



City of Meridian, Mississippi
Comprehensive Annual Financial Report
For The Fiscal Year Ended September 30, 2007

CITY OF MERIDIAN, MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2007**

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

*A detail from the architectural facade on Meridian's historic Threefoot Building is featured on our cover. The 17-story skyscraper, an art deco-style masterpiece completed in 1939, is also featured on the cover of the City of Meridian 2007 Annual Report.
(Photo by Kim Gianakos)*

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 For the Fiscal Year Ended September 30, 2007

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INTRODUCTORY SECTION

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March 18, 2008

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

Mayor:

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

Council members:

GEORGE M THOMAS
Ward 1

MARY A. B. PERRY
Ward 2

BARBARA HENSON
Ward 3

JESSE E. PALMER, SR.
Ward 4

JOHN C. HARRIS
Ward 5

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

CITY DEPARTMENTS:

Chief Administrative Officer

(601) 485-1929
FAX: (601) 485-1911

Community Development:

(601) 485-1910
FAX: (601) 484-6813

Finance and Records:

(601) 485-1946
FAX: (601) 485-1979

Fire:

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

Homeland Security:

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

Parks and Recreation:

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

Police:

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

Public Works:

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

State of Mississippi law requires that every municipality in the state shall have its books audited annually, prior to the close of the next succeeding fiscal year, either by a competent accountant approved by the State Auditor or by a certified public accountant. The audit shall be made in accordance with regulations promulgated by the State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Meridian, Mississippi ("City") for the fiscal year ended September 30, 2007.

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

The City's financial statements have been audited in accordance with auditing standards generally accepted in the United States of America by Breazeale, Saunders & O'Neil, Ltd., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2007 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, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

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

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

The City provides a full range of services, including police and fire protection; construction and maintenance of streets, drainage ways and other infrastructure; waste and trash collection and disposal; water and sewer services; community and economic development services; and recreational activities and cultural events. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Meridian Airport Authority, the

Meridian Transportation Commission, the Meridian Redevelopment Authority and the Meridian and Bonita Lakes Development Authority are reported as discretely presented component units.

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

Factors Affecting Financial Condition

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

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

Additionally, the City serves as a regional health center, with six hospitals that employ over 4,000 healthcare professionals and staff. The federal government has a major presence in the area with the Meridian Naval Air Station (“NAS Meridian”), which provides training for both naval carrier pilots and technical training for various enlisted personnel. Additionally, the base provides the RCTA or Regional Counter-Drug Training Academy. This provides training for a variety of law enforcement entities from throughout the southeast in the war on drugs. The City is home to the first local Department of Homeland Security in the state and is the leader in a nine-county regional response team, soon to be expanded to a twenty-nine county team. A major training center, the Department held 89 different classes during the year. These classes included such things as a three-weekend passenger rail rescue course for area volunteer firefighters; teen defensive driving courses; a hunter education course with the Mississippi Department of Wildlife, Fisheries and Parks and training for 200 city employees in the Incident Command System that is the heart of emergency response. In addition, 165 days of training was held on the firing ranges, with 17 agencies involved for training in disciplines such as firearms qualification, incident command, interstate criminal enforcement and threat and risk assessment. The Public Safety Training Center serves as the location of a six-state rail disaster training program through the Federal Railroad Administration.

Meridian continues as the center of a large trade area with hundreds of thousands of people. Meridian continues to meet the medical, retail, industrial, cultural and recreational needs of these people. The opening of Phase 1 of Meridian Crossroads has greatly expanded shopping opportunities and Phase 2 will provide even more retail and dining opportunities. The North Hills Street shopping district continues to expand, adding even more shopping. Additionally, in March 2007, Riverbirch commercial subdivision opened its initial retail and office space near the Highway 19 Super Walmart. Even more retail space is now under construction. The industrial sector saw the opening of Summer Industries, a manufacturer of industrial and consumer packaging products and the opening of Teikuro Corporation, a leading die maintenance and replating company, which already has plans to expand. Tower Automotive completed its 80,000-square-foot expansion and added 40 new employees, for a total employment of 245.

Continuing the efforts in revitalization of downtown, the MSU Riley Center has begun its second season, after the opening first season that attracted nearly 63,000 visitors for performances, workshops and conferences. Efforts continue toward converting the Threefoot Building into a downtown hotel, and the restoration of the historic 1915 City Hall continues on schedule. This project will return the National Register of Historic Places building to its original look while integrating modern technology.

Two other developments are noteworthy in regard to the future of the community. The Hope VI project is creating safe, wholesome housing and neighborhoods for those who need public housing, with a mix of rental units and, for the first time, homeowner units. The people of our community spoke resoundingly for the future of the school system when they voted overwhelmingly for the \$19,500,000 school bond issue.

Work is ongoing in planning and implementing Urban Land Institute recommendations for downtown growth. Recommendations range from improved aesthetics on the 22nd Avenue overpass gateway into downtown, development of a tourism and business welcome center, and creation of a downtown walking tour. The Meridian Community Development and Investment Corporation continues to work with developers to utilize the New Market Tax Credits through the National Trust for Historic Preservation to redevelop downtown.

Property has been acquired and preliminary work has begun for a much needed new facility to house the police department and municipal court. Construction is nearing completing on a new fire station in the Bonita Lakes area to better provide coverage for that growing area. Bonds in the amount of \$1,000,000 will be issued for a number of bridge enhancement projects.

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 changes such as the EPA's Capacity, Management, Operations and Maintenance ("CMOM") regulations; the need to support capital reinvestment and repair in order to revitalize some aging infrastructure; and new improvements that will be necessary as a result of current annexation efforts. Project costs will be financed by a combination of the issuance of bonds and available grants at a current estimated cost of \$7,000,000, with \$3,600,000 issued in 2007 to begin addressing some of these needs.

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, 2007, City employees contributed \$1,112,022. The Meridian Airport Authority made contributions to PERS during the year ended September 30, 2007, of approximately \$23,283. Ten-year historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS June 30, 2007, comprehensive annual financial report.

The City also participates in the Municipal Retirement System ("MRS") which has been closed to new participants since July 1, 1976. MRS is an agent multiple-employer defined benefit plan of PERS. MRS was designed to provide retirement benefits for general municipal employees, as well as firefighters and police officers. The City is one of two cities providing retirement benefits to general municipal employees and one of 17 cities providing retirement benefits to firefighters and police officers. Membership in the MRS is comprised of employees who were hired prior to July 1, 1976, and includes only eligible employees of the City who did not opt to become members of PERS. PERS is also responsible for the administration of MRS. MRS is considered part of the financial reporting entity of the State of Mississippi. The total payroll for City employees covered by MRS for the year ended September 30, 2007 was \$187,920; the City's total payroll for all employees was \$16,209,596. At September 30, 2007, the date of the most recent actuarial valuation, there were 4 participating general municipal employees, firefighters and police officers.

Awards and Acknowledgements

The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report

("CAFR") for the fiscal year ended September 30, 2006. This was the eleventh consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

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

Sincerely,



John Robert Smith
Mayor



L. E. Skipper
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Meridian
Mississippi

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2006

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.



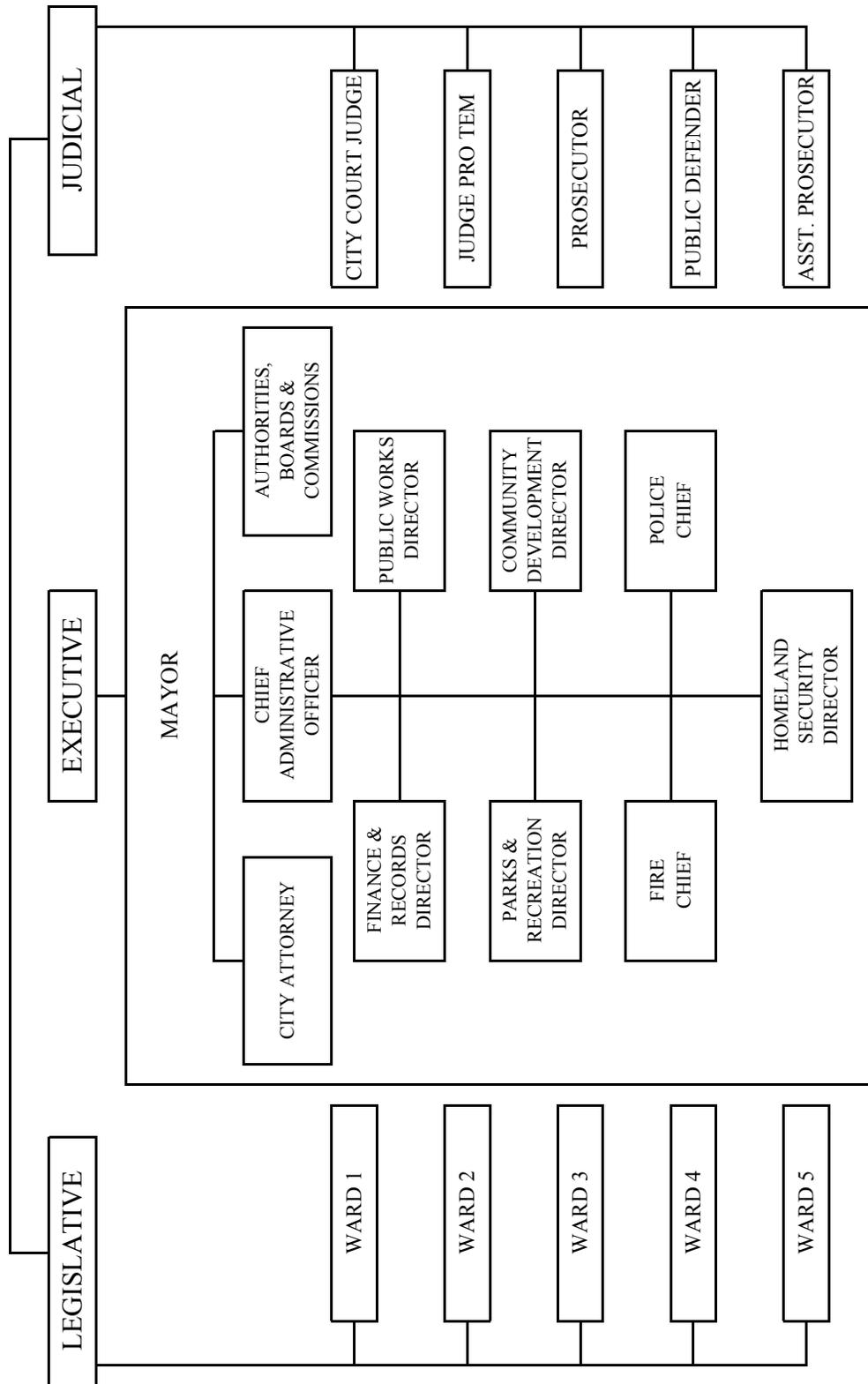
Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

CITY OF MERIDIAN, MISSISSIPPI
 Organizational Structure
 September 30, 2007



CITY OF MERIDIAN, MISSISSIPPI

Listing of City Officials

September 30, 2007

Elected Officials

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

Appointed Officials

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

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Meridian, Mississippi ("City") as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Meridian Transportation Commission or the Meridian Airport Authority, which represent 97.5% and 99.8%, respectively, of the assets and revenues of the component units column. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for these component units, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Brigede, Sanders & O'Neil, Ltd.

Jackson, Mississippi
March 18, 2008

CITY OF MERIDIAN, MISSISSIPPI
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2007

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, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3 – 8 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$89,401 (*net assets*). Of this amount, \$7,274 (*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 \$1,558. This increase is largely attributable to narcotics related forfeitures.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23,641, a decrease of \$320 in comparison with the prior year. Approximately 40 percent of this total amount, \$9,479, is *available for spending* at the City's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$6,754 or 25 percent of total general fund expenditures.
- The City's total debt decreased by \$937 (1 percent) during the current fiscal year. During the year, the City issued \$4,430 in new debt and retired \$5,367 of previously issued debt.

Overview of the Financial Statements

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

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

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

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

The government-wide financial statements can be found on pages 28 – 31 of this report.

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

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

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

The City maintains 21 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, special revenue fund and 2006 general obligation bonds fund, all of which are considered to be major funds. Data from the other 17 nonmajor governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

The basic proprietary funds financial statements can be found on pages 40 – 45 of this report.

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

The basic fiduciary funds financial statements can be found on page 46 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 49 – 92 of this report.

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

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, internal service funds, fiduciary funds, and nonmajor component units are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 95 – 123 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$89,401 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (76 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Meridian's Net Assets

<u>Description</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 30,258	29,589	14,262	11,533	44,520	41,122
Capital assets	<u>73,567</u>	<u>73,135</u>	<u>45,121</u>	<u>47,046</u>	<u>118,688</u>	<u>120,181</u>
Total assets	<u>103,825</u>	<u>102,724</u>	<u>59,383</u>	<u>58,579</u>	<u>163,208</u>	<u>161,303</u>
Long-term liabilities outstanding	39,272	38,270	27,142	29,321	66,414	67,591
Other liabilities	<u>4,953</u>	<u>3,606</u>	<u>2,440</u>	<u>2,263</u>	<u>7,393</u>	<u>5,869</u>
Total liabilities	<u>44,225</u>	<u>41,876</u>	<u>29,582</u>	<u>31,584</u>	<u>73,807</u>	<u>73,460</u>
Net assets:						
Invested in capital assets, net of related debt	48,799	48,025	18,938	19,534	67,737	67,559
Restricted	6,881	5,626	7,509	4,021	14,390	9,647
Unrestricted	<u>3,920</u>	<u>7,197</u>	<u>3,354</u>	<u>3,440</u>	<u>7,274</u>	<u>10,637</u>
Total net assets	<u>\$ 59,600</u>	<u>60,848</u>	<u>29,801</u>	<u>26,995</u>	<u>89,401</u>	<u>87,843</u>

An additional portion of the City's net assets (16 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,274 in *unrestricted net assets* may be used to meet the City's ongoing obligations to citizens and creditors.

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

There was an increase of \$3,488 in restricted net assets reported in connection with the City's business-type activities. This is a result of increased funds available for capital projects in the water and sewer system.

The City's net assets increased \$1,558 during the current fiscal year. This change in net assets is largely attributable narcotics related forfeitures.

Governmental activities. Governmental activities decreased the City's net assets by \$1,248. Key elements of these changes in net assets are as follows:

City of Meridian's Changes in Net Assets

<u>Description</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,607	3,709	12,940	13,095	16,547	16,804
Operating grants and contributions	2,194	3,229	-	-	2,194	3,229
Capital grants and contributions	250	2,169	740	494	990	2,663
General revenues:						
Property taxes	10,098	10,122	811	975	10,909	11,097
Other taxes	17,220	17,541	-	-	17,220	17,541
Grants and contributions not restricted to specific programs	65	69	-	-	65	69
Other	<u>1,131</u>	<u>564</u>	<u>480</u>	<u>210</u>	<u>1,611</u>	<u>774</u>
Total revenues	<u>34,565</u>	<u>37,403</u>	<u>14,971</u>	<u>14,774</u>	<u>49,536</u>	<u>52,177</u>
Expenses:						
General government	6,526	6,209	-	-	6,526	6,209
Public safety	14,976	16,074	-	-	14,976	16,074
Highways/streets	6,893	6,738	-	-	6,893	6,738
Sanitation	-	-	2,380	2,332	2,380	2,332
Economic development	98	105	-	-	98	105
Culture and recreation	2,156	2,008	-	-	2,156	2,008
Interest on long-term debt	1,918	1,333	-	-	1,918	1,333
Other	64	82	749	766	813	848
Water and sewer	<u>-</u>	<u>-</u>	<u>12,218</u>	<u>11,577</u>	<u>12,218</u>	<u>11,577</u>
Total expenses	<u>32,631</u>	<u>32,549</u>	<u>15,347</u>	<u>14,675</u>	<u>47,978</u>	<u>47,224</u>
Excess (deficiency) of revenues over (under) expenses before transfers	1,934	4,854	(376)	99	1,558	4,953
Transfers	<u>(3,182)</u>	<u>353</u>	<u>3,182</u>	<u>(353)</u>	<u>-</u>	<u>-</u>
Change in net assets	(1,248)	5,207	2,806	(254)	1,558	4,953
Net assets - beginning	<u>60,848</u>	<u>55,641</u>	<u>26,995</u>	<u>27,249</u>	<u>87,843</u>	<u>82,890</u>
Net assets - ending	\$ <u>59,600</u>	<u>60,848</u>	<u>29,801</u>	<u>26,995</u>	<u>89,401</u>	<u>87,843</u>

- Charges for services decreased \$102 or 3 percent in 2007 under 2006.
- Capital grants and contributions decreased \$1,919 or 88 percent in 2007 under 2006. This reflects the assistance received from the Federal Emergency Management Agency in 2006, as a result of Hurricane Katrina, and the return to normalcy in 2007.
- Other taxes (which include sales taxes) decreased \$321 or 2 percent. After Hurricane Katrina, the City experienced an increase in sales tax, due to the City serving as a staging area and shelter city. As south Mississippi has begun to recover, local sales are returning to more normal levels.
- Total revenues decreased \$2,838 or 8 percent.
- Total expenses only increased \$82 or less than 1 percent.

Business-type activities. Business-type activities increased the City's net assets by \$2,806. This is primarily due to the issuance of \$3,600 in general obligation water and sewer bonds for projects at the City's freshwater and wastewater plants.

Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23,641, a decrease of \$320 in comparison with the prior year. Approximately 40 percent of this total amount constitutes an *unreserved, undesignated fund balance* of \$9,479, which is available for spending at the City's discretion. \$7,832 is unreserved, but designated for subsequent years' expenditures for capital projects. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to liquidate contracts and pay purchase orders in the amount of \$2,084 for the prior period and for a variety of other restricted purposes in the amount of \$4,246.

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 \$6,754, while total fund balance was \$8,677. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to the total fund expenditures. Unreserved fund balance represents 25 percent of total general fund expenditures, while total fund balance represents 32 percent of that same amount. The fund balance of the City's general fund increased by \$1,208, during the current fiscal year. This was primarily due to other financing sources.

The debt service fund has a total fund balance of \$2,950, all of which is reserved for the payment of debt service. The net decrease of \$198 during the current year in the debt service fund is a result of the timing of payment due dates of long-term debt. The special revenue fund's total fund balance is \$3,119 at the end of the current fiscal year. \$394 of the special revenue fund

balance is reserved for encumbrances. The remaining special revenue fund balance of \$2,725 is unreserved. The fund balance of the special revenue fund increased \$811 during the current fiscal year. This increase is largely due to narcotics related forfeitures. The 2006 general obligation bonds fund became a major governmental fund in fiscal year 2006. This fund has a total fund balance of \$7,371. \$190 of this fund balance is reserved for encumbrances and the remaining \$7,181 is unreserved. The fund balance of the 2006 general obligation bonds fund decreased \$1,283 from the previous year. This is due to transfers to the capital projects funds.

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

Unrestricted net assets of the water and sewer fund at the end of the year amounted to \$2,856, and those for the waste collection and disposal fund amounted to \$280. The total decrease in net assets for the waste collection and disposal fund is \$29 and the water and sewer fund increased by \$2,801.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor (\$588 increase in appropriations) and can be briefly summarized as follows:

<u>Description</u>	<u>Increase (Decrease)</u>
General government	\$ 77
Finance and records	219
Community development	120
Parks and recreation	(53)
Public works	297
Police	15
Homeland security	(99)
Arts district parking garage	<u>12</u>
Total	\$ <u>588</u>

This increase was mainly funded due to increased sales taxes and franchise fees. Actual revenues exceeded the final amended budget by \$853. The final amended budgeted expenditures exceeded the actual in all departments. Differences between the final amended budgeted expenditures and actual are as follows:

<u>Description</u>	<u>Actual Under Budget</u>
General government	\$ 32
Finance and records	172
Community development	115
Parks and recreation	229
Public works	422
Police	135
Fire	70
Homeland security	33
Arts district parking garage	<u>21</u>
Total	\$ <u>1,229</u>

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2007, amounts to \$118,689 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

- Continued renovation and restoration of City Hall.
- Completed Hope VI street infrastructure and improvements (Davis Court).
- Construction of Homeland Security shoot house.
- Installation of sewer line to annexed area.
- Began construction of Fire Station No.8 Bonita Lakes.

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>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 7,659	7,136	272	272	7,931	7,408
Building and system	17,536	17,976	42,219	45,642	59,755	63,618
Improvements other than buildings	1,652	1,444	26	27	1,678	1,471
Machinery and equipment	6,482	5,069	1,009	940	7,491	6,009
Infrastructure	38,720	39,466	-	-	38,720	39,466
Construction in progress	<u>1,519</u>	<u>2,044</u>	<u>1,595</u>	<u>165</u>	<u>3,114</u>	<u>2,209</u>
Total	\$ <u>73,568</u>	<u>73,135</u>	<u>45,121</u>	<u>47,046</u>	<u>118,689</u>	<u>120,181</u>

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

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$45,240. Of this amount, \$21,415 comprises debt backed by the full faith and credit of the City, \$6,085 is special obligation bonds, \$2,960 is tax increment financing bonds and \$3,520 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City's total bonded debt decreased by \$200 (less than 1 percent) during the current fiscal year. The decrease is due to retirements exceeding issuance of new bonds.

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

<u>Description</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General obligation bonds	\$ 21,415	19,070	-	-	21,415	19,070
Special obligation bonds	6,085	6,335	-	-	6,085	6,335
Limited obligation tax increment financing bonds	2,960	3,765	-	-	2,960	3,765
Special assessment debt with governmental commitment	3,520	3,780	-	-	3,520	3,780
Revenue bonds	-	-	11,260	12,490	11,260	12,490
Total	\$ <u>33,980</u>	<u>32,950</u>	<u>11,260</u>	<u>12,490</u>	<u>45,240</u>	<u>45,440</u>

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

State statutes limit the amount of general obligation debt a government entity may issue to 15 percent of its total assessed valuation. The current debt limitation of the City is \$39,208 which is significantly in excess of the City's net outstanding general obligation debt of \$18,465 applicable to the debt limitation.

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City is currently 8.5 percent, which is an increase from the rate of 7.8 percent a year ago. The statewide average is 6.4 percent as compared to the national average of 5.0 percent.
- The revitalization of the City continued with the issuance of 911 building permits with a construction value of \$66 million.
- Inflationary trends in the City are slightly lower than the national average. The change in CPI in the past year for the City was 1.9 percent verses the national average of 2.8 percent.
- Sales tax collections year to date in fiscal year 2008 are up 4 percent from the previous fiscal year. The opening of Phase I of Meridian Crossroads has greatly expanded both retail shopping and dining opportunities. The North Hills Street shopping district continues to expand. A second Super Wal-mart opened on Highway 19. All of these have added to the sales tax base.

All of these factors were considered in preparing the City's budget for the 2008 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$6,754. The City has appropriated \$2,930 of this amount for spending in the 2008 fiscal year budget.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF MERIDIAN, MISSISSIPPI
Statement of Net Assets
September 30, 2007

<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	\$ 22,252,787	2,643,400	24,896,187	1,200,111
Investments	1,350,000	-	1,350,000	8,831
Receivables, net:				
Taxes	1,228,810	-	1,228,810	-
Accounts	820,299	1,457,074	2,277,373	353,719
Special assessments	1,129,733	-	1,129,733	-
Intergovernmental	1,232,754	463,106	1,695,860	340,325
Interest	21,143	-	21,143	-
Miscellaneous	202,985	7,316	210,301	-
Due from component units	38,091	1,272	39,363	-
Internal balances	(89,579)	89,579	-	-
Inventory	56,688	384,132	440,820	155,463
Prepaid items	98,591	32,501	131,092	41,595
Deferred charges	717,504	428,967	1,146,471	-
Temporarily restricted assets -				
Cash and investments	-	8,755,171	8,755,171	216,556
Asset held for resale	1,197,874	-	1,197,874	-
Capital assets not being depreciated:				
Land	7,658,941	271,666	7,930,607	507,500
Collections - historical treasures	141,250	-	141,250	-
Construction in progress	1,518,467	1,594,731	3,113,198	4,975,037
Capital assets net of accumulated depreciation:				
Buildings	17,536,133	8,550	17,544,683	1,473,334
Water and sewer system	-	42,210,864	42,210,864	-
Improvements other than buildings	1,652,114	25,871	1,677,985	7,870,642
Machinery and equipment	6,341,217	1,009,270	7,350,487	446,182
Infrastructure	38,719,479	-	38,719,479	-
Total assets	<u>103,825,281</u>	<u>59,383,470</u>	<u>163,208,751</u>	<u>17,589,295</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI

Statement of Net Assets

September 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<u>LIABILITIES</u>				
Bank overdraft	\$ -	-	-	3,282
Accounts payable and other current liabilities	3,785,032	753,796	4,538,828	668,610
Accrued interest	530,710	-	530,710	-
Accrued salaries	392,185	88,000	480,185	-
Accrued sales tax	-	13,842	13,842	-
Deposits payable	195,630	775,472	971,102	-
Notes payable	-	-	-	39,459
Liabilities payable from restricted assets	-	808,951	808,951	-
Unearned revenue	49,634	-	49,634	46,351
Noncurrent liabilities:				
Due within one year:				
Bonds, loans and leases payable	3,466,902	110,476	3,577,378	-
Bonds and loans payable from restricted assets	-	2,383,368	2,383,368	-
Deferred revenue forward invested funds	-	45,246	45,246	-
Compensated absences	448,884	65,374	514,258	-
Claims and judgments	114,933	-	114,933	-
Due in more than one year:				
Bonds, loans and leases payable	33,458,749	24,126,044	57,584,793	-
Deferred revenue forward invested funds	-	278,554	278,554	-
Compensated absences	897,769	132,730	1,030,499	-
Pension obligation	885,020	-	885,020	-
Total liabilities	<u>44,225,448</u>	<u>29,581,853</u>	<u>73,807,301</u>	<u>757,702</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	48,799,200	18,937,460	67,736,660	15,272,695
Restricted for:				
Debt service	2,418,896	4,240,046	6,658,942	-
Capital projects	1,342,814	3,269,778	4,612,592	216,556
Public safety	3,030,418	-	3,030,418	-
Culture and recreation	48,229	-	48,229	-
Economic development	40,603	-	40,603	-
Unrestricted	<u>3,919,673</u>	<u>3,354,333</u>	<u>7,274,006</u>	<u>1,342,342</u>
Total net assets	\$ <u>59,599,833</u>	<u>29,801,617</u>	<u>89,401,450</u>	<u>16,831,593</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, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 6,526,419	587,202	-	-
Public safety	14,976,075	2,855,506	2,026,253	19,695
Public works	6,893,333	-	-	-
Culture and recreation	2,155,389	163,804	79,996	-
Economic development	97,754	-	87,749	230,545
Other	64,299	-	-	-
Interest on long-term debt	1,917,837	-	-	-
Total governmental activities	<u>32,631,106</u>	<u>3,606,512</u>	<u>2,193,998</u>	<u>250,240</u>
Business-type activities:				
Water and sewer	12,217,640	10,907,213	-	740,104
Waste collection and disposal	2,380,283	1,560,001	-	-
Golf course	399,637	324,166	-	-
Union Station	323,059	114,012	-	-
Concessions	25,875	34,536	-	-
Total business-type activities	<u>15,346,494</u>	<u>12,939,928</u>	<u>-</u>	<u>740,104</u>
Total primary government	<u>\$ 47,977,600</u>	<u>16,546,440</u>	<u>2,193,998</u>	<u>990,344</u>
Component units:				
Meridian Airport Authority	\$ 5,622,378	5,361,835	14,995	1,953,314
Nonmajor component units	493,101	72,516	391,946	-
Total component units	<u>\$ 6,115,479</u>	<u>5,434,351</u>	<u>406,941</u>	<u>1,953,314</u>

General revenues:

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

Transfers

Total general revenues and transfers

Change in net assets

Net assets, October 1, 2006

Net assets, September 30, 2007

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental	Business-type	Total	Component
Activities	Activities		Units
(5,939,217)	-	(5,939,217)	-
(10,074,621)	-	(10,074,621)	-
(6,893,333)	-	(6,893,333)	-
(1,911,589)	-	(1,911,589)	-
220,540	-	220,540	-
(64,299)	-	(64,299)	-
<u>(1,917,837)</u>	<u>-</u>	<u>(1,917,837)</u>	<u>-</u>
<u>(26,580,356)</u>	<u>-</u>	<u>(26,580,356)</u>	<u>-</u>
-	(570,323)	(570,323)	-
-	(820,282)	(820,282)	-
-	(75,471)	(75,471)	-
-	(209,047)	(209,047)	-
-	8,661	8,661	-
<u>-</u>	<u>(1,666,462)</u>	<u>(1,666,462)</u>	<u>-</u>
<u>(26,580,356)</u>	<u>(1,666,462)</u>	<u>(28,246,818)</u>	<u>-</u>
-	-	-	1,707,766
<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,639)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,679,127</u>
10,098,032	811,397	10,909,429	-
13,574,128	-	13,574,128	-
2,586,840	-	2,586,840	-
1,039,975	-	1,039,975	-
19,238	-	19,238	-
65,233	-	65,233	-
1,130,708	479,805	1,610,513	58,690
<u>(3,181,520)</u>	<u>3,181,520</u>	<u>-</u>	<u>-</u>
<u>25,332,634</u>	<u>4,472,722</u>	<u>29,805,356</u>	<u>58,690</u>
(1,247,722)	2,806,260	1,558,538	1,737,817
<u>60,847,555</u>	<u>26,995,357</u>	<u>87,842,912</u>	<u>15,093,776</u>
\$ <u>59,599,833</u>	<u>29,801,617</u>	<u>89,401,450</u>	<u>16,831,593</u>

CITY OF MERIDIAN, MISSISSIPPI

Balance Sheet
Governmental Funds
September 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>2006 General Obligation Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 5,688,542	2,888,994	4,076,171	7,371,231	1,438,813	21,463,751
Investments	1,350,000	-	-	-	-	1,350,000
Receivables, net:						
Taxes	1,203,909	24,901	-	-	-	1,228,810
Accounts	820,299	-	-	-	-	820,299
Special assessments	-	1,129,733	-	-	-	1,129,733
Intergovernmental	133,872	-	785,093	-	313,789	1,232,754
Interest	21,143	-	-	-	-	21,143
Miscellaneous	27,387	-	27,095	-	-	54,482
Due from other funds	1,031,638	37,155	323,288	-	100,871	1,492,952
Due from component units	18,278	-	-	-	-	18,278
Prepaid items	98,591	-	-	-	-	98,591
Asset held for resale	<u>1,197,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,197,874</u>
Total assets	\$ <u>11,591,533</u>	<u>4,080,783</u>	<u>5,211,647</u>	<u>7,371,231</u>	<u>1,853,473</u>	<u>30,108,667</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 1,840,879	1,444	1,217,946	-	28,667	3,088,936
Accrued salaries	392,185	-	-	-	-	392,185
Deposits payable	195,630	-	-	-	-	195,630
Due to other funds	485,589	-	842,551	-	283,544	1,611,684
Deferred revenue	<u>-</u>	<u>1,129,733</u>	<u>31,900</u>	<u>-</u>	<u>17,734</u>	<u>1,179,367</u>
Total liabilities	<u>2,914,283</u>	<u>1,131,177</u>	<u>2,092,397</u>	<u>-</u>	<u>329,945</u>	<u>6,467,802</u>
Fund balances:						
Reserved:						
Encumbrances	627,137	-	394,160	190,008	872,782	2,084,087
Prepaid items	98,591	-	-	-	-	98,591
Debt service	-	2,949,606	-	-	-	2,949,606
Asset held for resale	1,197,874	-	-	-	-	1,197,874
Unreserved, designated for subsequent years' expenditures, reported in -						
Capital projects funds	-	-	-	7,181,223	650,746	7,831,969
Unreserved, reported in:						
General fund	6,753,648	-	-	-	-	6,753,648
Special revenue fund	<u>-</u>	<u>-</u>	<u>2,725,090</u>	<u>-</u>	<u>-</u>	<u>2,725,090</u>
Total fund balances	<u>8,677,250</u>	<u>2,949,606</u>	<u>3,119,250</u>	<u>7,371,231</u>	<u>1,523,528</u>	<u>23,640,865</u>
Total liabilities and fund balances	\$ <u>11,591,533</u>	<u>4,080,783</u>	<u>5,211,647</u>	<u>7,371,231</u>	<u>1,853,473</u>	<u>30,108,667</u>

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

CITY OF MERIDIAN, MISSISSIPPI
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
September 30, 2007

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

Fund balances - total governmental funds	\$ 23,640,865
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance	73,567,601
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds balance	1,129,733
Bond issuance costs are amortized over the life of the bonds on the statement of net assets.	717,504
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.	(39,802,967)
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 \$30,862).	<u>347,097</u>
Net assets of governmental activities	\$ <u><u>59,599,833</u></u>

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

CITY OF MERIDIAN, MISSISSIPPI
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>2006 General Obligation Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Taxes:						
Property	\$ 6,835,769	3,093,082	-	-	-	9,928,851
Sales	13,574,128	-	-	-	-	13,574,128
Franchise	2,586,840	-	-	-	-	2,586,840
County road	1,039,975	-	-	-	-	1,039,975
Motor fuel	19,238	-	-	-	-	19,238
Licenses and permits	373,167	-	-	-	-	373,167
Intergovernmental	488,405	-	1,674,820	-	39,384	2,202,609
Charges for services	163,804	-	-	-	-	163,804
Fines and forfeitures	905,630	-	1,949,876	-	-	2,855,506
Special assessments	-	75,068	-	-	-	75,068
Payments in lieu of taxes	76,909	-	-	-	-	76,909
Local contributions	183,711	-	123,151	-	-	306,862
Interest on investments	379,321	160,735	116,036	408,271	66,345	1,130,708
Interest costs and damages	91,724	-	-	-	-	91,724
Miscellaneous	232,120	7	2,404	-	-	234,531
Total revenues	<u>26,950,741</u>	<u>3,328,892</u>	<u>3,866,287</u>	<u>408,271</u>	<u>105,729</u>	<u>34,659,920</u>
Expenditures:						
Current:						
General government	6,033,221	-	-	-	-	6,033,221
Public safety	12,699,648	-	2,984,185	-	-	15,683,833
Public works	4,425,373	-	-	-	-	4,425,373
Culture and recreation	2,035,385	-	29,896	-	-	2,065,281
Economic development	-	-	97,754	-	-	97,754
Other	150,367	-	-	-	-	150,367
Capital outlay	1,412,935	-	-	161,540	1,283,287	2,857,762
Debt service:						
Principal retirement	166,462	2,852,743	-	-	-	3,019,205
Interest and fiscal charges	38,342	1,697,141	-	-	-	1,735,483
Total expenditures	<u>26,961,733</u>	<u>4,549,884</u>	<u>3,111,835</u>	<u>161,540</u>	<u>1,283,287</u>	<u>36,068,279</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,992)</u>	<u>(1,220,992)</u>	<u>754,452</u>	<u>246,731</u>	<u>(1,177,558)</u>	<u>(1,408,359)</u>
Other financing sources (uses):						
Transfers in	1,846,618	1,022,982	76,977	-	1,584,908	4,531,485
Transfers out	(4,918,410)	-	(19,820)	(1,530,000)	(1,265,137)	(7,733,367)
Capital lease	690,558	-	-	-	-	690,558
General obligation bonds issued	3,600,000	-	-	-	-	3,600,000
Total other financing sources (uses)	<u>1,218,766</u>	<u>1,022,982</u>	<u>57,157</u>	<u>(1,530,000)</u>	<u>319,771</u>	<u>1,088,676</u>
Net change in fund balances	1,207,774	(198,010)	811,609	(1,283,269)	(857,787)	(319,683)
Fund balances, October 1, 2006	<u>7,469,476</u>	<u>3,147,616</u>	<u>2,307,641</u>	<u>8,654,500</u>	<u>2,381,315</u>	<u>23,960,548</u>
Fund balances, September 30, 2007	<u>\$ 8,677,250</u>	<u>2,949,606</u>	<u>3,119,250</u>	<u>7,371,231</u>	<u>1,523,528</u>	<u>23,640,865</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, 2007

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

Net change in fund balances - total governmental funds	\$ (319,683)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	460,718
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.	(28,300)
Special assessment revenues related to prior periods reported as revenues in the governmental funds are not reported as revenues in the statement of activities.	(74,520)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,271,353)
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.	92,845
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 \$30,682).	<u>(107,429)</u>
Change in net assets of governmental activities	\$ <u>(1,247,722)</u>

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

CITY OF MERIDIAN, MISSISSIPPI

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Ad valorem	\$ 7,939,800	7,939,800	7,668,602	(271,198)
Sales	12,700,000	12,700,000	13,069,436	369,436
County road	850,000	850,000	1,042,777	192,777
Gasoline	20,000	20,000	19,238	(762)
Payment in lieu of taxes	80,000	80,000	66,909	(13,091)
Intergovernmental:				
Alcoholic beverage	45,000	45,000	44,250	(750)
State Fire Insurance Fund	180,000	180,000	189,138	9,138
Municipal aid	20,000	20,000	20,833	833
Grant	349,000	250,000	180,027	(69,973)
Franchise:				
Mississippi Power Company	1,500,000	1,500,000	1,886,269	386,269
Mississippi Valley Gas Company	275,000	275,000	223,517	(51,483)
Comcast Cable Company	320,000	320,000	342,587	22,587
Fines and forfeitures	840,000	840,000	821,252	(18,748)
Licenses and permits:				
Privilege license	130,000	130,000	135,030	5,030
Building and allied permits	180,000	180,000	238,137	58,137
Charges for services:				
Garbage collection	1,585,000	1,585,000	1,460,990	(124,010)
Recreation	130,000	130,000	127,879	(2,121)
Enterprise Funds	645,500	645,500	645,500	-
Parking fees	21,300	21,300	34,191	12,891
Out-of-county tonnage	-	-	44,316	44,316
Miscellaneous	200,000	200,000	249,223	49,223
Interest on investments	125,000	125,000	375,820	250,820
Interest costs and damages	90,000	90,000	93,555	3,555
Total revenues	<u>28,225,600</u>	<u>28,126,600</u>	<u>28,979,476</u>	<u>852,876</u>
Expenditures:				
General government:				
Personnel services	1,126,400	1,129,900	1,127,381	2,519
Supplies and expenses	610,200	594,200	580,051	14,149
Capital outlay	10,500	9,850	7,538	2,312
Transfers and other charges	989,800	1,080,245	1,067,180	13,065
Total general government	<u>2,736,900</u>	<u>2,814,195</u>	<u>2,782,150</u>	<u>32,045</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (continued):				
Finance and records:				
Personnel services	\$ 1,327,250	1,281,150	1,172,463	108,687
Supplies and expenses	1,426,200	1,517,772	1,455,347	62,425
Capital outlay	240,000	414,000	413,509	491
Transfers and other charges	35,000	35,000	35,000	-
Total finance and records	<u>3,028,450</u>	<u>3,247,922</u>	<u>3,076,319</u>	<u>171,603</u>
Community development:				
Personnel services	993,700	989,125	952,899	36,226
Supplies and expenses	269,100	266,475	199,683	66,792
Capital outlay	40,600	55,100	54,683	417
Transfers and other charges	439,000	551,390	539,669	11,721
Total community development	<u>1,742,400</u>	<u>1,862,090</u>	<u>1,746,934</u>	<u>115,156</u>
Parks and recreation:				
Personnel services	1,469,150	1,414,450	1,271,565	142,885
Supplies and expenses	662,200	697,200	682,329	14,871
Capital outlay	245,000	125,000	53,925	71,075
Transfers and other charges	135,000	221,540	221,531	9
Total parks and recreation	<u>2,511,350</u>	<u>2,458,190</u>	<u>2,229,350</u>	<u>228,840</u>
Public works:				
Personnel services	3,438,500	3,327,500	3,032,400	295,100
Supplies and expenses	1,118,100	1,124,200	1,081,225	42,975
Capital outlay	234,500	277,975	243,647	34,328
Transfers and other charges	2,445,000	2,803,000	2,753,087	49,913
Total public works	<u>7,236,100</u>	<u>7,532,675</u>	<u>7,110,359</u>	<u>422,316</u>
Police:				
Personnel services	5,119,450	5,229,450	5,224,699	4,751
Supplies and expenses	1,895,250	1,799,955	1,694,664	105,291
Capital outlay	29,650	29,650	25,274	4,376
Transfers and other charges	50,000	50,000	29,824	20,176
Total police	<u>7,094,350</u>	<u>7,109,055</u>	<u>6,974,461</u>	<u>134,594</u>
Fire:				
Personnel services	4,741,650	4,741,650	4,718,186	23,464
Supplies and expenses	698,100	698,100	652,561	45,539
Capital outlay	376,000	360,600	359,512	1,088
Transfers and other charges	10,000	25,400	25,394	6
Total fire	<u>5,825,750</u>	<u>5,825,750</u>	<u>5,755,653</u>	<u>70,097</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (continued):				
Homeland Security:				
Personnel services	\$ 303,900	309,200	309,158	42
Supplies and expenses	315,500	211,200	183,757	27,443
Capital outlay	26,100	26,100	24,321	1,779
Transfers and other charges	10,000	10,000	6,350	3,650
Total homeland security	<u>655,500</u>	<u>556,500</u>	<u>523,586</u>	<u>32,914</u>
Arts District Parking Garage:				
Personnel services	96,850	68,940	65,907	3,033
Supplies and expenses	63,900	127,160	108,852	18,308
Capital outlay	-	12,500	12,396	104
Transfers and other charges	35,550	200	198	2
Total homeland security	<u>196,300</u>	<u>208,800</u>	<u>187,353</u>	<u>21,447</u>
Total expenditures	<u>31,027,100</u>	<u>31,615,177</u>	<u>30,386,165</u>	<u>1,229,012</u>
Net change in fund balances	\$ <u>(2,801,500)</u>	<u>(3,488,577)</u>	(1,406,689)	<u>2,081,888</u>
Fund balances, October 1, 2006			<u>5,272,435</u>	
Fund balances, September 30, 2007			\$ <u>3,865,746</u>	

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

CITY OF MERIDIAN, MISSISSIPPI
Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues	\$ 1,050,000	1,590,000	4,057,825	2,467,825
Expenditures -				
Project costs	<u>1,750,000</u>	<u>3,500,000</u>	<u>3,459,254</u>	<u>40,746</u>
Net change in fund balances	\$ <u>(700,000)</u>	<u>(1,910,000)</u>	598,571	<u>2,508,571</u>
Fund balances, October 1, 2006			<u>1,117,561</u>	
Fund balances, September 30, 2007			\$ <u>1,716,132</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, 2007

	<u>Business-type Activities - Enterprise Funds</u>				Governmental
	<u>Water & Sewer</u>	<u>Waste Collection & Disposal</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	Activities - Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,102,023	328,661	212,716	2,643,400	789,036
Restricted cash, cash equivalents and investments:					
Revenue Bond Construction Funds	3,396,750	-	-	3,396,750	-
Other Construction Funds	757,720	-	-	757,720	-
Revenue Bond Debt Service Account	2,744,488	-	-	2,744,488	-
Receivables:					
Accounts	1,388,680	161,089	-	1,549,769	-
Less allowance for uncollectibles	(92,695)	-	-	(92,695)	-
Intergovernmental	463,106	-	-	463,106	-
Miscellaneous	-	-	7,316	7,316	148,503
Due from other funds	56,925	15,514	-	72,439	64,968
Due from component units	-	-	1,272	1,272	19,813
Inventory	343,911	-	40,221	384,132	56,688
Prepaid items	30,623	-	1,878	32,501	-
Total current assets	<u>11,191,531</u>	<u>505,264</u>	<u>263,403</u>	<u>11,960,198</u>	<u>1,079,008</u>
Noncurrent assets:					
Restricted cash, cash equivalents and investments:					
Revenue Bond Cushion Account	1,704,213	-	-	1,704,213	-
Revenue Bond Contingent Account	76,000	-	-	76,000	-
Revenue Bond Depreciation Account	76,000	-	-	76,000	-
Total restricted cash, cash equivalents and investments	<u>1,856,213</u>	<u>-</u>	<u>-</u>	<u>1,856,213</u>	<u>-</u>
Deferred charges	<u>428,967</u>	<u>-</u>	<u>-</u>	<u>428,967</u>	<u>-</u>
Capital assets:					
Land	271,666	-	-	271,666	-
Buildings	-	-	126,628	126,628	-
Water and sewer system	90,911,149	-	-	90,911,149	-
Improvements other than buildings	-	-	113,067	113,067	-
Machinery and equipment	3,456,176	19,626	419,350	3,895,152	-
Construction in progress	1,594,731	-	-	1,594,731	-
Total capital assets	<u>96,233,722</u>	<u>19,626</u>	<u>659,045</u>	<u>96,912,393</u>	<u>-</u>
Less accumulated depreciation	<u>(51,184,976)</u>	<u>(14,524)</u>	<u>(591,941)</u>	<u>(51,791,441)</u>	<u>-</u>
Capital assets (net of accumulated depreciation)	<u>45,048,746</u>	<u>5,102</u>	<u>67,104</u>	<u>45,120,952</u>	<u>-</u>
Total noncurrent assets	<u>47,333,926</u>	<u>5,102</u>	<u>67,104</u>	<u>47,406,132</u>	<u>-</u>
Total assets	<u>58,525,457</u>	<u>510,366</u>	<u>330,507</u>	<u>59,366,330</u>	<u>1,079,008</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI

Statement of Net Assets
 Proprietary Funds
 September 30, 2007

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Water & Sewer</u>	<u>Waste Collection & Disposal</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable	\$ 479,674	219,564	54,558	753,796	696,096
Liabilities payable from restricted assets:					
Accounts payable	448,296	-	-	448,296	-
Revenue bonds payable	1,305,000	-	-	1,305,000	-
Promissory loans	1,078,368	-	-	1,078,368	-
Interest payable	360,655	-	-	360,655	-
Accrued liabilities:					
Payroll	62,259	5,455	20,286	88,000	-
Compensated absences	65,374	-	-	65,374	-
Sales tax	12,131	-	1,711	13,842	-
Customer deposits	775,472	-	-	775,472	-
Due to other funds	13,681	41	-	13,722	4,953
Deferred revenue forward invested funds	45,246	-	-	45,246	-
Current portion of capital leases	110,268	-	208	110,476	-
Total current liabilities	<u>4,756,424</u>	<u>225,060</u>	<u>76,763</u>	<u>5,058,247</u>	<u>701,049</u>
Noncurrent liabilities:					
Deferred revenue forward invested funds	278,554	-	-	278,554	-
Compensated absences	132,730	-	-	132,730	-
Revenue bonds payable (net of deferred refunding costs of \$155,172)	9,799,828	-	-	9,799,828	-
Promissory loans (net of deferred refunding costs of \$431,438)	13,541,154	-	-	13,541,154	-
Capital leases payable	782,795	-	2,267	785,062	-
Total noncurrent liabilities	<u>24,535,061</u>	<u>-</u>	<u>2,267</u>	<u>24,537,328</u>	<u>-</u>
Total liabilities	<u>29,291,485</u>	<u>225,060</u>	<u>79,030</u>	<u>29,595,575</u>	<u>701,049</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	18,867,729	5,102	64,629	18,937,460	-
Restricted for:					
Debt service	4,240,046	-	-	4,240,046	-
Capital projects	3,269,778	-	-	3,269,778	-
Unrestricted	2,856,419	280,204	186,848	3,323,471	377,959
Total net assets	<u>\$ 29,233,972</u>	<u>285,306</u>	<u>251,477</u>	<u>29,770,755</u>	<u>377,959</u>
Reconciliation to government-wide statement of net assets:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				<u>30,862</u>	
Net assets of business-types activities				<u>\$ 29,801,617</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, 2007

	Business-type Activities - Enterprise Funds			Governmental	
	Water & Sewer	Waste Collection & Disposal	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
Operating revenues:					
Charges for sales and services:					
Water sales	\$ 5,716,781	-	-	5,716,781	-
Sewer charges	4,941,627	-	-	4,941,627	-
Tap fees	99,877	-	-	99,877	-
Garbage collection fees	-	1,511,081	-	1,511,081	-
Out-of-county tonnage	-	48,920	-	48,920	-
Memberships	-	-	77,406	77,406	-
Green fees	-	-	74,573	74,573	-
Cart rental	-	-	61,182	61,182	-
Concessions	-	-	144,096	144,096	-
Internal service charges	-	-	-	-	3,194,647
Rental income	-	-	104,796	104,796	-
Miscellaneous	148,928	-	10,661	159,589	372,101
Total operating revenues	<u>10,907,213</u>	<u>1,560,001</u>	<u>472,714</u>	<u>12,939,928</u>	<u>3,566,748</u>
Operating expenses:					
Personnel services	3,038,030	49,662	263,521	3,351,213	-
Supplies and materials	473,941	117	151,868	625,926	408,376
Rent and utilities	1,266,349	841	61,027	1,328,217	-
Operation, maintenance, and repairs	1,110,708	2,517	144,932	1,258,157	580,999
Garbage disposal services	-	2,322,635	-	2,322,635	-
Depreciation and amortization	3,864,112	3,533	10,787	3,878,432	-
Claims paid	-	-	-	-	2,772,016
Miscellaneous	1,127,119	978	116,284	1,244,381	-
Total operating expenses	<u>10,880,259</u>	<u>2,380,283</u>	<u>748,419</u>	<u>14,008,961</u>	<u>3,761,391</u>
Operating income (loss)	<u>26,954</u>	<u>(820,282)</u>	<u>(275,705)</u>	<u>(1,069,033)</u>	<u>(194,643)</u>
Nonoperating revenues (expenses):					
Ad valorem taxes	-	811,397	-	811,397	-
Interest income	448,152	24,354	7,299	479,805	49,237
Interest expense	(1,323,691)	-	(152)	(1,323,843)	-
Gain (loss) on disposal of capital asset	3,925	-	-	3,925	-
Total nonoperating revenues (expenses)	<u>(871,614)</u>	<u>835,751</u>	<u>7,147</u>	<u>(28,716)</u>	<u>49,237</u>
Income (loss) before capital grants and transfers	<u>(844,660)</u>	<u>15,469</u>	<u>(268,558)</u>	<u>(1,097,749)</u>	<u>(145,406)</u>
Capital grants and transfers:					
Capital grants	740,104	-	-	740,104	-
Transfers in	3,513,932	-	319,635	3,833,567	20,362
Transfers out	(608,047)	(44,000)	-	(652,047)	-
Total capital grants and transfers	<u>3,645,989</u>	<u>(44,000)</u>	<u>319,635</u>	<u>3,921,624</u>	<u>20,362</u>
Change in net assets	<u>2,801,329</u>	<u>(28,531)</u>	<u>51,077</u>	<u>2,823,875</u>	<u>(125,044)</u>
Net assets, October 1, 2006	<u>26,432,643</u>	<u>313,837</u>	<u>200,400</u>	<u>26,946,880</u>	<u>503,003</u>
Net assets, September 30, 2007	<u>\$ 29,233,972</u>	<u>285,306</u>	<u>251,477</u>	<u>29,770,755</u>	<u>377,959</u>
Reconciliation to government-wide statement of activities:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				(17,615)	
Change in net assets of business-types activities				<u>\$ 2,806,260</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, 2007

	Business-type Activities - Enterprise Funds				Governmental
	Water & Sewer	Waste Collection & Disposal	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
Cash flows from operating activities:					
Receipts from customers and users	\$ 10,922,797	1,565,603	468,113	12,956,513	3,475,064
Payments to suppliers	(3,604,431)	(2,493,007)	(489,430)	(6,586,868)	(3,721,701)
Payments to employees	(3,076,998)	(49,988)	(263,623)	(3,390,609)	-
Net cash provided by (used in) operating activities	<u>4,241,368</u>	<u>(977,392)</u>	<u>(284,940)</u>	<u>2,979,036</u>	<u>(246,637)</u>
Cash flows from noncapital financing activities:					
Ad valorem taxes received	-	811,397	-	811,397	-
Transfers to other funds	(608,047)	(44,000)	-	(652,047)	-
Transfers from other funds	<u>3,513,932</u>	<u>-</u>	<u>319,635</u>	<u>3,833,567</u>	<u>20,362</u>
Net cash provided by noncapital financing activities	<u>2,905,885</u>	<u>767,397</u>	<u>319,635</u>	<u>3,992,917</u>	<u>20,362</u>
Cash flows from capital and related financing activities:					
Capital contributions	325,000	-	-	325,000	-
Acquisition and construction of capital assets	(1,671,870)	-	(29,135)	(1,701,005)	-
Payments on long-term debt:					
Revenue bonds	(1,230,000)	-	-	(1,230,000)	-
Promissory notes	(1,037,235)	-	-	(1,037,235)	-
Capital lease payments	(80,306)	-	(196)	(80,502)	-
Interest paid on revenue bonds and other debt	(1,354,657)	-	(152)	(1,354,809)	-
Proceeds from sale of capital assets	<u>3,925</u>	<u>-</u>	<u>-</u>	<u>3,925</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(5,045,143)</u>	<u>-</u>	<u>(29,483)</u>	<u>(5,074,626)</u>	<u>-</u>
Cash flows from investing activities -					
Proceeds from maturity of investment	100,000	-	-	100,000	-
Interest received	<u>402,093</u>	<u>24,354</u>	<u>7,299</u>	<u>433,746</u>	<u>49,237</u>
Net cash provided by investing activities	<u>502,093</u>	<u>24,354</u>	<u>7,299</u>	<u>533,746</u>	<u>49,237</u>
Net increase (decrease) in cash and cash equivalents	2,604,203	(185,641)	12,511	2,431,073	(177,038)
Cash and cash equivalents, October 1, 2006 (including \$3,474,179 in restricted accounts)	<u>5,609,917</u>	<u>514,302</u>	<u>200,205</u>	<u>6,324,424</u>	<u>966,074</u>
Cash and cash equivalents, September 30, 2007 (including \$6,112,097 in restricted accounts)	\$ <u>8,214,120</u>	<u>328,661</u>	<u>212,716</u>	<u>8,755,497</u>	<u>789,036</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2007

	Business-type Activities - Enterprise Funds				Governmental
	Water & Sewer	Waste Collection & Disposal	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 26,954	(820,282)	(275,705)	(1,069,033)	(194,643)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	3,864,112	3,533	10,787	3,878,432	-
Changes in assets and liabilities:					
Accounts receivable	(30,343)	1,235	(3,328)	(32,436)	-
Receivables - miscellaneous	-	-	-	-	(97,854)
Due from other funds	-	4,368	-	4,368	20,471
Due from component units	-	-	(1,272)	(1,272)	(9,349)
Inventory	14,036	-	(4,987)	9,049	(1,627)
Prepaid items	2,035	-	6	2,041	-
Accounts payable	372,964	(165,919)	(9,626)	197,419	36,365
Accrued liabilities	(37,969)	(326)	(662)	(38,957)	-
Customer deposits	45,929	-	-	45,929	-
Due to other funds	(16,350)	(1)	(153)	(16,504)	-
Total adjustments	<u>4,214,414</u>	<u>(157,110)</u>	<u>(9,235)</u>	<u>4,048,069</u>	<u>(51,994)</u>
Net cash provided by (used in) operating activities	\$ <u>4,241,368</u>	<u>(977,392)</u>	<u>(284,940)</u>	<u>2,979,036</u>	<u>(246,637)</u>
Noncash investing, capital, and financing activities:					
Borrowing under capital lease	\$ <u>139,474</u>	<u>-</u>	<u>-</u>	<u>139,474</u>	<u>-</u>
Capital asset trade-in	\$ <u>16,112</u>	<u>-</u>	<u>-</u>	<u>16,112</u>	<u>-</u>
Amortization of deferred revenue forward invested funds	\$ <u>47,005</u>	<u>-</u>	<u>-</u>	<u>47,005</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, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 885,685
Intergovernmental receivables- County	<u>146,427</u>
Total assets	\$ <u><u>1,032,112</u></u>
<u>LIABILITIES</u>	
Intergovernmental payables:	
Schools	\$ 768,832
PERS	146,740
State	67,168
Employee insurance withheld	<u>49,372</u>
Total liabilities	\$ <u><u>1,032,112</u></u>

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

CITY OF MERIDIAN, MISSISSIPPI

Statement of Net Assets

Component Units

September 30, 2007

	<u>Meridian Airport Authority</u>	<u>Nonmajor Component Units</u>	<u>Total Component Units</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 770,762	429,349	1,200,111
Investments	-	8,831	8,831
Receivables:			
Accounts	353,479	240	353,719
Intergovernmental:			
Federal	253,133	-	253,133
State	41,776	45,416	87,192
Inventory	155,463	-	155,463
Prepaid items	27,493	14,102	41,595
Restricted assets - cash	216,556	-	216,556
Capital assets not being depreciated:			
Land	500,000	7,500	507,500
Construction in progress	4,975,037	-	4,975,037
Capital assets (net of accumulated depreciation):			
Buildings	1,473,334	-	1,473,334
Improvements other than buildings	7,870,642	-	7,870,642
Machinery and equipment	<u>339,089</u>	<u>107,093</u>	<u>446,182</u>
Total assets	<u>16,976,764</u>	<u>612,531</u>	<u>17,589,295</u>
<u>LIABILITIES</u>			
Bank overdraft	-	3,282	3,282
Notes payable	-	39,459	39,459
Accounts payable	526,801	72,879	599,680
Accrued liabilities	61,695	7,235	68,930
Unearned revenue	<u>46,351</u>	<u>-</u>	<u>46,351</u>
Total liabilities	<u>634,847</u>	<u>122,855</u>	<u>757,702</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	15,158,102	114,593	15,272,695
Restricted for capital projects	216,556	-	216,556
Unrestricted	<u>967,259</u>	<u>375,083</u>	<u>1,342,342</u>
Total net assets	\$ <u>16,341,917</u>	<u>489,676</u>	<u>16,831,593</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, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Meridian Airport Authority</u>	<u>Nonmajor Component Units</u>	<u>Total</u>
Component units:							
Meridian Airport Authority	\$ 5,622,378	5,361,835	14,995	1,953,314	1,707,766	-	1,707,766
Nonmajor component units	<u>493,101</u>	<u>72,516</u>	<u>391,946</u>	<u>-</u>	<u>-</u>	<u>(28,639)</u>	<u>(28,639)</u>
Total component units	\$ <u>6,115,479</u>	<u>5,434,351</u>	<u>406,941</u>	<u>1,953,314</u>	1,707,766	(28,639)	1,679,127
General revenues -							
Interest income					<u>49,721</u>	<u>8,969</u>	<u>58,690</u>
Change in net assets					1,757,487	(19,670)	1,737,817
Net assets, October 1, 2006					<u>14,584,430</u>	<u>509,346</u>	<u>15,093,776</u>
Net assets, September 30, 2007					\$ <u>16,341,917</u>	<u>489,676</u>	<u>16,831,593</u>

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

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

(a) **Reporting Entity**

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

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

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

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

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

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

Major Discretely Presented Component Unit -

Meridian Airport Authority

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

Nonmajor Discretely Presented Component Units:

Meridian Transportation Commission

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

Meridian and Bonita Lakes Development Authority

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(1) Summary of Significant Accounting Policies (Continued)

(a) Reporting Entity (Continued)

Nonmajor Discretely Presented Component Units (Continued):

Meridian Redevelopment Authority

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

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

Meridian Airport Authority
2811 Highway 11 South
Meridian, Mississippi

Meridian Transportation Commission
1901 Front Street
Meridian, Mississippi

Meridian and Bonita Lakes
Development Authority
723 23rd Avenue
Meridian, Mississippi

Meridian Redevelopment Authority
723 23rd Avenue
Meridian, Mississippi

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(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, 2007

(1) Summary of Significant Accounting Policies (Continued)

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

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

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

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

The City reports the following major governmental funds:

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(1) Summary of Significant Accounting Policies (Continued)

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

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

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(1) Summary of Significant Accounting Policies (Continued)

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

proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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

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

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

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

(e) Cash and Cash Equivalents and Investments

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(1) Summary of Significant Accounting Policies (Continued)

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

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

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

(f) Receivables and Payables

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

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

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(1) Summary of Significant Accounting Policies (Continued)

(f) Receivables and Payables (Continued)

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

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

The tax rate of the City is expressed in terms of mills (ten mills equal one cent). For the year ended September 30, 2007, the City's 2007 combined tax rate for general governmental services and other municipal purposes was 112.95 or \$112.95 per \$1,000 of assessed valuation, expressed as follows:

<u>Description</u>	<u>Mills</u>		<u>Increase (Decrease)</u>
	<u>2007</u>	<u>2006</u>	
General	26.51	25.56	.95
Solid waste fund	4.00	4.00	-
Fire and police disability retirement fund (closed)	5.40	5.05	.35
General municipal retirement fund (closed)	3.00	3.00	-
Debt service (general bonds and interest)	11.17	12.47	(1.30)
Meridian Separate School District	<u>62.87</u>	<u>63.65</u>	<u>(.78)</u>
Total mills	<u>112.95</u>	<u>113.73</u>	<u>(.78)</u>

(g) Inventories and Prepaid Items

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(1) Summary of Significant Accounting Policies (Continued)

(g) Inventories and Prepaid Items (Continued)

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

(h) Restricted Assets

Certain proceeds of the City's enterprise fund water and sewer revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Revenues collected from operations of the system are transferred to various accounts established pursuant to the revenue bond ordinance.

The "revenue bond operation and maintenance" account receives sufficient amounts to provide for the payment of current expenses to be paid each month, plus any prior month deficiencies. The "revenue bond construction" accounts are used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "revenue bond current debt service" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond cushion" account is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account. The "revenue bond contingent" account is used to report resources set aside to pay for unforeseen contingencies arising from the operation and maintenance of the system, including the construction of reasonable and proper improvements, betterments and extensions, upon written certification of the engineers. The "revenue bond depreciation" account is used to report resources set aside to pay for replacing such parts of the system as may need replacement in order to keep the system operating in an economical and efficient manner, upon written certification of the engineers. Any surplus remaining after all deposits and transfers required and allowed by the bond resolution are to be used solely for purposes pertaining to the system. As of September 30, 2007, all accounts required under the bond resolution were fully funded as required.

(i) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(1) Summary of Significant Accounting Policies (Continued)

(i) Capital Assets (Continued)

individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest costs were capitalized in the current period.

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

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

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

(j) Compensated Absences

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

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2007

(1) Summary of Significant Accounting Policies (Continued)

(j) Compensated Absences (Continued)

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

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

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

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

(k) Long-term Obligations/Deferred Charges

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(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, 2007

(1) Summary of Significant Accounting Policies (Continued)

(n) Financial Statement Format

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the City's financial position and operations. For consistency, certain 2006 financial statement amounts have been reclassified to conform with the 2007 financial statement presentation. Such reclassifications had no material effect on the City's financial position, changes in financial position, or cash flows.

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

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

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

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

<u>Description</u>	<u>Amount</u>
Bonds payable	\$ (33,980,000)
Promissory loans payable	(631,433)
Negotiable notes payable	(1,005,305)
Accrued interest payable	(530,710)
Capital leases payable	(1,308,913)
Compensated absences	(1,346,653)
Pension obligation	(885,020)
Claims and judgments	<u>(114,933)</u>
Net adjustment to reduce fund balances – total governmental funds to arrive at net assets – governmental activities	\$ <u>(39,802,967)</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

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

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

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

<u>Description</u>	<u>Amount</u>
Net assets of the internal service funds	\$ 377,959
Less internal payable representing charges in excess of cost to business-type activities	<u>(30,862)</u>
Net adjustment to increase fund balances – total governmental funds to arrive at net assets – governmental activities	\$ <u>347,097</u>

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

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

<u>Description</u>	<u>Amount</u>
Capital outlay	\$ 4,287,839
Depreciation expense	<u>(3,827,121)</u>
Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	\$ <u>460,718</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

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

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

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

<u>Description</u>	<u>Amount</u>
Debt issued:	
Issuance of general obligation debt	\$ (3,600,000)
Capital lease	(690,558)
Principal repayments:	
Bonds payable	2,570,000
Promissory loans payable	282,743
Capital leases payable	<u>166,462</u>
 Net adjustment to decrease net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	 \$ <u>(1,271,353)</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(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	\$ (182,354)
Amortization of deferred charges	(80,168)
Deferred charges for new debt issues	86,068
Compensated absences	(34,934)
Claims and judgments	(697)
Pension obligation	<u>304,930</u>
Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	\$ <u>92,845</u>

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

<u>Description</u>	<u>Amount</u>
Change in net assets of the internal service funds	\$ (125,044)
Less loss from charges to business-type activities	<u>17,615</u>
Net adjustment to decrease net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	\$ <u>(107,429)</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

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

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

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

<u>Description</u>	<u>Amount</u>
Internal receivable representing charges in excess of cost to business-type activities:	
Prior years	\$ 48,477
Current year	<u>(17,615)</u>
Net adjustment to increase net assets – total enterprise funds to arrive at net assets – business-type activities	\$ <u>30,862</u>

(3) Stewardship, Compliance and Accountability

(a) Budgetary Information

The City adopts annual budgets for all governmental, proprietary and fiduciary funds on a basis consistent with state law, the more significant of which is discussed below. For 2007, the original total budgeted expenditures were \$93,336,200 and were increased by amendments to \$94,690,177.

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

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

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

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

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

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

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

(b) **Budget/GAAP Reconciliation**

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

<u>Description</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Net change in fund balances – budgetary basis	\$ (1,406,689)	598,571
Basis differences:		
Net accrued revenues and related receivables	4,380,962	(164,472)
Net accrued expenditures and related liabilities	<u>(1,766,499)</u>	<u>377,510</u>
Net change in fund balances – GAAP basis	\$ <u>1,207,774</u>	<u>811,609</u>

(c) **Encumbrances**

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

(4) **Deposits and Investments**

Deposits

Custodial credit risk: In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. At year end, the City’s carrying amount of deposits was \$32,573,206 and the bank balance was \$33,401,060. The entire bank balance was covered by federal depository insurance or collateralized in accordance with state law. The collateral for public entities’ deposits in financial institutions are held in the name of the Mississippi State Treasurer under a program established by the

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(4) Deposits and Investments (Continued)

Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of deposits for discretely presented component units was \$1,416,667 and the bank balance was \$1,455,037. These bank balances were covered by federal depository insurance or collateralized in accordance with State law as described above.

Investments

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

<u>Description</u>	<u>Fair Value</u>	<u>Maturity Date (Within One Year)</u>
U.S. Government Securities:		
Federal Home Loan Mortgage Corporate Discount Notes	\$ 1,730,000	12/26/2007
Federated Government Obligations	1,213	-
Federal National Mortgage Association Discount Notes	304,000	1/02/2008
Federal Home Loan Bank Discount Notes	428,000	11/26/2007
Certificates of Deposit:		
Citizens National Bank	675,000	1/08/2008
Community Bank	675,000	1/09/2008
Citizens National Bank	<u>179,860</u>	12/29/2007
Total investments	\$ <u>3,993,073</u>	

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

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(4) Deposits and Investments (Continued)

guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository; or in interest-bearing time certificates of deposit with any financial institution approved for the deposit of state funds. It is the City's policy to limit its investments to those allowed by the State statute. The City's investments in U.S. Government securities are rated AAA by Standard & Poor's and by Moody's Investors Service.

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

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

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

<u>Description</u>	<u>Amount</u>
Cash on hand	\$ 25,920
Cash with trustee	824,704
Carrying amount of deposits (including certificates of deposits)	32,573,206
Carrying amount of investments (securities)	<u>2,463,213</u>
Total cash and investments	\$ <u>35,887,043</u>
Cash and cash equivalents	\$ 24,896,187
Cash and investments – restricted	8,755,171
Investments	<u>1,350,000</u>
Total reported on the government-wide statement of net assets	35,001,358
Cash and cash equivalents reported on the statement of fiduciary assets and liabilities not included on the government-wide statement of net assets	<u>885,685</u>
Total reported	\$ <u>35,887,043</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(5) Capital Assets

Primary government:

Capital asset activity for the year ended September 30, 2007, was as follows:

	Balance			Balance
	September 30,	Increases	Decreases	September 30,
	<u>2006</u>			<u>2007</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,136,280	522,661	-	7,658,941
Collections - historical treasures	141,250	-	-	141,250
Construction-in-progress	<u>2,043,661</u>	<u>2,019,775</u>	<u>2,544,969</u>	<u>1,518,467</u>
Total capital assets, not being depreciated	<u>9,321,191</u>	<u>2,542,436</u>	<u>2,544,969</u>	<u>9,318,658</u>
Capital assets, being depreciated:				
Buildings	23,013,299	-	-	23,013,299
Improvements other than buildings	2,210,837	359,264	-	2,570,101
Machinery and equipment	12,606,106	2,391,355	683,631	14,313,830
Infrastructure	<u>77,470,771</u>	<u>1,539,753</u>	-	<u>79,010,524</u>
Total capital assets, being depreciated	<u>115,301,013</u>	<u>4,290,372</u>	<u>683,631</u>	<u>118,907,754</u>
Less accumulated depreciation for:				
Buildings	5,036,889	440,277	-	5,477,166
Improvements other than buildings	766,404	151,583	-	917,987
Machinery and equipment	7,678,683	949,261	655,331	7,972,613
Infrastructure	<u>38,005,045</u>	<u>2,286,000</u>	-	<u>40,291,045</u>
Total accumulated depreciation	<u>51,487,021</u>	<u>3,827,121</u>	<u>655,331</u>	<u>54,658,811</u>
Total capital assets, being depreciated, net	<u>63,813,992</u>	<u>463,251</u>	<u>28,300</u>	<u>64,248,943</u>
Total governmental activities				
capital assets, net	\$ <u>73,135,183</u>	<u>3,005,687</u>	<u>2,573,269</u>	<u>73,567,601</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(5) Capital Assets (Continued)

	Balance September 30, <u>2006</u>	<u>Increases</u>	<u>Decreases</u>	Balance September 30, <u>2007</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 271,666	-	-	271,666
Construction-in-progress	<u>164,889</u>	<u>1,429,842</u>	-	<u>1,594,731</u>
Total capital assets, not being depreciated	<u>436,555</u>	<u>1,429,842</u>	-	<u>1,866,397</u>
Capital assets, being depreciated:				
Buildings	117,128	9,500	-	126,628
Water and sewer system	90,839,066	72,082	-	90,911,148
Improvements other than buildings	113,067	-	-	113,067
Machinery and equipment	<u>3,714,960</u>	<u>345,162</u>	<u>164,970</u>	<u>3,895,152</u>
Total capital assets, being depreciated	<u>94,784,221</u>	<u>426,744</u>	<u>164,970</u>	<u>95,045,995</u>
Less accumulated depreciation for:				
Buildings	117,128	950	-	118,078
Water and sewer system	45,196,746	3,503,538	-	48,700,284
Improvements other than buildings	86,300	896	-	87,196
Machinery and equipment	<u>2,774,362</u>	<u>260,378</u>	<u>148,858</u>	<u>2,885,882</u>
Total accumulated depreciation	<u>48,174,536</u>	<u>3,765,762</u>	<u>148,858</u>	<u>51,791,440</u>
Total capital assets, being depreciated, net	<u>46,609,685</u>	<u>(3,339,018)</u>	<u>16,112</u>	<u>43,254,555</u>
Total business-type activities capital assets, net	\$ <u>47,046,240</u>	<u>(1,909,176)</u>	<u>16,112</u>	<u>45,120,952</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

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

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

	<u>Amount</u>
Governmental activities:	
General government	\$ 488,405
Public safety	685,904
Public works	287,783
Culture and recreation	<u>2,365,029</u>
Total depreciation expense - governmental activities	\$ <u>3,827,121</u>
Business-type activities:	
Water and sewer department	\$ 3,751,442
Waste collection and disposal	3,533
Golf course	8,823
Union Station	<u>1,964</u>
Total depreciation expense - business-type activities	\$ <u>3,765,762</u>

Construction-in-progress is composed of:

Governmental activities:	
City Hall improvements	\$ 962,279
Homeland Security shoot house	359,540
North Hills at Highway 39 project	152,071
Hope VI infrastructure	39,353
Fire Station No. 8 at Bonita Lakes	<u>5,224</u>
Total governmental activities	<u>1,518,467</u>
Business-type activities:	
Sweet Gum Bottom Road	1,497,699
South Industrial Park sewer improvements	<u>97,032</u>
Total business-type activities	<u>1,594,731</u>
Total construction-in-progress	\$ <u>3,113,198</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(5) Capital Assets (Continued)

Discretely presented component units:

Capital asset activity for the year ended September 30, 2007, was as follows:

	Balance			Balance
	September 30,			September 30,
	<u>2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>2007</u>
Meridian Airport Authority:				
Capital assets, not being depreciated:				
Land	\$ 500,000	-	-	500,000
Construction-in-progress	<u>2,925,265</u>	<u>2,049,772</u>	-	<u>4,975,037</u>
Total capital assets, not being depreciated	<u>3,425,265</u>	<u>2,049,772</u>	-	<u>5,475,037</u>
Capital assets, being depreciated:				
Buildings	2,629,499	-	-	2,629,499
Improvements other than buildings	13,722,185	-	-	13,722,185
Machinery and equipment	<u>832,159</u>	<u>49,646</u>	<u>175,881</u>	<u>705,924</u>
Total capital assets, being depreciated	<u>17,183,843</u>	<u>49,646</u>	<u>175,881</u>	<u>17,057,608</u>
Less accumulated depreciation for:				
Buildings	1,091,870	64,295	-	1,156,165
Improvements other than buildings	5,257,668	593,875	-	5,851,543
Machinery and equipment	<u>382,525</u>	<u>116,509</u>	<u>132,199</u>	<u>366,835</u>
Total accumulated depreciation	<u>6,732,063</u>	<u>774,679</u>	<u>132,199</u>	<u>7,374,543</u>
Total capital assets, being depreciated, net	<u>10,451,780</u>	<u>(725,033)</u>	<u>43,682</u>	<u>9,683,065</u>
Total Meridian Airport Authority	\$ <u>13,877,045</u>	<u>1,324,739</u>	<u>43,682</u>	<u>15,158,102</u>
Nonmajor component units:				
Capital assets, not being depreciated -				
Land	\$ 7,500	-	-	7,500
Capital assets, being depreciated:				
Machinery and equipment	395,402	-	-	395,402
Less accumulated depreciation	<u>254,311</u>	<u>33,998</u>	-	<u>288,309</u>
Total nonmajor component units	\$ <u>148,591</u>	<u>(33,998)</u>	-	<u>114,593</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(6) Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2007 is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Internal Service Fund	\$ 4,953
	Special Revenue Fund	842,551
	Nonmajor Governmental Funds	184,134
Debt Service Fund	General Fund	37,155
Special Revenue Fund	General Fund	323,288
Nonmajor Governmental Funds	General Fund	58,386
	Nonmajor Governmental Funds	42,485
Water & Sewer Fund	Nonmajor Governmental Funds	56,925
Waste Collection & Disposal Fund	General Fund	15,514
Internal Service Funds	General Fund	51,246
	Water & Sewer Fund	13,681
	Waste Collection & Disposal	<u>41</u>
Total due to/from other funds		\$ <u>1,630,359</u>

Due to primary government:

Due from component units:

General Fund	Meridian Transportation Commission	\$ <u>18,278</u>
Nonmajor Enterprise Fund	Meridian Transportation Commission	\$ <u>1,272</u>
Internal Service Funds	Meridian Transportation Commission	\$ <u>19,813</u>

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

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

Interfund transfers:

<u>Transfers out:</u>	Transfers in:							<u>Total</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Special Revenue Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Water & Sewer Fund</u>	<u>Nonmajor Enterprise Fund</u>	<u>Internal Service Fund</u>	
General Fund	\$ -	1,007,139	76,977	-	3,513,932	300,000	20,362	4,918,410
Special Revenue Fund	185	-	-	-	-	19,635	-	19,820
Major Capital Project Fund	-	-	-	1,530,000	-	-	-	1,530,000
Nonmajor Governmental Funds	1,200,933	9,296	-	54,908	-	-	-	1,265,137
Water & Sewer Fund	601,500	6,547	-	-	-	-	-	608,047
Waste Collection & Disposal Fund	<u>44,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,000</u>
Total	\$ <u>1,846,618</u>	<u>1,022,982</u>	<u>76,977</u>	<u>1,584,908</u>	<u>3,513,932</u>	<u>319,635</u>	<u>20,362</u>	<u>8,385,414</u>

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

(7) Notes Payable

A summary of notes payable at September 30, 2007, follows:

	Balance September 30, <u>2006</u>	<u>Increases</u>	<u>Decreases</u>	Balance September 30, <u>2007</u>
Discretely presented nonmajor component unit -				
Meridian Transportation Commission: 5.2% \$40,850 line of credit with a financial institution, maturing annually	\$ 40,850	-	1,391	39,459
Other	<u>1,078</u>	<u>-</u>	<u>1,078</u>	<u>-</u>
Total capital assets, not being depreciated	\$ <u>41,928</u>	<u>-</u>	<u>2,469</u>	<u>39,459</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(8) Leases

Operating Leases

Meridian Airport Authority leases three fuel trucks under noncancelable operating leases expiring in fiscal year 2009. Total costs for such leases were \$36,000 for the year ended September 30, 2007. The future minimum lease payments for these leases follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2008	\$ 36,000
2009	<u>24,000</u>
Total minimum future rental payments	\$ <u>60,000</u>

Capital Leases

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

A summary of leased equipment capitalized in the financial statements at September 30, 2007, follows:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery and equipment	\$ 2,103,870	1,406,544
Less accumulated depreciation	<u>(425,767)</u>	<u>(361,783)</u>
Total leased equipment capitalized	\$ <u>1,678,103</u>	<u>1,044,761</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(8) Leases (Continued)

The future minimum lease obligations and the net present value of minimum lease commitments at September 30, 2007, follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
2008	\$ 429,727	155,241
2009	320,080	155,241
2010	298,949	155,241
2011	71,226	106,140
2012	71,226	106,140
2013-2017	<u>361,833</u>	<u>451,095</u>
Total minimum lease commitments	1,553,041	1,129,098
Less amount representing imputed interest	<u>(244,128)</u>	<u>(233,560)</u>
Present value of minimum lease payments	1,308,913	895,538
Current portion of obligations under capital leases	<u>(390,584)</u>	<u>(110,476)</u>
Obligations under capital leases, less current installments	\$ <u>918,329</u>	<u>785,062</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(9) Long-Term Debt

A summary of long-term debt at September 30, 2007, follows:

	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities:		
Outstanding bonds:		
General government	3.25 – 6.25%	\$ 21,415,000
Special obligation bonds – parking facilities	2.75 - 4.5%	6,085,000
Limited obligation bonds – tax increment financing	9.0%	2,960,000
Special assessment debt with City commitment	4.5 - 6.75%	3,520,000
Other debt:		
Promissory loans	3.0%	631,433
Negotiable notes	5.45%	1,005,305
Capital leases	3.09 - 5.87%	1,308,913
Compensated absences		1,346,653
Pension obligation		885,020
Claims and judgments		<u>114,933</u>
Total governmental activities		39,272,257
Less current portion payable		<u>(4,030,719)</u>
Governmental activities, net		\$ <u>35,241,538</u>
Business-type activities:		
Water & sewer revenue bonds:		
Advanced refunding of a refunding	6.0 - 6.5%	\$ 3,355,000
Improvements and repairs to water system	4.6 - 6.5%	2,965,000
Improvements, repairs and extension to water system	4.5 - 6.375%	3,380,000
Improvements, repairs and extension to water system	5.0 - 6.25%	1,560,000
Less deferred issue costs on refunding bonds		<u>(155,172)</u>
Total revenue bonds		<u>11,104,828</u>
Water & sewer promissory loans	1.0 - 6.125%	15,050,960
Less deferred issue costs on refunding bonds		<u>(431,438)</u>
Total promissory loans		<u>14,619,522</u>
Capital leases	2.83 – 5.87%	<u>895,538</u>
Deferred revenue forward invested funds		<u>323,800</u>
Compensated absences		<u>198,104</u>
Total business-type activities		27,141,792
Less current portion payable		<u>(2,604,464)</u>
Business activities, net		\$ <u>24,537,328</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(9) Long-Term Debt (Continued)

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

Year Ending September 30,	Governmental Activities						Total
	General Obligation Bonds	Special Obligation Bonds	Limited Obligations Bonds	Special Assessment Debt	Promissory Loans	Negotiable Notes	
2008	\$ 2,335,848	516,124	1,054,275	475,657	82,869	286,500	4,751,273
2009	2,225,236	528,476	540,725	474,729	82,869	286,500	4,138,535
2010	2,231,201	530,843	531,750	473,128	82,869	286,500	4,136,291
2011	2,090,117	527,494	530,075	480,619	82,869	286,500	3,997,674
2012	2,103,725	533,693	525,250	481,667	82,869	-	3,727,204
2013-2017	8,531,238	2,689,831	517,275	1,906,586	310,759	-	13,955,689
2018-2022	5,718,639	2,768,969	-	455,430	-	-	8,943,038
2023-2027	<u>4,455,502</u>	<u>564,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,020,377</u>
Total	\$ <u>29,691,506</u>	<u>8,660,305</u>	<u>3,699,350</u>	<u>4,747,816</u>	<u>725,104</u>	<u>1,146,000</u>	<u>48,670,081</u>
Interest included in above totals	\$ <u>8,276,506</u>	<u>2,575,305</u>	<u>739,350</u>	<u>1,227,816</u>	<u>93,671</u>	<u>140,695</u>	<u>13,053,343</u>

Year Ending September 30,	Business-type Activities		
	Revenue Bonds	Promissory Loans	Total
2008	\$ 1,880,647	1,699,029	3,579,676
2009	1,880,309	1,699,056	3,579,365
2010	2,907,397	1,709,157	4,616,554
2011	950,105	1,689,260	2,639,365
2012	961,837	1,680,588	2,642,425
2013-2017	4,508,014	5,937,534	10,445,548
2018-2022	940,418	4,413,892	5,354,310
2023-2027	<u>-</u>	<u>1,779,206</u>	<u>1,779,206</u>
Total	\$ <u>14,028,727</u>	<u>20,607,722</u>	<u>34,636,449</u>
Interest included in above totals	\$ <u>2,768,727</u>	<u>5,556,762</u>	<u>8,325,489</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(9) Long-Term Debt (Continued)

A summary of changes in the long-term liabilities during the year ended September 30, 2007, follows:

<u>Description</u>	<u>October 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2007</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation debt	\$ 19,070,000	3,600,000	1,255,000	21,415,000	1,430,000
Special obligation bonds	6,335,000	-	250,000	6,085,000	250,000
Limited obligation bonds	3,765,000	-	805,000	2,960,000	825,000
Special assessment with City commitment	<u>3,780,000</u>	<u>-</u>	<u>260,000</u>	<u>3,520,000</u>	<u>275,000</u>
Total bonds payable	32,950,000	3,600,000	2,570,000	33,980,000	2,780,000
Promissory loans	694,481	-	63,048	631,433	64,642
Negotiable notes	1,225,000	-	219,695	1,005,305	231,676
Capital leases	784,817	690,558	166,462	1,308,913	390,584
Compensated absences	1,311,719	1,251,048	1,216,114	1,346,653	448,884
Pension obligation	1,189,950	1,796,649	2,101,579	885,020	-
Claims and judgments	<u>114,236</u>	<u>519,319</u>	<u>518,622</u>	<u>114,933</u>	<u>114,933</u>
Governmental activities long-term liabilities	\$ <u>38,270,203</u>	<u>7,857,574</u>	<u>6,855,520</u>	<u>39,272,257</u>	<u>4,030,719</u>
Business-type activities:					
Revenue bonds	\$ 12,490,000	-	1,230,000	11,260,000	1,305,000
Less deferred issue costs on refunding bonds	(173,792)	-	(18,620)	(155,172)	-
Promissory loans	16,088,196	-	1,037,236	15,050,960	1,078,368
Less deferred issue costs on refunding loans	(493,073)	-	(61,635)	(431,438)	-
Capital leases	836,565	139,474	80,501	895,538	110,476
Deferred revenue forward invested funds	370,805	-	47,005	323,800	45,246
Compensated absences	<u>201,910</u>	<u>219,048</u>	<u>222,854</u>	<u>198,104</u>	<u>65,374</u>
Business-type activities long-term liabilities	\$ <u>29,320,611</u>	<u>358,522</u>	<u>2,537,341</u>	<u>27,141,792</u>	<u>2,604,464</u>

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(9) Long-Term Debt (Continued)

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds 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 \$23,910,000.

The City issued general obligation bonds during fiscal year 2007, in the amount of \$3,600,000. The proceeds from this bond issue will be used for projects at the City's freshwater and wastewater plants.

Special Obligation Bonds

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

Limited Obligation Bonds

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

Special Assessment Debt

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

Revenue Bonds

The City also issues bonds whereby the City pledges income derived from user fees of its water and sewer operations. The balance of revenue bonds outstanding as of September

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(9) Long-Term Debt (Continued)

Revenue Bonds (Continued)

30, 2007 amounted to \$11,104,828, net of \$155,172 of long-term financing costs. The original amount of revenue bonds issued in prior years was \$21,710,000.

In 1994, the City refunded its 1990 Water and Sewer Refunding Bonds by issuing \$9,710,000 of Special Revenue Advance Refunding Bonds. As a result of the refunding, the 1990 bonds are considered fully defeased in substance, and the liability is not reported in the City's financial statements. As of September 30, 2007, the outstanding balance on the defeased bonds was \$3,335,000. As a result of this refunding, the debt service payments were reduced by approximately \$640,000 over the next fifteen years (1994 through 2009) and resulted in an economic savings of approximately \$169,000.

Promissory Loans

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

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

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

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

In 2003, the City entered into a loan agreement whereby the Mississippi Development Bank issued Mississippi Development Bank Special Obligation Bonds and loaned the proceeds in the amount of \$7,590,000 to the City. The proceeds from this loan were used to refund the City's 1994 Combined Water and Sewer System Revenue Bonds. As a

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(9) Long-Term Debt (Continued)

Promissory Loans (Continued)

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, 2007, the outstanding balance on the defeased bonds was \$4,975,000. This refunding resulted in a decrease in future debt service payments of \$549,006.

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

Negotiable Notes

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

Letter of Credit

The City maintains a \$350,000 unsecured irrevocable standby letter of credit with Trustmark National Bank. This letter of credit was issued in favor of Travelers Indemnity Company for support of the City's deductible for workers compensation claims. This letter of credit expires November 1, 2007, with an automatic extension for one year. As of September 30, 2007, the City had no outstanding balance on this letter of credit. The interest rate is set at 6% above the bank's prime rate.

(10) Lessor Operating Leases

Meridian Airport Authority leases space to others under various lease agreements. A summary of minimum future rental income on these leases as of September 30, 2007, and for each of the next five years and in aggregate, follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2008	\$ 101,595
2009	69,584
2010	66,210
2011	62,045
2012	<u>153,923</u>
Total minimum future rentals	\$ <u>453,357</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(11) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance to protect against these and other types of risks, except medical claims of City employees and their covered dependents. Coverage limits vary by exposure/policy and are decided on from examination of the number and types of prior claims, as well as from monitoring of judicial decisions, awards and trend factors. Premiums are paid from the general fund, water and sewer fund, golf course fund and Union Station fund, as well as the appropriate department within each fund and by component units. There were no significant reductions in insurance coverage in fiscal 2007, 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, 2007 and 2006, follows:

<u>Description</u>	<u>2007</u>	<u>2006</u>
Unpaid claims, beginning of year	\$ 114,236	96,449
Incurred claims (including IBNR’s)	519,319	405,034
Claim payments	<u>(518,622)</u>	<u>(387,247)</u>
Unpaid claims, end of year	\$ <u>114,933</u>	<u>114,236</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(11) Risk Management (Continued)

Effective October 1, 2004, the City contracted with a third party administrator to administer a partially self insured health plan. The City moved from a fully insured contract and, based on historical projections, maintains the same level of funding. Aggregate (\$1,000,000) and specific (\$75,000 per participant) stop-loss insurance coverages were obtained to guard against any large unforeseen claim losses. Fully insured transplant coverage was also secured to allow transplants to be fully insured outside of specific and aggregate insurance limits. This plan also provides life insurance on each employee for \$25,000 double indemnity. The City established the health and life insurance reserve fund (“the Fund”) in the internal service fund group to account for this activity.

Benefit payments plus an administrative charge are made to the third-party administrator who approves and processes all claims. The Fund collects interfund premiums from insured funds and departments. Interfund premiums are based on the insured funds’ claims experience and are adjusted to cover all reported claims. Claims settlement and loss expenses are accrued in the Fund for the settlement value of claims reported and estimated value of claims incurred but not reported, up to stop-loss. No actuarial study has been performed on the Fund. Changes in the balances of claims liabilities during the fiscal years ended September 30, 2007 and 2006 follows:

<u>Description</u>	<u>2007</u>	<u>2006</u>
Unpaid claims, beginning of year	\$ 690,976	354,331
Incurred claims (including IBNR’s)	2,887,783	2,332,172
Claim payments	<u>(3,118,706)</u>	<u>(1,995,527)</u>
Unpaid claims, end of year	\$ <u>460,053</u>	<u>690,976</u>

(12) Subsequent Events

In October, 2007, the City approved the intent to issue \$1,000,000 in general obligation bonds, Series 2008. The purpose is to provide funds for a number of bridge enhancement projects.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(13) Contingent Liabilities

Litigation

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

Federally Assisted Programs – Compliance Audits

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

(14) Construction and Commitments

The City has committed to a contract for the development of a collection system rehabilitation program to serve the South Industrial Park. The cost of this project is estimated to be \$1,576,909. Future expenditures related to this project will be funded 45% from local funds and 55% from grants committed to be provided by the United States Environmental Protection Agency ("EPA"). This is a congressionally mandated project.

The City has plans for improvements to widen North Hills Street from 10th Avenue to Highway 39. The estimated construction cost of this project is \$3,500,000. Future expenditures related to this project are to be provided 15% from local funds and 85% from grants committed to be provided by the Mississippi Department of Transportation.

The City has committed to a contract for improvements at the Wastewater Treatment Plant main site. The cost of this project is estimated to be \$2,000,000. This project will be funded with proceeds from the sale of bonds issued by the City and grant funds provided by the EPA.

The City has committed to contracts for improvements including sludge removal and upgrading to a supervisory control and data acquisition ("SCADA") system upgrade at the Freshwater Treatment Plants. The cost of these projects is estimated to be \$1,500,000. These projects will be funded with proceeds from the sale of bonds issued by the City.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

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

The City has committed to improvements at JT Davis Courts and Victory Village Housing Development (known as “Hope VI”) to include added drainage curbs, gutters and sidewalks, in addition to an added lift station. At September 30, 2007, the project was approximately 35% complete and the cost through that date totaled \$39,353. This project will be funded from local funds.

The City purchased land in fiscal year 2007, for the purpose of constructing Fire Station No. 8 at Bonita Lakes. Construction of the fire station began in fiscal year 2008, and is expected to be completed within the year. The City has committed to a contract for the construction of the fire station at an estimated cost of \$850,000. This project will be funded with proceeds from the sale of bonds issued by the City.

In fiscal year 2006, the City began a renovation and restoration project of the City Hall. The estimated completion date of this project is in fiscal year 2009. This project is being funded with proceeds from the sale of \$10,000,000 bonds issued by the City.

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

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

(16) **Pension and Retirement Plans**

Public Employees Retirement System:

Plan Description

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

The payroll for employees covered by PERS (statewide) for the year ended June 30, 2007, was \$5,043,000,000. The City’s payroll for employees covered by PERS for the

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2007

(16) Pension and Retirement Plans (Continued)

Public Employees Retirement System (Continued):

Plan Description (Continued)

year ended September 30, 2007, was \$15,338,267; the City's total payroll was \$16,209,596 for the year ended September 30, 2007.

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, plus 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. For members who enter the system on or after July 1, 2007, benefits vest upon completion of eight years of membership service. For members who entered the system before July 1, 2007, benefits vest upon completion of four years of membership service. PERS also provides certain death and disability benefits. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State of Mississippi Legislature.

A cost-of-living 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, 2007, the total additional annual payments were \$259,939,000.

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, 2007, City employees contributed \$1,112,022. 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 2007. The City is required by statute to contribute to PERS at an actuarially determined rate. For the years ended September 30, 2007, 2006, and 2005, the City's contribution requirements representing 10.75% (from October 1, 2005 through June 30, 2006), 11.30% (from July 1, 2006 through June 30, 2007) and 11.85% (from July 1, 2007 through September 30, 2007) of covered payroll were \$1,755,832, \$1,615,369, and \$1,513,620, respectively. The City contributed 100% of its requirements in each of these years.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(16) Pension and Retirement Plans (Continued)

Public Employees Retirement System (Continued):

Funding Policy (Continued)

The Meridian Airport Authority made contributions to PERS in the year ended September 30, 2007 of \$23,283. The component unit's total payroll was approximately \$576,800 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, 2007, comprehensive annual financial report.

Municipal Retirement Systems:

Plan Description

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

Membership in the MRS is comprised of employees who were hired prior to July 1, 1976, and includes only those eligible employees of the City who did not opt to become a member of PERS. PERS is also responsible for the administration of MRS. MRS is considered part of the financial reporting entity of the State of Mississippi. The total payroll for City employees covered by MRS for the year ended September 30, 2007 was \$187,920; the City's total payroll for all employees was \$16,209,596. At September 30, 2007, the date of the most recent actuarial valuation, there were 4 participating general municipal employees, firefighters and police officers.

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(16) Pension and Retirement Plans (Continued)

Municipal Retirement Systems (Continued):

Basis of Accounting

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

Funding Policy

Funding policies for MRS, established by Mississippi statutes, provide for a property tax to be levied within each municipality and deductions from salaries of members, at rates sufficient to make the plan actuarially sound. For the year ended September 30, 2007, the City levied 8.40 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 2007, fire and police employees and municipal employees covered by MRS were required to contribute 10% and 7%, respectively, of covered payroll. Any increase to the base employee contribution rates of 10% and 7% is made in increments not to exceed 1% per year. If an employee leaves covered employment, accumulated employee contributions are refunded to the employee upon request. Employees covered by MRS do not receive an interest earnings allocation to their accumulated contributions. The City contributes the remaining amounts necessary to finance participation of its employees in MRS. Contribution provisions are established by Sections 21-29, Articles 1, 3, 5 and 7, Mississippi Code Ann. (1972) and annual local legislation. Statutes may be amended only by the State of Mississippi Legislature.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2007

(16) Pension and Retirement Plans (Continued)

Municipal Retirement Systems (Continued):

Annual Pension Cost

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

The required contribution to MRS was determined as part of the actuarial valuation performed as of September 30, 2007, using the entry age actuarial cost method, the level dollar closed amortization method (with a twenty-seven year remaining amortization period), and a five-year smoothed market asset valuation method. Significant actuarial assumptions include (a) a rate of return on the investment of present and future assets at 8% compounded annually, (b) projected salary increases of 4% per year compounded annually attributable to inflation, and (c) additional projected salary increases of 4.5% - 6.0% per year compounded annually attributable to seniority and/or merit.

The following provides pension cost and obligation information for MRS:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Components of annual pension cost:			
Annual required contribution	\$ 1,803,009	1,841,677	1,774,294
Interest cost	95,196	110,880	121,624
Adjustment to required contribution	<u>(101,556)</u>	<u>(118,288)</u>	<u>(129,750)</u>
Total annual pension cost	1,796,649	1,834,269	1,766,168
Less: contributions made	<u>2,101,578</u>	<u>2,030,325</u>	<u>1,900,463</u>
Decrease in net pension obligation	\$ <u>(304,929)</u>	<u>(196,056)</u>	<u>(134,295)</u>
Percentage of annual pension cost contributed	<u>116.97%</u>	<u>110.69%</u>	<u>107.60%</u>
Net pension obligation at year end	\$ <u>885,020</u>	<u>1,189,949</u>	<u>1,386,006</u>

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability ("AAL") - Entry Age (b)	Funded Ratio (a/b)	Unfunded AAL ("UAAL") (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
9/30/07	\$ 9,265	\$ 29,081	31.9%	\$ 19,816	188	10,540.4 %
9/30/06	9,156	29,491	31.0%	20,335	176	11,554.0 %
9/30/05	9,319	29,951	31.1%	20,632	226	9,129.2 %

Notes to Schedule of Funding Progress

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

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

For additional information regarding this schedule, refer to the separately issued Public Employees' Retirement System of Mississippi Comprehensive Annual Financial Report for 2007 by writing to Public Employees' Retirement System of Mississippi, 429 Mississippi Street, Jackson, MS 39201-1005.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Funds

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

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

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

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

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

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

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

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

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

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

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

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

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

Capital Projects Funds (Continued)

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

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

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

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

Fire Station No. 8 Bonita Lakes – This fund is used to account for the bond proceeds used to fund the acquisition of land and construction of a new fire station.

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

CITY OF MERIDIAN, MISSISSIPPI
 Combining Balance Sheet
 Nonmajor Governmental Funds
 Nonmajor Capital Projects Funds
 September 30, 2007

	<u>Sowashee Project</u>	<u>1999 General Obligation Bonds</u>	<u>2000 General Obligation Bonds</u>	<u>Urban Renewal Parking Garage Bonds</u>	<u>I20/I59 Interchange Project</u>	<u>2003 General Obligation Bonds</u>	<u>2003 Flood Damage</u>	<u>Highway 19 Drainage</u>
<u>ASSETS</u>								
Cash and cash equivalents	\$ 399,025	26,806	49,611	-	18,643	842,630	67,493	2,449
Grant receivable	-	-	-	-	-	-	151,818	-
Due from other funds	-	-	-	-	-	42,485	58,386	-
Total assets	\$ <u>399,025</u>	<u>26,806</u>	<u>49,611</u>	<u>-</u>	<u>18,643</u>	<u>885,115</u>	<u>277,697</u>	<u>2,449</u>
 <u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable	\$ 2,189	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	241,059	-
Unearned revenue	-	-	-	-	17,734	-	-	-
Total liabilities	<u>2,189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,734</u>	<u>-</u>	<u>241,059</u>	<u>-</u>
Fund balances (deficit):								
Reserved for encumbrances	2,189	-	41,512	-	-	-	-	-
Unreserved, designated for subsequent years' expenditures	<u>394,647</u>	<u>26,806</u>	<u>8,099</u>	<u>-</u>	<u>909</u>	<u>885,115</u>	<u>36,638</u>	<u>2,449</u>
Total fund balances (deficit)	<u>396,836</u>	<u>26,806</u>	<u>49,611</u>	<u>-</u>	<u>909</u>	<u>885,115</u>	<u>36,638</u>	<u>2,449</u>
Total liabilities and fund balances	\$ <u>399,025</u>	<u>26,806</u>	<u>49,611</u>	<u>-</u>	<u>18,643</u>	<u>885,115</u>	<u>277,697</u>	<u>2,449</u>

SCHEDULE 2

<u>Gallagher Creek Drainage</u>	<u>Lake Drive Realignment</u>	<u>8th Street Signalization Project</u>	<u>Highway 39 at 33rd Street</u>	<u>North Hills - 10th Avenue to Highway 39</u>	<u>Police Station</u>	<u>City Hall Improvements</u>	<u>Fire Station No. 8 Bonita Lakes</u>	<u>2006 Negotiable Notes</u>	<u>Total Nonmajor Governmental Funds</u>
-	-	8,497	-	-	219	23,234	206	-	1,438,813
-	48,453	33,988	4,849	74,681	-	-	-	-	313,789
-	-	-	-	-	-	-	-	-	100,871
-	<u>48,453</u>	<u>42,485</u>	<u>4,849</u>	<u>74,681</u>	<u>219</u>	<u>23,234</u>	<u>206</u>	-	<u>1,853,473</u>
-	-	-	-	24,506	300	1,672	-	-	28,667
-	-	42,485	-	-	-	-	-	-	283,544
-	-	-	-	-	-	-	-	-	17,734
-	-	<u>42,485</u>	-	<u>24,506</u>	<u>300</u>	<u>1,672</u>	-	-	<u>329,945</u>
-	1,874	-	-	511	-	9,712	816,984	-	872,782
-	<u>46,579</u>	-	<u>4,849</u>	<u>49,664</u>	<u>(81)</u>	<u>11,850</u>	<u>(816,778)</u>	-	<u>650,746</u>
-	<u>48,453</u>	-	<u>4,849</u>	<u>50,175</u>	<u>(81)</u>	<u>21,562</u>	<u>206</u>	-	<u>1,523,528</u>
-	<u>48,453</u>	<u>42,485</u>	<u>4,849</u>	<u>74,681</u>	<u>219</u>	<u>23,234</u>	<u>206</u>	-	<u>1,853,473</u>

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Nonmajor Capital Projects Funds
For the Fiscal Year Ended September 30, 2007

	<u>Sowashee Project</u>	<u>1999 General Obligation Bonds</u>	<u>2000 General Obligation Bonds</u>	<u>Urban Renewal Parking Garage Bonds</u>	<u>I20/I59 Interchange Project</u>	<u>2003 General Obligation Bonds</u>	<u>2003 Flood Damage</u>	<u>Highway 19 Drainage</u>
Revenues:								
Intergovernmental - Federal	\$ -	-	-	-	-	-	-	-
Interest on investments	<u>18,293</u>	<u>1,221</u>	<u>2,265</u>	<u>339</u>	<u>849</u>	<u>43,209</u>	<u>-</u>	<u>111</u>
Total revenues	<u>18,293</u>	<u>1,221</u>	<u>2,265</u>	<u>339</u>	<u>849</u>	<u>43,209</u>	<u>-</u>	<u>111</u>
Expenditures:								
Construction contracts	-	-	-	-	-	-	-	-
Engineering and other	<u>5,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(60)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>5,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(60)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,821</u>	<u>1,221</u>	<u>2,265</u>	<u>339</u>	<u>909</u>	<u>43,209</u>	<u>-</u>	<u>111</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>(126)</u>	<u>(7,458)</u>	<u>-</u>	<u>(54,782)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(126)</u>	<u>(7,458)</u>	<u>-</u>	<u>(54,782)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	12,821	1,221	2,139	(7,119)	909	(11,573)	-	111
Fund balances (deficit), October 1, 2006	<u>384,015</u>	<u>25,585</u>	<u>47,472</u>	<u>7,119</u>	<u>-</u>	<u>896,688</u>	<u>36,638</u>	<u>2,338</u>
Fund balances (deficit), September 30, 2007	\$ <u>396,836</u>	<u>26,806</u>	<u>49,611</u>	<u>-</u>	<u>909</u>	<u>885,115</u>	<u>36,638</u>	<u>2,449</u>

SCHEDULE 3

<u>Gallagher Creek Drainage</u>	<u>Lake Drive Realignment</u>	<u>8th Street Signalization Project</u>	<u>Highway 39 at 33rd Street</u>	<u>North Hills - 10th Avenue to Highway 39</u>	<u>Police Station</u>	<u>City Hall Improvements</u>	<u>Fire Station No. 8 Bonita Lakes</u>	<u>2006 Negotiable Notes</u>	<u>Total Nonmajor Governmental Funds</u>
4,484	6,906	1,372	4,849	21,773	-	-	-	-	39,384
<u>-</u>	<u>-</u>	<u>-</u>	<u>19</u>	<u>39</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,345</u>
<u>4,484</u>	<u>6,906</u>	<u>1,372</u>	<u>4,868</u>	<u>21,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,729</u>
4,610	8,633	125	4,849	-	-	809,273	76,794	-	904,284
<u>-</u>	<u>-</u>	<u>1,590</u>	<u>-</u>	<u>27,216</u>	<u>3,081</u>	<u>341,704</u>	<u>-</u>	<u>-</u>	<u>379,003</u>
<u>4,610</u>	<u>8,633</u>	<u>1,715</u>	<u>4,849</u>	<u>27,216</u>	<u>3,081</u>	<u>1,150,977</u>	<u>76,794</u>	<u>-</u>	<u>1,283,287</u>
<u>(126)</u>	<u>(1,727)</u>	<u>(343)</u>	<u>19</u>	<u>(5,404)</u>	<u>(3,081)</u>	<u>(1,150,977)</u>	<u>(76,794)</u>	<u>-</u>	<u>(1,177,558)</u>
126	50,180	343	4,016	243	3,000	1,450,000	77,000	-	1,584,908
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,202,771)</u>	<u>(1,265,137)</u>
<u>126</u>	<u>50,180</u>	<u>343</u>	<u>4,016</u>	<u>243</u>	<u>3,000</u>	<u>1,450,000</u>	<u>77,000</u>	<u>(1,202,771)</u>	<u>319,771</u>
-	48,453	-	4,035	(5,161)	(81)	299,023	206	(1,202,771)	(857,787)
<u>-</u>	<u>-</u>	<u>-</u>	<u>814</u>	<u>55,336</u>	<u>-</u>	<u>(277,461)</u>	<u>-</u>	<u>1,202,771</u>	<u>2,381,315</u>
<u>-</u>	<u>48,453</u>	<u>-</u>	<u>4,849</u>	<u>50,175</u>	<u>(81)</u>	<u>21,562</u>	<u>206</u>	<u>-</u>	<u>1,523,528</u>

SCHEDULE 4**CITY OF MERIDIAN, MISSISSIPPI****Debt Service Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended September 30, 2007**

	Original and Final Budgeted <u>Amounts</u>	Actual <u>Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
Revenues	\$ 4,810,000	4,356,101	(453,899)
Expenditures - debt service	<u>4,810,000</u>	<u>4,557,713</u>	<u>252,287</u>
Net change in fund balances	\$ <u>-</u>	(201,612)	<u>(201,612)</u>
Fund Balance, October 1, 2006		<u>2,800,934</u>	
Fund Balance, September 30, 2007		\$ <u>2,599,322</u>	

SCHEDULE 5

CITY OF MERIDIAN, MISSISSIPPI

Capital Projects Funds

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Budgetary Basis)

For the Fiscal Year Ended September 30, 2007

	Original and Final Budgeted <u>Amounts</u>	Actual <u>Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
Revenues	\$ 5,650,000	5,767,091	117,091
Expenditures - capital outlay	<u>9,500,000</u>	<u>3,361,396</u>	<u>6,138,604</u>
Net change in fund balances	\$ <u>(3,850,000)</u>	2,405,695	<u>6,255,695</u>
Fund balance, October 1, 2006		<u>9,131,238</u>	
Fund balance, September 30, 2007		\$ <u>11,536,933</u>	

CITY OF MERIDIAN, MISSISSIPPI
Schedule of General Fund Expenditures
By Departments and Divisions
For the Fiscal Year Ended September 30, 2007
(With Comparative Totals for the Fiscal Year Ended September 30, 2006)

	<u>Executive, Legislative and Judicial</u>	<u>Finance and Records</u>	<u>Community Development</u>	<u>Fire Department</u>	<u>Police Department</u>
Personnel services:					
Salaries - regular	\$ 866,164	872,728	721,703	3,349,385	3,610,321
Salaries - overtime	1,269	3,308	954	205,622	348,733
Salaries - temporaries	-	-	5,439	-	4,767
Fringe benefits	<u>260,529</u>	<u>297,086</u>	<u>224,789</u>	<u>1,172,608</u>	<u>1,229,847</u>
Total personnel services	<u>1,127,962</u>	<u>1,173,122</u>	<u>952,885</u>	<u>4,727,615</u>	<u>5,193,668</u>
Contractual services and supplies:					
Supplies - office	6,629	7,773	5,274	1,732	5,193
Supplies - operating	542	8,202	6,138	7,395	41,879
Supplies - household	-	3,205	914	11,450	4,251
Supplies - uniforms and clothing	-	-	1,885	17,928	65,607
Supplies - materials direct	-	-	3,378	-	-
Materials - small tools and workorders	419	1,107	1,224	2,038	633
Professional services	330,971	61,660	10,932	9,920	313,951
Telephone	6,409	65,538	7,748	5,295	24,374
Postage	2,059	1,160	4,982	123	2,005
Travel	44,667	1,870	8,055	8,370	22,245
Freight	-	16	1,183	-	-
Advertising and publishing	16,116	2,785	9,581	251	185
Printing and binding	837	8,612	4,039	403	3,612
Insurance	96,925	39,595	49,750	206,403	445,814
Utilities	7,163	982,700	6,286	94,120	55,993
Operating and maintenance - buildings	9,532	21,242	15,130	17,737	11,015
Operating and maintenance - grounds	700	-	-	1,066	-
Operating and maintenance - equipment	2,971	11,920	2,758	9,726	15,231
Operating and maintenance - vehicles	3,354	1,643	14,697	76,078	338,615
Operating and maintenance - computer services	8,929	27,757	9,801	35,313	60,626
Rentals	2,155	7,470	5,034	-	5,405
Judgments and claims	-	11,049	13,076	47,753	142,431
Dues and subscriptions	13,233	2,656	7,176	1,212	1,817
Public relations	1,620	-	971	4,564	1,194
Refunds	-	2,315	-	-	-
Job training	12,464	3,757	6,385	18,067	33,753
Safety	-	-	-	31,289	-
Hospital and medical	<u>12,610</u>	<u>-</u>	<u>-</u>	<u>19,298</u>	<u>44,328</u>
Total contractual services & supplies	<u>580,305</u>	<u>1,274,032</u>	<u>196,397</u>	<u>627,531</u>	<u>1,640,157</u>
Capital outlay:					
Buildings	-	-	-	-	-
Improvements other than buildings	183,711	-	-	-	-
Machinery and equipment	7,538	68,810	19,652	795,201	24,736
Vehicles	-	-	15,790	-	-
Total capital outlay	<u>191,249</u>	<u>68,810</u>	<u>35,442</u>	<u>795,201</u>	<u>24,736</u>
Debt service:					
Principal	-	40,134	-	103,173	-
Interest	-	31,091	-	6,474	-
Total debt service	<u>-</u>	<u>71,225</u>	<u>-</u>	<u>109,647</u>	<u>-</u>
Transfers and other charges:					
Transfer to other funds	4,552,933	-	241,549	15,400	24,317
Special projects	94,596	35,001	111,351	8,984	5,332
Miscellaneous contributions	392,295	-	-	-	-
Other projects and charges	<u>89,297</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total transfers and other charges	<u>5,129,121</u>	<u>35,001</u>	<u>352,900</u>	<u>24,384</u>	<u>29,649</u>
Total General Fund expenditures - 2007	<u>7,028,637</u>	<u>2,622,190</u>	<u>1,537,624</u>	<u>6,284,378</u>	<u>6,888,210</u>
Total General Fund expenditures - 2006	<u>3,730,145</u>	<u>2,612,679</u>	<u>1,497,125</u>	<u>5,260,354</u>	<u>6,602,959</u>
Increase (decrease)	<u>\$ 3,298,492</u>	<u>9,511</u>	<u>40,499</u>	<u>1,024,024</u>	<u>285,251</u>

SCHEDULE 6

<u>Homeland Security</u>	<u>Public Works</u>	<u>Parks, Recreation & Cultural Affairs</u>	<u>Arts District Parking Garage</u>	<u>Totals</u>		<u>Increase (Decrease)</u>
				<u>2007</u>	<u>2006</u>	
185,491	2,151,815	718,635	65,340	12,541,582	12,195,632	345,950
-	93,164	18,477	-	671,527	637,532	33,995
55,361	6,926	275,655	-	348,148	291,343	56,805
68,651	777,537	260,477	-	4,291,524	4,128,406	163,118
<u>309,503</u>	<u>3,029,442</u>	<u>1,273,244</u>	<u>65,340</u>	<u>17,852,781</u>	<u>17,252,913</u>	<u>599,868</u>
1,384	2,254	1,293	419	31,951	28,545	3,406
23,809	65,875	53,131	477	207,448	197,668	9,780
2,285	5,666	15,726	-	43,497	38,240	5,257
1,753	15,708	3,501	-	106,382	88,314	18,068
-	101,711	9,999	-	115,088	147,997	(32,909)
2,102	9,346	5,095	-	21,964	19,785	2,179
22,448	1,292	90,937	53,590	895,701	886,509	9,192
12,200	6,413	3,409	4,971	136,357	124,951	11,406
399	2,169	1,680	985	15,562	12,389	3,173
4,941	5,301	-	1,194	96,643	69,185	27,458
-	651	-	-	1,850	133	1,717
-	1,961	-	-	30,879	32,937	(2,058)
76	-	5,644	-	23,223	14,765	8,458
21,103	279,105	72,641	12,457	1,223,793	1,215,315	8,478
11,288	56,895	182,455	4,769	1,401,669	1,293,466	108,203
3,620	9,944	34,921	1,375	124,516	189,428	(64,912)
690	11,853	44,239	3,257	61,805	61,326	479
10,008	62,587	50,188	7,156	172,545	197,383	(24,838)
21,397	251,799	42,772	-	750,355	831,266	(80,911)
11,933	18,997	8,974	-	182,330	161,720	20,610
-	22,500	2,271	-	44,835	23,870	20,965
2,220	99,355	27,765	-	343,649	223,298	120,351
454	3,715	200	-	30,463	37,981	(7,518)
4,595	-	-	-	12,944	31,635	(18,691)
-	-	-	111	2,426	1,791	635
16,712	6,573	936	-	98,647	68,285	30,362
4,923	5,272	1,805	214	43,503	43,905	(402)
-	638	-	-	76,874	112,796	(35,922)
<u>180,340</u>	<u>1,047,580</u>	<u>659,582</u>	<u>90,975</u>	<u>6,296,899</u>	<u>6,154,883</u>	<u>142,016</u>
3,338	3,309	11,352	-	17,999	26,499	(8,500)
-	-	10,000	-	193,711	524,954	(331,243)
8,014	93,436	26,832	12,396	1,056,615	295,831	760,784
-	128,819	-	-	144,609	64,896	79,713
<u>11,352</u>	<u>225,564</u>	<u>48,184</u>	<u>12,396</u>	<u>1,412,934</u>	<u>912,180</u>	<u>500,754</u>
-	23,156	-	-	166,463	160,161	6,302
-	776	-	-	38,341	44,637	(6,296)
-	23,932	-	-	204,804	204,798	6
-	(789)	85,000	-	4,918,410	1,408,186	3,510,224
6,350	348,353	102,558	198	712,723	510,474	202,249
-	-	-	-	392,295	330,420	61,875
-	-	-	-	89,297	3,929	85,368
<u>6,350</u>	<u>347,564</u>	<u>187,558</u>	<u>198</u>	<u>6,112,725</u>	<u>2,253,009</u>	<u>3,859,716</u>
507,545	4,674,082	2,168,568	168,909	31,880,143	26,777,783	5,102,360
<u>451,760</u>	<u>4,317,920</u>	<u>2,133,505</u>	<u>171,336</u>	<u>26,777,783</u>		
<u>55,785</u>	<u>356,162</u>	<u>35,063</u>	<u>(2,427)</u>	<u>5,102,360</u>		

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NONMAJOR ENTERPRISE FUNDS

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

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

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

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

SCHEDULE 7**CITY OF MERIDIAN, MISSISSIPPI**

Combining Statement of Net Assets

Nonmajor Enterprise Funds

September 30, 2007

	<u>Golf Course</u>	<u>Union Station</u>	<u>Concessions</u>	Total Nonmajor Enterprise Funds
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 66,721	125,706	20,289	212,716
Receivables - miscellaneous	-	7,316	-	7,316
Due from component units	-	1,272	-	1,272
Inventory	37,065	-	3,156	40,221
Prepaid items	835	1,043	-	1,878
	<u>104,621</u>	<u>135,337</u>	<u>23,445</u>	<u>263,403</u>
Total current assets				
Capital assets:				
Buildings	126,628	-	-	126,628
Improvements other than buildings	113,067	-	-	113,067
Machinery and equipment	389,814	29,536	-	419,350
Total capital assets	629,509	29,536	-	659,045
Less accumulated depreciation	(580,076)	(11,865)	-	(591,941)
	<u>49,433</u>	<u>17,671</u>	<u>-</u>	<u>67,104</u>
Capital assets (net of accumulated depreciation)				
	<u>49,433</u>	<u>17,671</u>	<u>-</u>	<u>67,104</u>
Total assets	<u>154,054</u>	<u>153,008</u>	<u>23,445</u>	<u>330,507</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	11,115	42,401	1,042	54,558
Accrued liabilities:				
Payroll	15,608	4,482	196	20,286
Sales tax	1,127	-	584	1,711
Current portion of capital leases	208	-	-	208
	<u>28,058</u>	<u>46,883</u>	<u>1,822</u>	<u>76,763</u>
Total current liabilities				
	<u>28,058</u>	<u>46,883</u>	<u>1,822</u>	<u>76,763</u>
Noncurrent liabilities -				
Capital lease payable, net of current portion	2,267	-	-	2,267
	<u>2,267</u>	<u>-</u>	<u>-</u>	<u>2,267</u>
Total liabilities	<u>30,325</u>	<u>46,883</u>	<u>1,822</u>	<u>79,030</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	46,958	17,671	-	64,629
Unrestricted	76,771	88,454	21,623	186,848
	<u>76,771</u>	<u>88,454</u>	<u>21,623</u>	<u>186,848</u>
Total net assets	<u>\$ 123,729</u>	<u>106,125</u>	<u>21,623</u>	<u>251,477</u>

SCHEDULE 8**CITY OF MERIDIAN, MISSISSIPPI**

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

Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2007

	<u>Golf Course</u>	<u>Union Station</u>	<u>Concessions</u>	Total Nonmajor Enterprise Funds
Operating revenues:				
Charges for sales and services:				
Memberships	\$ 77,406	-	-	77,406
Green fees	74,573	-	-	74,573
Cart rental	61,182	-	-	61,182
Concessions	110,807	-	33,289	144,096
Rental income	-	104,796	-	104,796
Miscellaneous	198	9,216	1,247	10,661
Total operating revenues	<u>324,166</u>	<u>114,012</u>	<u>34,536</u>	<u>472,714</u>
Operating expenses:				
Personnel services	175,823	80,911	6,787	263,521
Supplies and materials	120,618	13,265	17,985	151,868
Rent and utilities	18,811	42,216	-	61,027
Operation, maintenance, and repairs	64,643	80,289	-	144,932
Depreciation	8,823	1,964	-	10,787
Miscellaneous	10,767	104,414	1,103	116,284
Total operating expenses	<u>399,485</u>	<u>323,059</u>	<u>25,875</u>	<u>748,419</u>
Operating income (loss)	<u>(75,319)</u>	<u>(209,047)</u>	<u>8,661</u>	<u>(275,705)</u>
Nonoperating revenues (expenses):				
Interest income	954	5,605	740	7,299
Interest expense	(152)	-	-	(152)
Total nonoperating revenues (expenses)	<u>802</u>	<u>5,605</u>	<u>740</u>	<u>7,147</u>
Income (loss) before transfers in	<u>(74,517)</u>	<u>(203,442)</u>	<u>9,401</u>	<u>(268,558)</u>
Transfers in	<u>85,000</u>	<u>234,635</u>	<u>-</u>	<u>319,635</u>
Change in net assets	10,483	31,193	9,401	51,077
Net assets, October 1, 2006	<u>113,246</u>	<u>74,932</u>	<u>12,222</u>	<u>200,400</u>
Net assets, September 30, 2007	\$ <u>123,729</u>	<u>106,125</u>	<u>21,623</u>	<u>251,477</u>

SCHEDULE 9

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended September 30, 2007

	<u>Golf Course</u>	<u>Union Station</u>	<u>Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 324,166	109,411	34,536	468,113
Payments to suppliers	(224,326)	(244,714)	(20,390)	(489,430)
Payments to employees	<u>(176,207)</u>	<u>(80,676)</u>	<u>(6,740)</u>	<u>(263,623)</u>
Net cash provided by (used in) operating activities	<u>(76,367)</u>	<u>(215,979)</u>	<u>7,406</u>	<u>(284,940)</u>
Cash flows from noncapital financing activities -				
Transfers from other funds	<u>85,000</u>	<u>234,635</u>	<u>-</u>	<u>319,635</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(9,500)	(19,635)	-	(29,135)
Principal payments - capital lease	(196)	-	-	(196)
Interest payments - capital lease	<u>(152)</u>	<u>-</u>	<u>-</u>	<u>(152)</u>
Net cash used in capital and related financing activities	<u>(9,848)</u>	<u>(19,635)</u>	<u>-</u>	<u>(29,483)</u>
Cash flows from investing activities -				
Interest received	<u>954</u>	<u>5,605</u>	<u>740</u>	<u>7,299</u>
Net increase (decrease) in cash and cash equivalents	(261)	4,626	8,146	12,511
Cash and cash equivalents, October 1, 2006	<u>66,982</u>	<u>121,080</u>	<u>12,143</u>	<u>200,205</u>
Cash and cash equivalents, September 30, 2007	\$ <u>66,721</u>	<u>125,706</u>	<u>20,289</u>	<u>212,716</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ <u>(75,319)</u>	<u>(209,047)</u>	<u>8,661</u>	<u>(275,705)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	8,823	1,964	-	10,787
Changes in assets and liabilities:				
Accounts receivable	-	(3,328)	-	(3,328)
Due from component units	-	(1,272)	-	(1,272)
Inventory	(4,528)	-	(459)	(4,987)
Prepaid items	46	(40)	-	6
Accounts payable	(4,341)	(4,484)	(801)	(9,626)
Accrued liabilities	(902)	235	5	(662)
Due to other funds	<u>(146)</u>	<u>(7)</u>	<u>-</u>	<u>(153)</u>
Total adjustments	<u>(1,048)</u>	<u>(6,932)</u>	<u>(1,255)</u>	<u>(9,235)</u>
Net cash provided by (used in) operating activities	\$ <u>(76,367)</u>	<u>(215,979)</u>	<u>7,406</u>	<u>(284,940)</u>

INTERNAL SERVICE FUNDS

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

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

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

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

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

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Net Assets
Internal Service Funds
September 30, 2007

<u>ASSETS</u>	<u>Municipal Supply</u>	<u>Municipal Office Supply</u>	<u>Health and Life Insurance Reserve</u>	<u>Unemployment Compensation</u>	<u>Total Internal Service Funds</u>
Current assets:					
Cash and cash equivalents	\$ 133,511	9,011	642,827	3,687	789,036
Receivables - miscellaneous	-	-	148,503	-	148,503
Due from other funds:					
General fund	51,246	-	-	-	51,246
Water and sewer fund	13,681	-	-	-	13,681
Waste collection & disposal fund	41	-	-	-	41
Due from component unit	19,813	-	-	-	19,813
Inventory	<u>55,136</u>	<u>1,552</u>	<u>-</u>	<u>-</u>	<u>56,688</u>
Total current assets	<u>273,428</u>	<u>10,563</u>	<u>791,330</u>	<u>3,687</u>	<u>1,079,008</u>
 <u>LIABILITIES</u>					
Current liabilities:					
Accounts payable	43,110	360	652,626	-	696,096
Due to general fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,953</u>	<u>4,953</u>
Total current liabilities	<u>43,110</u>	<u>360</u>	<u>652,626</u>	<u>4,953</u>	<u>701,049</u>
 <u>NET ASSETS</u>					
Unrestricted (deficit)	\$ <u>230,318</u>	<u>10,203</u>	<u>138,704</u>	<u>(1,266)</u>	<u>377,959</u>

SCHEDULE 11**CITY OF MERIDIAN, MISSISSIPPI**

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

Internal Service Funds

For the Fiscal Year Ended September 30, 2007

	<u>Municipal Supply</u>	<u>Municipal Office Supply</u>	<u>Health and Life Insurance Reserve</u>	<u>Unemployment Compensation</u>	<u>Total Internal Service Funds</u>
Operating revenues:					
Charges for sales and services	\$ 416,361	5,373	-	-	421,734
Premiums	-	-	2,772,913	-	2,772,913
Reinsurance reimbursement	-	-	372,101	-	372,101
Total operating revenues	<u>416,361</u>	<u>5,373</u>	<u>3,145,014</u>	<u>-</u>	<u>3,566,748</u>
Operating expenses:					
Administration fees	-	-	580,999	-	580,999
Costs of sales and services	403,844	4,532	-	-	408,376
Claims paid	-	-	2,747,967	24,049	2,772,016
Total operating expenses	<u>403,844</u>	<u>4,532</u>	<u>3,328,966</u>	<u>24,049</u>	<u>3,761,391</u>
Operating income (loss)	12,517	841	(183,952)	(24,049)	(194,643)
Nonoperating revenues -					
Interest income	<u>5,921</u>	<u>337</u>	<u>42,979</u>	<u>-</u>	<u>49,237</u>
Income (loss) before transfers in	18,438	1,178	(140,973)	(24,049)	(145,406)
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,362</u>	<u>20,362</u>
Change in net assets	18,438	1,178	(140,973)	(3,687)	(125,044)
Net assets, October 1, 2006	<u>211,880</u>	<u>9,025</u>	<u>279,677</u>	<u>2,421</u>	<u>503,003</u>
Net assets (deficit), September 30, 2007	\$ <u><u>230,318</u></u>	<u><u>10,203</u></u>	<u><u>138,704</u></u>	<u><u>(1,266)</u></u>	<u><u>377,959</u></u>

SCHEDULE 12

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended September 30, 2007

	<u>Municipal Supply</u>	<u>Municipal Office Supply</u>	<u>Health and Life Insurance Reserve</u>	<u>Unemployment Compensation</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities:					
Receipts from customers and users	\$ 422,530	5,373	3,047,161	-	3,475,064
Payments to suppliers	<u>(415,671)</u>	<u>(2,965)</u>	<u>(3,283,969)</u>	<u>(19,096)</u>	<u>(3,721,701)</u>
Net cash provided by (used in) operating activities	6,859	2,408	(236,808)	(19,096)	(246,637)
Cash flows from noncapital financing activities -					
Transfers from other funds	-	-	-	20,362	20,362
Cash flows from investing activities -					
Interest received	<u>5,921</u>	<u>337</u>	<u>42,979</u>	<u>-</u>	<u>49,237</u>
Net increase (decrease) in cash and cash equivalents	12,780	2,745	(193,829)	1,266	(177,038)
Cash and cash equivalents, October 1, 2006	<u>120,731</u>	<u>6,266</u>	<u>836,656</u>	<u>2,421</u>	<u>966,074</u>
Cash and cash equivalents, September 30, 2007	\$ <u>133,511</u>	<u>9,011</u>	<u>642,827</u>	<u>3,687</u>	<u>789,036</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ <u>12,517</u>	<u>841</u>	<u>(183,952)</u>	<u>(24,049)</u>	<u>(194,643)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Changes in assets and liabilities:					
Receivables - miscellaneous	-	-	(97,854)	-	(97,854)
Due from other funds	15,518	-	-	4,953	20,471
Due from component units	(9,349)	-	-	-	(9,349)
Inventory	(2,989)	1,362	-	-	(1,627)
Accounts payable	<u>(8,838)</u>	<u>205</u>	<u>44,998</u>	<u>-</u>	<u>36,365</u>
Total adjustments	<u>(5,658)</u>	<u>1,567</u>	<u>(52,856)</u>	<u>4,953</u>	<u>(51,994)</u>
Net cash provided by (used in) operating activities	\$ <u>6,859</u>	<u>2,408</u>	<u>(236,808)</u>	<u>(19,096)</u>	<u>(246,637)</u>

FIDUCIARY FUNDS

Agency Funds

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

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

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

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

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

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

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

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

SCHEDULE 13

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2007

	Firemen & Policemen Disability & Relief	General Retirement	Meridian Community College	Meridian Separate School District	Hospital Insurance	State Police Fines & Fees	Meridian Separate School District Bonds & Interest	Total Agency Funds
<u>ASSETS</u>								
Cash and cash equivalents	\$ 84,028	46,701	67,466	552,906	49,372	67,168	18,044	885,685
Intergovernmental receivables- County	<u>10,045</u>	<u>5,966</u>	<u>14,092</u>	<u>109,624</u>	<u>-</u>	<u>-</u>	<u>6,700</u>	<u>146,427</u>
Total assets	\$ <u>94,073</u>	<u>52,667</u>	<u>81,558</u>	<u>662,530</u>	<u>49,372</u>	<u>67,168</u>	<u>24,744</u>	<u>1,032,112</u>
<u>LIABILITIES</u>								
Intergovernmental payables:								
Schools	\$ -	-	81,558	662,530	-	-	24,744	768,832
PERS	94,073	52,667	-	-	-	-	-	146,740
State	-	-	-	-	-	67,168	-	67,168
Employee insurance withheld	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,372</u>	<u>-</u>	<u>-</u>	<u>49,372</u>
Total liabilities	\$ <u>94,073</u>	<u>52,667</u>	<u>81,558</u>	<u>662,530</u>	<u>49,372</u>	<u>67,168</u>	<u>24,744</u>	<u>1,032,112</u>

CITY OF MERIDIAN, MISSISSIPPI
 Combining Statement of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 For the Fiscal Year Ended September 30, 2007

	Balance September 30, <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2007</u>
	<u>Firemen & Policemen Disability & Relief</u>			
<u>ASSETS</u>				
Cash and cash equivalents	\$ 76,937	1,355,371	1,348,280	84,028
Intergovernmental - county	<u>13,681</u>	<u>10,045</u>	<u>13,681</u>	<u>10,045</u>
Total assets	\$ <u>90,618</u>	<u>1,365,416</u>	<u>1,361,961</u>	<u>94,073</u>

<u>LIABILITIES</u>				
Intergovernmental - PERS	\$ <u>90,618</u>	<u>1,365,416</u>	<u>1,361,961</u>	<u>94,073</u>

	<u>General Retirement</u>			
<u>ASSETS</u>				
Cash and cash equivalents	\$ 45,696	754,302	753,297	46,701
Intergovernmental - county	<u>8,565</u>	<u>5,966</u>	<u>8,565</u>	<u>5,966</u>
Total assets	\$ <u>54,261</u>	<u>760,268</u>	<u>761,862</u>	<u>52,667</u>

<u>LIABILITIES</u>				
Intergovernmental - State	\$ <u>54,261</u>	<u>760,268</u>	<u>761,862</u>	<u>52,667</u>

	<u>Meridian Community College</u>			
<u>ASSETS</u>				
Cash and cash equivalents	\$ 62,710	1,801,634	1,796,878	67,466
Intergovernmental - county	<u>20,139</u>	<u>14,092</u>	<u>20,139</u>	<u>14,092</u>
Total assets	\$ <u>82,849</u>	<u>1,815,726</u>	<u>1,817,017</u>	<u>81,558</u>

<u>LIABILITIES</u>				
Intergovernmental - schools	\$ <u>82,849</u>	<u>1,815,726</u>	<u>1,817,017</u>	<u>81,558</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
 Combining Statement of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 For the Fiscal Year Ended September 30, 2007

	Balance September 30, <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2007</u>
Meridian Separate School District				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 507,790	14,002,969	13,957,853	552,906
Intergovernmental - county	<u>160,799</u>	<u>109,624</u>	<u>160,799</u>	<u>109,624</u>
Total assets	\$ <u><u>668,589</u></u>	<u><u>14,112,593</u></u>	<u><u>14,118,652</u></u>	<u><u>662,530</u></u>
<u>LIABILITIES</u>				
Intergovernmental - schools	\$ <u><u>668,589</u></u>	<u><u>14,112,593</u></u>	<u><u>14,118,652</u></u>	<u><u>662,530</u></u>
Hospital Insurance				
<u>ASSETS</u>				
Cash and cash equivalents	\$ <u><u>48,905</u></u>	<u><u>510,999</u></u>	<u><u>510,532</u></u>	<u><u>49,372</u></u>
<u>LIABILITIES</u>				
Employee insurance withheld	\$ <u><u>48,905</u></u>	<u><u>510,999</u></u>	<u><u>510,532</u></u>	<u><u>49,372</u></u>
State Police Fines & Fees				
<u>ASSETS</u>				
Cash and cash equivalents	\$ <u><u>37,991</u></u>	<u><u>703,696</u></u>	<u><u>674,519</u></u>	<u><u>67,168</u></u>
<u>LIABILITIES</u>				
Intergovernmental - state	\$ <u><u>37,991</u></u>	<u><u>703,696</u></u>	<u><u>674,519</u></u>	<u><u>67,168</u></u>
Meridian Separate School District Bonds & Interest				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 30,130	486,814	498,900	18,044
Intergovernmental - county	<u>8,613</u>	<u>6,700</u>	<u>8,613</u>	<u>6,700</u>
Total assets	\$ <u><u>38,743</u></u>	<u><u>493,514</u></u>	<u><u>507,513</u></u>	<u><u>24,744</u></u>
<u>LIABILITIES</u>				
Intergovernmental - schools	\$ <u><u>38,743</u></u>	<u><u>493,514</u></u>	<u><u>507,513</u></u>	<u><u>24,744</u></u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
 Combining Statement of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 For the Fiscal Year Ended September 30, 2007

	Balance September 30, <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2007</u>
	<u>Total Agency Funds</u>			
<u>ASSETS</u>				
Cash and cash equivalents	\$ 810,159	19,615,785	19,540,259	885,685
Intergovernmental receivables	<u>211,797</u>	<u>146,427</u>	<u>211,797</u>	<u>146,427</u>
Total assets	\$ <u><u>1,021,956</u></u>	<u><u>19,762,212</u></u>	<u><u>19,752,056</u></u>	<u><u>1,032,112</u></u>
<u>LIABILITIES</u>				
Intergovernmental	\$ 973,051	19,251,213	19,241,524	982,740
Employee insurance withheld	<u>48,905</u>	<u>510,999</u>	<u>510,532</u>	<u>49,372</u>
Total liabilities	\$ <u><u>1,021,956</u></u>	<u><u>19,762,212</u></u>	<u><u>19,752,056</u></u>	<u><u>1,032,112</u></u>

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NONMAJOR COMPONENT UNITS

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

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

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

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

CITY OF MERIDIAN, MISSISSIPPI

Combining Statement of Net Assets

Nonmajor Component Units

September 30, 2007

	<u>Meridian Transportation Commission</u>	<u>Meridian and Bonita Lakes Development Authority</u>	<u>Meridian Redevelopment Authority</u>	<u>Total Nonmajor Component Units</u>
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ -	1,315	428,034	429,349
Investments	8,831	-	-	8,831
Receivables:				
Accounts	240	-	-	240
Intergovernmental - State	45,416	-	-	45,416
Prepaid items	<u>14,102</u>	<u>-</u>	<u>-</u>	<u>14,102</u>
Total current assets	68,589	1,315	428,034	497,938
Capital assets not being depreciated -				
Land	-	-	7,500	7,500
Capital assets (net of accumulated depreciation) -				
Machinery and equipment	<u>107,093</u>	<u>-</u>	<u>-</u>	<u>107,093</u>
Total assets	<u>175,682</u>	<u>1,315</u>	<u>435,534</u>	<u>612,531</u>
<u>LIABILITIES</u>				
Current liabilities:				
Bank overdraft	3,282	-	-	3,282
Notes payable	39,459	-	-	39,459
Accounts payable	72,879	-	-	72,879
Accrued liabilities	<u>7,235</u>	<u>-</u>	<u>-</u>	<u>7,235</u>
Total current liabilities	<u>122,855</u>	<u>-</u>	<u>-</u>	<u>122,855</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	107,093	-	7,500	114,593
Unrestricted (deficit)	<u>(54,266)</u>	<u>1,315</u>	<u>428,034</u>	<u>375,083</u>
Total net assets	\$ <u>52,827</u>	<u>1,315</u>	<u>435,534</u>	<u>489,676</u>

SCHEDULE 16

CITY OF MERIDIAN, MISSISSIPPI

Combining Statement of Activities

Nonmajor Component Units

For the Fiscal Year Ended September 30, 2007

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>				<u>Total Nonmajor Component Units</u>
	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Meridian Transportation Commission</u>	<u>Meridian Bonita Lakes Development Authority</u>	<u>Meridian Redevelopment Authority</u>	<u>Meridian Redevelopment Authority</u>	
Component units:								
Meridian Transportation Commission	\$ 482,779	72,516	385,267	(24,996)	-	-	-	(24,996)
Meridian and Bonita Lakes Development Authority	3,139	-	3,579	-	440	-	-	440
Meridian Redevelopment Authority	7,183	-	3,100	-	-	(4,083)	-	(4,083)
Total component units	<u>\$ 493,101</u>	<u>72,516</u>	<u>391,946</u>	<u>(24,996)</u>	<u>440</u>	<u>(4,083)</u>	<u>(4,083)</u>	<u>(28,639)</u>
General revenues - Interest income					<u>6</u>	<u>8,963</u>		<u>8,969</u>
Change in net assets				<u>(24,996)</u>	<u>446</u>	<u>4,880</u>		<u>(19,670)</u>
Net assets, October 1, 2006				<u>77,823</u>	<u>869</u>	<u>430,654</u>		<u>509,346</u>
Net assets, September 30, 2007				<u>\$ 52,827</u>	<u>1,315</u>	<u>435,534</u>		<u>489,676</u>

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OTHER SUPPLEMENTARY INFORMATION

CITY OF MERIDIAN, MISSISSIPPI
 Schedule Reconciling Original Ad Valorem
 Tax Rolls to Fund Collections
 For the Fiscal Year Ended September 30, 2007

	<u>Assessed Value</u>	<u>Millage</u>	<u>Ad Valorem Taxes</u>
City of Meridian:			
Realty	\$ 155,763,723	50.08	\$ 7,800,647
Personal property - other than auto	43,846,582	50.08	2,195,837
Public utilities	24,948,477	50.08	1,249,420
Personal autos - 2005 rates	6,156	50.08	308
Personal autos - 2006 rates	3,618,276	50.08	181,203
Personal autos - 2007 rates	<u>30,674,194</u>	50.08	<u>1,536,164</u>
Total City of Meridian valuation	\$ <u>258,857,408</u>		12,963,579
Less homestead exemption allowed			<u>(845,794)</u>
Total City ad valorem taxes			12,117,785
Adjustments to original tax roll:			
Realty		(18,940)	
Personal		(33,507)	
Homestead exemption		(6,538)	
Refund from Chancery Clerk		<u>(698)</u>	(59,683)
Add:			
Actual homestead reimbursement		583,082	
Motor vehicle rent tax		68,416	
Payments in lieu of taxes		66,909	
Prior year tax collection		60,577	
Mobile homes		8,156	
Aircraft		<u>5,700</u>	<u>792,840</u>
Total City to account for			<u>12,850,942</u>
Separate School District:			
Realty	\$ 163,454,198	62.87	10,276,365
Personal property - other than auto	54,701,694	62.87	3,439,096
Public utilities	34,744,742	62.87	2,184,402
Personal autos - 2005 rates	6,156	64.37	396
Personal autos - 2006 rates	3,683,037	63.65	234,425
Personal autos - 2007 rates	<u>31,104,252</u>	62.87	<u>1,955,524</u>
Total Separate School District valuation	\$ <u>287,694,079</u>		18,090,208
Less homestead exemption allowed			<u>(1,659,553)</u>
Total Separate School District ad valorem taxes			16,430,655
Adjustments to original tax roll:			
Realty		(27,984)	
Personal		(41,980)	
Homestead exemption		(6,542)	
Refund from Chancery Clerk		<u>(513)</u>	(77,019)
Add:			
Prior year tax collection		58,575	
Mobile homes		21,267	<u>79,842</u>
Total Separate School District to account for			<u>16,433,478</u>
Total City of Meridian and Separate School District to account for			\$ <u>29,284,420</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
 Schedule Reconciling Original Ad Valorem
 Tax Rolls to Fund Collections
 For the Fiscal Year Ended September 30, 2007

	<u>Taxes</u>	<u>Homestead Reimbursement</u>	<u>Total</u>
Accounted for as follows:			
General Fund	\$ 7,313,374	355,228	7,668,602
General Fund - Pilot	66,909	-	66,909
General Bond & Interest	2,683,493	130,052	2,813,545
School Bond & Interest	486,813	-	486,813
Police & Fire Disability	1,292,499	62,872	1,355,371
General Retirement	719,373	34,929	754,302
School Fund	<u>15,699,931</u>	<u>-</u>	<u>15,699,931</u>
 Total accounted for	 \$ <u>28,262,392</u>	 <u>583,081</u>	 28,845,473
 Balance represented by:			
Real property held from tax sale			10,313
Unpaid personal property			204,731
Held by tax collector			(1,120)
Sold to state			28,425
Tax collector's commission			195,401
Unaccounted for			<u>1,197</u>
 Total ad valorem taxes			 \$ <u>29,284,420</u>

SCHEDULE 18**CITY OF MERIDIAN, MISSISSIPPI**

Schedule of Investments

September 30, 2007

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
General fund - unrestricted:				
Certificate of deposit	7/10/2007	1/8/2008	5.19%	\$ 675,000
Certificate of deposit	7/11/2007	1/9/2008	5.40%	<u>675,000</u>
Total general fund investments - unrestricted				\$ <u>1,350,000</u>
Proprietary funds - restricted:				
Certificate of deposit	6/30/2007	12/29/2007	5.19%	179,860
Federal Home Loan Mortgage Corporate Discount Notes	-	12/26/2007	-	759,000
Federal Home Loan Mortgage Corporate Discount Notes	-	12/26/2007	-	971,000
Federal Home Loan Mortgage Corporate Discount Notes	-	11/26/2007	-	428,000
Federated Government Obligations	-	-	-	975
Federated Government Obligations	-	-	-	238
Federal National Mortgage Association Discount Notes	-	1/2/2008	-	<u>304,000</u>
Total proprietary funds investments - restricted				\$ <u>2,643,073</u>

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2007

<u>Name</u>	<u>Position</u>	<u>Insurance Company</u>	<u>Bond</u>
John Robert Smith	Mayor	The St. Paul Companies	\$ 50,000 *
George M Thomas	Councilman	Union Insurance Company	100,000
Mary A. B. Perry	Councilman	Union Insurance Company	100,000
Barbara Henson	Councilman	Union Insurance Company	100,000
Jesse E. Palmer, Sr.	Councilman	Union Insurance Company	100,000
John C. Harris	Councilman	Union Insurance Company	100,000
Kenneth Storms	Chief Administrative Officer	Union Insurance Company	50,000
Ed Skipper	City Clerk/CFO	Union 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, 2007

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance September 30, 2006</u>	<u>Principal Payments</u>	<u>New Issues</u>	<u>Balance September 30, 2007</u>
Governmental activities:							
Public Improvements of 1993	08/01/1993	3.8-5.4%	\$ 1,160,000	215,000	105,000	-	110,000
Public Improvements of 1998	03/01/1998	4.2-6.0%	4,500,000	2,530,000	310,000	-	2,220,000
Public Improvement of 1999	04/01/1999	4.1-5.7%	1,150,000	715,000	75,000	-	640,000
Public Improvement of 2000	05/01/2000	4.4-6.25%	1,100,000	515,000	120,000	-	395,000
Public Improvement of 2003	07/01/2003	3.25-4.125%	6,000,000	5,095,000	330,000	-	4,765,000
Public Improvement of 2006	06/01/2006	4.0-5.5%	10,000,000	10,000,000	315,000	-	9,685,000
Water and Sewer Improvement of 2007	04/01/2007	3.75-5.25%	3,600,000	-	-	3,600,000	3,600,000
Total general obligations bonds			<u>27,510,000</u>	<u>19,070,000</u>	<u>1,255,000</u>	<u>3,600,000</u>	<u>21,415,000</u>
Special Obligation Bonds 2003A	07/01/2003	2.75-4.5%	5,500,000	4,965,000	200,000	-	4,765,000
Special Obligation Bonds 2003B	07/01/2003	3.3-3.375%	1,500,000	1,370,000	50,000	-	1,320,000
Total special obligation bonds			<u>7,000,000</u>	<u>6,335,000</u>	<u>250,000</u>	<u>-</u>	<u>6,085,000</u>
Limited Obligation Tax Increment Bonds	12/01/1996	9.0%	4,160,000	1,040,000	520,000	-	520,000
Limited Obligation Tax Increment Bonds	09/01/2000	9.0%	2,200,000	1,865,000	190,000	-	1,675,000
Limited Obligation Tax Increment Bonds	12/01/2000	9.0%	1,100,000	860,000	95,000	-	765,000
Total tax increment bonds			<u>7,460,000</u>	<u>3,765,000</u>	<u>805,000</u>	<u>-</u>	<u>2,960,000</u>
Revolving loan - capital improvements	06/01/2001	3.00%	1,000,000	694,481	63,048	-	631,433
Total promissory loans			<u>1,000,000</u>	<u>694,481</u>	<u>63,048</u>	<u>-</u>	<u>631,433</u>
Taxable Negotiable Notes	09/28/2006	5.45%	1,225,000	1,225,000	219,695	-	1,005,305
Total taxable negotiable notes			<u>1,225,000</u>	<u>1,225,000</u>	<u>219,695</u>	<u>-</u>	<u>1,005,305</u>
Special Street Improvements	08/01/1995	4.8-6.75%	1,920,000	1,160,000	100,000	-	1,060,000
Special Assessment Public Improvement	06/01/1996	4.7-6.7%	2,000,000	1,285,000	95,000	-	1,190,000
Special Assessment Public Improvement	06/01/2000	5.2-6.25%	1,125,000	915,000	45,000	-	870,000
Special Assessment Public Imp 2001	08/01/2001	4.5-6.0%	500,000	420,000	20,000	-	400,000
Total special assessment			<u>5,545,000</u>	<u>3,780,000</u>	<u>260,000</u>	<u>-</u>	<u>3,520,000</u>
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	709,066	552,128	40,133	-	511,995
Trustmark Lease - street sweeper	11/21/2003	3.35%	67,223	23,157	23,157	-	-
Hancock Bank - fire truck	02/17/2005	3.09%	311,762	209,532	103,172	-	106,360
Trustmark Lease - backhoe	08/15/2007	4.14%	40,941	-	-	40,941	40,941
Trustmark Lease - fire truck	08/27/2007	4.14%	649,617	-	-	649,617	649,617
Total capital leases			<u>1,778,609</u>	<u>784,817</u>	<u>166,462</u>	<u>690,558</u>	<u>1,308,913</u>
Total governmental activities			\$ 51,518,609	35,654,298	3,019,205	4,290,558	36,925,651
Business-type activities:							
Water and Sewer Revenue	07/01/1994	6.0-6.5%	\$ 9,710,000	4,045,000	690,000	-	3,355,000
Water and Sewer Revenue	12/01/1995	4.6-6.5%	5,000,000	3,210,000	245,000	-	2,965,000
Water and Sewer Revenue	10/01/1997	4.5-6.375%	5,000,000	3,600,000	220,000	-	3,380,000
Water and Sewer Revenue	06/01/2000	5.0-6.25%	2,000,000	1,635,000	75,000	-	1,560,000
Total revenue bonds			<u>21,710,000</u>	<u>12,490,000</u>	<u>1,230,000</u>	<u>-</u>	<u>11,260,000</u>
Water and sewer promissory loan	12/01/1998	4.7-6.125%	5,300,000	4,670,000	165,000	-	4,505,000
Loan - capital improvements	01/01/2001	3.00%	360,000	163,196	37,236	-	125,960
Water and sewer promissory loan	11/29/2001	2.3-5.125%	3,100,000	2,760,000	90,000	-	2,670,000
Water and sewer promissory loan	07/01/2003	2.6-3.25%	7,590,000	5,780,000	645,000	-	5,135,000
Water and sewer promissory loan	03/24/2004	1.0-5.0%	2,900,000	2,715,000	100,000	-	2,615,000
Total promissory loans			<u>19,250,000</u>	<u>16,088,196</u>	<u>1,037,236</u>	<u>-</u>	<u>15,050,960</u>
CitiCapital lease - energy saving equipment	05/21/2002	5.87%	1,053,181	813,197	59,608	-	753,589
CitiCapital lease - energy saving equipment	05/21/2002	5.87%	3,460	2,671	196	-	2,475
Trustmark lease - trucks	05/11/2004	2.83%	61,171	20,697	20,697	-	-
Trustmark lease - flush truck	07/20/2007	4.14%	139,474	-	-	139,474	139,474
Total capital leases			<u>1,257,286</u>	<u>836,565</u>	<u>80,501</u>	<u>139,474</u>	<u>895,538</u>
Total business-type activities			\$ 42,217,286	29,414,761	2,347,737	139,474	27,206,498

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Long-Term Debt Maturities
September 30, 2007

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance September 30, 2007</u>	<u>2008</u>
<u>Governmental activities:</u>					
Public Improvements of 1993	08/01/1993	3.8-5.4%	\$ 1,160,000	110,000	110,000
Public Improvements of 1998	03/01/1998	4.2-6.0%	4,500,000	2,220,000	325,000
Public Improvement of 1999	04/01/1999	4.1-5.7%	1,150,000	640,000	80,000
Public Improvement of 2000	05/01/2000	4.4-6.25%	1,100,000	395,000	125,000
Public Improvement of 2003	07/01/2003	3.25-4.125%	6,000,000	4,765,000	345,000
Public Improvement of 2006	06/01/2006	4.0-5.5%	10,000,000	9,685,000	330,000
Water and Sewer Improvement of 2007	04/01/2007	3.75-5.25%	<u>3,600,000</u>	<u>3,600,000</u>	<u>115,000</u>
Total general obligations bonds			<u>27,510,000</u>	<u>21,415,000</u>	<u>1,430,000</u>
Special Obligation Bonds 2003A	07/01/2003	2.75-4.5%	5,500,000	4,765,000	200,000
Special Obligation Bonds 2003B	07/01/2003	3.3-3.375%	<u>1,500,000</u>	<u>1,320,000</u>	<u>50,000</u>
Total special obligation bonds			<u>7,000,000</u>	<u>6,085,000</u>	<u>250,000</u>
Limited Obligation Tax Increment Bonds (TIF)	12/01/1996	9.0%	4,160,000	520,000	520,000
Limited Obligation Tax Increment Bonds (TIF)	09/01/2000	9.0%	2,200,000	1,675,000	205,000
Limited Obligation Tax Increment Bonds (TIF)	12/01/2000	9.0%	<u>1,100,000</u>	<u>765,000</u>	<u>100,000</u>
Total tax increment bonds			<u>7,460,000</u>	<u>2,960,000</u>	<u>825,000</u>
Revolving loan - capital improvements	06/01/2001	3.00%	<u>1,000,000</u>	<u>631,433</u>	<u>64,642</u>
Total promissory loans			<u>1,000,000</u>	<u>631,433</u>	<u>64,642</u>
Taxable Negotiable Notes	09/28/2006	5.45%	<u>1,225,000</u>	<u>1,005,305</u>	<u>231,676</u>
Total taxable negotiable notes			<u>1,225,000</u>	<u>1,005,305</u>	<u>231,676</u>
Special Street Improvements	08/01/1995	4.8-6.75%	1,920,000	1,060,000	105,000
Special Assessment Public Improvement	06/01/1996	4.7-6.7%	2,000,000	1,190,000	105,000
Special Assessment Public Improvement	06/01/2000	5.2-6.25%	1,125,000	870,000	45,000
Special Assessment Public Imp 2001	08/01/2001	4.5-6.0%	<u>500,000</u>	<u>400,000</u>	<u>20,000</u>
Total special assessment			<u>5,545,000</u>	<u>3,520,000</u>	<u>275,000</u>
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	709,066	511,995	42,555
Hancock Bank - fire truck	02/17/2005	3.09%	311,762	106,360	106,360
Trustmark Lease - backhoe	08/15/2007	4.14%	40,941	40,941	20,652
Trustmark Lease - fire truck	08/27/2007	4.14%	<u>649,617</u>	<u>649,617</u>	<u>221,017</u>
Total capital leases			<u>1,711,386</u>	<u>1,308,913</u>	<u>390,584</u>
Total governmental activities			\$ <u>51,451,386</u>	<u>36,925,651</u>	<u>3,466,902</u>
<u>Business-type activities:</u>					
Water and Sewer Revenue	07/01/1994	6.0-6.5%	\$ 9,710,000	3,355,000	735,000
Water and Sewer Revenue	12/01/1995	4.6-6.5%	5,000,000	2,965,000	260,000
Water and Sewer Revenue	10/01/1997	4.5-6.375%	5,000,000	3,380,000	230,000
Water and Sewer Revenue	06/01/2000	5.0-6.25%	<u>2,000,000</u>	<u>1,560,000</u>	<u>80,000</u>
Total revenue bonds			<u>21,710,000</u>	<u>11,260,000</u>	<u>1,305,000</u>
Water and sewer promissory loan	12/01/1998	4.7-6.125%	5,300,000	4,505,000	175,000
Loan - capital improvements	01/01/2001	3.00%	360,000	125,960	32,067
Water and sewer promissory loan	11/29/2001	2.3-5.125%	3,100,000	2,670,000	95,000
Water and sewer promissory loan	07/01/2003	2.6-3.25%	7,590,000	5,135,000	665,000
Water and sewer promissory loan	03/24/2004	1.0-5.0%	<u>2,900,000</u>	<u>2,615,000</u>	<u>105,000</u>
Total promissory loans			<u>19,250,000</u>	<u>15,050,960</u>	<u>1,072,067</u>
CitiCapital lease - energy saving equipment	05/21/2002	5.87%	1,053,181	753,589	63,208
CitiCapital lease - energy saving equipment	05/21/2002	5.87%	3,460	2,475	208
Trustmark lease - flush truck	07/20/2007	4.14%	<u>139,474</u>	<u>139,474</u>	<u>47,060</u>
Total capital leases			<u>1,196,115</u>	<u>895,538</u>	<u>110,476</u>
Total business-type activities			\$ <u>42,156,115</u>	<u>27,206,498</u>	<u>2,487,543</u>

SCHEDULE 21

Maturities for the Years Ended September 30,

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013 - 2017</u>	<u>2018 - 2022</u>	<u>2023 - 2027</u>
-	-	-	-	-	-	-
340,000	360,000	380,000	395,000	420,000	-	-
85,000	85,000	90,000	95,000	205,000	-	-
130,000	140,000	-	-	-	-	-
360,000	375,000	390,000	410,000	2,350,000	535,000	-
345,000	360,000	375,000	400,000	2,260,000	2,835,000	2,780,000
120,000	125,000	130,000	135,000	785,000	975,000	1,215,000
<u>1,380,000</u>	<u>1,445,000</u>	<u>1,365,000</u>	<u>1,435,000</u>	<u>6,020,000</u>	<u>4,345,000</u>	<u>3,995,000</u>
215,000	225,000	235,000	250,000	1,425,000	1,800,000	415,000
55,000	60,000	60,000	65,000	385,000	520,000	125,000
<u>270,000</u>	<u>285,000</u>	<u>295,000</u>	<u>315,000</u>	<u>1,810,000</u>	<u>2,320,000</u>	<u>540,000</u>
-	-	-	-	-	-	-
255,000	270,000	290,000	315,000	340,000	-	-
110,000	120,000	135,000	145,000	155,000	-	-
<u>365,000</u>	<u>390,000</u>	<u>425,000</u>	<u>460,000</u>	<u>495,000</u>	-	-
66,608	68,634	70,721	72,872	287,956	-	-
<u>66,608</u>	<u>68,634</u>	<u>70,721</u>	<u>72,872</u>	<u>287,956</u>	-	-
244,311	257,634	271,684	-	-	-	-
<u>244,311</u>	<u>257,634</u>	<u>271,684</u>	-	-	-	-
110,000	120,000	125,000	135,000	465,000	-	-
110,000	115,000	125,000	130,000	605,000	-	-
50,000	50,000	55,000	60,000	350,000	260,000	-
20,000	20,000	25,000	25,000	145,000	145,000	-
<u>290,000</u>	<u>305,000</u>	<u>330,000</u>	<u>350,000</u>	<u>1,565,000</u>	<u>405,000</u>	-
45,123	47,847	50,734	53,796	271,940	-	-
-	-	-	-	-	-	-
20,289	-	-	-	-	-	-
209,930	218,670	-	-	-	-	-
<u>275,342</u>	<u>266,517</u>	<u>50,734</u>	<u>53,796</u>	<u>271,940</u>	-	-
<u>2,891,261</u>	<u>3,017,785</u>	<u>2,808,139</u>	<u>2,686,668</u>	<u>10,449,896</u>	<u>7,070,000</u>	<u>4,535,000</u>
775,000	1,845,000	-	-	-	-	-
275,000	290,000	305,000	325,000	1,510,000	-	-
245,000	260,000	270,000	285,000	1,695,000	395,000	-
85,000	90,000	95,000	105,000	625,000	480,000	-
<u>1,380,000</u>	<u>2,485,000</u>	<u>670,000</u>	<u>715,000</u>	<u>3,830,000</u>	<u>875,000</u>	-
185,000	195,000	215,000	225,000	1,295,000	1,780,000	435,000
39,436	40,636	13,821	-	-	-	-
95,000	100,000	105,000	110,000	625,000	770,000	770,000
685,000	710,000	730,000	755,000	1,590,000	-	-
110,000	115,000	120,000	125,000	715,000	905,000	420,000
<u>1,114,436</u>	<u>1,160,636</u>	<u>1,183,821</u>	<u>1,215,000</u>	<u>4,225,000</u>	<u>3,455,000</u>	<u>1,625,000</u>
67,022	71,067	75,356	79,904	397,032	-	-
220	233	247	262	1,305	-	-
45,265	47,149	-	-	-	-	-
<u>112,507</u>	<u>118,449</u>	<u>75,603</u>	<u>80,166</u>	<u>398,337</u>	-	-
<u>2,606,943</u>	<u>3,764,085</u>	<u>1,929,424</u>	<u>2,010,166</u>	<u>8,453,337</u>	<u>4,330,000</u>	<u>1,625,000</u>

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STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial trends.....	137 - 144
<i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	
Revenue capacity	145 - 148
<i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	
Debt capacity	149 - 153
<i>These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.</i>	
Demographic economic information	154 - 155
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	
Operating information.....	156 - 158
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i>	

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SCHEDULE 22

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

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities:						
Invested in capital assets, net of related debt	\$ 43,469	\$ 43,643	\$ 45,586	\$ 45,997	\$ 48,025	\$ 48,799
Restricted	2,447	2,214	1,561	4,009	5,626	6,881
Unrestricted	<u>4,296</u>	<u>6,496</u>	<u>6,156</u>	<u>5,635</u>	<u>7,197</u>	<u>3,920</u>
Total governmental activities net assets	<u>\$ 50,212</u>	<u>\$ 52,353</u>	<u>\$ 53,303</u>	<u>\$ 55,641</u>	<u>\$ 60,848</u>	<u>\$ 59,600</u>
Business-type activities:						
Invested in capital assets, net of related debt	\$ 23,103	\$ 22,052	\$ 20,624	\$ 19,003	\$ 19,534	\$ 18,938
Restricted	4,170	3,362	3,949	4,467	4,021	7,509
Unrestricted	<u>1,668</u>	<u>1,759</u>	<u>1,454</u>	<u>3,779</u>	<u>3,440</u>	<u>3,354</u>
Total business-type activities net assets	<u>\$ 28,941</u>	<u>\$ 27,173</u>	<u>\$ 26,027</u>	<u>\$ 27,249</u>	<u>\$ 26,995</u>	<u>\$ 29,801</u>
Primary government:						
Invested in capital assets, net of related debt	\$ 66,572	\$ 65,695	\$ 66,210	\$ 65,000	\$ 67,559	\$ 67,737
Restricted	6,617	5,576	5,510	8,476	9,647	14,390
Unrestricted	<u>5,964</u>	<u>8,255</u>	<u>7,610</u>	<u>9,414</u>	<u>10,637</u>	<u>7,274</u>
Total primary government net assets	<u>\$ 79,153</u>	<u>\$ 79,526</u>	<u>\$ 79,330</u>	<u>\$ 82,890</u>	<u>\$ 87,843</u>	<u>\$ 89,401</u>

Source: Audit Reports - Statement of Net Assets

¹GASB 34 was implemented effective fiscal year 2002, therefore, information from government-wide statements is not available for the fiscal years 1998 through 2001.

SCHEDULE 23 (Page 1 of 2)

CITY OF MERIDIAN, MISSISSIPPI

Changes in Net Assets

Last Six Fiscal Years¹

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<u>Expenses</u>						
Governmental activities:						
General government	\$ 5,548	\$ 5,291	\$ 5,738	\$ 5,778	\$ 6,209	\$ 6,526
Public safety	10,395	10,864	11,981	14,875	16,074	14,976
Public works	5,608	6,230	6,770	6,650	6,738	6,893
Culture and recreation	1,609	1,806	1,968	1,975	2,008	2,156
Economic development	156	85	169	121	105	98
Other	71	50	101	127	82	64
Interest on long-term debt	<u>1,553</u>	<u>1,390</u>	<u>1,685</u>	<u>1,443</u>	<u>1,333</u>	<u>1,918</u>
Total governmental activities expenses	<u>24,940</u>	<u>25,716</u>	<u>28,412</u>	<u>30,969</u>	<u>32,549</u>	<u>32,631</u>
Business-type activities:						
Water and sewer	8,324	10,742	10,381	10,879	11,577	12,218
Waste collection and disposal	2,174	2,529	2,739	2,234	2,332	2,380
Golf course	453	433	423	407	394	400
Union Station	251	254	284	307	335	323
Concessions	<u>41</u>	<u>48</u>	<u>39</u>	<u>41</u>	<u>37</u>	<u>26</u>
Total business-type activities expenses	<u>11,243</u>	<u>14,006</u>	<u>13,866</u>	<u>13,868</u>	<u>14,675</u>	<u>15,347</u>
Total primary government expenses	<u>\$ 36,183</u>	<u>\$ 39,722</u>	<u>\$ 42,278</u>	<u>\$ 44,837</u>	<u>\$ 47,224</u>	<u>\$ 47,978</u>
<u>Program revenues</u>						
Governmental activities:						
Charges for services:						
General government	562	827	681	788	1,063	587
Public safety	605	853	1,148	2,164	2,484	2,856
Culture and recreation	110	137	144	135	162	164
Operating grants and contributions	792	817	1,168	3,257	3,229	2,194
Capital grants and contributions	<u>60</u>	<u>280</u>	<u>603</u>	<u>581</u>	<u>2,169</u>	<u>250</u>
Total governmental activities program revenues	<u>2,129</u>	<u>2,914</u>	<u>3,744</u>	<u>6,925</u>	<u>9,107</u>	<u>6,051</u>
Business-type activities:						
Charges for services:						
Water and sewer	9,442	9,002	9,798	10,902	11,036	10,907
Waste collection and disposal	1,607	1,599	1,580	1,569	1,564	1,560
Golf course	421	367	346	310	343	324
Union Station	90	98	103	97	117	114
Concessions	46	45	41	43	36	35
Operating grants and contributions	2,823	312	253	8	-	-
Capital grants and contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,644</u>	<u>494</u>	<u>740</u>
Total business-type activities program revenues	<u>14,429</u>	<u>11,423</u>	<u>12,121</u>	<u>14,573</u>	<u>13,590</u>	<u>13,680</u>
Total primary government program revenues	<u>\$ 16,558</u>	<u>\$ 14,337</u>	<u>\$ 15,865</u>	<u>\$ 21,498</u>	<u>\$ 22,697</u>	<u>\$ 19,731</u>

(Continued)

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

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
<u>Net (expense)/revenue</u>						
Governmental activities	\$ (22,811)	\$ (22,802)	\$ (24,668)	\$ (24,044)	\$ (23,442)	\$ (26,580)
Business-type activities	<u>3,186</u>	<u>(2,583)</u>	<u>(1,745)</u>	<u>705</u>	<u>(1,085)</u>	<u>(1,667)</u>
Total primary government net (expense)/revenue	<u>\$ (19,625)</u>	<u>\$ (25,385)</u>	<u>\$ (26,413)</u>	<u>\$ (23,339)</u>	<u>\$ (24,527)</u>	<u>\$ (28,247)</u>
<u>General revenues and other changes in net assets</u>						
Governmental activities:						
Taxes:						
Property taxes	\$ 9,385	\$ 9,828	\$ 10,107	\$ 10,162	\$ 10,121	\$ 10,098
Sales taxes	11,450	11,839	12,179	12,715	14,170	13,574
Franchise taxes	1,747	1,794	1,845	1,990	2,381	2,587
County road taxes	651	868	815	798	971	1,040
Motor fuel taxes	19	19	19	19	19	19
Unrestricted grants and contributions	61	68	65	64	69	65
Unrestricted investment earnings	173	149	176	259	564	1,131
Gain on sale of capital assets	-	21	17	-	-	-
Transfers	<u>700</u>	<u>357</u>	<u>395</u>	<u>375</u>	<u>353</u>	<u>(3,182)</u>
Total governmental activities general revenues and other changes in net assets	<u>24,186</u>	<u>24,943</u>	<u>25,618</u>	<u>26,382</u>	<u>28,648</u>	<u>25,332</u>
Business-type activities:						
Property taxes	823	901	882	740	975	811
Unrestricted investment earnings	201	270	113	152	210	480
Transfers	<u>(700)</u>	<u>(357)</u>	<u>(395)</u>	<u>(375)</u>	<u>(353)</u>	<u>3,182</u>
Total business-type activities general revenues and other changes in net assets	<u>324</u>	<u>814</u>	<u>600</u>	<u>517</u>	<u>832</u>	<u>4,473</u>
Total primary government general revenues and other changes in net assets	<u>\$ 24,510</u>	<u>\$ 25,757</u>	<u>\$ 26,218</u>	<u>\$ 26,899</u>	<u>\$ 29,480</u>	<u>\$ 29,805</u>
<u>Change in Net Assets</u>						
Governmental activities	\$ 1,375	\$ 2,141	\$ 950	\$ 2,338	\$ 5,206	\$ (1,248)
Business-type activities	<u>3,510</u>	<u>(1,769)</u>	<u>(1,145)</u>	<u>1,222</u>	<u>(253)</u>	<u>2,806</u>
Total primary government change in net assets	<u>\$ 4,885</u>	<u>\$ 372</u>	<u>\$ (195)</u>	<u>\$ 3,560</u>	<u>\$ 4,953</u>	<u>\$ 1,558</u>

Source: Audit Reports - Statement of Activities

¹GASB 34 was implemented effective fiscal year 2002, therefore, information from government-wide statements is not available for the fiscal years 1998 through 2001.

CITY OF MERIDIAN, MISSISSIPPI
Governmental Activities Tax Revenues by Source
Last Six Fiscal Years¹
(accrual basis of accounting)
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>County Road Tax</u>	<u>Motor Fuel Tax</u>	<u>Total</u>
2002	\$ 9,385	\$ 11,450	\$ 1,747	\$ 651	\$ 19	\$ 23,252
2003	9,828	11,839	1,794	868	19	24,348
2004	10,107	12,179	1,845	815	19	24,965
2005	10,162	12,715	1,990	798	19	25,684
2006	10,121	14,170	2,381	971	19	27,662
2007	10,098	13,574	2,587	1,040	19	27,318

Source: Audit Reports - Statement of Activities

¹GASB 34 was implemented effective fiscal year 2002, therefore, information from government-wide statements is not available for the fiscal years 1998 through 2001.

SCHEDULE 25

CITY OF MERIDIAN, MISSISSIPPI

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General fund:										
Reserved	\$ 556	\$ 418	\$ 662	\$ 297	\$ 348	\$ 1,000	\$ 880	\$ 845	\$ 1,168	\$ 1,923
Unreserved	<u>3,548</u>	<u>4,063</u>	<u>2,927</u>	<u>3,326</u>	<u>4,871</u>	<u>6,099</u>	<u>6,211</u>	<u>5,638</u>	<u>6,301</u>	<u>6,754</u>
Total general fund	<u>\$ 4,104</u>	<u>\$ 4,481</u>	<u>\$ 3,589</u>	<u>\$ 3,623</u>	<u>\$ 5,219</u>	<u>\$ 7,099</u>	<u>\$ 7,091</u>	<u>\$ 6,483</u>	<u>\$ 7,469</u>	<u>\$ 8,677</u>
All other governmental funds:										
Reserved	\$ 3,729	\$ 4,541	\$ 2,776	\$ 2,438	\$ 2,396	\$ 8,510	\$ 4,721	\$ 3,006	\$ 4,395	\$ 4,407
Unreserved, reported in:										
Special revenue funds	210	241	183	50	228	340	533	1,006	2,308	2,725
Capital projects funds	<u>4,781</u>	<u>2,870</u>	<u>5,198</u>	<u>5,302</u>	<u>567</u>	<u>5,640</u>	<u>2,031</u>	<u>1,846</u>	<u>9,789</u>	<u>7,832</u>
Total all other governmental funds	<u>\$ 8,720</u>	<u>\$ 7,652</u>	<u>\$ 8,157</u>	<u>\$ 7,790</u>	<u>\$ 3,191</u>	<u>\$ 14,490</u>	<u>\$ 7,285</u>	<u>\$ 5,858</u>	<u>\$ 16,492</u>	<u>\$ 14,964</u>

Source: Audit Reports - Governmental Funds Balance Sheet

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

CITY OF MERIDIAN, MISSISSIPPI

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues:										
Taxes	\$ 19,093	\$ 20,167	\$ 20,093	\$ 19,874	\$ 21,322	\$ 22,380	\$ 22,944	\$ 23,534	\$ 25,121	\$ 24,562
Franchise	1,538	1,481	1,582	1,748	1,747	1,794	1,845	1,990	2,381	2,587
Payments in lieu of taxes	97	132	144	107	112	100	86	83	80	77
Intergovernmental	3,456	1,780	1,694	2,173	864	976	1,613	3,746	4,913	2,203
Fines and forfeitures	948	849	775	638	605	853	1,148	2,164	2,484	2,855
Licenses and permits	199	256	240	232	233	225	298	302	305	373
Charges for services	1,394	1,555	1,545	1,09	110	137	144	135	162	164
Special assessments	122	113	151	119	127	120	132	96	79	75
Local contributions	258	203	69	81	49	189	223	155	555	307
Investment earnings	627	582	561	529	173	148	176	259	564	1,131
Interest costs and damages	138	151	165	83	69	84	94	95	91	92
Miscellaneous	<u>292</u>	<u>434</u>	<u>198</u>	<u>249</u>	<u>328</u>	<u>652</u>	<u>471</u>	<u>499</u>	<u>758</u>	<u>234</u>
Total Revenues	<u>28,162</u>	<u>27,703</u>	<u>27,217</u>	<u>25,942</u>	<u>25,739</u>	<u>27,658</u>	<u>29,174</u>	<u>33,058</u>	<u>37,493</u>	<u>34,660</u>
Expenditures:										
General government	4,529	4,708	4,896	4,843	5,116	4,885	5,342	5,440	5,843	6,033
Public safety	9,422	9,894	10,510	9,956	9,998	10,576	11,500	14,767	16,420	15,684
Public works	5,066	5,007	5,201	2,966	2,876	3,541	3,827	3,956	4,223	4,425
Culture and recreation	2,133	1,605	1,571	1,527	1,535	1,750	1,884	1,963	2,027	2,065
Economic development	1,075	156	153	153	156	85	169	411	105	98
Other	32	66	84	65	71	51	102	127	268	150
Capital outlay	5,607	4,006	6,881	4,366	4,644	2,438	8,855	4,529	4,833	2,858
Debt service:										
Principal	2,464	2,848	2,794	3,893	4,064	3,346	3,440	3,059	2,356	3,019
Interest	<u>1,756</u>	<u>1,730</u>	<u>1,530</u>	<u>1,685</u>	<u>1,634</u>	<u>1,261</u>	<u>1,705</u>	<u>1,506</u>	<u>1,354</u>	<u>1,736</u>
Total expenditures	<u>32,084</u>	<u>30,020</u>	<u>33,620</u>	<u>29,454</u>	<u>30,094</u>	<u>27,933</u>	<u>36,824</u>	<u>35,758</u>	<u>37,429</u>	<u>36,068</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,922)</u>	<u>(2,317)</u>	<u>(6,403)</u>	<u>(3,512)</u>	<u>(4,355)</u>	<u>(275)</u>	<u>(7,650)</u>	<u>(2,700)</u>	<u>64</u>	<u>(1,408)</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Other financing sources (uses):										
Transfers in	\$ 854	\$ 915	\$ 1,338	\$ 2,332	\$ 2,611	\$ 1,438	\$ 2,634	\$ 1,929	\$ 2,960	\$ 4,531
Transfers out	(413)	(486)	(861)	(1,801)	(1,968)	(984)	(2,264)	(1,576)	(2,629)	(7,733)
Bonds issued	4,522	1,157	4,431	2,610	-	13,000	-	-	10,000	3,600
Negotiable notes issued	-	-	-	-	-	-	-	-	1,225	-
Capital leases	114	40	1,108	-	709	-	67	312	-	690
Total other financing source (uses)	<u>5,077</u>	<u>1,626</u>	<u>6,016</u>	<u>3,141</u>	<u>1,352</u>	<u>13,454</u>	<u>437</u>	<u>665</u>	<u>11,556</u>	<u>1,088</u>
Net change in fund balance	<u>\$ 1,155</u>	<u>\$ (691)</u>	<u>\$ (387)</u>	<u>\$ (371)</u>	<u>\$ (3,003)</u>	<u>\$ 13,179</u>	<u>\$ (7,213)</u>	<u>\$ (2,035)</u>	<u>\$ 11,620</u>	<u>\$ (320)</u>
Debt service as a percentage of noncapital expenditures	<u>15.9%</u>	<u>17.6%</u>	<u>16.2%</u>	<u>22.2%</u>	<u>22.4%</u>	<u>18.1%</u>	<u>18.4%</u>	<u>14.6%</u>	<u>11.4%</u>	<u>14.3%</u>

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

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

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

<u>Fiscal</u> <u>Year</u>	<u>Property</u> <u>Tax</u>	<u>Sales</u> <u>Tax¹</u>	<u>Franchise</u> <u>Tax</u>	<u>County</u> <u>Road</u> <u>Tax</u>	<u>Motor</u> <u>Fuel</u> <u>Tax</u>	<u>Total</u>
1998	\$ 7,681	\$ 10,913	\$ 1,538	\$ 479	\$ 20	\$ 20,631
1999	8,362	11,308	1,481	477	20	21,648
2000	8,622	10,954	1,582	497	20	21,675
2001	8,507	10,764	1,748	583	20	21,622
2002	9,202	11,450	1,747	651	19	23,069
2003	9,653	11,840	1,794	868	19	24,174
2004	9,930	12,180	1,845	815	19	24,789
2005	10,002	12,715	1,990	798	19	25,524
2006	9,961	14,170	2,381	971	19	27,502
2007	9,929	13,574	2,587	1,040	19	27,149

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

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

SCHEDULE 28

CITY OF MERIDIAN, MISSISSIPPI

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

Fiscal Year Ended September 30,	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Motor Vehicles	Other					
1998	\$ 45,113	\$ 94,874	\$ 33,401	\$ 25,762	\$ 1,735	\$ 197,415	\$ 49.14	\$ 1,275,411	15.48%
1999	45,507	103,500	33,487	30,925	1,876	211,543	49.14	1,375,761	15.38%
2000	45,719	107,289	33,457	34,665	1,990	219,140	49.14	1,419,875	15.43%
2001	46,604	112,525	32,113	35,533	1,506	225,269	49.14	1,447,275	15.57%
2002	46,652	112,307	34,065	38,864	2,043	229,845	51.49	1,470,234	15.63%
2003	59,118	120,764	34,521	40,667	2,138	252,932	50.08	1,608,689	15.72%
2004	58,359	122,919	34,883	40,798	2,719	254,240	50.08	1,629,911	15.60%
2005	58,138	125,003	34,466	40,651	2,911	255,347	50.08	1,645,053	15.52%
2006	58,094	122,836	36,032	44,443	2,530	258,875	50.08	1,657,502	15.62%
2007	59,190	124,049	34,299	43,847	2,527	258,858	50.08	1,662,921	15.57%

Source: Lauderdale County real and personal property tax rolls.

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

SCHEDULE 29

CITY OF MERIDIAN, MISSISSIPPI

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

Fiscal Year	City of Meridian				Overlapping Rates									
	Operating Millage	Debt Service Millage	Special Revenue Pension Millage	Solid Waste Millage	Total City Millage	Lauderdale County			Meridian Separate School District			Total School District Millage	Meridian Community College	Total Millage
						Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total Millage			
1998	21.17	17.62	10.35	-	49.14	35.44	6.82	42.26	49.42	2.91	52.33	6.28	150.01	
1999	21.48	17.31	10.35	-	49.14	34.76	7.50	42.26	50.66	2.21	52.87	5.83	150.10	
2000	23.44	15.25	10.45	-	49.14	34.04	8.22	42.26	54.24	2.95	57.19	6.16	154.75	
2001	21.86	15.00	8.28	4.00	49.14	33.25	9.86	43.11	52.91	3.77	56.68	6.57	155.50	
2002	24.69	15.01	7.79	4.00	51.49	34.04	9.07	43.11	52.68	4.70	57.38	7.00	158.98	
2003	26.39	12.09	7.60	4.00	50.08	34.87	8.19	43.06	52.50	2.87	55.37	7.00	155.51	
2004	26.39	12.20	7.49	4.00	50.08	35.80	6.70	42.50	54.38	0.92	55.30	7.00	154.88	
2005	26.19	12.10	7.79	4.00	50.08	38.08	6.71	44.79	54.38	2.99	57.37	7.00	159.24	
2006	25.56	12.47	8.05	4.00	50.08	38.36	7.09	45.45	53.30	3.35	56.65	7.00	159.18	
2007	26.51	11.17	8.40	4.00	50.08	39.27	8.40	47.67	54.00	1.87	55.87	7.00	160.62	

Source: Office of the City Clerk.

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

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

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

<u>Taxpayer</u>	<u>2007</u>			<u>1998</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Mississippi Power Company	\$ 10,514	1	4.06%	\$ 15,309	1	7.65%
Bonita Lakes Mall/Bonita Properties, Inc./CBL	7,473	2	2.89%	----		----
Bell South Telecommunications	7,341	3	2.84%	8,981	2	4.49%
Wal-Mart	5,513	4	2.13%	1,960	5	0.98%
Riley Memorial Hospital	4,346	5	1.68%	1,197	10	0.59%
Anderson Infirmary Benevolent Association	3,048	6	1.18%	2,400	3	1.20%
Peavey Electronics Corporation	2,713	7	1.05%	2,118	4	1.05%
Norfolk Southern Railroad	1,903	8	0.74%	1,920	6	0.90%
Atmos Energy/Mississippi Valley Gas Company	1,841	9	0.71%	1,338	9	0.69%
Rush Foundation Hospital	1,507	10	0.58%	1,808	7	0.90%
Sowashee Investment, et al	----		----	<u>1,422</u>	8	<u>0.71%</u>
Totals	<u>\$ 46,199</u>		<u>17.86%</u>	<u>\$ 38,453</u>		<u>19.16%</u>

Source: Lauderdale County real and personal property tax rolls.

SCHEDULE 31

CITY OF MERIDIAN, MISSISSIPPI

Property Tax Levies and Collections

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended <u>September 30,</u>	Total Tax Levy for <u>Fiscal Year</u>	Collected within the		Collections in <u>Subsequent Years</u>	Total Collections to Date	
		<u>Fiscal Year of the Levy</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
1998	\$ 10,435	\$ 10,034	96.16%	\$ 240	\$ 10,274	98.46%
1999	10,776	10,643	98.77%	232	10,875	100.92%
2000	11,173	11,033	98.75%	236	11,269	100.86%
2001	11,349	11,258	99.20%	327	11,585	102.08%
2002	11,863	11,764	99.17%	165	11,929	100.56%
2003	12,362	12,104	97.91%	175	12,279	99.33%
2004	12,569	12,393	98.60%	167	12,560	99.93%
2005	12,613	12,482	98.96%	269	12,751	101.09%
2006	12,962	12,835	99.02%	283	13,118	101.20%
2007	12,850	12,745	99.18%	242	12,987	101.07%

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

SCHEDULE 32

CITY OF MERIDIAN, MISSISSIPPI

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities										Business-Type Activities					Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Special Assessment Bonds	Limited Obligation Bonds	Special Obligation Bonds	Certificates of Participation	Revolving Loan	Taxable Negotiable Notes	Capital Leases	Water & Sewer Revenue Bonds	Water & Sewer Promissory Notes	Capital Leases							
1998	\$ 17,075	\$ 4,065	\$ 4,160	\$ -	\$ 1,140	\$ -	\$ -	\$ 388	\$ 26,850	\$ 72	\$ 107	\$ 53,857	6.39%	\$ 1,338				
1999	16,100	3,740	4,160	-	945	-	-	232	25,805	5,312	95	56,389	6.60%	1,401				
2000	14,965	4,630	6,360	-	745	-	-	1,217	26,700	5,300	114	60,031	6.69%	1,502				
2001	12,440	4,850	6,940	-	545	982	-	843	25,470	5,587	76	57,733	6.30%	1,465				
2002	9,735	4,655	6,420	-	340	933	-	1,176	24,160	8,594	1,136	57,149	6.06%	1,456				
2003	13,790	4,450	5,900	7,000	130	877	-	766	23,370	8,406	1,004	65,693	6.80%	1,680				
2004	11,770	4,240	5,230	6,790	-	815	-	688	14,750	18,045	986	63,314	6.42%	1,638				
2005	9,955	4,020	4,545	6,565	-	756	-	945	13,655	17,084	913	58,438	5.73%	1,523				
2006	19,070	3,780	3,765	6,335	-	694	1,225	785	12,490	16,088	837	65,069	6.41%	1,703				
2007	21,415	3,520	2,960	6,085	-	631	1,005	1,309	11,260	15,051	896	64,132	6.32%	1,679				

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

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

SCHEDULE 33

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value¹ of Property</u>	<u>Per Capita²</u>
1998	\$ 17,075	\$ 2,695	\$ 14,380	1.13%	\$ 357
1999	16,100	2,269	13,831	1.01%	344
2000	14,965	2,176	12,789	0.90%	320
2001	12,440	2,099	10,341	0.71%	262
2002	9,735	2,194	7,541	0.51%	192
2003	13,790	2,085	11,705	0.73%	299
2004	11,770	1,983	9,787	0.60%	253
2005	9,955	1,988	7,967	0.48%	208
2006	19,070	3,148	15,922	0.96%	417
2007	21,415	2,950	18,465	1.11%	483

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

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

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

CITY OF MERIDIAN, MISSISSIPPI
Direct and Overlapping Governmental Activities Debt
As of September 30, 2007
(amounts expressed in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County	\$ 41,070	50.89%	\$ 20,901
Debt repaid with property taxes: School	<u>3,388</u>	91.21%	<u>3,090</u>
Subtotal, overlapping debt	44,458		23,991
City of Meridian direct debt	<u>21,415</u>	100.00%	<u>21,415</u>
Total direct and overlapping debt	<u>\$ 65,873</u>		<u>\$ 45,406</u>

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

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

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

CITY OF MERIDIAN, MISSISSIPPI

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

	Fiscal year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt Limit	\$ 29,873	\$ 32,013	\$ 33,170	\$ 34,016	\$ 34,783	\$ 38,261	\$ 38,544	\$ 38,739	\$ 39,211	\$ 39,208
Total net debt applicable to limit	<u>14,380</u>	<u>13,831</u>	<u>12,789</u>	<u>10,341</u>	<u>7,541</u>	<u>11,705</u>	<u>9,787</u>	<u>7,967</u>	<u>15,922</u>	<u>18,465</u>
Legal debt margin	<u>\$ 15,493</u>	<u>\$ 18,182</u>	<u>\$ 20,381</u>	<u>\$ 23,675</u>	<u>\$ 27,242</u>	<u>\$ 26,556</u>	<u>\$ 28,757</u>	<u>\$ 30,772</u>	<u>\$ 23,289</u>	<u>\$ 20,743</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>48.14%</u>	<u>43.20%</u>	<u>38.56%</u>	<u>30.40%</u>	<u>21.68%</u>	<u>30.59%</u>	<u>25.39%</u>	<u>20.57%</u>	<u>40.61%</u>	<u>47.09%</u>

Legal Debt Margin Calculation for Fiscal Year 2007:

Assessed value	\$ 258,858
Add back: exempt real property	<u>2,527</u>
Total assessed value	<u>\$ 261,385</u>
Debt limit (15% of total assessed value)	<u>\$ 39,208</u>
Debt applicable to limit:	
General obligation bonds	21,415
Less: Amount set aside for repayment of general obligation debt	<u>(2,950)</u>
Total net debt applicable to limit	<u>18,465</u>
Legal debt margin	<u>\$ 20,743</u>

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

SCHEDULE 36

CITY OF MERIDIAN, MISSISSIPPI

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

Fiscal Year	Water & Sewer Charges and Other	Less: Operating Expenses¹	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1998	\$ 8,076	\$ 4,155	\$ 3,921	\$ 845	\$ 1,316	181.44%
1999	8,500	4,421	4,079	1,045	1,683	149.52%
2000	8,728	4,461	4,267	1,105	1,725	150.78%
2001	8,459	4,837	3,622	1,230	1,725	122.57%
2002	9,442	4,777	4,665	1,370	1,518	161.53%
2003	9,002	5,435	3,567	1,555	1,655	111.12%
2004	9,798	5,269	4,529	1,845	1,495	135.60%
2005	10,902	5,690	5,212	2,020	1,516	147.40%
2006	11,036	6,416	4,620	2,125	1,399	131.10%
2007	10,907	7,016	3,891	2,230	1,298	110.29%

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

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

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

¹Total operating expenses exclusive of depreciation and amortization expense.

SCHEDULE 37

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

<u>Fiscal Year</u>	<u>Population¹</u>	<u>Personal Income (amounts expressed in thousands)²</u>	<u>Per Capita Personal Income³</u>	<u>Median Age⁴</u>	<u>School Enrollment⁵</u>	<u>Unemployment Rate⁶</u>
1998	40,255	\$ 843,060	\$ 20,943	36.5	7,271	6.0%
1999	40,255	854,251	21,221	36.5	7,139	6.0%
2000	39,968	897,841	22,464	36.5	7,089	6.4%
2001	39,395	916,958	23,276	34.6	6,898	6.4%
2002	39,245	942,861	24,025	34.6	6,695	7.7%
2003	39,114	966,194	24,702	34.6	6,619	8.4%
2004	38,665	986,924	25,525	35.5	6,305	8.1%
2005	38,360	1,019,532	26,578	35.6	6,449	8.6%
2006	38,200	1,015,280	26,578	35.9	6,722	7.8%
2007	38,200	1,015,280	26,578	36.5	6,630	8.5%

Sources:

- ¹U.S. Census Bureau website at www.census.gov.
- ²This information is not available for the City of Meridian. The amounts used were calculated based on the City of Meridian's population times the per capital personal income for Lauderdale County.
- ³U.S. Department of Commerce, Bureau of Economic Analysis website at www.bea.gov. This information is not available for the City of Meridian. The amounts used represent the data available for Lauderdale County.
- ⁴East Mississippi Business Development Corporation, Decision Data Resources.
- ⁵Meridian Separate School District.
- ⁶Mississippi Department of Employment Security "Annual Labor Force Report" at www.mdes.ms.gov.

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

SCHEDULE 38

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

<u>Taxpayer</u>	<u>2007</u>			<u>1998</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Rush Foundation Hospital	2,500	1	16.91%	1,100	2	6.59%
Jeff Anderson Regional Medical Center	1,475	2	9.98%	1,044	3	6.25%
Meridian Public Schools	1,350	3	9.13%	938	6	5.62%
Mississippi National Guard	1,180	4	7.98%	389	9	2.33%
East Mississippi State Hospital	1,100	5	7.44%	950	5	5.69%
Peavey Electronics Corporation	1,000	6	6.76%	1,643	1	9.84%
Wal-Mart	745	7	5.04%	370	10	2.22%
City of Meridian	540	8	3.65%	579	7	3.47%
Meridian Community College	515	9	3.48%	450	8	2.70%
Riley Memorial Hospital	<u>460</u>	10	<u>3.11%</u>	<u>1,000</u>	4	<u>5.99%</u>
Totals	<u>10,865</u>		<u>73.48%</u>	<u>8,463</u>		<u>50.70%</u>

Source: Mississippi Employment Security Commission

SCHEDULE 39

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

<u>Function</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General government	49	50	50	49	50	49	47	46	47	49
Public safety:										
Police:										
Officers	114	109	99	100	104	94	96	104	106	112
Civilians	32	27	31	21	15	15	17	18	18	14
Fire:										
Firefighters and officers	112	110	114	108	106	105	106	103	104	106
Civilians	8	8	10	10	10	11	10	9	10	8
Highways and streets	79	73	71	69	74	69	68	70	75	70
Sanitation	1	1	1	1	1	1	2	1	1	1
Culture and recreation	42	41	40	33	42	42	45	52	45	49
Water	52	49	50	54	51	48	51	52	50	44
Sewer	43	44	42	40	43	44	45	44	44	45
Golf course	5	4	5	5	5	5	5	3	3	3
Union Station	-	1	1	1	1	1	2	2	2	2
Municipal Garage	13	17	15	12	13	13	15	15	14	11
Homeland Security	-	-	-	-	-	-	2	6	7	6
Community Development	20	20	19	20	20	21	21	20	21	20
Totals	<u>570</u>	<u>554</u>	<u>548</u>	<u>523</u>	<u>535</u>	<u>518</u>	<u>532</u>	<u>545</u>	<u>547</u>	<u>540</u>

Source: City's payroll department.

CITY OF MERIDIAN, MISSISSIPPI

Operating Indicators by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police:										
Physical arrests	6,050	5,247	4,896	4,223	3,956	4,514	4,322	4,568	4,376	4,289
Parking violations	12,821	10,841	8,276	5,612	5,813	6,757	7,045	7,544	7,717	6,481
Traffic violations	12,771	14,404	9,921	7,033	9,261	12,272	11,564	13,049	14,766	10,763
Fire:										
Number calls answered	2,099	2,728	2,826	3,051	3,315	2,848	2,752	2,743	3,273	3,209
Inspections	1,536	1,687	1,540	955	1,900	2,048	2,844	3,051	3,734	3,673
Highways and streets:										
Street resurfacing (miles)	-	-	16	-	8	-	10	35	-	1
Potholes repaired	427	256	252	382	327	284	348	355	260	277
Culture and recreation¹:										
Meridian Activity Center/Velma										
Young Park/Highland Park classes	-	-	-	798	812	841	912	1,075	1,096	1,175
Water:										
New connections	76	66	74	183	56	45	74	71	112	93
Water mains breaks	2,193	1,554	1,786	1,512	1,415	1,143	1,193	1,286	948	1,130
Average daily consumption (millions of gallons)	5.120	5.353	5.196	5.260	5.347	5.401	5.916	4.802	4.495	5.079
Wastewater:										
Average daily sewerage treatment (millions of gallons)	8.290	7.040	7.460	9.100	9.450	10.090	9.560	11.570	10.800	6.350

Source: Various City departments.

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

SCHEDULE 41

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

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	31	27	26	24	28	36	37	43	71	67
Fire stations	7	7	7	7	7	7	7	7	7	7
Highways and streets:										
Streets (miles)	303.97	303.97	303.97	304.68	306.01	306.01	306.15	306.83	306.83	306.83
Streetslights ¹	-	-	-	-	6,267	6,273	6,287	6,298	6,351	6,400
Traffic signals	116	116	116	116	118	118	118	120	121	121
Culture and recreation:										
Parks acreage	221	224	224	225	225	226	286	286	286	286
Parks	12	13	13	14	15	16	17	17	17	17
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	6	8	8	18	18	18	18	18	18	18
Community centers	4	3	3	3	3	3	3	3	3	3
Softball/Baseball fields	16	16	16	16	16	18	18	18	18	18
Soccer fields	9	9	12	12	12	12	12	12	12	12
Golf course	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains (miles)	400	405	408	420	426	426	426	428	428	428
Fire hydrants	3,666	3,672	3,694	3,721	3,777	3,793	3,802	3,820	3,832	2,105
Maximum daily capacity (thousands of gallons)	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500
Sewer:										
Sanitary sewers (miles)	400	405	410	418	424	442	442	442	442	444
Storm sewers (miles)	200	200	200	200	200	200	200	200	200	200
Maximum daily treatment capacity (thousands of gallons)	13,000	13,000	13,000	13,000	13,000	13,000	14,000	14,000	14,000	14,000

Source: Various City departments.

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

SINGLE AUDIT SECTION

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

CITY OF MERIDIAN, MISSISSIPPI
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended September 30, 2007

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Number/ Federal Contract	Program or Award Amount	Accrued (Deferred) Revenue 9/30/2006	Federal Receipts	Federal Share Disbursements/ Expenditures	Accrued (Deferred) Revenue 9/30/2007	Cumulative Federal Receipts	Cumulative Federal Share Disbursements/ Expenditures	Fund Type
U. S. Department of Housing & Urban Development										
Pass through Mississippi Development Authority:										
CDBG Public Facilities	14.228	1120-03-258-PF-01	\$ 325,000	\$ -	\$ 325,000	\$ 325,000	\$ -	\$ 325,000	\$ 325,000	Enterprise fund
Homeowners Assistance	14.239	1217-M05-SG-28-0138	225,255	-	36,036	36,036	-	46,611	46,611	Special revenue
Total U.S. Department of Housing & Urban Development					361,036	361,036	-	371,611	371,611	
U. S. Department of Transportation										
T20159 Interchange Project	20.205	SP-0059-03(013)	297,559	(17,734)	-	-	(17,734)	297,559	279,825	Capital projects
Federal Railroad Administration	20.301	DIFR53-001-H-00301	1,047,000	37,836	37,836	-	-	658,054	658,054	General fund
Federal Railroad Administration	20.303	DIFR53-06-G-00012	250,000	-	142,191	234,035	91,844	142,191	234,035	General fund
Pass through Mississippi Department of Transportation:										
Lake Drive Realignment - TEA21	20.205	STP-0075-01(008)	420,745	41,547	-	6,906	48,453	372,292	420,745	Capital projects
Signalization Program - TEA21	20.205	STP-9450-00(004)	370,286	32,616	-	1,372	33,988	336,298	370,286	Capital projects
Highway 39 at 33rd Street - TEA21	20.205	STP-0074-01(004)	216,336	-	-	4,849	4,849	210,370	215,219	Capital projects
North Hills/Highway 39	20.205	STP-7242-00(001)	74,681	52,908	-	21,773	74,681	-	74,681	Capital projects
Bonita Lake Trails Grant	20.205	STP-0320-00(021)	233,256	123,278	167,925	14,897	(29,750)	233,256	203,506	Special revenue
Total U.S. Department of Transportation				270,451	347,952	283,832	206,331	2,250,020	2,456,351	
U. S. Department of Homeland Security										
Pass through Mississippi Department of Public Safety:										
2003 Flood Assistance	83.544	FEMA-1459-DR-MS	263,400	93,432	-	-	93,432	169,939	263,371	Capital projects
Homeland Security - Trainer	97.004	3SSG-5017	80,000	(184)	-	184	-	80,000	80,000	Special revenue
Homeland Security	97.004	04HS258	48,600	-	48,600	48,600	-	48,600	48,600	Special revenue
Homeland Security	97.004	04LE258	69,900	-	14,084	14,084	-	69,900	69,900	Special revenue
Homeland Security	97.004	4HS258R	850,000	157,941	648,731	490,790	-	832,818	832,818	Special revenue
Hurricane Ivan Clean Up	97.036	FEMA-1550-MS-DR	693,890	24,898	-	-	24,898	504,174	530,932	Special revenue
Hurricane Katrina Clean Up	97.036	FEMA-1604-MS-DR	3,070,978	258,078	520,966	448,142	185,254	3,053,332	3,238,586	Special revenue
Hurricane Katrina Personal Property	97.036	FEMA-1604-MS-DR	219,766	221,429	-	537	-	-	221,966	Special revenue
Hurricane Katrina Hazardous Limbs	97.036	FEMA-1604-MS-DR	111,974	111,974	89,137	-	22,837	89,137	111,974	Special revenue
Hurricane Katrina Clean Up	97.036	FEMA-1604-MS-DR	7,885	7,096	-	789	7,885	-	7,885	Special revenue
Assistance to Firefighters	97.044	EMW-2006-FG-07079	138,600	-	-	-	-	-	-	Special revenue
Homeland Security	97.067	05HS258	39,613	317	15,317	15,000	-	15,317	15,317	Special revenue
Homeland Security	97.067	05LE258	23,172	8,493	8,493	14,276	14,276	8,493	22,769	Special revenue
Homeland Security	97.067	5HS038R	150,000	-	45,264	144,621	99,357	45,264	144,621	Special revenue
Homeland Security	97.067	06HS258	63,922	-	-	-	-	-	-	Special revenue
Homeland Security	97.067	6HS258R	150,000	-	-	-	-	-	-	Special revenue
Total U.S. Department of Homeland Security				883,474	1,390,592	1,177,023	669,905	4,916,974	5,588,739	

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended September 30, 2007

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Number/Federal Contract	Program or Award Amount	Accrued (Deferred) Revenue 9/30/2006	Federal Receipts	Federal Share Disbursements/Expenditures	Accrued (Deferred) Revenue 9/30/2007	Cumulative Federal Receipts	Cumulative Federal Share Disbursements/Expenditures	Fund Type
U. S. Department of Interior										
Pass through Mississippi Forestry Commission:										
Urban and Community Forestry Grant	10.664	05 DG-11083128-08	\$ 2,500	\$ 2,067	\$ 2,067	\$ -	\$ -	\$ 2,067	\$ 2,067	Special revenue
Urban and Community Forestry Grant	10.664	06-DG-11083128-020	50,000	-	49,972	49,972	-	49,972	49,972	Special revenue
Certified Local Government Grant	15.904	28-05-20426	5,000	-	1,200	49	(1,151)	1,200	49	Special revenue
Total U. S. Department of Interior				2,067	53,239	50,021	(1,151)	53,239	52,088	
U. S. Department of Justice										
Pass through Mississippi Department of Public Safety:										
Wesley House/Victim Assistance	16.575	5NW2222	53,047	-	49,913	49,913	-	49,913	49,913	Special revenue
Multi-Jurisdictional Narcotics Assistance	16.579	05NM2221	188,335	32,775	32,775	-	-	175,422	175,422	Special revenue
Domestic Violence Grant	16.588	04SL2221	36,251	6,320	24,886	22,046	3,480	27,152	30,632	Special revenue
Domestic Violence Grant	16.588	04SL2222	6,317	-	-	-	-	-	-	Special revenue
Domestic Violence Grant	16.588	05SL2221	34,527	-	2,331	7,806	5,475	2,331	7,806	Special revenue
Vests	16.607	2004 BUBX-04023457	33,250	-	-	-	-	14,160	14,160	Special revenue
Underage Drinking Enforcement	16.727	4-UA-222-1	8,005	33	1,134	1,101	-	8,005	8,005	Special revenue
JAG Multi-Jurisdictional Narcotics Assistance	16.738	2005-DI-BX-0365	142,125	-	114,979	139,619	24,640	114,979	139,619	Special revenue
GMS Justice Assistance Grant	16.738	2006-DI-BX-0575	26,729	-	20,743	22,449	1,706	20,743	22,449	Special revenue
GMS Justice Assistance Grant	16.738	2007-DI-BX-0346	43,855	-	-	-	-	-	-	Special revenue
Seat Belt Enforcement	20.600	06-IN-222-1	10,000	3,719	3,719	-	-	7,985	7,985	Special revenue
Alcohol Countermeasures	20.600	06-TA-222-1	85,525	11,884	11,884	-	-	84,819	84,819	Special revenue
Seat Belt Enforcement	20.600	07-OP-222-1	6,829	-	-	4,630	4,630	-	4,630	Special revenue
Alcohol Countermeasures	20.600	07-TA-222-1	132,149	-	40,313	107,246	66,933	40,313	107,246	Special revenue
Total U. S. Department of Justice				54,731	302,677	354,810	106,864	545,822	652,686	
U. S. Department of Agriculture										
Gallagher Creek/Highland Park	10.916	69-4423-6-1602	100,000	16,639	21,123	4,484	-	36,719	36,719	Capital projects
Total U. S. Department of Agriculture				16,639	21,123	4,484	-	36,719	36,719	
U. S. Environmental Protection Agency										
South Industrial Park Study	66.202	XP-96402004-1	867,300	48,001	-	415,105	463,106	-	463,106	Enterprise fund
Total federal financial assistance				\$ 1,275,363	\$ 2,476,619	\$ 2,646,311	\$ 1,445,055	\$ 8,174,385	\$ 9,621,300	

¹ In the previous years, the amounts reported for this grant included State funded amounts. This grant has been corrected to only report Federal receipts and disbursements.

² This grant project is funded as expenditures are approved by the funding agencies. Therefore, the cumulative disbursements are greater than the award amount until such time that they are approved.

³ This grant project is funded as expenditures are approved by the funding agency. The beginning accrued revenue for this grant has been adjusted to remove disbursements that were not subsequently approved.

CITY OF MERIDIAN, MISSISSIPPI
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2007

(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, 2007

There were no prior year findings or questioned costs.

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Meridian, Mississippi ("City") as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 18, 2008. We did not audit the financial statements of the Meridian Transportation Commission or the Meridian Airport Authority, which represent 97.5% of the assets and 99.8% of the operating revenues of the component units column. Those statements were audited by other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated March 18, 2008.

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

By: B. Sanders ; O'Neil, et al.

Jackson, Mississippi
March 18, 2008

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

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

Compliance

We have audited the compliance of the City of Meridian, Mississippi ("City") with the types of compliance requirements described in the *U. S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's financial statements include the operations of the Meridian Airport Authority ("MAA"), which expended \$1,279,664 in federal awards; and the Meridian Transportation Commission ("MTC"), which expended \$275,267 in federal awards; both of which are not included in the schedule during the year ended September 30, 2007. Our audit described below, did not include the operations of MAA or MTC because they engaged other auditors to perform audits in accordance with OMB Circular A-133.

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

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Brzydek, Sanders & O'Neil, Ltd.

Jackson, Mississippi
March 18, 2008

CITY OF MERIDIAN, MISSISSIPPI
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended September 30, 2007

Section I - Summary of Audit Results

Financial Statements

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

Federal Awards

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

Identification of major program tested:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	CDBG Public Facilities
97.004/97.067	Homeland Security – Cluster of Programs
97.036	Hurricane Katrina Aid – Cluster of Programs
66.202	South Industrial Park Study

Continued

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2007

Section I - Summary of Audit Results (Continued)

Dollar threshold used to distinguish between type A and
type B programs:

\$ 300,000

Auditee determined to be a low-risk auditee?

Yes

Section II - Findings - Financial Statement Audit

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

Section III - Findings and Questioned Costs - Federal Award Programs

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

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of the City of Meridian, Mississippi ("City") as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 18, 2008. We did not audit the financial statements of the Meridian Transportation Commission or the Meridian Airport Authority, which represent 97.5% of the assets and 99.8% of the operating revenues of the component units column. Those financial statements were audited by other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

Breazeale, Saunders & O'Neil, Ltd.

Jackson, Mississippi
March 18, 2008