(39,897)
Internal service funds are used to charge the costs of certain activities, such as garage services, office supplies, and unemployment compensation to individual funds. The net revenue of the internal service funds is reported with governmental activities (net of amount allocated to business-type activities of \$1,239).	<div style="border-top: 1px solid black; display: inline-block;">4,427</div>
<b>Change in net assets of governmental activities</b>	<b>\$ <u>2,141,313</u></b>

*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, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
Ad valorem	\$ 7,250,000	7,250,000	7,308,331	58,331
Sales	10,900,000	10,900,000	11,121,013	221,013
County road	650,000	650,000	864,502	214,502
Gasoline	20,000	20,000	19,307	(693)
Payment in lieu of taxes	100,000	100,000	108,163	8,163
Intergovernmental:				
Alcoholic beverage	36,000	36,000	45,825	9,825
State Fire Insurance Fund	171,000	171,000	180,653	9,653
Municipal aid	23,000	23,000	20,833	(2,167)
Franchise:				
Mississippi Power Company	1,250,000	1,250,000	1,342,222	92,222
Mississippi Valley Gas Company	150,000	150,000	180,154	30,154
Comcast Cable Company	270,000	270,000	283,439	13,439
Fines and forfeitures	600,000	600,000	823,646	223,646
Licenses and permits:				
Privilege license	140,000	140,000	127,351	(12,649)
Building and allied permits	95,000	95,000	97,293	2,293
Charges for services:				
Garbage collection	1,605,000	1,605,000	1,509,864	(95,136)
Recreation	100,000	100,000	136,681	36,681
Enterprise Funds	601,500	601,500	601,500	-
Out-of-county tonnage	-	-	80,814	80,814
Miscellaneous	150,000	190,000	648,830	458,830
Interest on investments	100,000	100,000	97,937	(2,063)
Interest costs and damages	60,000	60,000	85,689	25,689
Transfers in	-	45,000	43,000	(2,000)
<b>Total revenues</b>	<u>24,271,500</u>	<u>24,356,500</u>	<u>25,727,047</u>	<u>1,370,547</u>
<b>Expenditures:</b>				
General government:				
Personnel services	998,200	979,200	969,929	9,271
Supplies	310,249	514,749	491,172	23,577
Capital outlay	10,800	96,200	96,199	1
Transfers and other charges	316,290	320,490	317,873	2,617
Total general government	<u>1,635,539</u>	<u>1,910,639</u>	<u>1,875,173</u>	<u>35,466</u>
Finance and records:				
Personnel services	1,134,737	1,153,737	1,080,608	73,129
Supplies	1,181,340	1,198,599	1,158,032	40,567
Capital outlay	165,590	190,390	190,365	25
Transfers and other charges	35,000	35,000	35,000	-
Total finance and records	<u>2,516,667</u>	<u>2,577,726</u>	<u>2,464,005</u>	<u>113,721</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, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (continued):</b>				
Community development:				
Personnel services	\$ 846,700	852,600	836,107	16,493
Supplies	218,639	208,824	157,679	51,145
Capital outlay	17,450	21,150	20,408	742
Transfers and other charges	408,200	415,082	407,705	7,377
Total community development	<u>1,490,989</u>	<u>1,497,656</u>	<u>1,421,899</u>	<u>75,757</u>
Parks and recreation:				
Personnel services	1,274,650	1,274,650	1,157,466	117,184
Supplies	519,478	519,152	491,827	27,325
Capital outlay	56,550	66,550	61,772	4,778
Transfers and other charges	80,000	77,000	75,763	1,237
Total parks and recreation	<u>1,930,678</u>	<u>1,937,352</u>	<u>1,786,828</u>	<u>150,524</u>
Public works:				
Personnel services	2,837,050	2,787,650	2,611,496	176,154
Supplies	896,724	920,780	879,533	41,247
Capital outlay	246,739	236,739	232,481	4,258
Transfers and other charges	2,656,000	2,656,000	2,573,346	82,654
Total public works	<u>6,636,513</u>	<u>6,601,169</u>	<u>6,296,856</u>	<u>304,313</u>
Police:				
Personnel services	4,374,000	4,211,100	3,913,739	297,361
Supplies	1,454,941	1,443,991	1,357,158	86,833
Capital outlay	257,206	262,206	261,114	1,092
Transfers and other charges	28,000	22,000	21,715	285
Total police	<u>6,114,147</u>	<u>5,939,297</u>	<u>5,553,726</u>	<u>385,571</u>
Fire:				
Personnel services	4,313,600	4,408,000	4,277,550	130,450
Supplies	587,367	590,466	525,471	64,995
Capital outlay	246,000	236,778	236,676	102
Total fire	<u>5,146,967</u>	<u>5,235,244</u>	<u>5,039,697</u>	<u>195,547</u>
<b>Total expenditures</b>	<u>25,471,500</u>	<u>25,699,083</u>	<u>24,438,184</u>	<u>1,260,899</u>
<b>Net change in fund balances</b>	(1,200,000)	(1,342,583)	1,288,863	2,631,446
<b>Fund balances, October 1, 2002</b>	<u>1,950,000</u>	<u>2,052,583</u>	<u>3,153,463</u>	<u>1,203,463</u>
<b>Fund balances, September 30, 2003</b>	\$ <u>750,000</u>	<u>710,000</u>	<u>4,442,326</u>	<u>3,834,909</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, 2003

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Water &amp; Sewer</u>	<u>Waste Collection &amp; Disposal</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Activities - Internal Service Funds</u>
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 1,528,142	484,795	158,689	2,171,626	123,415
Investments	100,000	-	-	100,000	-
Receivables:					
Accounts	623,214	139,973	-	763,187	-
Less allowance for uncollectibles	(92,695)	-	-	(92,695)	-
Interest	288	-	-	288	-
Miscellaneous	-	-	9,044	9,044	-
Due from other funds	81,514	15,211	-	96,725	56,790
Due from component units	-	-	-	-	27,828
Inventory	385,978	-	36,545	422,523	55,232
Prepaid items	22,972	-	1,438	24,410	-
<b>Total current assets</b>	<u>2,649,413</u>	<u>639,979</u>	<u>205,716</u>	<u>3,495,108</u>	<u>263,265</u>
<b>Noncurrent assets:</b>					
Restricted cash and investments:					
Revenue Bond Construction Funds	2,221,359	-	-	2,221,359	-
Other Construction Funds	46,874	-	-	46,874	-
Revenue Bond Debt Service Account	1,770,649	-	-	1,770,649	-
Revenue Bond Cushion Account	1,704,213	-	-	1,704,213	-
Revenue Bond Contingent Account	82,927	-	-	82,927	-
Revenue Bond Depreciation Account	82,927	-	-	82,927	-
Total restricted cash and investments	<u>5,908,949</u>	<u>-</u>	<u>-</u>	<u>5,908,949</u>	<u>-</u>
Deferred charges	<u>470,084</u>	<u>-</u>	<u>-</u>	<u>470,084</u>	<u>-</u>
Capital assets:					
Land	271,666	-	-	271,666	-
Buildings	-	-	117,128	117,128	-
Water and sewer system	85,668,240	-	-	85,668,240	-
Improvements other than buildings	-	-	113,067	113,067	-
Machinery and equipment	2,838,089	-	415,819	3,253,908	-
Construction in progress	322,596	-	-	322,596	-
Total capital assets	89,100,591	-	646,014	89,746,605	-
Less accumulated depreciation	<u>(37,254,255)</u>	<u>-</u>	<u>(534,800)</u>	<u>(37,789,055)</u>	<u>-</u>
Capital assets (net of accumulated depreciation)	<u>51,846,336</u>	<u>-</u>	<u>111,214</u>	<u>51,957,550</u>	<u>-</u>
<b>Total noncurrent assets</b>	<u>58,225,369</u>	<u>-</u>	<u>111,214</u>	<u>58,336,583</u>	<u>-</u>
<b>Total assets</b>	<u>60,874,782</u>	<u>639,979</u>	<u>316,930</u>	<u>61,831,691</u>	<u>263,265</u>

(Continued)

## CITY OF MERIDIAN, MISSISSIPPI

## Statement of Net Assets

## Proprietary Funds

September 30, 2003

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Water &amp; Sewer</u>	<u>Waste Collection &amp; Disposal</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Activities - Internal Service Funds</u>
<b><u>LIABILITIES</u></b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 360,089	219,902	52,285	632,276	33,436
Accrued liabilities:					
Payroll	115,260	4,356	9,886	129,502	-
Compensated absences	226,390	-	25,521	251,911	-
Sales tax	12,549	-	1,699	14,248	-
Customer deposits	629,616	-	-	629,616	-
Due to other funds	26,538	-	8	26,546	-
Current portion of capital leases	77,814	-	164	77,978	-
<b>Total current liabilities</b>	<u>1,448,256</u>	<u>224,258</u>	<u>89,563</u>	<u>1,762,077</u>	<u>33,436</u>
<b>Current liabilities payable from restricted assets:</b>					
Accounts payable	133,205	-	-	133,205	-
Revenue bonds payable	1,620,000	-	-	1,620,000	-
Promissory loans	259,035	-	-	259,035	-
Interest payable	447,847	-	-	447,847	-
<b>Total current liabilities payable from restricted assets</b>	<u>2,460,087</u>	<u>-</u>	<u>-</u>	<u>2,460,087</u>	<u>-</u>
<b>Noncurrent liabilities:</b>					
Revenue bonds payable (net of deferred refunding costs of \$907,628 (2003) and \$260,284 (2002))	20,842,372	-	-	20,842,372	-
Deferred revenue forward invested funds	523,072	-	-	523,072	-
Promissory loans	8,147,462	-	-	8,147,462	-
Capital leases payable	922,433	-	3,083	925,516	-
<b>Total noncurrent liabilities</b>	<u>30,435,339</u>	<u>-</u>	<u>3,083</u>	<u>30,438,422</u>	<u>-</u>
<b>Total liabilities</b>	<u>34,343,682</u>	<u>224,258</u>	<u>92,646</u>	<u>34,660,586</u>	<u>33,436</u>
<b><u>NET ASSETS</u></b>					
Invested in capital assets, net of related debt	19,977,220	-	107,967	20,085,187	-
Restricted for:					
Debt Service	1,313,834	-	-	1,313,834	-
Capital projects	2,135,028	-	-	2,135,028	-
Unrestricted	3,105,018	415,721	116,317	3,637,056	229,829
<b>Total net assets</b>	<u>\$ 26,531,100</u>	<u>415,721</u>	<u>224,284</u>	<u>27,171,105</u>	<u>229,829</u>
<b>Reconciliation to government-wide statement of net assets:</b>					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				1,239	
<b>Net assets of business-types activities</b>				<u>\$ 27,172,344</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, 2003

	Business-type Activities - Enterprise Funds				Governmental
	Water & Sewer	Waste Collection & Disposal	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
<b>Operating revenues:</b>					
Charges for sales and services:					
Water sales	\$ 4,480,341	-	-	4,480,341	-
Sewer charges	4,231,598	-	-	4,231,598	-
Tap fees	46,960	-	-	46,960	-
Garbage collection fees	-	1,520,033	-	1,520,033	-
Out-of-county tonnage	-	79,109	-	79,109	-
Memberships	-	-	88,962	88,962	-
Green fees	-	-	72,609	72,609	-
Cart rental	-	-	66,025	66,025	-
Concessions	-	-	183,073	183,073	-
Other services	-	-	-	-	383,589
Rental income	-	-	98,105	98,105	-
Miscellaneous	243,058	-	1,596	244,654	-
Total operating revenues	<u>9,001,957</u>	<u>1,599,142</u>	<u>510,370</u>	<u>11,111,469</u>	<u>383,589</u>
<b>Operating expenses:</b>					
Personnel services	2,664,654	75,291	250,578	2,990,523	-
Supplies and materials	441,400	831	147,489	589,720	378,749
Rent and utilities	789,456	1,199	45,075	835,730	-
Operation, maintenance, and repairs	450,717	23,837	147,074	621,628	-
Garbage disposal services	-	2,424,332	-	2,424,332	-
Depreciation and amortization	3,653,761	-	35,078	3,688,839	-
Claims paid	-	-	-	-	24,174
Miscellaneous	1,088,534	3,631	109,708	1,201,873	-
Total operating expenses	<u>9,088,522</u>	<u>2,529,121</u>	<u>735,002</u>	<u>12,352,645</u>	<u>402,923</u>
<b>Operating loss</b>	<u>(86,565)</u>	<u>(929,979)</u>	<u>(224,632)</u>	<u>(1,241,176)</u>	<u>(19,334)</u>
<b>Nonoperating revenues (expenses):</b>					
Ad valorem taxes	-	901,121	-	901,121	-
Operating grants	249,491	62,397	-	311,888	-
Interest income	262,872	4,968	1,755	269,595	-
Interest expense	(1,654,551)	-	(193)	(1,654,744)	-
Total nonoperating revenues (expenses)	<u>(1,142,188)</u>	<u>968,486</u>	<u>1,562</u>	<u>(172,140)</u>	<u>-</u>
<b>Income (loss) before     contributions and transfers</b>	<u>(1,228,753)</u>	<u>38,507</u>	<u>(223,070)</u>	<u>(1,413,316)</u>	<u>(19,334)</u>
<b>Contributions and transfers:</b>					
Capital contributions	121,860	-	-	121,860	-
Transfers in	-	-	177,950	177,950	25,000
Transfers out	(613,606)	(43,000)	-	(656,606)	-
Total contributions and transfers	<u>(491,746)</u>	<u>(43,000)</u>	<u>177,950</u>	<u>(356,796)</u>	<u>25,000</u>
<b>Change in net assets</b>	<u>(1,720,499)</u>	<u>(4,493)</u>	<u>(45,120)</u>	<u>(1,770,112)</u>	<u>5,666</u>
<b>Net assets, October 1, 2002</b>	28,311,232	420,214	288,977		224,163
Prior period adjustment	(59,633)	-	(19,573)		-
<b>Net assets, October 1, 2002, as restated</b>	<u>28,251,599</u>	<u>420,214</u>	<u>269,404</u>		<u>224,163</u>
<b>Net assets, September 30, 2003</b>	<u>\$ 26,531,100</u>	<u>415,721</u>	<u>224,284</u>		<u>229,829</u>
<b>Reconciliation to government-wide statement of activities:</b>					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				1,239	
<b>Change in net assets of business-types activities</b>				<u>\$ (1,768,873)</u>	

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

**CITY OF MERIDIAN, MISSISSIPPI**  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended September 30, 2003

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental</b>
	<b>Water &amp; Sewer</b>	<b>Waste Collection &amp; Disposal</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
<b>Cash flows from operating activities:</b>					
Receipts from customers and users	\$ 9,163,421	1,578,599	504,870	11,246,890	377,189
Payments to suppliers	(3,351,749)	(2,419,050)	(461,677)	(6,232,476)	(416,564)
Payments to employees	(2,659,128)	(72,701)	(249,759)	(2,981,588)	-
<b>Net cash provided by (used in) operating activities</b>	<u>3,152,544</u>	<u>(913,152)</u>	<u>(206,566)</u>	<u>2,032,826</u>	<u>(39,375)</u>
<b>Cash flows from noncapital financing activities:</b>					
Operating grants received	249,491	100,000	-	349,491	-
Ad valorem taxes received	-	901,121	-	901,121	-
Transfers to other funds	(613,606)	(43,000)	-	(656,606)	-
Transfers from other funds	-	-	177,950	177,950	25,000
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>(364,115)</u>	<u>958,121</u>	<u>177,950</u>	<u>771,956</u>	<u>25,000</u>
<b>Cash flows from capital and related financing activities:</b>					
Proceeds from promissory notes	6,896,259	-	-	6,896,259	-
Acquisition and construction of capital assets	(1,205,455)	-	(15,679)	(1,221,134)	-
Payments on long-term debt:					
Revenue bonds	(8,380,000)	-	-	(8,380,000)	-
Promissory notes	(188,030)	-	-	(188,030)	-
Capital lease payments	(132,129)	-	(152)	(132,281)	-
Interest paid on revenue bonds and other debt	(1,736,967)	-	(193)	(1,737,160)	-
<b>Net cash used in capital and related financing activities</b>	<u>(4,746,322)</u>	<u>-</u>	<u>(16,024)</u>	<u>(4,762,346)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>					
Sales of investments	143,700	-	-	143,700	-
Interest received	4,493	4,968	1,755	11,216	-
<b>Net cash provided by investing activities</b>	<u>148,193</u>	<u>4,968</u>	<u>1,755</u>	<u>154,916</u>	<u>-</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(1,809,700)	49,937	(42,885)	(1,802,648)	(14,375)
<b>Cash and cash equivalents, October 1, 2002 (including \$5,237,614 in restricted accounts)</b>	<u>6,603,720</u>	<u>434,858</u>	<u>201,574</u>	<u>7,240,152</u>	<u>137,790</u>
<b>Cash and cash equivalents, September 30, 2003 (including \$3,265,878 in restricted accounts)</b>	\$ <u>4,794,020</u>	<u>484,795</u>	<u>158,689</u>	<u>5,437,504</u>	<u>123,415</u>

(Continued)

**CITY OF MERIDIAN, MISSISSIPPI**  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended September 30, 2003

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental</b>
	<b>Water &amp; Sewer</b>	<b>Waste Collection &amp; Disposal</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Activities - Internal Service Funds</b>
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities:</b>					
Operating loss	\$ (86,565)	(929,979)	(224,632)	(1,241,176)	(19,334)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation and amortization	3,653,761	-	35,078	3,688,839	-
Changes in assets and liabilities:					
Accounts receivable	216,775	(13,767)	(5,499)	197,509	-
Due from other funds	(81,514)	(6,776)	-	(88,290)	(2,995)
Due from component units	-	-	-	-	(3,405)
Inventory	(8,095)	-	(3,348)	(11,443)	(4,130)
Prepaid items	(2,189)	-	(209)	(2,398)	-
Accounts payable	(543,103)	70,619	(7,596)	(480,080)	(9,511)
Accrued liabilities	6,748	2,590	922	10,260	-
Customer deposits	26,200	-	-	26,200	-
Due to other funds	(29,474)	(35,839)	(1,282)	(66,595)	-
Total adjustments	<u>3,239,109</u>	<u>16,827</u>	<u>18,066</u>	<u>3,274,002</u>	<u>(20,041)</u>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ <u>3,152,544</u></b>	<b>(913,152)</b>	<b>(206,566)</b>	<b><u>2,032,826</u></b>	<b><u>(39,375)</u></b>
<b>Noncash investing, capital and financing activities-</b>					
Bond issue costs	\$ <u>693,741</u>	<u>-</u>	<u>-</u>	<u>693,741</u>	<u>-</u>
Capital contribution from special revenue fund	\$ <u>121,860</u>	<u>-</u>	<u>-</u>	<u>121,860</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, 2003

	<b><u>Agency Funds</u></b>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 775,553
Intergovernmental receivables- County	<u>210,774</u>
<b>Total assets</b>	<b>\$ <u>986,327</u></b>
<b><u>LIABILITIES</u></b>	
Intergovernmental payables:	
Schools	\$ 765,408
PERS	138,431
State	34,929
Employee insurance withheld	<u>47,559</u>
<b>Total liabilities</b>	<b>\$ <u>986,327</u></b>

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

**CITY OF MERIDIAN, MISSISSIPPI**

Statement of Net Assets

Component Units

September 30, 2003

	<b><u>Meridian Airport Authority</u></b>	<b><u>Nonmajor Component Units</u></b>	<b><u>Total Component Units</u></b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 507,811	32,050	539,861
Investments	-	8,342	8,342
Receivables:			
Accounts	10,894	1,943	12,837
Passenger facility charge	13,317	-	13,317
Intergovernmental:			
Federal	404,668	-	404,668
State	48,580	24,595	73,175
Prepaid items	13,867	8,099	21,966
Restricted assets - cash	226,927	-	226,927
Capital assets (net of accumulated depreciation):			
Land	500,000	-	500,000
Buildings	1,480,309	-	1,480,309
Improvements other than buildings	8,206,860	-	8,206,860
Machinery and equipment	51,124	39,008	90,132
Construction in progress	<u>2,789,123</u>	<u>-</u>	<u>2,789,123</u>
<b>Total assets</b>	<u>14,253,480</u>	<u>114,037</u>	<u>14,367,517</u>
<b><u>LIABILITIES</u></b>			
Bank overdraft	-	16,754	16,754
Accounts payable	474,790	8,462	483,252
Accrued liabilities	27,967	6,722	34,689
Customer deposits	1,150	-	1,150
Deferred support	<u>9,410</u>	<u>7,294</u>	<u>16,704</u>
<b>Total liabilities</b>	<u>513,317</u>	<u>39,232</u>	<u>552,549</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	13,027,416	39,008	13,066,424
Restricted for capital projects	226,927	-	226,927
Unrestricted	<u>485,820</u>	<u>35,797</u>	<u>521,617</u>
<b>Total net assets</b>	\$ <u>13,740,163</u>	<u>74,805</u>	<u>13,814,968</u>

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

**CITY OF MERIDIAN, MISSISSIPPI**  
Statement of Activities  
Component Units  
For the Fiscal Year Ended September 30, 2003

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Meridian Airport Authority</u>	<u>Nonmajor Component Units</u>	<u>Total</u>
<b>Component units:</b>							
Meridian Airport Authority	\$ 1,345,281	660,894	210,892	1,474,239	1,000,744	-	1,000,744
Nonmajor component units	<u>444,427</u>	<u>59,495</u>	<u>329,129</u>	<u>3,000</u>	<u>-</u>	<u>(52,803)</u>	<u>(52,803)</u>
<b>Total component units</b>	<b>\$ <u>1,789,708</u></b>	<b><u>720,389</u></b>	<b><u>540,021</u></b>	<b><u>1,477,239</u></b>	<b><u>1,000,744</u></b>	<b><u>(52,803)</u></b>	<b><u>947,941</u></b>
<b>General revenues:</b>							
Interest income					7,258	689	7,947
Gain on sale of capital assets					<u>45,005</u>	<u>-</u>	<u>45,005</u>
<b>Total general revenues</b>					<u>52,263</u>	<u>689</u>	<u>52,952</u>
<b>Change in net assets</b>					1,053,007	(52,114)	1,000,893
<b>Net assets, October 1, 2002</b>					<u>12,687,156</u>	<u>126,919</u>	<u>12,814,075</u>
<b>Net assets, September 30, 2003</b>					\$ <u>13,740,163</u>	<u>74,805</u>	<u>13,814,968</u>

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

# CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2003

## (1) Summary of Significant Accounting Policies

### (a) Reporting Entity

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

As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units. Government Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", defines the governmental financial reporting entity as the primary government, organizations for which the primary government is "financially accountable", and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

"Financial accountability" is the benchmark for determining which organizations are component units of a primary government. Financial accountability exists 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. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2003

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

#### (a) Reporting Entity (Continued)

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

##### Meridian Public Improvement Corporation

Meridian Public Improvement Corporation (MPIC) was incorporated by the City on April 20, 1992, to serve as a financing authority exclusively for the City. The members of MPIC's governing Board of Directors are appointed by the City Council and the City's Mayor. MPIC has issued debt to provide financing for the construction of certain major capital projects and has entered into capital leases with the City, whereby MPIC will transfer title to the City upon the City's exercising a bargain purchase option at the end of the leases. The City has included all related debt and assets of MPIC in its governmental activities. Additionally, the debt service activity of MPIC has been included in the debt service activity of the City.

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

##### 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.

##### Meridian Transportation Commission

Meridian Transportation Commission (MTC) was created by the City on November 7, 1972, in accordance with Title 21, Chapter 27, Article I of the Mississippi Code of 1972 to manage the local mass transit system of the City and to provide public transportation systems and facilities. MTC has a five-member board appointed by the City's Mayor and approved by the City Council, members of which may be removed at the will of the City. The City finances a significant portion of MTC's annual operations; therefore, MTC is considered financially dependent on the City.

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2003

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

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

**Discretely Presented Component Units (Continued):**

Meridian Redevelopment Authority

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

Meridian and Bonita Lakes Development Authority

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

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

Meridian Airport Authority  
2811 Highway 11 South  
Meridian, Mississippi

Meridian Transportation Commission  
1901 Front Street  
Meridian, Mississippi

Meridian Redevelopment Authority  
601 24th Avenue  
Meridian, Mississippi

Meridian Public Improvement Corporation  
601 24th Avenue  
Meridian, Mississippi

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

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2003

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

#### (a) Reporting Entity (Continued)

##### **Related Organizations -**

With approval of the City Council, the City's Mayor is responsible for appointing a voting majority of members to the boards of both the Meridian Municipal Separate School District and the Housing Authority of the City of Meridian. The City also makes other types of ministerial approvals for these organizations; however, the City's accountability for these organizations does not extend beyond making the appointments or approvals.

#### (b) Government-Wide and Fund Financial Statements

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

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

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

**CITY OF MERIDIAN, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2003

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, sales and liquor taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period.

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 Urban Renewal Parking Garage Bond capital project fund accounts for bond proceeds to be used for the construction of a parking garage in the City.

The 2003 General Obligation Bond capital project fund accounts for bond proceeds to be used for various public improvements throughout the City.

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2003

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

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

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

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

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2003

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

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

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

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

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

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

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

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

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

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2003

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

**(f) Receivables and Payables**

Transactions 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”.

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

Property taxes attach as an enforcement lien on property as of January 1. Taxes levied in September of the prior year and are payable in three installments on February 1 (1/2), May 1 (1/4), and August 1 (1/4). Taxes are considered past due 60 days after February 1, at which time the applicable property is subject to penalties and interest. Property with delinquent assessments is sold at a public sale each August.

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

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

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2003

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

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

The tax rate of the City is expressed in terms of mills (ten mills equal one cent). For the year ended September 30, 2003, the City's 2003 combined tax rate for general governmental services and other municipal purposes was 112.45 or \$112.45 per \$1,000 of assessed valuation, expressed as follows:

<u>Description</u>	<u>Mills</u>		<u>Increase (Decrease)</u>
	<u>2003</u>	<u>2002</u>	
General	26.39	24.69	1.70
Solid Waste Fund	4.00	4.00	-
Fire and Police Disability Retirement Fund (closed)	4.60	4.79	(.19)
General Municipal Retirement Fund (closed)	3.00	3.00	-
Debt service (general bonds and interest)	12.09	15.01	(2.92)
Meridian Separate School District	<u>62.37</u>	<u>64.38</u>	<u>(2.01)</u>
<b>Total mills</b>	<u>112.45</u>	<u>115.87</u>	<u>(3.42)</u>

**(g) Inventories and Prepaid Items**

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

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

**CITY OF MERIDIAN, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2003

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

**(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 operations and maintenance" account receives sufficient amounts to provide for the payment of current expenses to be paid each month, plus any prior month deficiencies. The "revenue bond construction" accounts are used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "revenue bond current debt service" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond cushion" account is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account. The "revenue bond contingent" account is used to report resources set aside to pay for unforeseen contingencies arising from the operation and maintenance of the system, including the construction of reasonable and proper improvements, betterments and extensions, upon written certification of the engineers. The "revenue bond depreciation fund" account is used to report resources set aside to pay for replacing such parts of the system as may need replacement in order to keep the system operating in an economical and efficient manner, upon written certification of the engineers. Any surplus remaining after all deposits and transfers required and allowed by the bond resolution are to be used solely for purposes pertaining to the system. As of September 30, 2003, all accounts required under the bond resolution were fully funded as required, with the exception of the revenue bond current debt service account which was required to have a balance of \$1,172,162, but instead had a balance of \$830,066, a difference of \$342,096. Actions are pending to address such difference.

**(i) Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2003

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

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

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. \$70,688 of interest incurred by the water and sewer fund during the current fiscal year was included as part of the cost of capital assets under construction in connection with the wastewater treatment facilities construction projects.

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

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

**(j) Compensated Absences**

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

**CITY OF MERIDIAN, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2003

**(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 effective interest 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, 2003

**(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, 2003

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

**(n) New Accounting Pronouncements**

Effective October 1, 2002, the City adopted the provisions of the following standards issued by Governmental Accounting Standards Board (GASB):

GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus* – these statements establish new financial reporting requirements and significantly change the format and content of the City’s financial statements. They require new information and restructure much of the information that the City has presented in the past.

GASB Statement No. 38, *Certain Financial Statements Note Disclosures* – this statement modifies, establishes, and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* – this interpretation clarifies the application of existing standards for modified accrual recognition of certain liabilities and expenditures in governmental funds.

The provisions of these new standards have been incorporated into the financial statements and accompanying notes. Changes to previously reported fund equities were made primarily due to the implementation of these new standards.

**(o) 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 2002 financial statement amounts have been reclassified to conform with the 2003 financial statement presentation. Such reclassifications had no material effect on the City’s financial position, changes in financial position, or cash flows.

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2003

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

**(o) Financial Statement Format (Continued)**

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 of 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:

<b><u>Description</u></b>	<b><u>Amount</u></b>
Bonds payable	\$ 31,270,000
Less deferred charges	(29,250)
Promissory loans payable	877,096
Accrued interest payable	474,557
Capital leases payable	765,523
Compensated absences	1,347,772
Pension obligation	1,634,176
Claims and judgments	<u>660</u>
<b>Net adjustment to reduce fund balances – total governmental funds to arrive at net assets of governmental activities</b>	<b>\$ <u>36,340,534</u></b>

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2003

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and change in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”. The details of this difference are as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay	\$ 1,815,172
Depreciation expense	(3,361,462)
<b>Net adjustment to reduce net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities</b>	<b>\$ (1,546,290)</b>

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>
<b>Debt issued:</b>	
Issuance of general obligation bonds	\$ 6,000,000
Issuance of special obligation bonds	7,000,000
Less deferred charges	(355,098)
<b>Principal repayments:</b>	
Bonds payable	(2,880,000)
Promissory loans payable	(55,650)
Capital leases payable	(410,347)
<b>Net adjustment to reduce net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities</b>	<b>\$ 9,298,905</b>

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2003

**(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	\$ 115,981
Amortization of deferred charges	85,177
Change in accrual of compensated absences	(52,514)
Accrued claims and judgments	660
Accrued pension obligation	<u>(109,407)</u>
 <b>Net adjustment to reduce net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities</b>	 <b>\$ <u>39,897</u></b>

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

**(a) Budgetary Information**

The City adopts annual budgets for all governmental, proprietary and fiduciary funds on a basis consistent with state law, the more significant of which is discussed below. For 2003, the original total budgeted expenditures were \$86,170,500 and were increased by amendment to \$87,328,019.

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

**CITY OF MERIDIAN, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2003

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

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

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

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

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

**CITY OF MERIDIAN, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2003

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

**(b) Budget/GAAP Reconciliation**

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

<u>Description</u>	<u>General Fund</u>
Net change in fund balances – budgetary basis	\$ 1,288,863
Basis differences:	
Net accrued revenues and related receivables	(1,718,903)
Net accrued expenditures and related liabilities	<u>2,308,976</u>
<b>Net change in fund balances – GAAP basis</b>	<b>\$ <u>1,878,936</u></b>

**(c) Deficit Fund Equity**

The DECD Bonita Lakes Mall Road Project Special Revenue Fund had a deficit fund balance of \$7,975 as of September 30, 2003. This deficit will be provided for from future contributions from other governments.

The 2002 Special Street Improvements Capital Projects Fund had a deficit fund balance of \$28,524 as of September 30, 2003. This deficit will be provided for from future bond issues.

The 2003 Flood Damage Capital Projects Fund had a deficit fund balance of \$15,252 as of September 30, 2003. This deficit will be provided for from future grant contributions.

## CITY OF MERIDIAN, MISSISSIPPI

### Notes to Financial Statements

September 30, 2003

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

##### (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.

#### (4) Deposits and Investments

At year end, the primary government's carrying amount of deposits was \$13,470,710. 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 now 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 \$548,203. The entire amount of the bank balance was covered by federal depository insurance or pledged securities held by the component unit or its agent in the component unit's name.

The City and its component units are allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America, of the State of Mississippi, or of any county or municipality of Mississippi, when such county or municipal bonds have been properly approved; or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository; or in interest-bearing time certificates of deposit with any financial institution approved for the deposit of state funds.

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2003

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

The City's investments are categorized to give an indication of the risk level assumed by the City at year end into these three categories of credit risk:

Category 1 - Insured or registered, or securities held by the City or its agent in the City's name.

Category 2 - Uninsured and unregistered, with securities held by the counter party's trust department or agent in the City's name.

Category 3 - Uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the City's name.

At year end, the City's investment balances were as follows:

<u>Description</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<b>Category 1:</b>		
U.S. Government securities	\$ 7,999,432	7,999,432
Repurchase agreements	<u>9,268,000</u>	<u>9,268,000</u>
<b>Total</b>	\$ <u>17,267,432</u>	<u>17,267,432</u>

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

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2003

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

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

<b><u>Description</u></b>	<b><u>Amount</u></b>
Cash on hand	\$ 26,028
Cash with trustee	465,194
Carrying amount of deposits	13,470,710
Carrying amount of investments	<u>17,267,432</u>
<b>Total</b>	<b>\$ <u>31,229,364</u></b>
Cash and cash equivalents	\$ 18,158,643
Cash and investments – restricted	5,908,949
Investments	<u>6,386,219</u>
<b>Total reported on the government-wide statement of net assets</b>	<b>30,453,811</b>
Cash and cash equivalents reported on the statement of fiduciary assets and liabilities not included on the government-wide statement of net assets	<u>775,553</u>
<b>Total</b>	<b>\$ <u>31,229,364</u></b>

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2003

**(5) Capital Assets**

**Primary government:**

Capital asset activity for the year ended September 30, 2003 was as follows:

	<b>Balance October 1, 2002 <u>(as restated)</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b>Balance September 30, 2003</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 5,409,495	85,000	27,500	5,466,995
Collections - historical treasures	141,250	-	-	141,250
Construction-in-progress	<u>500,640</u>	<u>1,396,595</u>	-	<u>1,897,235</u>
Total capital assets, not being depreciated	<u>6,051,385</u>	<u>1,481,595</u>	<u>27,500</u>	<u>7,505,480</u>
Capital assets, being depreciated:				
Buildings	16,746,342	-	100,001	16,646,341
Improvements other than buildings	1,400,299	-	-	1,400,299
Machinery and equipment	9,627,738	330,142	35,367	9,922,513
Infrastructure	<u>71,433,344</u>	<u>3,435</u>	-	<u>71,436,779</u>
Total capital assets, being depreciated	<u>99,207,723</u>	<u>333,577</u>	<u>135,368</u>	<u>99,405,932</u>
Less accumulated depreciation for:				
Buildings	3,676,204	322,959	100,001	3,899,162
Improvements other than buildings	569,254	46,650	-	615,904
Machinery and equipment	6,150,723	594,337	35,367	6,709,693
Infrastructure	<u>28,563,025</u>	<u>2,397,516</u>	-	<u>30,960,541</u>
Total accumulated depreciation	<u>38,959,206</u>	<u>3,361,462</u>	<u>135,368</u>	<u>42,185,300</u>
Total capital assets, being depreciated, net	<u>60,248,517</u>	<u>(3,027,885)</u>	-	<u>57,220,632</u>
<b>Total governmental activities capital assets, net</b>	\$ <u>66,299,902</u>	<u>(1,546,290)</u>	<u>27,500</u>	<u>64,726,112</u>

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2003

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

	<b>Balance October 1, 2002 <u>(as restated)</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b>Balance September 30, 2003</b>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 271,666	-	-	271,666
Construction-in-progress	<u>14,531,186</u>	<u>1,274,361</u>	<u>15,482,951</u>	<u>322,596</u>
Total capital assets, not being depreciated	<u>14,802,852</u>	<u>1,274,361</u>	<u>15,482,951</u>	<u>594,262</u>
Capital assets, being depreciated:				
Buildings	117,128	-	-	117,128
Water and sewer system	70,174,075	15,494,165	-	85,668,240
Improvements other than buildings	113,067	-	-	113,067
Machinery and equipment	<u>3,191,631</u>	<u>57,417</u>	<u>5,401</u>	<u>3,243,647</u>
Total capital assets, being depreciated	<u>73,595,901</u>	<u>15,551,582</u>	<u>5,401</u>	<u>89,142,082</u>
Less accumulated depreciation for:				
Buildings	104,438	5,507	-	109,945
Water and sewer system	31,666,461	3,324,508	-	34,990,969
Improvements other than buildings	80,643	1,414	-	82,057
Machinery and equipment	<u>2,379,048</u>	<u>222,176</u>	<u>5,401</u>	<u>2,595,823</u>
Total accumulated depreciation	<u>34,230,590</u>	<u>3,553,605</u>	<u>5,401</u>	<u>37,778,794</u>
Total capital assets, being depreciated, net	<u>39,365,311</u>	<u>11,997,977</u>	<u>-</u>	<u>51,363,288</u>
<b>Total business-type activities capital assets, net</b>	\$ <u>54,168,163</u>	<u>13,272,338</u>	<u>15,482,951</u>	<u>51,957,550</u>

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2003

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

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

	<b><u>Amount</u></b>
<b>Governmental activities:</b>	
General government	\$ 268,144
Public safety	377,859
Public works	2,629,673
Culture and recreation	<u>85,786</u>
<b>Total depreciation expense - governmental activities</b>	<b>\$ <u>3,361,462</u></b>
<b>Business-type activities:</b>	
Water and sewer department	\$ 3,518,526
Golf course	32,095
Union Station	<u>2,984</u>
<b>Total depreciation expense - business-type activities</b>	<b>\$ <u>3,553,605</u></b>

Construction-in-progress is composed of:

<b>Governmental activities:</b>	
Downtown parking garage	\$ 1,809,295
Interstate 20/Interstate 59 interchange	<u>87,940</u>
Total governmental activities	<u>1,897,235</u>
<b>Business-type activities:</b>	
Bonita Lakes dam	55,931
New industrial park water lines	<u>266,665</u>
Total business-type activities	<u>322,596</u>
<b>Total construction-in-progress</b>	<b>\$ <u>2,219,831</u></b>

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2003

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

**Component units:**

Capital asset activity for the year ended September 30, 2003 was as follows:

	<b>Balance October 1, 2002 <u>(as restated)</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b>Balance September 30, 2003 <u>2003</u></b>
<b>Meridian Airport Authority:</b>				
Capital assets, not being depreciated:				
Land	\$ 500,000	-	-	500,000
Construction-in-progress	<u>1,660,104</u>	<u>1,534,648</u>	<u>405,629</u>	<u>2,789,123</u>
Total capital assets, not being depreciated	<u>2,160,104</u>	<u>1,534,648</u>	<u>405,629</u>	<u>3,289,123</u>
Capital assets, being depreciated:				
Buildings	2,359,727	21,847	2,040	2,379,534
Improvements other than buildings	11,365,551	405,629	-	11,771,180
Machinery and equipment	<u>316,329</u>	<u>33,363</u>	<u>122,564</u>	<u>227,128</u>
Total capital assets, being depreciated	<u>14,041,607</u>	<u>460,839</u>	<u>124,604</u>	<u>14,377,842</u>
Less accumulated depreciation for:				
Buildings	838,400	61,845	1,020	899,225
Improvements other than buildings	3,017,683	546,637	-	3,564,320
Machinery and equipment	<u>261,425</u>	<u>29,219</u>	<u>114,640</u>	<u>176,004</u>
Total accumulated depreciation	<u>4,117,508</u>	<u>637,701</u>	<u>115,660</u>	<u>4,639,549</u>
Total capital assets, being depreciated, net	<u>9,924,099</u>	<u>(176,862)</u>	<u>8,944</u>	<u>9,738,293</u>
<b>Total Meridian Airport Authority</b>	\$ <u>12,084,203</u>	<u>1,357,786</u>	<u>414,573</u>	<u>13,027,416</u>
<b>Meridian Transportation Commission:</b>				
Capital assets, being depreciated -				
Machinery and equipment	\$ 402,618	-	-	402,618
Less accumulated depreciation	<u>344,224</u>	<u>19,386</u>	<u>-</u>	<u>363,610</u>
<b>Total Meridian Transportation Commission</b>	\$ <u>58,394</u>	<u>(19,386)</u>	<u>-</u>	<u>39,008</u>

**CITY OF MERIDIAN, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2003

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

The composition of interfund balances as of September 30, 2003 is as follows:

**Due to/from other funds:**

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	DECD Bonita Lakes Mall Road Project Fund	\$ 7,975
	2002 Special Street Improvements Fund	12,596
	I20/I59 Interchange Project	87,940
	2003 Flood Damage Fund	87,381
	Special Revenue Fund	24,745
Debt Service Fund	General Fund	49,955
Water & Sewer Fund	2003 Flood Damage Fund	81,514
Waste Collection & Disposal Fund	General Fund	15,211
Municipal Supply	General Fund	41,670
	Water & Sewer Fund	14,319
Municipal Office Supply	General Fund	680
	Water & Sewer Fund	113
	Union Station	8
2003 Flood Damage Fund	General Fund	79,102
	Water & Sewer Fund	12,106
Special Revenue Fund	General Fund	4,593
<b><u>Due to primary government:</u></b>		
General Fund	Meridian Transportation Commission	\$ 40,847
Municipal Supply Fund	Meridian Transportation Commission	27,828

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

The receivables/payables between the City and Meridian Transportation Commission (MTC) do not balance, because of unresolved disputes concerning amounts due for services and supplies provided by the City over five years ago. The City considers the amounts due and payable from MTC.

**CITY OF MERIDIAN, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2003

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

**Interfund transfers:**

	<u>Transfers in:</u>						
	<u>General Fund</u>	<u>Union Station</u>	<u>Unemp. Comp. Fund</u>	<u>Debt Service Fund</u>	<u>2003 Flood Damage Fund</u>	<u>Special Revenue Fund</u>	<u>Total Transfers In</u>
<b><u>Transfers out:</u></b>							
General Fund	\$ -	177,950	25,000	634,660	11,610	49,141	898,361
Water & Sewer Fund	601,500	-	-	-	12,106	-	613,606
Waste Collection & Disposal Fund	43,000	-	-	-	-	-	43,000
2000 G.O. Bonds	-	-	-	84,000	-	-	84,000
Special Revenue Fund	<u>2,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,024</u>
Total transfers out	\$ <u>646,524</u>	<u>177,950</u>	<u>25,000</u>	<u>718,660</u>	<u>23,716</u>	<u>49,141</u>	<u>1,640,991</u>

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

**(7) Capital Leases**

The City leases certain computer equipment, fire trucks, pumping trucks, sewer 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, 2003, follows:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery and equipment	\$ 1,134,066	1,185,535
Less: accumulated depreciation	<u>(504,695)</u>	<u>(129,028)</u>
<b>Total</b>	\$ <u>629,371</u>	<u>1,056,507</u>

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2003

**(7) Capital Leases (Continued)**

The future minimum lease obligations and the net present value of minimum lease commitments at September 30, 2003, follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2004	\$ 188,522	135,084
2005	71,226	106,140
2006	71,226	106,140
2007	71,226	106,140
2008	71,226	106,140
2009-2013	356,130	530,700
2014-2017	<u>290,607</u>	<u>345,008</u>
 Total minimum lease commitments	 1,120,163	 1,435,352
 Less amount representing imputed interest	 <u>(354,640)</u>	 <u>(431,858)</u>
 Present value of minimum lease payments	 \$ <u>765,523</u>	 1,003,494
 Current portion of obligations under capital leases		 <u>(77,978)</u>
 <b>Obligations under capital leases, less current installments</b>		 <b>\$ <u>925,516</u></b>

**(8) Long-Term Debt**

A summary of long-term debt at September 30, 2003, follows:

	<u>Interest Rates</u>	<u>Amount</u>
<b>Governmental activities:</b>		
Outstanding bonds:		
General government	3.8 - 10.5%	\$ 13,015,000
General government – refunding	3.875 - 5.0%	775,000
Less deferred issue costs on refunding bonds		<u>(29,250)</u>
 Total general obligation bonds		 13,760,750

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2003

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

	<b><u>Interest Rates</u></b>	<b><u>Amount</u></b>
<b>Governmental activities (continued):</b>		
Outstanding bonds (continued):		
Special obligation bonds – parking facilities	2.75 - 4.5%	\$ 7,000,000
Limited obligation bonds – tax increment financing	9.0%	5,900,000
Special assessment debt with City commitment	4.5 - 6.75%	4,450,000
Certificates of participations	4.0 - 7.0%	130,000
Other debt:		
Promissory loans	3.0%	877,096
Capital leases	5.69 - 5.87%	765,523
Compensated absences		1,347,772
Pension obligation		1,634,176
Claims and judgments		<u>660</u>
<b>        Total governmental activities</b>		<b>35,865,977</b>
Less current portion payable		<u>(3,891,744)</u>
<b>        Governmental activities, net</b>		<b>\$ <u>31,974,233</u></b>
<b>Business-type activities:</b>		
Water & sewer revenue bonds:		
Advanced refunding of a refunding	6.0 - 6.5%	\$ 5,890,000
Advanced refunding	2.6 - 3.25%	7,590,000
Improvements and repairs to water system	4.6 - 6.5%	3,860,000
Improvements, repairs and extension to water system	4.5 - 6.375%	4,195,000
Improvements, repairs and extension to water system	5.0 - 6.25%	1,835,000
Less deferred issue costs on refunding bonds		<u>(907,628)</u>
Total revenue bonds		22,462,372
Water & sewer promissory loans	2.3 - 6.125%	8,406,497
Capital leases	4.06 - 5.87%	1,003,494
Compensated absences		<u>251,911</u>
<b>        Total business-type activities</b>		<b>32,124,274</b>
Less current portion payable from restricted assets		<u>(2,040,983)</u>
<b>        Business activities, net</b>		<b>\$ <u>30,083,291</u></b>

**CITY OF MERIDIAN, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2003

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

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

<b>Year Ended September 30,</b>	<b>Governmental Activities</b>						<b>Total</b>
	<b>General Obligation Bonds</b>	<b>Special Obligation Bonds</b>	<b>Limited Obligations Bonds</b>	<b>Special Assessment Debt</b>	<b>Certificates of Participation</b>	<b>Promissory Loans</b>	
2004	\$ 2,612,012	481,882	1,177,475	463,872	139,100	82,869	4,957,210
2005	2,288,343	511,733	1,211,050	462,026	-	82,869	4,556,021
2006	1,284,339	509,847	1,161,075	469,473	-	82,869	3,507,603
2007	1,301,143	523,276	1,114,075	475,671	-	82,869	3,497,034
2008	1,305,354	516,124	1,095,050	475,657	-	82,869	3,475,054
2009-2013	5,603,735	2,655,706	2,323,925	2,391,919	-	414,345	13,389,630
2014-2018	2,866,632	2,698,206	-	1,562,455	-	179,560	7,306,853
2019-2023	-	2,790,269	-	317,785	-	-	3,108,054
<b>Total</b>	<b>\$ 17,261,558</b>	<b>10,687,043</b>	<b>8,082,650</b>	<b>6,618,858</b>	<b>139,100</b>	<b>1,008,250</b>	<b>43,797,459</b>
<b>Interest included in above totals</b>	<b>\$ 3,471,558</b>	<b>3,687,043</b>	<b>2,182,650</b>	<b>2,168,858</b>	<b>9,100</b>	<b>131,154</b>	<b>11,650,363</b>

<b>Year Ended September 30,</b>	<b>Business-type Activities</b>		
	<b>Revenue Bonds</b>	<b>Promissory Loans</b>	<b>Total</b>
2004	\$ 2,691,171	670,518	3,361,689
2005	2,688,960	669,690	3,358,650
2006	2,695,279	668,038	3,363,317
2007	2,698,374	665,754	3,364,128
2008	2,702,582	667,794	3,370,376
2009-2013	11,816,818	3,232,826	15,049,644
2014-2018	4,954,647	3,151,605	8,106,252
2019-2023	358,920	3,312,201	3,671,121
2024-2026	-	651,244	651,244
<b>Total</b>	<b>\$ 30,606,751</b>	<b>13,689,670</b>	<b>44,296,421</b>
<b>Interest included in above totals</b>	<b>\$ 7,236,751</b>	<b>5,283,173</b>	<b>12,519,924</b>

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2003

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

A summary of changes in the long-term liabilities during the year ended September 30, 2003 follows:

<u>Description</u>	<u>October 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2003</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
General obligation debt	\$ 9,735,000	6,000,000	1,945,000	13,790,000	2,020,000
Special obligation bonds	-	7,000,000	-	7,000,000	210,000
Limited obligation bonds	6,420,000	-	520,000	5,900,000	670,000
Special assessment with City commitment	4,655,000	-	205,000	4,450,000	210,000
Certificates of participation	340,000	-	210,000	130,000	130,000
Less deferred issue costs on refunding bonds	<u>(42,250)</u>	<u>-</u>	<u>(13,000)</u>	<u>(29,250)</u>	<u>-</u>
Total bonds payable	21,107,750	13,000,000	2,867,000	31,240,750	3,240,000
Promissory loans	932,746	-	55,650	877,096	57,341
Capital leases	1,175,870	-	410,347	765,523	144,486
Compensated absences	1,400,287	1,061,496	1,114,011	1,347,772	449,257
Pension obligation	1,743,583	1,702,235	1,811,642	1,634,176	-
Claims and judgments	<u>-</u>	<u>68,729</u>	<u>68,069</u>	<u>660</u>	<u>660</u>
<b>Governmental activities long-term liabilities</b>	<b>\$ <u>26,360,236</u></b>	<b><u>15,832,460</u></b>	<b><u>6,326,719</u></b>	<b><u>35,865,977</u></b>	<b><u>3,891,744</u></b>
<b>Business-type activities:</b>					
Revenue bonds	\$ 24,160,000	7,590,000	8,380,000	23,370,000	1,620,000
Less deferred issue costs on refunding bonds	(260,284)	(693,742)	(46,398)	(907,628)	-
Promissory loans	8,594,527	-	188,030	8,406,497	259,035
Capital leases	1,135,776	-	132,282	1,003,494	77,978
Compensated absences	<u>253,989</u>	<u>224,585</u>	<u>226,663</u>	<u>251,911</u>	<u>83,970</u>
<b>Business-type activities long-term liabilities</b>	<b>\$ <u>33,884,008</u></b>	<b><u>7,120,843</u></b>	<b><u>8,880,577</u></b>	<b><u>32,124,274</u></b>	<b><u>2,040,983</u></b>

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

The government-wide statement of activities includes \$1,879,035 of the long-term liabilities due within one year for business-type activities in "liabilities payable from restricted assets". The remaining amount of \$161,948 is displayed as "noncurrent liabilities, due within one year" on that same statement.

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2003

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

#### General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government operations only. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The original amount of general obligation bonds issued in prior years was \$19,670,000. During the year, the City issued \$6,000,000 in new general obligation bonds.

#### Special Obligation Bonds

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

#### Limited Obligation Bonds

The original amount of tax increment limited obligation bonds issued by the City in prior years to provide funds for the costs of constructing certain infrastructure improvements was \$7,460,000. The bonds are payable from and secured by a pledge of taxes levied on the incremental increase in the assessed value of the project and certain sales tax revenues. The City entered into an interlocal agreement with Lauderdale County, whereby the County has also pledged additional ad valorem tax revenues generated by the project to provide a pro rata portion of annual debt service on the bonds. As a result, the bonds are not a general obligation of the City.

#### Special Assessment Debt

The City issues special assessment bonds to provide financing for certain capital street improvements to benefit specific taxpayers. Special assessment bonds are direct obligations and pledge the full faith and credit of the City. Annual debt service is provided through collection of special assessments on benefited property and ad valorem taxes levied for debt service. The original amount of special assessment bonds issued in prior years was \$5,545,000.

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2003

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

#### Certificates of Participation

As discussed in Note 1(a) the City established the Meridian Public Improvement Corporation (MPIC), a financing authority specifically to issue debt to provide financing for the construction of certain major capital projects. Because the City created MPIC solely for its benefit, it is therefore considered a blended component unit, and the City is required to carry the related debt in its general long-term debt account group.

MPIC issued \$625,000 of certificates of participation to construct park improvements and \$1,300,000 of certificates of participation to provide for the matching share of funds of a federal grant used in the construction of the new Multi-Modal Transportation Center. These certificates were issued as 10-year certificates, with variable amounts of principal maturing each year.

#### 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, 2003 amounted to \$22,462,372, net of \$907,628 of long-term financing costs. The original amount of revenue bonds issued in prior years was \$31,710,000.

In 1994, the City refunded its 1990 Water and Sewer Refunding Bonds by issuing \$9,710,000 of Special Revenue Advance Refunding Bonds. As a result of the refunding, the 1990 bonds are considered fully defeased in substance, and the liability is not reported in the City's financial statements. As of September 30, 2003, the outstanding balance on the defeased bonds was \$5,690,000.

In 2003, the City refunded its 1994 Combined Water and Sewer System Revenue Bonds by issuing \$7,590,000 of Special Revenue Advance Refunding Bonds. As a result to this refunding, the 1994 bonds are considered fully defeased in substance, and the liability is not reported in the City's financial statements. As of September 30, 2003, the outstanding balance on the defeased bonds was \$6,980,000. This refunding resulted in a decrease in future debt service payments of \$549,006.

## **CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2003

### **(8) Long-Term Debt (Continued)**

#### Promissory Loans

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

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

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

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

The City maintains a \$10,000,000 line of credit with the Mississippi Development Authority. This line of credit can be used for interim or permanent financing for various City projects. As of September 30, 2003, the City had no outstanding balance on this line of credit. The interest rate on this line of credit is established weekly based on the Bond Market Association index plus 120 basis points.

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2003

**(9) Lessor Operating Leases**

The Meridian Airport Authority leases space to others under various lease agreements. A summary of minimum future rental income on these leases as of September 30, 2003, and for each of the next five years and in aggregate, follows:

<b><u>Year Ending September 30,</u></b>	<b><u>Amount</u></b>
2004	\$ 201,161
2005	91,827
2006	78,626
2007	76,916
2008	<u>39,225</u>
Total minimum future rentals	\$ <u>487,755</u>

**(10) Prior Period Adjustment**

During the year ended September 30, 2002, the City raised the capitalization threshold for capital assets to \$5,000 for machinery and equipment. Accordingly, all existing capital assets that no longer qualified under the new threshold were removed. The cumulative effect of this adjustment for fiscal year 2003, was to reduce net assets and reduce capital assets by the same amount as follows:

<b><u>Fund</u></b>	<b><u>Amount</u></b>
Water and Sewer	\$ 59,633
Golf Course	10,892
Union Station	8,259
Concessions	<u>422</u>
<b>Total adjustment</b>	\$ <u>79,206</u>

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2003

**(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; and natural disasters for which the City carries commercial insurance to protect against these and other types of risks. Coverage limits vary by exposure/policy and are decided on from examination of the number and types of prior claims, as well as from monitoring of judicial decisions, awards and trend factors. Premiums are paid from the General Fund, Water & Sewer Fund, Lakeview Golf Course Fund and Union Station Fund, as well as the appropriate department within each fund and by component units. There were no significant reductions in insurance coverage in fiscal 2003 from the prior year. Settled claims have not exceeded commercial coverage in any of the past several years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Since the City is insured for losses above the self-insured retention (SIR), its insurers have the responsibility of reserving, discounting, and making other similar calculations. The aggregate SIR claims, which include incurred but not reported (IBNR) claims, were derived by obtaining an average of the four most recent years of loss histories and increasing this average by approximately one standard deviation above the mean to determine claim liabilities. Changes in the balances of claims liabilities during the fiscal years ended September 30, 2003 and 2002 follows:

<u>Description</u>	<u>2003</u>	<u>2002</u>
Unpaid claims, beginning of year	\$ -	868
Incurred claims (including IBNR's)	68,729	42,284
Claim payments	<u>(68,069)</u>	<u>(43,152)</u>
Unpaid claims, end of year	\$ <u>660</u>	<u>-</u>

**(12) Subsequent Events**

On April 22, 2004, the City issued \$2,900,000 of revenue bonds to finance an expansion and upgrade of the City's water and sewer system. The interest rate on the bonds ranges from 1.0 – 5.0 percent and the maturity date is July 1, 2024.

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2003

### (13) Contingent Liabilities

#### Litigation

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

#### Federally Assisted Programs – Compliance Audits

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

### (14) Construction and Commitments

The City has committed to an engineering contract in connection with the extension of water and sewer lines to a new industrial park. Estimated balances on this contract total \$114,000 as of September 30, 2003. Future expenditures related to this contract will be funded from bond funds already available. Construction contracts of approximately \$2,800,000 will be executed to complete the project. These contracts will be funded with proceeds from the future sale of bonds.

The City has committed to contracts in connection with an interchange on Interstate 20 and Interstate 59 that will provide access to the new industrial park. Estimated balances on these contracts total \$875,000 as of September 30, 2003. Future expenditures related to these contracts will be funded from grants that have been committed to be provided by the federal government.

The City has committed to contracts in connection with the construction of a downtown parking garage. Estimated balances on these contracts total \$5,240,000 as of September 30, 2003. Future expenditures related to these contracts will be funded from bond funds already available.

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2003

### (15) Solid Waste Management Services Accounting

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

### (16) Pension and Retirement Plans

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

##### Plan Description

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

The payroll for employees covered by PERS (statewide) for the year ended June 30, 2003 was \$4,431,600,000. The City's payroll for employees covered by PERS for the year ended September 30, 2003 was \$12,888,126; the City's total payroll was \$13,841,859 for the year ended September 30, 2003.

Participating employees who retire at or after age 60 with four or more years of membership service or those who retire regardless of age with at least 25 years of credited service are entitled, upon application, to an annual retirement allowance, payable monthly for life, in an amount equal to 2 percent of their average compensation for each year of credited service up to and including 25 years and 2 1/2 percent for each year of credited service over 25 years. Average compensation is the average of the employee's earnings during the four highest compensated years of credited service. A member may elect a reduced allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of four years of membership service. PERS also provides certain death and disability benefits. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State of Mississippi Legislature.

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2003

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

#### **Public Employees Retirement System (Continued):**

##### Plan Description (Continued)

A cost-of-living payment is made to eligible retirees and beneficiaries. The cost of living adjustment is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement prior to the year in which the member reaches age 55, plus 3 percent compounded for each year thereafter beginning with the fiscal year in which the member turns age 55. For the year ended June 30, 2003, the total additional annual payments were \$173,934,000.

##### Funding Policy

Employees covered by PERS are required by statute to contribute 7.25% of their salary to PERS. In the year ended September 30, 2003, City employees contributed \$1,032,558. If an employee leaves covered employment, accumulated employee contributions plus related investment earnings allocations are refunded to the employee or designated beneficiary upon request. The investment earnings allocation rate was 3.5% in 2003. The City is required by statute to contribute to PERS at an actuarially determined rate. For the years ended September 30, 2003, 2002, and 2001, the City's contribution requirements representing 9.75% of covered payroll were \$1,256,556, \$1,213,501, and \$1,233,204, respectively. The City contributed 100% of its requirements in each of these years.

The Meridian Airport Authority made contributions to PERS in the year ended September 30, 2003 of approximately \$18,000. The component unit's total payroll was approximately \$187,000 and substantially all payroll is covered under the PERS plan.

##### Trend Information

Ten year historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS June 30, 2003, comprehensive annual financial report.

## CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2003

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

#### **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, 2003 was \$214,435; the City's total payroll for all employees was \$13,841,859. At September 30, 2002, the date of the most recent actuarial valuation, there were 10 participating general municipal employees, firefighters and police officers.

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

##### Basis of Accounting

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

## CITY OF MERIDIAN, MISSISSIPPI

### Notes to Financial Statements

September 30, 2003

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

##### **Municipal Retirement Systems (Continued):**

###### Funding Policy

Funding policies for MRS, established by Mississippi statutes, provide for a property tax to be levied within each municipality and deductions from salaries of members, at rates sufficient to make the plan actuarially sound. As of September 30, 2003, the City levied 7.49 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 2003, fire and police employees and municipal employees covered by MRS were required to contribute 10% and 7%, respectively, of covered payroll. Any increase to the base employee contribution rates of 10% and 7% is made in increments not to exceed 1% per year. If an employee leaves covered employment, accumulated employee contributions are refunded to the employee upon request. Employees covered by MRS do not receive an interest earnings allocation to their accumulated contributions. The City contributes the remaining amounts necessary to finance participation of its employees in MRS. Contribution provisions are established by Sections 21-29, Articles 1, 3, 5 and 7, Mississippi Code Ann. (1972) and annual local legislation. Statutes may be amended only by the State of Mississippi Legislature.

###### Annual Pension Cost

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

The required contribution to MRS was determined as part of the actuarial valuation performed as of September 30, 2002 (the most recent available), using the entry age actuarial cost method. Significant actuarial assumptions include (a) a rate of return on the investment of present and future assets at 8% compounded annually, (b) projected salary increases of 4% per year compounded annually attributable to inflation, and (c) additional projected salary increases of 2% per year compounded annually attributable to seniority and/or merit.

**CITY OF MERIDIAN, MISSISSIPPI**

Notes to Financial Statements

September 30, 2003

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

**Municipal Retirement Systems (Continued):**

Annual Pension Cost (Continued)

The following provides pension cost and obligation information for MRS:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Components of annual pension cost:			
Annual required contribution	\$ 1,711,554	1,698,739	1,756,859
Interest cost	139,487	146,166	155,192
Adjustment to required contribution	<u>(148,806)</u>	<u>(155,931)</u>	<u>(165,560)</u>
Total annual pension cost	1,702,235	1,688,974	1,746,491
Less: contributions made	<u>1,811,643</u>	<u>1,772,465</u>	<u>1,859,313</u>
Decrease in net pension obligation	\$ <u>(109,408)</u>	<u>(83,491)</u>	<u>(112,822)</u>
Percentage of annual pension cost contributed	<u>106.43%</u>	<u>104.94%</u>	<u>106.46%</u>
Net pension obligation at year end	\$ <u>1,634,176</u>	<u>1,743,583</u>	<u>1,827,074</u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**SCHEDULE 1**

**CITY OF MERIDIAN, MISSISSIPPI**  
 Required Supplementary Information  
 Mississippi Municipal Retirement System (MMRS)  
 Schedule of Funding Progress  
 Last Three Fiscal Years  
 (In Thousands of Dollars)

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Funded Ratio (a/b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b-a)/c]</b>
9/30/02	\$ 11,781	\$ 31,303	37.6%	\$ 19,522	390	5005.6%
9/30/01	12,252	31,669	38.7%	19,417	475	4087.8%
9/30/00	12,049	32,156	37.5%	20,107	462	4352.2%

**Notes to Schedule of Funding Progress**

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

The actuarial value of assets is determined on a market-related basis that recognizes 20 percent of the previously unrecognized and unanticipated gains and losses (both realized and unrealized). The required contribution was determined as part of the actuarial valuation performed as of September 30, 2002 (the most recent available), using the entry age actuarial cost method. Significant assumptions include (a) rate of return on the investment of present and future assets at 8% compounded annually, (b) projected salary increases of 4% per year computed annually attributable to inflation, and (c) additional projected salary increases of 2% per year compounded annually attributable to seniority and/or merit.

For additional information regarding this schedule, refer to the separately issued Public Employees' Retirement System of Mississippi Comprehensive Annual Financial Report for 2002 by writing to Public Employees' Retirement System of Mississippi, 429 Mississippi Street, Jackson, MS 39201-1005.

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**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

## NONMAJOR GOVERNMENTAL FUNDS

### **Special Revenue Fund**

The special revenue fund is used to account for specific revenues that are legally restricted to expenditures for particular purposes.

### **Capital Projects Funds**

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

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

**DECD Bonita Lakes Mall Road Project** – This fund is used to account for the construction of a frontage and ring road in the proximity of the Bonita Lakes Mall. The Mississippi Department of Transportation approved the plans and funded this project with state money.

**10<sup>th</sup> Avenue Improvements** – This fund is used to account for the widening and resurfacing of 10<sup>th</sup> Avenue from 29<sup>th</sup> Street to North Hill Street. The Mississippi Department of Transportation approved project plans. Federal funds assist in the funding of this project.

**1998 General Obligation Bonds** – This fund is used to account for the proceeds and disbursements of the 1998 general obligation public improvements bonds.

**Training Facility Grant - Riley** – This fund is used to account for the proceeds and disbursements of a grant from a local foundation to build a fire and police training facility.

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

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

**2000A Tax Increment Financing Bonds** – This fund is used to account for the bond proceeds used to fund infrastructure improvements to the Wal-Mart Supercenter and Lowe’s Superstore site.

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

## NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

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

**2001 Special Assessment Bonds** – This fund is used to account for bond proceeds used for construction of curbs, gutters and other necessary improvements.

**2002 Special Street Improvements** – This fund is used to account for the future sale of bonds for the construction of curbs and gutters, to properly grade and drain, to construct the necessary bridges and culverts, to lay the necessary sanitation and storm sewers, water mains and connections and to pave with suitable material and to otherwise improve certain streets, avenues or parts thereof.

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

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

**SCHEDULE 2**

**CITY OF MERIDIAN, MISSISSIPPI**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2003**

	<b>Nonmajor Special Revenue</b>	<b>Nonmajor Capital Projects</b>	<b>Total Nonmajor Governmental Funds</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 417,099	1,032,725	1,449,824
Investments	-	250,000	250,000
Receivables, net:			
Intergovernmental	64,014	191,261	255,275
Interest	-	166	166
Miscellaneous	3,997	-	3,997
Due from other funds	<u>6,444</u>	<u>91,208</u>	<u>97,652</u>
<b>Total assets</b>	<b>\$ <u>491,554</u></b>	<b><u>1,565,360</u></b>	<b><u>2,056,914</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Liabilities:</b>			
Accounts payable	\$ 98,297	73,099	171,396
Due to other funds	26,596	277,406	304,002
Deferred revenue	<u>24,722</u>	<u>-</u>	<u>24,722</u>
<b>Total liabilities</b>	<b><u>149,615</u></b>	<b><u>350,505</u></b>	<b><u>500,120</u></b>
<b>Fund balances:</b>			
Reserved for encumbrances	1,304	1,516,347	1,517,651
Unreserved, designated for capital projects	-	841,606	841,606
Unreserved, undesignated	<u>340,635</u>	<u>(1,143,098)</u>	<u>(802,463)</u>
<b>Total fund balances</b>	<b><u>341,939</u></b>	<b><u>1,214,855</u></b>	<b><u>1,556,794</u></b>
<b>Total liabilities and fund balances</b>	<b>\$ <u>491,554</u></b>	<b><u>1,565,360</u></b>	<b><u>2,056,914</u></b>

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

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Fiscal Year Ended September 30, 2003

	<b><u>Nonmajor Special Revenue</u></b>	<b><u>Nonmajor Capital Projects</u></b>	<b><u>Total Nonmajor Governmental Funds</u></b>
<b>Revenues:</b>			
Intergovernmental:			
Federal	\$ 383,203	235,036	618,239
State	12,983	45,518	58,501
County	50,429	-	50,429
Fines and forfeitures	29,456	-	29,456
Local contributions	189,580	-	189,580
Interest on investments	1,096	15,294	16,390
Miscellaneous	2,137	-	2,137
Total revenues	<u>668,884</u>	<u>295,848</u>	<u>964,732</u>
<b>Expenditures:</b>			
Current:			
Public safety	486,981	-	486,981
Culture and recreation	31,766	-	31,766
Economic development	84,848	-	84,848
Capital outlay	-	362,520	362,520
Total expenditures	<u>603,595</u>	<u>362,520</u>	<u>966,115</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>65,289</u>	<u>(66,672)</u>	<u>(1,383)</u>
<b>Other financing sources (uses):</b>			
Transfers in	49,141	23,716	72,857
Transfers out	<u>(2,024)</u>	<u>(84,000)</u>	<u>(86,024)</u>
Total other financing sources (uses)	<u>47,117</u>	<u>(60,284)</u>	<u>(13,167)</u>
<b>Net change in fund balances</b>	112,406	(126,956)	(14,550)
<b>Fund balances, October 1, 2002</b>	<u>229,533</u>	<u>1,341,811</u>	<u>1,571,344</u>
<b>Fund balances, September 30, 2003</b>	<u>\$ 341,939</u>	<u>1,214,855</u>	<u>1,556,794</u>

**CITY OF MERIDIAN, MISSISSIPPI**  
Combining Balance Sheet  
Nonmajor Capital Projects Funds  
September 30, 2003

	<u>Sowashee Project</u>	<u>DECD Bonita Lakes Mall Road Project</u>	<u>10th Avenue Improve- ments</u>	<u>1998 General Obligation Bonds</u>	<u>Training Facility Grant - Riley</u>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 394,748	-	47,209	173,800	2,893
Investments	250,000	-	-	-	-
Grant receivable	-	-	-	-	-
Interest receivable	166	-	-	-	-
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<b>\$ <u>644,914</u></b>	<b><u>-</u></b>	<b><u>47,209</u></b>	<b><u>173,800</u></b>	<b><u>2,893</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities:</b>					
Accounts payable	\$ 2,016	-	14,269	-	-
Due to other funds	<u>-</u>	<u>7,975</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>2,016</u></b>	<b><u>7,975</u></b>	<b><u>14,269</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund balances (deficit):</b>					
Reserved for encumbrances	260,000	-	-	-	-
Unreserved, designated for capital projects	382,898	-	32,940	173,800	2,893
Unreserved, undesignated	<u>-</u>	<u>(7,975)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total fund balances (deficit)</b>	<b><u>642,898</u></b>	<b><u>(7,975)</u></b>	<b><u>32,940</u></b>	<b><u>173,800</u></b>	<b><u>2,893</u></b>
<b>Total liabilities and fund balances</b>	<b>\$ <u>644,914</u></b>	<b><u>-</u></b>	<b><u>47,209</u></b>	<b><u>173,800</u></b>	<b><u>2,893</u></b>

**SCHEDULE 4**

<b>1999 General Obligation Bonds</b>	<b>2000 General Obligation Bonds</b>	<b>2000A Tax Increment Financing Bonds</b>	<b>2000B Tax Increment Financing Bonds</b>	<b>2001 Special Assessment Bonds</b>	<b>2002 Special Street Improve- ments</b>	<b>I20/I59 Interchange Project</b>	<b>2003 Flood Damage</b>	<b>Total</b>
175,789	78,652	9,550	2,265	147,819	-	-	-	1,032,725
-	-	-	-	-	-	-	-	250,000
-	-	-	-	-	-	87,940	103,321	191,261
-	-	-	-	-	-	-	-	166
-	-	-	-	-	-	-	91,208	91,208
<u>175,789</u>	<u>78,652</u>	<u>9,550</u>	<u>2,265</u>	<u>147,819</u>	<u>-</u>	<u>87,940</u>	<u>194,529</u>	<u>1,565,360</u>
-	-	-	-	-	15,928	-	40,886	73,099
-	-	-	-	-	12,596	87,940	168,895	277,406
-	-	-	-	-	28,524	87,940	209,781	350,505
165,000	-	-	-	-	-	905,831	185,516	1,516,347
10,789	78,652	9,550	2,265	147,819	-	-	-	841,606
-	-	-	-	-	(28,524)	(905,831)	(200,768)	(1,143,098)
<u>175,789</u>	<u>78,652</u>	<u>9,550</u>	<u>2,265</u>	<u>147,819</u>	<u>(28,524)</u>	<u>-</u>	<u>(15,252)</u>	<u>1,214,855</u>
<u>175,789</u>	<u>78,652</u>	<u>9,550</u>	<u>2,265</u>	<u>147,819</u>	<u>-</u>	<u>87,940</u>	<u>194,529</u>	<u>1,565,360</u>

**CITY OF MERIDIAN, MISSISSIPPI**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Capital Projects Funds  
For the Fiscal Year Ended September 30, 2003

	<u>Sowashee Project</u>	<u>DECD Bonita Lakes Mall Road Project</u>	<u>10th Avenue Improve- ments</u>	<u>1998 General Obligation Bonds</u>	<u>Training Facility Grant - Riley</u>
<b>Revenues:</b>					
Intergovernmental:					
Federal	-	-	-	-	-
State	\$ -	21,800	-	-	-
Interest	7,974	-	-	2,437	35
Total revenues	<u>7,974</u>	<u>21,800</u>	<u>-</u>	<u>2,437</u>	<u>35</u>
<b>Expenditures:</b>					
Construction contracts	-	-	-	-	-
Engineering and other	22,406	-	-	-	760
Street improvements	-	-	-	-	-
Total expenditures	<u>22,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>760</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(14,432)</u>	<u>21,800</u>	<u>-</u>	<u>2,437</u>	<u>(725)</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	(14,432)	21,800	-	2,437	(725)
<b>Fund balances (deficit), October 1, 2002</b>	<u>657,330</u>	<u>(29,775)</u>	<u>32,940</u>	<u>171,363</u>	<u>3,618</u>
<b>Fund balances (deficit), September 30, 2003</b>	\$ <u>642,898</u>	<u>(7,975)</u>	<u>32,940</u>	<u>173,800</u>	<u>2,893</u>

**SCHEDULE 5**

<b><u>1999 General Obligation Bonds</u></b>	<b><u>2000 General Obligation Bonds</u></b>	<b><u>2000A Tax Increment Financing Bonds</u></b>	<b><u>2000B Tax Increment Financing Bonds</u></b>	<b><u>2001 Special Assessment Bonds</u></b>	<b><u>2002 Special Street Improve- ments</u></b>	<b><u>I20/I59 Interchange Project</u></b>	<b><u>2003 Flood Damage</u></b>	<b><u>Total</u></b>
-	-	-	-	-	-	87,940	147,096	235,036
-	-	-	-	-	-	-	23,718	45,518
<u>1,939</u>	<u>1,053</u>	<u>105</u>	<u>25</u>	<u>1,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,294</u>
<u>1,939</u>	<u>1,053</u>	<u>105</u>	<u>25</u>	<u>1,726</u>	<u>-</u>	<u>87,940</u>	<u>170,814</u>	<u>295,848</u>
-	-	-	-	13,523	-	-	209,782	223,305
-	-	-	-	-	-	87,847	-	111,013
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,202</u>	<u>-</u>	<u>-</u>	<u>28,202</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,523</u>	<u>28,202</u>	<u>87,847</u>	<u>209,782</u>	<u>362,520</u>
<u>1,939</u>	<u>1,053</u>	<u>105</u>	<u>25</u>	<u>(11,797)</u>	<u>(28,202)</u>	<u>93</u>	<u>(38,968)</u>	<u>(66,672)</u>
-	-	-	-	-	-	-	23,716	23,716
<u>-</u>	<u>(84,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(84,000)</u>
<u>-</u>	<u>(84,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,716</u>	<u>(60,284)</u>
1,939	(82,947)	105	25	(11,797)	(28,202)	93	(15,252)	(126,956)
<u>173,850</u>	<u>161,599</u>	<u>9,445</u>	<u>2,240</u>	<u>159,616</u>	<u>(322)</u>	<u>(93)</u>	<u>-</u>	<u>1,341,811</u>
<u>175,789</u>	<u>78,652</u>	<u>9,550</u>	<u>2,265</u>	<u>147,819</u>	<u>(28,524)</u>	<u>-</u>	<u>(15,252)</u>	<u>1,214,855</u>

**SCHEDULE 6****CITY OF MERIDIAN, MISSISSIPPI****Debt Service Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances -****Budget and Actual (Budgetary Basis)****For the Fiscal Year Ended September 30, 2003**

	<b><u>Original and Final Budgeted Amounts</u></b>	<b><u>Actual Amounts</u></b>	<b><u>Variance with Final Budget - Positive (Negative)</u></b>
<b>Revenues</b>	\$ 4,750,000	4,075,200	(674,800)
<b>Expenditures - debt service</b>	<u>4,750,000</u>	<u>4,351,250</u>	<u>398,750</u>
<b>Net change in fund balances</b>	-	(276,050)	(276,050)
<b>Fund Balance, October 1, 2002</b>	<u>-</u>	<u>2,651,552</u>	<u>2,651,552</u>
<b>Fund Balance, September 30, 2003</b>	\$ <u><u>-</u></u>	<u><u>2,375,502</u></u>	<u><u>2,375,502</u></u>

**SCHEDULE 7****CITY OF MERIDIAN, MISSISSIPPI****Special Revenue Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances -****Budget and Actual (Budgetary Basis)****For the Fiscal Year Ended September 30, 2003**

	<b><u>Original and Final Budgeted Amounts</u></b>	<b><u>Actual Amounts</u></b>	<b><u>Variance with Final Budget - Positive (Negative)</u></b>
<b>Revenues</b>	\$ 365,000	749,564	384,564
<b>Expenditures -</b>			
Supplies and capital outlay	<u>985,000</u>	<u>609,484</u>	<u>375,516</u>
<b>Net change in fund balances</b>	(620,000)	140,080	760,080
<b>Fund balances, October 1, 2002</b>	<u>630,000</u>	<u>347,505</u>	<u>(282,495)</u>
<b>Fund balances, September 30, 2003</b>	\$ <u>10,000</u>	<u>487,585</u>	<u>477,585</u>

**SCHEDULE 8**

**CITY OF MERIDIAN, MISSISSIPPI**  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual (Budgetary Basis)  
Capital Projects Funds  
For the Fiscal Year Ended September 30, 2003

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>	\$ 22,105,000	13,043,229	(9,061,771)
<b>Expenditures - capital outlay</b>	<u>18,000,000</u>	<u>7,872,978</u>	<u>10,127,022</u>
<b>Net change in fund balances</b>	4,105,000	5,170,251	1,065,251
<b>Fund balance, October 1, 2002</b>	<u>2,000,000</u>	<u>424,036</u>	<u>(1,575,964)</u>
<b>Fund balance, September 30, 2003</b>	\$ <u>6,105,000</u>	<u>5,594,287</u>	<u>(510,713)</u>

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**CITY OF MERIDIAN, MISSISSIPPI**  
Schedule of General Fund Expenditures  
By Departments and Divisions  
For the Fiscal Year Ended September 30, 2003  
(With Comparative Totals for the Fiscal Year Ended September 30, 2002)

	<b>Executive, Legislative and Judicial</b>	<b>Finance and Records</b>	<b>Community Development</b>	<b>Fire Department</b>	<b>Police Department</b>
<b>Personnel services:</b>					
Salaries - regular	\$ 770,697	821,245	644,342	3,156,612	2,805,513
Salaries - overtime	-	1,286	3,253	179,366	209,963
Salaries - temporaries	-	-	7,748	-	-
Fringe benefits	<u>202,054</u>	<u>263,287</u>	<u>183,716</u>	<u>960,045</u>	<u>887,936</u>
Total personnel services	<u>972,751</u>	<u>1,085,818</u>	<u>839,059</u>	<u>4,296,023</u>	<u>3,903,412</u>
<b>Contractual services and supplies:</b>					
Supplies - office	6,253	6,338	3,254	1,616	3,766
Supplies - operating	437	7,994	3,787	4,473	24,450
Supplies - household	-	2,890	-	9,938	2,875
Supplies - uniforms and clothing	115	-	1,832	12,856	51,082
Supplies - materials direct	-	-	815	-	-
Materials - small tools	-	1,284	1,161	6,701	6,963
Professional services	252,474	65,782	13,818	7,053	332,724
Telephone	2,299	79,890	2,695	6,242	14,397
Postage	4,032	7,796	10,221	982	925
Travel	14,923	2,343	11,599	14,182	13,703
Freight	-	57	152	-	-
Advertising and publishing	14,325	4,313	8,583	42	54
Printing and binding	1,152	2,972	5,180	479	4,367
Insurance	44,374	43,474	43,917	167,627	455,265
Utilities	-	742,630	-	72,836	40,218
Operating and maintenance - buildings	1,120	26,524	1,000	36,443	9,632
Operating and maintenance - grounds	-	-	-	220	-
Operating and maintenance - equipment	2,391	60,842	3,463	7,913	9,087
Operating and maintenance - vehicles	171	331	10,714	40,617	210,488
Operating and maintenance - computer services	12,041	13,355	15,788	58,029	55,503
Rentals	-	1,303	65	-	7,690
Judgments and claims	-	936	309	1,027	19,011
Dues and subscriptions	22,184	1,978	6,499	1,385	1,047
Public relations	3,468	91	-	5,524	945
Refunds	-	1,753	-	-	-
Job training	6,380	1,775	5,612	21,083	71,821
Safety	-	-	-	19,992	-
Hospital and medical	<u>9,885</u>	<u>-</u>	<u>-</u>	<u>10,847</u>	<u>45,198</u>
Total contractual services & supplies	<u>398,024</u>	<u>1,076,651</u>	<u>150,464</u>	<u>508,107</u>	<u>1,381,211</u>
<b>Capital outlay:</b>					
Land	85,000	-	-	-	-
Machinery and equipment	6,669	146,495	80	32,054	14,433
Vehicles	<u>-</u>	<u>-</u>	<u>14,178</u>	<u>-</u>	<u>122,659</u>
Total capital outlay	<u>91,669</u>	<u>146,495</u>	<u>14,258</u>	<u>32,054</u>	<u>137,092</u>
<b>Debt service:</b>					
Principal	10,256	49,024	5,373	76,520	132,868
Interest	<u>544</u>	<u>39,479</u>	<u>777</u>	<u>4,291</u>	<u>(8,846)</u>
Total debt service	<u>10,800</u>	<u>88,503</u>	<u>6,150</u>	<u>80,811</u>	<u>124,022</u>
<b>Transfers and other charges:</b>					
Transfer to other funds	659,660	-	200,914	-	26,177
Special projects	17,228	35,000	71,260	-	-
Miscellaneous contributions	238,991	-	-	-	-
Other projects and charges	<u>50,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total transfers and other charges	<u>966,400</u>	<u>35,000</u>	<u>272,174</u>	<u>-</u>	<u>26,177</u>
<b>Total General Fund expenditures - 2003</b>	<u>2,439,644</u>	<u>2,432,467</u>	<u>1,282,105</u>	<u>4,916,995</u>	<u>5,571,914</u>
<b>Total General Fund expenditures - 2002</b>	<u>2,487,071</u>	<u>2,204,989</u>	<u>1,533,900</u>	<u>4,607,355</u>	<u>5,268,682</u>
<b>Increase (decrease)</b>	<u>\$ (47,427)</u>	<u>227,478</u>	<u>(251,795)</u>	<u>309,640</u>	<u>303,232</u>

**SCHEDULE 9**

<b>Public Works</b>	<b>Parks, Recreation &amp; Cultural Affairs</b>	<b>Totals</b>		<b>Increase (Decrease)</b>
		<b>2003</b>	<b>2002</b>	
1,931,258	716,986	10,846,653	10,532,162	314,491
53,307	14,354	461,529	396,515	65,014
6,061	207,422	221,231	189,445	31,786
<u>646,942</u>	<u>220,117</u>	<u>3,364,097</u>	<u>3,053,813</u>	<u>310,284</u>
<u>2,637,568</u>	<u>1,158,879</u>	<u>14,893,510</u>	<u>14,171,935</u>	<u>721,575</u>
1,941	1,366	24,534	22,385	2,149
58,114	48,558	147,813	171,778	(23,965)
3,196	15,895	34,794	30,962	3,832
29,629	3,306	98,820	62,708	36,112
67,786	7,702	76,303	80,177	(3,874)
4,629	6,583	27,321	17,139	10,182
16,700	46,222	734,773	729,908	4,865
5,922	1,292	112,737	135,292	(22,555)
1,161	1,774	26,891	23,217	3,674
2,759	1,067	60,576	43,848	16,728
178	-	387	8,157	(7,770)
89	1,962	29,368	28,211	1,157
738	1,498	16,386	11,015	5,371
322,783	65,425	1,142,865	1,031,473	111,392
41,634	137,705	1,035,023	1,004,071	30,952
6,891	31,488	113,098	85,662	27,436
-	39,394	39,614	42,608	(2,994)
41,612	44,747	170,055	173,588	(3,533)
221,960	33,981	518,262	439,247	79,015
19,536	14,743	188,995	201,756	(12,761)
-	1,146	10,204	11,276	(1,072)
20,589	303	42,175	33,802	8,373
1,172	90	34,355	33,765	590
-	-	10,028	2,503	7,525
-	-	1,753	1,359	394
1,970	695	109,336	66,243	43,093
12,109	1,473	33,574	33,320	254
-	-	65,930	82,446	(16,516)
<u>883,098</u>	<u>508,415</u>	<u>4,905,970</u>	<u>4,607,916</u>	<u>298,054</u>
-	-	85,000	-	85,000
3,750	31,444	234,925	738,735	(503,810)
<u>14,244</u>	<u>14,997</u>	<u>166,078</u>	<u>24,443</u>	<u>141,635</u>
<u>17,994</u>	<u>46,441</u>	<u>486,003</u>	<u>763,178</u>	<u>(277,175)</u>
132,498	3,808	410,347	385,190	25,157
<u>13,989</u>	<u>205</u>	<u>50,439</u>	<u>34,274</u>	<u>16,165</u>
<u>146,487</u>	<u>4,013</u>	<u>460,786</u>	<u>419,464</u>	<u>41,322</u>
11,610	-	898,361	873,489	24,872
20,593	50,953	195,034	163,114	31,920
-	-	238,991	261,186	(22,195)
-	-	50,521	46,580	3,941
<u>32,203</u>	<u>50,953</u>	<u>1,382,907</u>	<u>1,344,369</u>	<u>38,538</u>
<u>3,717,350</u>	<u>1,768,701</u>	<u>22,129,176</u>	<u>21,306,862</u>	<u>822,314</u>
<u>3,640,529</u>	<u>1,564,336</u>	<u>21,306,862</u>		
<u>76,821</u>	<u>204,365</u>	<u>822,314</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 Meridian.

**Concessions** - This fund is used to account for the activities of the City's concession stands at the softball parks.

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

## Combining Statement of Net Assets

## Nonmajor Enterprise Funds

September 30, 2003

<u>ASSETS</u>	<u>Golf Course</u>	<u>Union Station</u>	<u>Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Current assets:</b>				
Cash and cash equivalents	\$ 96,720	52,354	9,615	158,689
Receivables - miscellaneous	-	9,044	-	9,044
Inventory	34,332	-	2,213	36,545
Prepaid items	612	826	-	1,438
<b>Total current assets</b>	<u>131,664</u>	<u>62,224</u>	<u>11,828</u>	<u>205,716</u>
<b>Capital assets:</b>				
Buildings	117,128	-	-	117,128
Improvements other than buildings	113,067	-	-	113,067
Machinery and equipment	389,814	26,005	-	415,819
Total capital assets	620,009	26,005	-	646,014
Less accumulated depreciation	(513,178)	(21,622)	-	(534,800)
<b>Capital assets (net of accumulated depreciation)</b>	<u>106,831</u>	<u>4,383</u>	<u>-</u>	<u>111,214</u>
<b>Total assets</b>	<u>238,495</u>	<u>66,607</u>	<u>11,828</u>	<u>316,930</u>
 <u>LIABILITIES</u>				
<b>Current liabilities:</b>				
Accounts payable	12,841	38,015	1,429	52,285
Accrued liabilities:				
Payroll	7,048	2,838	-	9,886
Compensated absences	25,521	-	-	25,521
Sales tax	1,298	-	401	1,699
Due to other funds	-	8	-	8
Current portion of capital leases	164	-	-	164
<b>Total current liabilities</b>	<u>46,872</u>	<u>40,861</u>	<u>1,830</u>	<u>89,563</u>
<b>Noncurrent liabilities -</b>				
Capital lease payable, net of current portion	3,083	-	-	3,083
<b>Total liabilities</b>	<u>49,955</u>	<u>40,861</u>	<u>1,830</u>	<u>92,646</u>
 <u>NET ASSETS</u>				
Invested in capital assets, net of related debt	103,584	4,383	-	107,967
Unrestricted	84,956	21,363	9,998	116,317
<b>Total net assets</b>	<u>\$ 188,540</u>	<u>25,746</u>	<u>9,998</u>	<u>224,284</u>

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

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

Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2003

	<u>Golf Course</u>	<u>Union Station</u>	<u>Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Operating revenues:</b>				
Charges for sales and services:				
Memberships	\$ 88,962	-	-	88,962
Green fees	72,609	-	-	72,609
Cart rental	66,025	-	-	66,025
Concessions	138,532	-	44,541	183,073
Rental income	-	98,105	-	98,105
Miscellaneous	1,379	147	70	1,596
Total operating revenues	<u>367,507</u>	<u>98,252</u>	<u>44,611</u>	<u>510,370</u>
<b>Operating expenses:</b>				
Personnel services	192,936	28,618	29,024	250,578
Supplies and materials	120,845	8,251	18,393	147,489
Rent and utilities	17,314	27,761	-	45,075
Operation, maintenance, and repairs	62,137	84,937	-	147,074
Depreciation and amortization	32,095	2,983	-	35,078
Miscellaneous	7,700	101,175	833	109,708
Total operating expenses	<u>433,027</u>	<u>253,725</u>	<u>48,250</u>	<u>735,002</u>
<b>Operating loss</b>	<u>(65,520)</u>	<u>(155,473)</u>	<u>(3,639)</u>	<u>(224,632)</u>
<b>Nonoperating revenues (expenses):</b>				
Interest income	1,282	473	-	1,755
Interest expense	(193)	-	-	(193)
Total nonoperating revenues (expenses)	<u>1,089</u>	<u>473</u>	<u>-</u>	<u>1,562</u>
<b>Loss before transfers in</b>	(64,431)	(155,000)	(3,639)	(223,070)
<b>Transfers in</b>	<u>-</u>	<u>177,950</u>	<u>-</u>	<u>177,950</u>
<b>Change in net assets</b>	<u>(64,431)</u>	<u>22,950</u>	<u>(3,639)</u>	<u>(45,120)</u>
<b>Net assets, October 1, 2002</b>	263,863	11,055	14,059	288,977
Prior period adjustment	(10,892)	(8,259)	(422)	(19,573)
<b>Net assets, October 1, 2002, as restated</b>	<u>252,971</u>	<u>2,796</u>	<u>13,637</u>	<u>269,404</u>
<b>Net assets, September 30, 2003</b>	\$ <u>188,540</u>	<u>25,746</u>	<u>9,998</u>	<u>224,284</u>

**SCHEDULE 12**

**CITY OF MERIDIAN, MISSISSIPPI**  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Fiscal Year Ended September 30, 2003

	<u>Golf</u>	<u>Union</u>	<u>Concessions</u>	<u>Total</u> <u>Nonmajor</u> <u>Enterprise</u> <u>Funds</u>
	<u>Course</u>	<u>Station</u>		
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 367,507	92,752	44,611	504,870
Payments to suppliers	(223,745)	(219,711)	(18,221)	(461,677)
Payments to employees	<u>(192,717)</u>	<u>(27,670)</u>	<u>(29,372)</u>	<u>(249,759)</u>
<b>Net cash used in operating activities</b>	<u>(48,955)</u>	<u>(154,629)</u>	<u>(2,982)</u>	<u>(206,566)</u>
<b>Cash flows from noncapital financing activities -</b>				
Transfers from other funds	<u>-</u>	<u>177,950</u>	<u>-</u>	<u>177,950</u>
<b>Cash flows from capital and related financing activities:</b>				
Purchases of capital assets	(15,679)	-	-	(15,679)
Principal payments - capital lease	(152)	-	-	(152)
Interest paid on capital lease	<u>(193)</u>	<u>-</u>	<u>-</u>	<u>(193)</u>
<b>Net cash used in capital and related financing activities</b>	<u>(16,024)</u>	<u>-</u>	<u>-</u>	<u>(16,024)</u>
<b>Cash flows from investing activities -</b>				
Interest received	<u>1,282</u>	<u>473</u>	<u>-</u>	<u>1,755</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(63,697)	23,794	(2,982)	(42,885)
<b>Cash and cash equivalents, October 1, 2002</b>	<u>160,417</u>	<u>28,560</u>	<u>12,597</u>	<u>201,574</u>
<b>Cash and cash equivalents, September 30, 2003</b>	\$ <u>96,720</u>	<u>52,354</u>	<u>9,615</u>	<u>158,689</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>				
Operating loss	\$ (65,520)	(155,473)	(3,639)	(224,632)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation	32,095	2,983	-	35,078
Changes in assets and liabilities:				
Accounts receivable	-	(5,499)	-	(5,499)
Inventory	(3,564)	-	216	(3,348)
Prepaid items	43	(252)	-	(209)
Accounts payable	(10,992)	2,656	740	(7,596)
Accrued liabilities	273	948	(299)	922
Due to other funds	<u>(1,290)</u>	<u>8</u>	<u>-</u>	<u>(1,282)</u>
<b>Total adjustments</b>	<u>16,565</u>	<u>844</u>	<u>657</u>	<u>18,066</u>
<b>Net cash used in operating activities</b>	\$ <u>(48,955)</u>	<u>(154,629)</u>	<u>(2,982)</u>	<u>(206,566)</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.

**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, 2003

<u>ASSETS</u>	<u>Municipal Supply</u>	<u>Municipal Office Supply</u>	<u>Unemployment Compensation Fund</u>	<u>Total</u>
<b>Current assets:</b>				
Cash and cash equivalents	\$ 116,378	4,181	2,856	123,415
Due from other funds:				
General Fund	41,670	680	-	42,350
Water and Sewer Fund	14,319	113	-	14,432
Union Station Fund	-	8	-	8
Due from component unit	27,828	-	-	27,828
Inventory	<u>52,079</u>	<u>3,153</u>	<u>-</u>	<u>55,232</u>
<b>Total current assets</b>	252,274	8,135	2,856	263,265
 <b><u>LIABILITIES</u></b>				
<b>Current liabilities -</b>				
Accounts payable	<u>31,963</u>	<u>1,473</u>	<u>-</u>	<u>33,436</u>
 <b><u>NET ASSETS</u></b>				
Unrestricted	\$ <u>220,311</u>	<u>6,662</u>	<u>2,856</u>	<u>229,829</u>

**CITY OF MERIDIAN, MISSISSIPPI**

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

Internal Service Funds

For the Fiscal Year Ended September 30, 2003

	<u>Municipal Supply</u>	<u>Municipal Office Supply</u>	<u>Unemployment Compensation Fund</u>	<u>Total</u>
<b>Operating revenues -</b>				
Charges for sales and services	\$ <u>377,223</u>	<u>6,366</u>	<u>-</u>	<u>383,589</u>
<b>Operating expenses:</b>				
Costs of sales and services	373,397	5,352	-	378,749
Claims paid	<u>-</u>	<u>-</u>	<u>24,174</u>	<u>24,174</u>
<b>Total operating expenses</b>	<u>373,397</u>	<u>5,352</u>	<u>24,174</u>	<u>402,923</u>
<b>Operating income (loss) before transfers</b>	3,826	1,014	(24,174)	(19,334)
Transfers in	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
<b>Change in net assets</b>	3,826	1,014	826	5,666
<b>Net assets, October 1, 2002</b>	<u>216,485</u>	<u>5,648</u>	<u>2,030</u>	<u>224,163</u>
<b>Net assets, September 30, 2003</b>	\$ <u>220,311</u>	<u>6,662</u>	<u>2,856</u>	<u>229,829</u>

**CITY OF MERIDIAN, MISSISSIPPI**  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Fiscal Year Ended September 30, 2003

	<u>Municipal Supply</u>	<u>Municipal Office Supply</u>	<u>Unemployment Compensation Fund</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 371,266	5,923	-	377,189
Payments to suppliers	<u>(388,011)</u>	<u>(4,379)</u>	<u>(24,174)</u>	<u>(416,564)</u>
<b>Net cash provided by (used in)     operating activities</b>	(16,745)	1,544	(24,174)	(39,375)
<b>Cash flows from noncapital financing activities -</b>				
Transfers from other funds	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(16,745)	1,544	826	(14,375)
<b>Cash and cash equivalents, October 1, 2002</b>	<u>133,123</u>	<u>2,637</u>	<u>2,030</u>	<u>137,790</u>
<b>Cash and cash equivalents, September 30, 2003</b>	\$ <u>116,378</u>	<u>4,181</u>	<u>2,856</u>	<u>123,415</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ <u>3,826</u>	<u>1,014</u>	<u>(24,174)</u>	<u>(19,334)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Changes in assets and liabilities:				
Due from other funds	(2,552)	(443)	-	(2,995)
Due from component units	(3,405)	-	-	(3,405)
Inventory	(3,967)	(163)	-	(4,130)
Accounts payable	<u>(10,647)</u>	<u>1,136</u>	<u>-</u>	<u>(9,511)</u>
Total adjustments	<u>(20,571)</u>	<u>530</u>	<u>-</u>	<u>(20,041)</u>
<b>Net cash provided by (used in) operating activities</b>	\$ <u>(16,745)</u>	<u>1,544</u>	<u>(24,174)</u>	<u>(39,375)</u>

## **FIDUCIARY FUNDS**

### **Agency Funds**

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

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

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

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

**Meridian Separate School District** - This fund is used to account for property tax collections and disbursements to the 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 the Meridian Separate School District to be used for debt service reduction.

SCHEDULE 16

**CITY OF MERIDIAN, MISSISSIPPI**  
Combining Statement of Fiduciary Assets and Liabilities  
Agency Funds  
September 30, 2003

	<u>Firemen &amp; Policemen Disability &amp; Relief</u>	<u>General Retirement Fund</u>	<u>Meridian Community College</u>	<u>Meridian Separate School District</u>	<u>Hospital Insurance</u>	<u>State Police Fines &amp; Fees</u>	<u>Meridian Separate School District Bonds &amp; Interest</u>	<u>Total</u>
Cash and cash equivalents	\$ 70,007	45,639	61,611	490,489	47,559	34,929	25,319	775,553
Intergovernmental receivables- County	13,791	8,994	21,099	158,240	-	-	8,650	210,774
<b>Total assets</b>	<u>\$ 83,798</u>	<u>54,633</u>	<u>82,710</u>	<u>648,729</u>	<u>47,559</u>	<u>34,929</u>	<u>33,969</u>	<u>986,327</u>

LIABILITIES

Intergovernmental payables:								
Schools	\$ -	-	82,710	648,729	-	-	33,969	765,408
PERS	83,798	54,633	-	-	-	-	-	138,431
State	-	-	-	-	-	34,929	-	34,929
Employee insurance withheld	-	-	-	-	47,559	-	-	47,559
<b>Total liabilities</b>	<u>\$ 83,798</u>	<u>54,633</u>	<u>82,710</u>	<u>648,729</u>	<u>47,559</u>	<u>34,929</u>	<u>33,969</u>	<u>986,327</u>

## 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 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.

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

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

**CITY OF MERIDIAN, MISSISSIPPI**  
Combining Statement of Net Assets  
Nonmajor Component Units  
September 30, 2003

	<u>Meridian Transportation Commission</u>	<u>Meridian and Bonita Lakes Development Authority</u>	<u>Meridian Redevelopment Authority</u>	<u>Total Nonmajor Component Units</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ -	3,211	28,839	32,050
Investments	8,342	-	-	8,342
Receivables:				
Accounts	1,943	-	-	1,943
Intergovernmental - State	24,595	-	-	24,595
Prepaid items	8,099	-	-	8,099
Capital assets (net of accumulated depreciation) - Machinery and equipment	<u>39,008</u>	<u>-</u>	<u>-</u>	<u>39,008</u>
<b>Total assets</b>	<u>81,987</u>	<u>3,211</u>	<u>28,839</u>	<u>114,037</u>
<b><u>LIABILITIES</u></b>				
Bank overdraft	16,754	-	-	16,754
Accounts payable	8,462	-	-	8,462
Accrued liabilities	6,722	-	-	6,722
Deferred support	<u>7,294</u>	<u>-</u>	<u>-</u>	<u>7,294</u>
<b>Total liabilities</b>	<u>39,232</u>	<u>-</u>	<u>-</u>	<u>39,232</u>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	39,008	-	-	39,008
Unrestricted	<u>3,747</u>	<u>3,211</u>	<u>28,839</u>	<u>35,797</u>
<b>Total net assets</b>	<u>\$ 42,755</u>	<u>3,211</u>	<u>28,839</u>	<u>74,805</u>

**SCHEDULE 18**

**CITY OF MERIDIAN, MISSISSIPPI**

Combining Statement of Activities

Nonmajor Component Units

For the Fiscal Year Ended September 30, 2003

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>			
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Meridian Transportation Commission</u>	<u>Meridian and Bonita Lakes Development Authority</u>	<u>Meridian Redevelopment Authority</u>	<u>Total Nonmajor Component Units</u>
<b>Component units:</b>							
Meridian Transportation Commission	\$ 438,178	329,129	3,000	(46,554)	-	-	(46,554)
Meridian and Bonita Lakes Development Authority	3,651	-	-	-	(3,651)	-	(3,651)
Meridian Redevelopment Authority	2,598	-	-	-	-	(2,598)	(2,598)
<b>Total component units</b>	<u>\$ 444,427</u>	<u>329,129</u>	<u>3,000</u>	<u>(46,554)</u>	<u>(3,651)</u>	<u>(2,598)</u>	<u>(52,803)</u>
<b>General revenues -</b>							
Interest income				209	32	448	689
<b>Change in net assets</b>				<u>(46,345)</u>	<u>(3,619)</u>	<u>(2,150)</u>	<u>(52,114)</u>
<b>Net assets, October 1, 2002</b>				<u>89,100</u>	<u>6,830</u>	<u>30,989</u>	<u>126,919</u>
<b>Net assets, September 30, 2003</b>				<u>\$ 42,755</u>	<u>3,211</u>	<u>28,839</u>	<u>74,805</u>

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**CAPITAL ASSETS USED IN THE OPERATION**  
**OF GOVERNMENTAL FUNDS**

**CITY OF MERIDIAN, MISSISSIPPI**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedules by Source<sup>1</sup>**  
**September 30, 2003 and 2002**

	<u>2003</u>	<u>2002</u>	<u>Increase (Decrease)</u>
<b>Governmental funds capital assets:</b>			
Land	\$ 5,466,995	5,409,495	57,500
Buildings	16,646,341	16,746,342	(100,001)
Improvements other than buildings	1,400,299	1,400,299	-
Machinery and equipment	10,063,763	9,768,988	294,775
Infrastructure	71,436,779	71,433,344	3,435
Construction in-progress	<u>1,897,235</u>	<u>500,640</u>	<u>1,396,595</u>
<b>Total governmental funds capital assets</b>	<b>\$ <u>106,911,412</u></b>	<b><u>105,259,108</u></b>	<b><u>1,652,304</u></b>
<b>Investments in governmental funds capital assets by source:</b>			
Prior investments in governmental funds capital assets	\$ 10,948,101	11,620,442	(672,341)
General fund	13,129,753	12,205,138	924,615
Special revenue funds	8,743,544	8,743,544	-
Capital projects funds	73,334,014	71,933,984	1,400,030
Donations	<u>756,000</u>	<u>756,000</u>	<u>-</u>
<b>Total governmental funds capital assets</b>	<b>\$ <u>106,911,412</u></b>	<b><u>105,259,108</u></b>	<b><u>1,652,304</u></b>

<sup>1</sup>This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds (if any) are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**CITY OF MERIDIAN, MISSISSIPPI**

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity<sup>1</sup>  
September 30, 2003

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Construction In-Progress</u>	<u>Total</u>
<b>General government:</b>							
Finance and records	\$ -	-	-	861,485	-	-	861,485
Executive	1,409,120	880,504	-	70,585	-	1,809,295	4,169,504
Legislative	-	-	-	17,567	-	-	17,567
Community development	1,324,338	7,281,824	604,658	217,409	-	-	9,428,229
Civil service	-	-	-	-	-	-	-
Total general government	<u>2,733,458</u>	<u>8,162,328</u>	<u>604,658</u>	<u>1,167,046</u>	-	<u>1,809,295</u>	<u>14,476,785</u>
<b>Public safety:</b>							
Police	-	1,675,261	-	1,739,850	-	-	3,415,111
Fire	53,019	3,458,841	-	2,505,387	-	-	6,017,247
Zoning and inspection	-	-	-	92,176	-	-	92,176
Total public safety	<u>53,019</u>	<u>5,134,102</u>	-	<u>4,337,413</u>	-	-	<u>9,524,534</u>
<b>Sanitation</b>	-	-	-	25,965	-	-	25,965
<b>Highways and streets:</b>							
Engineering	-	-	-	162,499	-	-	162,499
Maintenance	1,462,429	1,916,194	-	3,934,889	71,436,779	87,940	78,838,231
Total highways and streets	<u>1,462,429</u>	<u>1,916,194</u>	-	<u>4,097,388</u>	<u>71,436,779</u>	<u>87,940</u>	<u>79,000,730</u>
<b>Culture and recreation -</b>							
Parks and recreation	1,218,089	1,433,717	795,641	435,951	-	-	3,883,398
<b>Total governmental funds capital assets</b>	<u>\$ 5,466,995</u>	<u>16,646,341</u>	<u>1,400,299</u>	<u>10,063,763</u>	<u>71,436,779</u>	<u>1,897,235</u>	<u>106,911,412</u>

<sup>1</sup>This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds (if any) are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

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

Capital Assets Used in the Operation of Governmental Funds  
 Schedule of Changes by Function and Activity<sup>1</sup>  
 For the Fiscal Year Ended September, 30, 2003

<u>Function and Activity</u>	<b>Governmental Funds Capital Assets September 30, 2002</b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b>Governmental Funds Capital Assets September 30, 2003</b>
<b>General government:</b>				
Finance and records	\$ 861,485	-	-	861,485
Executive	2,803,349	1,393,655	27,500	4,169,504
Legislative	11,044	6,523	-	17,567
Community development	9,428,229	-	-	9,428,229
Civil service	-	-	-	-
Total general government	<u>13,104,107</u>	<u>1,400,178</u>	<u>27,500</u>	<u>14,476,785</u>
<b>Public safety:</b>				
Police	3,252,602	182,565	20,056	3,415,111
Fire	6,045,596	71,651	100,000	6,017,247
Zoning and inspection	88,259	14,178	10,261	92,176
Total public safety	<u>9,386,457</u>	<u>268,394</u>	<u>130,317</u>	<u>9,524,534</u>
<b>Sanitation</b>	<u>25,965</u>	<u>-</u>	<u>-</u>	<u>25,965</u>
<b>Highways and streets:</b>				
Engineering	162,499	-	-	162,499
Maintenance	78,725,017	113,214	-	78,838,231
Total highways and streets	<u>78,887,516</u>	<u>113,214</u>	<u>-</u>	<u>79,000,730</u>
<b>Culture and recreation -</b>				
Parks and recreation	3,855,063	33,385	5,050	3,883,398
<b>Total governmental funds capital assets</b>	<b>\$ <u>105,259,108</u></b>	<b><u>1,815,171</u></b>	<b><u>162,867</u></b>	<b><u>106,911,412</u></b>

<sup>1</sup>This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds (if any) are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF MERIDIAN, MISSISSIPPI**  
 Schedule Reconciling Original Ad Valorem  
 Tax Rolls to Fund Collections  
 For the Fiscal Year Ended September 30, 2003

	<u>Assessed</u> <u>Value</u>	<u>Millage</u>	<u>Ad Valorem</u> <u>Taxes</u>
<b>City of Meridian:</b>			
Realty	\$ 149,586,307	50.08	\$ 7,491,283
Personal property - other than auto	40,666,696	50.08	2,036,588
Public utilities	25,505,231	50.08	1,277,302
Personal autos - 2002 rates	3,389,826	51.49	174,542
Personal autos - 2003 rates	<u>31,130,853</u>	50.08	<u>1,559,033</u>
<b>Total City of Meridian valuation</b>	\$ <u>250,278,913</u>		12,538,748
Less homestead exemption allowed			<u>(867,535)</u>
<b>Total City ad valorem taxes</b>			11,671,213
<b>Adjustments to original tax roll:</b>			
Realty		\$ (54,278)	
Personal		(65,386)	
Homestead exemption		<u>(9,345)</u>	(129,009)
<b>Add:</b>			
Actual homestead reimbursement		567,166	
Prior year tax collection		71,829	
Payments in lieu of taxes		108,163	
Motor vehicle rent tax		56,950	
Public utilities		3,689	
Aircraft		5,813	
Mobile homes		<u>6,075</u>	<u>819,685</u>
<b>Total City to account for</b>			<u>12,361,889</u>
<b>Separate School District:</b>			
Realty	\$ 156,171,796	62.37	9,740,435
Personal property - other than auto	47,174,665	62.37	2,942,284
Public utilities	34,303,621	62.37	2,139,517
Personal autos - 2002 rates	3,429,837	64.38	220,813
Personal autos - 2003 rates	<u>31,610,555</u>	62.37	<u>1,971,550</u>
<b>Total Separate School District valuation</b>	\$ <u>272,690,474</u>		17,014,599
Less homestead exemption allowed			<u>(1,679,871)</u>
<b>Total Separate School District ad valorem taxes</b>			15,334,728
<b>Adjustments to original tax roll:</b>			
Realty		(45,632)	
Personal		(80,079)	
Homestead exemption		<u>(8,320)</u>	(134,031)
<b>Add:</b>			
Prior year tax collection		20,268	
Mobile homes		69,494	
Public utilities		4,595	<u>94,357</u>
<b>Total Separate School District to account for</b>			<u>15,295,054</u>
<b>Total City of Meridian and Separate School District to account for</b>			\$ <u>27,656,943</u>

**CITY OF MERIDIAN, MISSISSIPPI**  
Schedule Reconciling Original Ad Valorem  
Tax Rolls to Fund Collections  
For the Fiscal Year Ended September 30, 2003

	<u>Taxes</u>	<u>Homestead Reimbursement</u>	<u>Total</u>
<b>Accounted for as follows:</b>			
General Fund	\$ 6,964,158	344,173	7,308,331
General Fund - Pilot	108,163	-	108,163
General Bond & Interest	2,787,378	136,921	2,924,299
School Bond & Interest	700,319	-	700,319
Police & Fire Disability	1,056,369	52,096	1,108,465
General Retirement	688,305	33,976	722,281
School Fund	<u>14,357,927</u>	<u>-</u>	<u>14,357,927</u>
<b>Total</b>	\$ <u>26,662,619</u>	<u>567,166</u>	27,229,785
<b>Balance represented by:</b>			
Unpaid personal property		\$ 139,295	
Held by tax collector		46,694	
Sold to state		32,869	
Held from tax sale		11,577	
Tax collector's commission		196,297	
Unaccounted for		<u>426</u>	<u>427,158</u>
<b>Total ad valorem taxes</b>		\$ <u>27,656,943</u>	

**CITY OF MERIDIAN, MISSISSIPPI**  
 Schedule of Investments  
 September 30, 2003

	<b><u>Issue</u></b> <b><u>Date</u></b>	<b><u>Maturity</u></b> <b><u>Date</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Amount</u></b>
<b>General fund - unrestricted -</b>				
Certificate of deposit	07/09/2003	01/05/2004	1.25%	\$ <u>500,000</u>
<b>Capital projects funds - unrestricted:</b>				
Certificate of deposit	09/04/2003	03/02/2004	0.90%	\$ 250,000
Treasury Tax Advantage Portfolio Fund	-	-	N/A	<u>5,536,219</u>
<b>    Total capital projects funds - unrestricted</b>				<b>\$ <u>5,786,219</u></b>
<b>Proprietary funds:</b>				
Unrestricted -				
Certificate of deposit	07/09/2003	01/05/2004	1.25%	\$ <u>100,000</u>
Restricted:				
Certificate of deposit	12/20/2002	12/20/2003	1.74%	179,860
Federal National Mortgage Association Discount Notes	08/01/2003	12/29/2003	N/A	759,000
Federal National Mortgage Association Discount Notes	08/01/2003	12/29/2003	N/A	971,000
Federal Home Loan Mortgage Corporate Discount Notes	05/27/2003	11/25/2003	N/A	428,000
Federated Government Obligations	09/06/2001	N/A	N/A	975
Federal Home Loan Mortgage Corporate Discount Notes	09/26/2003	02/26/2004	N/A	<u>304,238</u>
Total restricted funds				<u>2,643,073</u>
<b>    Total proprietary funds investments</b>				<b>\$ <u>2,743,073</u></b>
<b>Total unrestricted investments</b>				<b>\$ <u>6,386,219</u></b>
<b>Total restricted investments</b>				<b>\$ <u>2,643,073</u></b>
<b>Total repurchase agreements - presented as cash and cash equivalents in various fund types</b>				<b>\$ <u>9,268,000</u></b>

**CITY OF MERIDIAN, MISSISSIPPI**  
Schedule of Surety Bonds for Municipal Officials  
September 30, 2003

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

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

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**CITY OF MERIDIAN, MISSISSIPPI**  
 Schedule of Changes in Long-Term Debt  
 For the Fiscal Year Ended September 30, 2003

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance September 30, 2002</u>	<u>Principal Payments</u>	<u>New Issues</u>	<u>Balance September 30, 2003</u>
<b>Governmental activities:</b>							
Public Improvements of 1984	11/01/1984	9.25-10.5%	\$ 3,000,000	840,000	255,000	-	585,000
Public Improvements of 1989	05/01/1989	7.1-6.5%	2,500,000	595,000	285,000	-	310,000
Public Improvements of 1993	08/01/1993	3.8-5.4%	1,160,000	585,000	85,000	-	500,000
Public Improvements of 1995	08/01/1995	4.4-6.2%	2,050,000	740,000	235,000	-	505,000
Refunding Bonds of 1996	01/01/1996	3.875-5.0%	4,210,000	1,455,000	680,000	-	775,000
Public Improvements of 1998	03/01/1998	4.2-6.0%	4,500,000	3,615,000	250,000	-	3,365,000
Public Improvement of 1999	04/01/1999	4.1-5.7%	1,150,000	980,000	60,000	-	920,000
Public Improvement of 2000	05/01/2000	4.4-6.25%	1,100,000	925,000	95,000	-	830,000
Public Improvement of 2003	07/01/2003	3.25-4.125%	6,000,000	-	-	6,000,000	6,000,000
Total general obligations bonds			<u>25,670,000</u>	<u>9,735,000</u>	<u>1,945,000</u>	<u>6,000,000</u>	<u>13,790,000</u>
Special Obligation Bonds 2003A	07/01/2003	2.75-4.5%	5,500,000	-	-	5,500,000	5,500,000
Special Obligation Bonds 2003B	07/01/2003	3.3-3.375%	1,500,000	-	-	1,500,000	1,500,000
Total special obligation bonds			<u>7,000,000</u>	<u>-</u>	<u>-</u>	<u>7,000,000</u>	<u>7,000,000</u>
Limited Obligation Tax Increment Bonds (TIF)	12/01/1996	9.0%	4,160,000	3,120,000	520,000	-	2,600,000
Limited Obligation Tax Increment Bonds (TIF)	09/01/2000	9.0%	2,200,000	2,200,000	-	-	2,200,000
Limited Obligation Tax Increment Bonds (TIF)	12/01/2000	9.0%	1,100,000	1,100,000	-	-	1,100,000
Total tax increment bonds			<u>7,460,000</u>	<u>6,420,000</u>	<u>520,000</u>	<u>-</u>	<u>5,900,000</u>
Revolving loan - capital improvements	06/01/2001	3.00%	1,000,000	932,746	55,650	-	877,096
Total promissory loans			<u>1,000,000</u>	<u>932,746</u>	<u>55,650</u>	<u>-</u>	<u>877,096</u>
Special Street Improvements	08/01/1995	4.8-6.75%	1,920,000	1,495,000	75,000	-	1,420,000
Special Assessment Public Improvement	06/01/1996	4.7-6.7%	2,000,000	1,610,000	80,000	-	1,530,000
Special Assessment Public Improvement	06/01/2000	5.2-6.25%	1,125,000	1,065,000	35,000	-	1,030,000
Special Assessment Public Imp 2001	08/01/2001	4.5-6.0%	500,000	485,000	15,000	-	470,000
Total special assessment			<u>5,545,000</u>	<u>4,655,000</u>	<u>205,000</u>	<u>-</u>	<u>4,450,000</u>
Certificates of Participation - MPIC	04/01/1993	4.0-5.2%	625,000	80,000	80,000	-	-
Certificates of Participation - MPIC	07/01/1994	7.00%	1,300,000	260,000	130,000	-	130,000
Total certificates of participation			<u>1,925,000</u>	<u>340,000</u>	<u>210,000</u>	<u>-</u>	<u>130,000</u>
First Continental Leasing:							
Trucks, tractors, backhoes, etc.	06/17/1999	4.63%	326,570	108,781	108,781	-	-
Computers and equipment	08/14/2000	5.69%	425,000	215,530	104,707	-	110,823
Computer equipment - Police Department	08/14/2000	5.69%	198,530	67,157	67,157	-	-
SI 3000 System software	09/08/2000	5.86%	97,196	32,679	32,679	-	-
Citizens Leasing - motor grader	08/24/1998	4.38%	113,853	24,211	24,211	-	-
Trustmark Lease - AS400 computer equipment	04/30/2000	4.98%	100,000	34,584	34,584	-	-
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	709,066	692,928	38,228	-	654,700
Total capital leases			<u>1,970,215</u>	<u>1,175,870</u>	<u>410,347</u>	<u>-</u>	<u>765,523</u>
Total governmental activities			\$ <u>50,570,215</u>	<u>23,258,616</u>	<u>3,345,997</u>	<u>13,000,000</u>	<u>32,912,619</u>
<b>Business-type activities:</b>							
Water and Sewer Revenue	07/01/1994	6.0-6.5%	\$ 9,710,000	6,430,000	540,000	-	5,890,000
Water and Sewer Revenue	07/01/1994	5.7-6.75%	10,000,000	7,405,000	7,405,000	-	-
Water and Sewer Revenue	12/01/1995	4.6-6.5%	5,000,000	4,055,000	195,000	-	3,860,000
Water and Sewer Revenue	10/01/1997	4.5-6.375%	5,000,000	4,375,000	180,000	-	4,195,000
Water and Sewer Revenue	06/01/2000	5.0-6.25%	2,000,000	1,895,000	60,000	-	1,835,000
Water and Sewer Revenue	07/01/2003	2.6-3.25%	7,590,000	-	-	7,590,000	7,590,000
Total revenue bonds			<u>39,300,000</u>	<u>24,160,000</u>	<u>8,380,000</u>	<u>7,590,000</u>	<u>23,370,000</u>
Water and sewer promissory loan	12/01/1998	4.7-6.125%	5,300,000	5,190,000	75,000	-	5,115,000
Loan - capital improvements	01/01/2001	3.00%	360,000	304,527	33,030	-	271,497
Water and sewer promissory loan	11/29/2001	2.3-5.125%	3,100,000	3,100,000	80,000	-	3,020,000
Total promissory loans			<u>8,760,000</u>	<u>8,594,527</u>	<u>188,030</u>	<u>-</u>	<u>8,406,497</u>
First Continental Lease - truck	06/17/1999	4.63%	113,639	38,505	38,505	-	-
Citizens National Bank Lease - flush truck	09/18/2001	4.06%	82,934	55,477	27,663	-	27,814
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	1,053,181	1,038,395	65,962	-	972,433
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	3,460	3,399	152	-	3,247
Total capital leases			<u>1,253,214</u>	<u>1,135,776</u>	<u>132,282</u>	<u>-</u>	<u>1,003,494</u>
Total business-type activities			\$ <u>49,313,214</u>	<u>33,890,303</u>	<u>8,700,312</u>	<u>7,590,000</u>	<u>32,779,991</u>

**CITY OF MERIDIAN, MISSISSIPPI**  
Schedule of Long-Term Debt Maturities  
September 30, 2003

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance September 30, 2003</u>	<u>2004</u>
<b><u>Governmental activities:</u></b>					
Public Improvements of 1984	11/01/1984	9.25-10.5%	\$ 3,000,000	585,000	275,000
Public Improvements of 1989	05/01/1989	7.1-6.5%	2,500,000	310,000	310,000
Public Improvements of 1993	08/01/1993	3.8-5.4%	1,160,000	500,000	90,000
Public Improvements of 1995	08/01/1995	4.4-6.2%	2,050,000	505,000	245,000
Refunding Bonds of 1996	01/01/1996	3.875-5.0%	4,210,000	775,000	380,000
Public Improvements of 1998	03/01/1998	4.2-6.0%	4,500,000	3,365,000	265,000
Public Improvement of 1999	04/01/1999	4.1-5.7%	1,150,000	920,000	65,000
Public Improvement of 2000	05/01/2000	4.4-6.25%	1,100,000	830,000	100,000
Public Improvement of 2003	07/01/2003	3.25-4.125%	6,000,000	6,000,000	290,000
Total general obligations bonds			<u>25,670,000</u>	<u>13,790,000</u>	<u>2,020,000</u>
Special Obligation Bonds 2003A	07/01/2003	2.75-4.5%	5,500,000	5,500,000	170,000
Special Obligation Bonds 2003B	07/01/2003	3.3-3.375%	1,500,000	1,500,000	40,000
Total special obligation bonds			<u>7,000,000</u>	<u>7,000,000</u>	<u>210,000</u>
Limited Obligation Tax Increment Bonds (TIF)	12/01/1996	9.0%	4,160,000	2,600,000	520,000
Limited Obligation Tax Increment Bonds (TIF)	09/01/2000	9.0%	2,200,000	2,200,000	75,000
Limited Obligation Tax Increment Bonds (TIF)	12/01/2000	9.0%	1,100,000	1,100,000	75,000
Total tax increment bonds			<u>7,460,000</u>	<u>5,900,000</u>	<u>670,000</u>
Revolving loan - capital improvements	06/01/2001	3.00%	1,000,000	877,096	57,341
Total promissory loans			<u>1,000,000</u>	<u>877,096</u>	<u>57,341</u>
Special Street Improvements	08/01/1995	4.8-6.75%	1,920,000	1,420,000	80,000
Special Assessment Public Improvement	06/01/1996	4.7-6.7%	2,000,000	1,530,000	80,000
Special Assessment Public Improvement	06/01/2000	5.2-6.25%	1,125,000	1,030,000	35,000
Special Assessment Public Imp 2001	08/01/2001	4.5-6.0%	500,000	470,000	15,000
Total special assessment			<u>5,545,000</u>	<u>4,450,000</u>	<u>210,000</u>
Certificates of Participation - MPIC	07/01/1994	7.00%	1,300,000	130,000	130,000
Total certificates of participation			<u>1,300,000</u>	<u>130,000</u>	<u>130,000</u>
First Continental Leasing:					
Computers and equipment	08/14/2000	5.69%	425,000	110,823	110,823
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	709,066	654,700	33,663
Total capital leases			<u>1,134,066</u>	<u>765,523</u>	<u>144,486</u>
<b>Total governmental activities</b>			<b>\$ <u>49,109,066</u></b>	<b><u>32,912,619</u></b>	<b><u>3,441,827</u></b>
<b><u>Business-type activities:</u></b>					
Water and Sewer Revenue	07/01/1994	6.0-6.5%	\$ 9,710,000	5,890,000	575,000
Water and Sewer Revenue	12/01/1995	4.6-6.5%	5,000,000	3,860,000	205,000
Water and Sewer Revenue	10/01/1997	4.5-6.375%	5,000,000	4,195,000	185,000
Water and Sewer Revenue	06/01/2000	5.0-6.25%	2,000,000	1,835,000	65,000
Water and Sewer Revenue	07/01/2003	2.6-3.25%	7,590,000	7,590,000	590,000
Total revenue bonds			<u>29,300,000</u>	<u>23,370,000</u>	<u>1,620,000</u>
Water and sewer promissory loan	12/01/1998	4.7-6.125%	5,300,000	5,115,000	140,000
Loan - capital improvements	01/01/2001	3.00%	360,000	271,497	34,035
Water and sewer promissory loan	11/29/2001	2.3-5.125%	3,100,000	3,020,000	85,000
Total promissory loans			<u>8,760,000</u>	<u>8,406,497</u>	<u>259,035</u>
Citizens National Bank Lease - flush truck	09/18/2001	4.06%	82,934	27,814	27,814
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	1,053,181	972,433	50,000
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	3,460	3,247	164
Total capital leases			<u>1,139,575</u>	<u>1,003,494</u>	<u>77,978</u>
<b>Total business-type activities</b>			<b>\$ <u>39,199,575</u></b>	<b><u>32,779,991</u></b>	<b><u>1,957,013</u></b>

**SCHEDULE 26**

**Maturities for the Years Ended September 30,**

<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>Thereafter</b>
310,000	-	-	-	-
-	-	-	-	-
95,000	100,000	105,000	110,000	-
260,000	-	-	-	-
395,000	-	-	-	-
280,000	290,000	310,000	325,000	1,895,000
70,000	70,000	75,000	80,000	560,000
105,000	110,000	120,000	125,000	270,000
300,000	315,000	330,000	345,000	4,420,000
<u>1,815,000</u>	<u>885,000</u>	<u>940,000</u>	<u>985,000</u>	<u>7,145,000</u>
180,000	185,000	200,000	200,000	4,565,000
45,000	45,000	50,000	50,000	1,270,000
<u>225,000</u>	<u>230,000</u>	<u>250,000</u>	<u>250,000</u>	<u>5,835,000</u>
520,000	520,000	520,000	520,000	-
85,000	175,000	190,000	205,000	1,470,000
80,000	85,000	95,000	100,000	665,000
<u>685,000</u>	<u>780,000</u>	<u>805,000</u>	<u>825,000</u>	<u>2,135,000</u>
59,085	60,882	62,733	64,642	572,413
<u>59,085</u>	<u>60,882</u>	<u>62,733</u>	<u>64,642</u>	<u>572,413</u>
85,000	95,000	100,000	105,000	955,000
80,000	85,000	95,000	105,000	1,085,000
40,000	40,000	45,000	45,000	825,000
15,000	20,000	20,000	20,000	380,000
<u>220,000</u>	<u>240,000</u>	<u>260,000</u>	<u>275,000</u>	<u>3,245,000</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
35,694	37,849	40,133	42,555	464,806
<u>35,694</u>	<u>37,849</u>	<u>40,133</u>	<u>42,555</u>	<u>464,806</u>
<u>3,039,779</u>	<u>2,233,731</u>	<u>2,357,866</u>	<u>2,442,197</u>	<u>19,397,219</u>
615,000	655,000	690,000	735,000	2,620,000
215,000	230,000	245,000	260,000	2,705,000
200,000	210,000	220,000	230,000	3,150,000
65,000	70,000	75,000	80,000	1,480,000
600,000	620,000	645,000	665,000	4,470,000
<u>1,695,000</u>	<u>1,785,000</u>	<u>1,875,000</u>	<u>1,970,000</u>	<u>14,425,000</u>
150,000	155,000	165,000	175,000	4,330,000
35,070	36,136	37,235	38,368	90,653
85,000	90,000	90,000	95,000	2,575,000
<u>270,070</u>	<u>281,136</u>	<u>292,235</u>	<u>308,368</u>	<u>6,995,653</u>
-	-	-	-	-
53,017	56,217	59,610	63,208	690,381
174	185	196	208	2,320
<u>53,191</u>	<u>56,402</u>	<u>59,806</u>	<u>63,416</u>	<u>692,701</u>
<u>2,018,261</u>	<u>2,122,538</u>	<u>2,227,041</u>	<u>2,341,784</u>	<u>22,113,354</u>

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## **STATISTICAL SECTION**

The statistical section contains data which relate to the economic, social and political characteristics of the City of Meridian. It is intended to provide readers with a broader and more complete understanding of the City and its financial affairs than is possible from the financial statements and supplemental data included in the financial section. Statistical tables usually cover more than two fiscal years and often present data outside the accounting records.

**CITY OF MERIDIAN, MISSISSIPPI**  
 General Government Expenditures and Transfers by Function  
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Cultural and Recreation</u>	<u>Other</u>	<u>Capital Outlay</u>	<u>Transfers</u>	<u>Debt Service</u>	<u>Total</u>
2003	\$ 4,885,213	\$10,088,753	\$ 3,541,259	\$ 1,718,247	\$ 50,554	\$ 486,003	\$ 898,361	\$ 4,606,621	\$ 26,275,011
2002	5,115,537	9,538,547	2,876,315	1,530,652	70,950	763,178	1,016,589	5,698,322	26,610,090
2001	4,842,690	9,538,463	2,965,928	1,466,969	65,128	245,730	1,164,161	5,578,608	25,867,677
2000	4,896,203	10,037,326	3,016,929	1,555,983	83,806	2,210,928	517,580	4,323,775	26,642,530
1999	4,707,981	9,447,046	2,905,732	1,519,263	37,496	833,216	442,404	4,606,734	24,499,872
1998	4,529,491	9,050,305	2,984,276	2,112,435	2,169	535,677	349,499	4,249,692	23,813,544
1997	4,180,214	8,619,835	2,918,496	1,418,877	42,160	540,462	169,795	3,931,654	21,821,493
1996	4,159,024	8,212,206	2,614,659	1,359,114	37,490	990,528	188,910	3,546,697	21,108,628
1995	3,959,291	7,894,221	2,656,329	1,329,202	34,611	1,027,282	270,570	3,170,686	20,342,192
1994	3,705,591	7,472,829	2,599,201	1,229,898	33,282	324,939	197,742	4,022,715	19,586,197

**Source:** Audit Reports - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - General and Debt Service Funds

**SCHEDULE 28**

**CITY OF MERIDIAN, MISSISSIPPI**  
 General Government Revenues and Transfers By Source  
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Taxes (1)</u>		<u>Inter-governmental</u>	<u>Franchises</u>	<u>Fines and Forfeits</u>	<u>Licenses and Permits</u>	<u>Charges for Services</u>	<u>Interest</u>	<u>Misc.</u>	<u>Transfers</u>	<u>Total</u>
	<u>Property</u>	<u>Sales Taxes (2)</u>									
2003	\$10,844,781	\$11,839,530	\$ 248,811	\$1,793,752	\$ 823,646	\$ 224,644	\$ 136,681	\$ 119,111	\$ 648,496	#####	\$28,044,636
2002	10,179,175	11,450,017	230,911	1,746,832	605,080	233,115	110,018	122,322	327,859	2,569,911	27,575,240
2001	9,418,922	10,764,418	222,785	1,748,021	622,599	232,203	93,802	281,837	153,830	2,248,909	25,787,326
2000	8,852,997	10,954,407	257,529	1,581,725	744,312	239,853	106,331	358,794	166,824	1,292,969	24,555,741
1999	8,605,464	11,308,228	245,710	1,480,563	849,034	256,028	90,880	355,116	380,809	836,682	24,408,514
1998	7,751,720	10,913,296	248,434	1,537,771	935,297	199,319	95,419	387,591	283,930	823,990	23,176,767
1997	7,884,496	9,802,729	242,645	1,444,800	890,793	269,623	93,258	351,983	240,830	801,500	22,022,657
1996	7,515,768	9,771,072	241,668	1,479,889	881,195	238,363	74,714	198,251	174,495	801,500	21,376,915
1995	7,106,119	9,284,297	230,739	1,431,381	955,629	215,744	94,514	162,118	346,722	801,500	20,628,763
1994	7,473,587	9,000,991	250,828	1,440,206	768,487	224,332	108,670	99,076	294,795	801,500	20,462,472

**Source:** Audit Reports - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - General and Debt Service Funds

- (1) Taxes included taxes, payments in lieu of taxes and interest cost and damages.
- (2) Sales taxes are an allocation from the State of Mississippi General Sales Tax Levy. The allocation is calculated at 18.5% of the total sales taxes collected by the State within the Municipality.

**SCHEDULE 29**

**CITY OF MERIDIAN, MISSISSIPPI**  
 Property Tax Levies and Collections  
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Total Tax Levy</u>
2003	\$ 12,361,889	\$ 12,104,160	97.92%	\$ 174,542	\$ 12,278,702	99.33%	\$ 67,892	0.55%
2002	11,862,546	11,763,922	99.17%	165,469	11,929,391	100.56%	97,497	0.82%
2001	11,348,544	11,257,750	99.20%	171,499	11,429,249	100.71%	66,125	0.58%
2000	11,173,080	11,032,840	98.74%	180,263	11,213,103	100.36%	75,195	0.67%
1999	10,775,566	10,643,207	98.77%	174,672	10,817,879	100.39%	70,843	0.66%
1998	10,434,879	10,033,672	96.16%	205,643	10,239,315	98.13%	93,785	0.90%
1997	10,219,944	9,652,711	94.45%	242,359	9,895,070	96.82%	82,595	0.81%
1996	9,851,704	9,224,710	93.64%	233,723	9,458,433	96.01%	54,232	0.55%
1995	9,123,298	8,813,988	96.61%	214,670	9,028,658	98.96%	42,300	0.46%
1994	8,705,861	8,502,101	97.66%	164,506	8,666,607	99.55%	33,696	0.39%

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

**SCHEDULE 30**

**CITY OF MERIDIAN, MISSISSIPPI**  
Assessed and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Real Property</b>		<b>Personal Property</b>		<b>Total Property</b>		<b>Ratio of Total Assessed to Total Estimated Actual Value</b>
	<b>Assessed Value</b>	<b>Estimated Actual Value</b>	<b>Assessed Value</b>	<b>Estimated Actual Value</b>	<b>Assessed Value</b>	<b>Estimated Actual Value</b>	
2003	\$175,091,538	\$1,211,963,818	\$75,187,375	\$358,035,119	\$250,278,913	\$1,569,998,937	15.94%
2002	157,213,264	1,060,550,228	72,929,280	347,282,286	230,142,544	1,407,832,514	16.35%
2001	156,854,915	1,038,348,980	68,645,424	326,882,971	225,500,339	1,365,231,951	16.52%
2000	153,367,951	1,021,522,850	68,121,791	324,389,481	221,489,742	1,345,912,331	16.46%
1999	149,665,564	1,009,946,581	64,411,535	306,721,595	214,077,099	1,316,668,176	16.26%
1998	139,749,477	988,287,261	58,212,187	277,200,890	197,961,664	1,265,488,151	15.64%
1997	137,001,114	929,256,573	57,222,889	272,489,948	194,224,003	1,201,746,521	16.16%
1996	134,470,069	920,382,953	52,921,107	252,005,271	187,391,176	1,172,388,224	15.98%
1995	134,988,093	896,861,363	52,702,836	250,965,886	187,690,929	1,147,827,249	16.35%
1994	134,070,480	877,500,843	50,838,525	242,088,214	184,909,005	1,119,589,057	16.52%

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

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

**SCHEDULE 31**

**CITY OF MERIDIAN, MISSISSIPPI**

Property Tax Rates - Direct and Overlapping Governments  
(Per \$1,000 of Assessed Value)  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>City of Meridian</u>				<u>Meridian Municipal Separate School District</u>	<u>Lauderdale County</u>	<u>Total Millage</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Special Revenue Pension Fund</u>	<u>Waste Collection &amp; Disposal Fund</u>			
2003	26.39	12.09	7.60	4.00	62.37	43.06	155.51
2002	24.69	15.01	7.79	4.00	64.38	43.11	158.98
2001	21.86	15.00	8.28	4.00	63.25	43.11	155.50
2000	23.44	15.25	10.45	-	63.35	42.26	154.75
1999	21.48	17.31	10.35	-	58.70	42.26	150.10
1998	21.17	17.62	10.35	-	58.61	42.26	150.01
1997	21.17	19.07	11.00	-	58.15	42.26	151.65
1996	21.32	18.39	10.50	-	61.26	42.26	153.73
1995	21.34	16.78	10.00	-	56.42	42.70	147.24
1994	21.34	15.84	9.50	-	56.56	37.75	140.99

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

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

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

**SCHEDULE 32**

**CITY OF MERIDIAN, MISSISSIPPI**  
Special Assessment Billings and Collections  
Last Ten Fiscal Years

<b><u>Fiscal Year</u></b>	<b><u>Current Assessments Due</u></b>	<b><u>Current Assessments Collected</u></b>	<b><u>Ratio of Collections to Amount Due</u></b>	<b><u>Total Outstanding Assessments</u></b>
2003	\$ 185,308	\$ 116,634	62.94%	\$ 68,674
2002	209,157	130,531	62.41%	78,626
2001	170,847	130,615	76.45%	40,232
2000	222,977	162,209	72.75%	60,768
1999	153,524	114,797	74.77%	38,727
1998	109,545	60,453	55.19%	49,092
1997	113,007	85,701	75.84%	27,306
1996	122,600	105,275	85.87%	17,325
1995	77,592	74,254	95.70%	3,338
1994	100,908	100,361	99.46%	547

**Source:** Tax Collector Records.

Special assessments are composed of two broad categories:

- (1) Paving, curb, gutter and storm drainage; and
- (2) Lot clearing and house demolition.

At times, the amount of money due to satisfy the lien incurred by items in the second category exceeds the value of the property. The property owners, in several cases, have chosen to "let their property go for taxes" in lieu of making these payments. Many times, absentee owners are involved and have no interest.

**SCHEDULE 33**

**CITY OF MERIDIAN, MISSISSIPPI**  
Computation of Legal Debt Margin  
September 30, 2003

	<b><u>Amount</u></b>
<b>Assessed value for tax purposes (1)</b>	\$ <u>250,278,913</u>
<b>Debt limitation - 15 percent of total assessed value</b>	\$ <u>37,541,837</u>
<b>Legal debt margin:</b>	
Debt applicable to limitation (2):	
Total debt	<u>65,692,610</u>
Less:	
Special assessment bonds	11,450,000
Revenue bonds	23,370,000
Water & sewer promissory note	8,406,497
Certificates of participation	130,000
Tax increment financing bonds	5,900,000
Capital loans	877,096
Capital leases	<u>1,769,017</u>
Total adjustments	<u>51,902,610</u>
 Total debt applicable to limitation (2)	 <u>13,790,000</u>
 <b>Total legal debt margin</b>	 \$ <u>23,751,837</u>

**Source:** Lauderdale County Tax Rolls and City Clerk Records

- (1) The assessed value for tax purposes is the value supplied by the Lauderdale County Tax Assessor's Office on October 1, 2002. The total City valuation on the Tax Reconciliation Report dated September 30, 2003, reflects all adjustments made by the Lauderdale County Tax Assessor during fiscal year 2003.
  
- (2) Total debt applicable to limitation excludes limited obligation tax increment financing bonds, capital leases, revenue bonds, special assessments and certificates of participation.

**SCHEDULE 34**

**CITY OF MERIDIAN, MISSISSIPPI**

Ratio of Net General Obligation Bonded Debt  
To Assessed Value and Net General Obligation Bonded Debt per Capita  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt (1)</u>	<u>Less Debt Service Fund</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
2003	39,518	\$ 250,278,913	\$ 18,240,000	\$ 2,085,056	\$ 16,154,944	6.45%	\$ 409
2002	39,968	230,142,544	14,390,000	2,194,367	12,195,633	5.30%	305
2001	39,968	225,500,339	17,290,000	2,098,854	15,191,146	6.74%	380
2000	39,968	221,489,742	19,640,000	2,176,344	17,463,656	7.88%	437
1999	40,255	214,077,099	20,260,000	2,269,302	17,990,698	8.40%	447
1998	40,255	197,961,664	21,235,000	2,694,541	18,540,459	9.37%	461
1997	40,534	194,224,003	18,330,000	2,809,834	15,520,166	7.99%	383
1996	40,720	187,391,776	15,880,000	1,336,675	14,543,325	7.76%	357
1995	41,046	187,690,929	17,065,000	982,754	16,082,246	8.57%	392
1994	40,982	184,909,005	16,320,000	333,023	15,986,977	8.65%	390

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

**(1)** Gross bonded debt excludes capital improvement loans, capital leases, certificates of participation and limited obligation bonds.

**Note:** Population data was not available for all years. Where possible estimates were developed based on data obtained from community development department.

**CITY OF MERIDIAN, MISSISSIPPI**  
Ratio of Annual Debt Service Expenditures  
For General Obligation Bonded Debt  
Last Ten Fiscal Years

<b><u>Fiscal Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>	<b><u>Total General Expenditures (1)</u></b>	<b><u>Ratio of Debt Service to Total General Expenditures</u></b>
2003	\$ 2,935,650	\$ 1,210,185	\$ 4,145,835	\$ 26,275,011	15.78%
2002	3,679,140	1,599,718	5,278,858	26,610,090	19.84%
2001	3,525,970	1,657,673	5,183,643	25,867,677	20.04%
2000	2,670,000	1,517,687	4,187,687	26,642,530	15.72%
1999	2,320,000	1,712,511	4,032,511	24,499,872	16.46%
1998	1,785,000	1,731,700	3,516,700	23,813,544	14.77%
1997	1,895,000	1,303,318	3,198,318	21,821,493	14.66%
1996	1,694,700	1,295,923	2,990,623	21,108,628	14.17%
1995	1,540,000	1,280,703	2,820,703	20,342,192	13.87%
1994	1,305,000	1,328,720	2,633,720	19,586,197	13.45%

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

(1) Total General Fund and Debt Service Fund expenditures.

**CITY OF MERIDIAN, MISSISSIPPI**  
Computation of Direct and Overlapping Debt  
September 30, 2003

<u>Jurisdiction</u>	<u>Net General Obligations Debt Outstanding</u>	<u>Percentage Applicable to City of Meridian</u>	<u>Amount Applicable to City of Meridian</u>
Direct debt - City of Meridian (1)	\$ <u>13,790,000</u>	100.00%	\$ <u>13,790,000</u>
Overlapping debt:			
Meridian Municipal Separate School District	923,000	91.58%	845,283
Lauderdale County	<u>22,990,000</u>	53.75%	<u>12,357,125</u>
Total overlapping debt	<u>23,913,000</u>		<u>13,202,408</u>
<b>Total direct and overlapping debt</b>	\$ <u>37,703,000</u>	71.59%	\$ <u>26,992,408</u>

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

- (1) City of Meridian debt excludes negotiable notes, capital leases, limited obligation tax increment financing bonds, capital improvement loans and certificates of

SCHEDULE 37

**CITY OF MERIDIAN, MISSISSIPPI**

Revenue Bond Coverage  
Water and Sewer Fund  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Direct Operating Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
2003	\$ 9,001,957	\$ 5,434,761	\$ 3,567,196	\$ 1,400,000	\$ 1,654,551	116.78%
2002	9,441,944	4,776,767	4,665,177	1,310,000	1,518,352	164.94%
2001	8,458,725	4,837,030	3,621,695	1,230,000	1,724,689	122.57%
2000	8,727,744	4,461,173	4,266,571	1,105,000	1,725,272	150.75%
1999	8,500,055	4,421,153	4,078,902	1,045,000	1,682,695	149.54%
1998	8,075,709	4,154,728	3,920,981	845,000	1,316,118	181.43%
1997	7,180,795	4,330,685	2,850,110	800,000	1,561,240	120.70%
1996	7,112,573	4,071,806	3,040,767	625,000	1,414,337	149.11%
1995	6,425,480	4,122,595	2,302,885	590,000	1,236,828	126.06%
1994	6,166,797	4,017,313	2,149,484	255,000	742,795	215.42%

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

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

(1) Total operating expenses exclusive of depreciation and amortization expense

**SCHEDULE 38**

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

<b><u>Fiscal Year</u></b>	<b><u>Population (1)</u></b>	<b><u>Per Capita Income (2)</u></b>	<b><u>Median Age (2)</u></b>	<b><u>Civilian Labor Force (3)</u></b>	<b><u>School Enrollment (5)</u></b>	<b><u>Unemployment Rate (4)</u></b>
2003	39,518	\$ 23,869	34.6	18,090	6,619	6.5%
2002	39,968	22,722	34.6	17,980	6,695	6.1%
2001	39,968	22,722	34.6	18,050	6,898	5.4%
2000	39,968	21,521	36.5	18,040	7,089	6.0%
1999	40,255	N/A	36.5	17,740	7,139	6.2%
1998	40,255	21,521	36.5	18,100	7,271	5.8%
1997	40,534	18,976	34.7	19,020	7,200	5.5%
1996	40,720	18,513	34.7	20,430	7,215	4.8%
1995	41,046	18,062	34.7	18,490	7,321	6.3%
1994	40,982	17,621	34.7	17,860	7,503	5.2%

- Sources:**
- (1) Information obtained from the U.S. Census Bureau website at [www.census.gov](http://www.census.gov)
  - (2) Mississippi Employment Security Commission
  - (3) Labor Market Data (12 month moving average from November Issue), Mississippi Employment Security Commission
  - (4) Labor Market Data (revised estimates for October-November Issue), Mississippi Employment Security Commission
  - (5) Meridian Separate School District

**Note:** Population data was not available for all years. Where possible estimates were developed based on data obtained from community development department.

**SCHEDULE 39**

**CITY OF MERIDIAN, MISSISSIPPI**  
Property Value and Construction  
Last Ten Fiscal Years

<b><u>Fiscal Year</u></b>	<b><u>Property Value</u></b>		<b><u>Commercial Construction</u></b>		<b><u>Residential Construction</u></b>		
	<b><u>Commercial</u></b>	<b><u>Residential</u></b>	<b><u>Total</u></b>	<b><u>Number of Permits</u></b>	<b><u>Value</u></b>	<b><u>Number of Permits</u></b>	<b><u>Value</u></b>
2003	\$ 620,782,248	\$ 591,181,570	\$ 1,211,963,818	582	\$ 20,299,580	290	\$ 8,720,208
2002	586,497,098	474,053,130	1,060,550,228	447	19,170,185	315	9,197,026
2001	571,828,260	466,520,720	1,038,348,980	481	29,244,587	326	8,746,598
2000	555,482,910	466,039,940	1,021,522,850	802	14,112,708	374	9,306,522
1999	546,235,348	463,711,233	1,009,946,581	682	31,410,310	417	8,891,563
1998	526,872,313	461,414,948	988,287,261	610	24,821,111	435	19,228,972
1997	471,581,790	457,674,783	929,256,573	1355	57,102,285	549	10,463,462
1996	465,775,910	454,607,043	920,382,953	626	37,741,673	427	3,222,779
1995	451,674,273	445,187,090	896,861,363	629	20,093,179	492	7,127,631
1994	447,432,013	430,068,830	877,500,843	259	16,013,586	584	7,522,481

**Sources:** Property values were obtained from the tax division of the City of Meridian. Construction values were obtained from Zoning and Inspection Division of the City of Meridian.

**SCHEDULE 40****CITY OF MERIDIAN, MISSISSIPPI**Principal Taxpayers  
September 30, 2003

<b><u>Name of Taxpayer</u></b>	<b><u>Nature of Business</u></b>	<b><u>Estimated Actual Value</u></b>	<b><u>2003 Assessed Valuation</u></b>	<b><u>Percentage of Total Assessed Valuation</u></b>
Mississippi Power Company	Utility	\$ 56,784,370	\$ 17,026,676	6.80%
CBL & Associates	Real estate	53,866,785	8,080,018	3.23%
Bell South Telecommunications	Utility	31,242,159	9,335,892	3.73%
Wal-Mart	Retail	28,091,802	4,213,771	1.68%
Riley Hospital and Benevolent Assn.	Medical care	27,878,329	4,181,750	1.67%
Anderson Infirmary Benevolent Assn.	Medical care	16,937,255	2,540,589	1.02%
Peavey Electronics	Manufacturing	13,037,225	1,991,865	0.80%
Rush Service Co., Inc.	Medical care	8,982,479	1,348,201	0.54%
Sowashee Building Corp.	Real estate	7,091,363	1,063,704	0.43%
Norfolk Southern Railroad	Railroad	<u>6,225,333</u>	<u>1,867,600</u>	<u>0.75%</u>
<b>Totals</b>		\$ <u>250,137,100</u>	\$ <u>51,650,066</u>	<u>20.64%</u>
<b>Total assessed valuation for City of Meridian</b>			\$ <u>250,278,913</u>	

Source: Lauderdale County real and personal property tax rolls.

**CITY OF MERIDIAN, MISSISSIPPI**  
 Miscellaneous Statistics  
 September 30, 2003

<b><u>Date of incorporation</u></b>	February 10, 1860	
<b><u>Form of government</u></b>	Mayor - Council	
<b><u>Area</u></b>	45.54 Sq. Miles	14,167
		5,437,173
		420
		420
		200
<b><u>Miles of Streets</u></b>		
Paved	438	
Unpaved	7	
<b><u>Number of Street Lights</u></b>	5,995	5
<b><u>Employees Excluding Police &amp; Firemen</u></b>		1
<b><u>Classified:</u></b>		2
Monthly	16	3
Bi-weekly	248	2
Part-time (average)	25	2
		20
		3
		23
		16
<b><u>Building Permits Issued</u></b>	872	
		1
		1
<b><u>Public Schools</u></b>		
Elementary K-5	3,309	
Middle 6-7	1,120	
Jr. high 8-9	1,002	
Sr. high 10-12	1,188	
<b><u>Number of teachers</u></b>	517	6
		1,520
		4
		3
		1
		1
		4
		8
		1
		1
		1
		1
		1
		1
		1
		1
		123,025

**Source:** Departments of the City of Meridian and Meridian Separate School District.

## **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, 2003

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Number Federal Contract	Program or Award Amount	Accrued or (Deferred) Revenue #####	Federal Receipts	Federal Share Disbursements/Expenditures	Accrued (Deferred) Revenue #####	Cumulative Federal Receipts	Cumulative Federal Disbursements Expenditures	Fund Type
<b>U. S. Department of Housing &amp; Urban Development</b>										
Pass through Mississippi Department of Economic and Community Development:										
CLG Supplemental Prior Year	15.904	N/A	\$ 3,480	(1,174)	-	-	(1,174)	3,480	2,306	Special revenue
Certified Local Government Grant (2001)	15.904	N/A	2,500	2,500	2,500	-	-	2,500	2,500	Special revenue
Certified Local Government Grant (2002)	15.904	N/A	930	-	-	930	930	-	930	Special revenue
Home 2000 Grant	14.231	M00-SG-28-01-00	350,000	89,730	97,415	22,574	14,889	97,415	112,304	Special revenue
Total U.S. Department of Housing & Urban Development				91,056	99,915	23,504	14,645	103,395	118,040	
<b>U. S. Department of Transportation</b>										
Pass through Mississippi Department of Transportation - I20/I59 Interchange Project										
	20.205	N/A	1,000,000	-	-	87,940	87,940	-	87,940	Capital projects
<b>U. S. Department of Homeland Security</b>										
Pass through Mississippi Department of Public Safety:										
2003 Flood Assistance	83.544	FEMA-1459-DR-MS	147,096	-	67,491	147,096	79,605	67,491	147,096	Capital projects
Emergency Response Training	83.544	N/A	4,704	-	-	4,704	4,704	-	4,704	Capital projects
Total U.S. Department of Homeland Security				-	67,491	151,800	84,309	67,491	151,800	
<b>U. S. Department of Interior</b>										
Pass through Mississippi Forestry Commission:										
Urban and Community Forestry Grant (2002)	10.664	N/A	5,000	-	5,000	5,000	-	5,000	5,000	Special revenue
Transportation Enhanced Tree Planting Program	10.664	N/A	14,999	-	14,999	14,999	-	14,999	14,999	Special revenue
Total U.S. Department of Interior				-	19,999	19,999	-	19,999	19,999	
<b>U. S. Department of Justice</b>										
Local Law Enforcement Grant										
Local Law Enforcement Grant	16.592	2000-LB-VX-1859	62,016	(586)	-	586	-	62,016	62,016	Special revenue
Local Law Enforcement Grant	16.592	2000-LB-VX-2259	60,619	(37,915)	-	36,672	(1,243)	60,619	59,376	Special revenue
Local Law Enforcement Grant	16.592	2002-LB-BX-2228	53,204	-	53,204	40,163	(13,041)	53,204	40,163	Special revenue
Total Local Law Enforcement Grants				(38,201)	53,204	77,421	(14,284)	175,839	161,555	
Pass through Mississippi Department of Public Safety:										
Wesley House/Victim Assistance	16.575	0NW2222	58,830	10,915	10,915	-	-	50,282	50,282	Agency
Wesley House/Victim Assistance	16.575	1NW2222	64,158	-	39,803	39,803	-	39,803	39,803	Agency
East Mississippi Drug Task Force	16.579	1NM2221	196,528	15,263	15,263	-	-	178,252	178,252	Special revenue
East Mississippi Drug Task Force	16.579	2NM2221	195,433	-	160,182	176,696	16,514	160,182	176,696	Special revenue
Stop Violence Against Women	16.579	2002-WF-BX0047	46,890	-	8,402	14,305	5,903	8,402	14,305	Special revenue
Alcohol Countermeasures	16.579	3-TA-222-1	70,000	-	52,181	67,448	15,267	52,181	67,448	Special revenue
Total Mississippi Department of Public Safety				26,178	286,746	298,252	37,684	489,102	526,786	
Total U.S. Department of Justice				(12,323)	339,950	375,673	23,400	664,941	688,341	
<b>Total federal financial assistance</b>			\$	78,733	527,355	658,916	210,294	855,826	1,066,120	

**CITY OF MERIDIAN, MISSISSIPPI**  
Notes to the Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended September 30, 2003

**(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, 2003

There were no prior year findings or questioned costs.

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

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

We have audited the financial statements of the City of Meridian, Mississippi (City) as of and for the year ended September 30, 2003, and have issued our report thereon dated April 27, 2004. We did not audit the financial statements of the Meridian Transportation Commission or the Meridian Airport Authority, which represent 99.8% of the assets and 100% 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.

**Compliance**

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated April 27, 2004.

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

*Brigade, Sarah & O'Neil, Ltd.*

April 27, 2004

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

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

**Compliance**

We have audited the compliance of the City of Meridian, Mississippi (City) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2003. The City's major federal program is 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 its major federal program 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 \$1,570,779 in federal awards; and the Meridian Transportation Commission (MTC), which expensed \$199,548 in federal awards; both of which are not included in the schedule during the year ended September 30, 2003. Our audit described below, did not include the operations of MAA or MTC because they engaged other auditors to perform audits in accordance with OMB Circular A-133.

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

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2003.

### **Internal Control Over Compliance**

The 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

*Brayden, Sanders ; O'Neil, J.H.*

April 27, 2004

**CITY OF MERIDIAN, MISSISSIPPI**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended September 30, 2003

**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 Numbers

Name of Federal Program or Cluster

16.579

East Mississippi Drug Task Force

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

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

**CITY OF MERIDIAN, MISSISSIPPI**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended September 30, 2003

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

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

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

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

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

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

We have audited the financial statements of the City of Meridian, Mississippi (City) as of and for the year ended September 30, 2003, and have issued our report thereon dated April 27, 2004. We did not audit the financial statements of the Meridian Transportation Commission or the Meridian Airport Authority, which represent 99.8% of the assets and 100% of the operating revenues of the component units column. Those financial statements were audited by other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

*Breazeale, Saunders & O'Neil, Ltd.*

April 27, 2004