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CITY OF MERIDIAN, MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

CITY OF MERIDIAN, MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2004

PREPARED BY:
DEPARTMENT OF FINANCE AND RECORDS
L. E. SKIPPER, DIRECTOR

CITY OF MERIDIAN, MISSISSIPPI
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2004

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INTRODUCTORY SECTION

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CITY OF
MERIDIAN

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

Council members:
GEORGE M THOMAS
Ward 1

MARY A. B. PERRY
Ward 2

BARBARA HENSON
Ward 3

JESSE E. PALMER, SR.
Ward 4

BOBBY R. SMITH
Ward 5

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

CITY DEPARTMENTS:

Chief Administrative Officer
(601) 485-1929
FAX: (601) 485-1911

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

Finance and Records:
(601) 485-1946
FAX: (601) 485-1979

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

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

601 24th Avenue
Post Office Box 1430
Meridian, MS 39302-1430
www.meridianms.org

March 10, 2005

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

State of Mississippi law requires that every municipality in the state shall have their books audited annually, prior to the close of the next succeeding fiscal year, either by a competent accountant approved by the State Auditor or by a certified public accountant. The audit shall be made in accordance with regulations promulgated by the State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Meridian, Mississippi ("City") for the fiscal year ended September 30, 2004.

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 2004 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 auditors 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, 2004, are fairly presented in conformity with GAAP. The independent auditors' 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 may, at his discretion, appoint a chief administrative officer subject to council confirmation. The mayor is responsible, among other things, for enforcing the charter and ordinances of the municipality and all general laws applicable thereto, for overseeing day-to-day operation of the City, appointing the heads of the various departments subject to council confirmation, annually reporting to council and the public on the work of the previous year, making recommendations for action by the council and supervising all of the departments of the City. The mayor may approve ordinances adopted by the council or veto such action stating the reasons for such veto, and no ordinance so vetoed shall take effect unless council within fifteen (15) days resolves to override the veto by a vote of two-thirds (2/3) of the members present and voting to override. The mayor and council serve concurrent, four-year terms.

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

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

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

Factors Affecting Financial Condition

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

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

Additionally, the City serves as a regional health center, having four hospitals employing over 4,000 healthcare professionals and staff. The federal government has a major presence in the area with the location of Meridian Naval Air Station which provides training for naval carrier pilots and technical training for various enlisted personnel. The City is home of the first local Department of Homeland Security in the state and is the leader in a seven-county regional response team, which has been awarded grants totaling $2,509,942 for counter-terrorism and natural disaster-related activities. Our Public Safety Training Center serves as the location of a six-state, disaster training program through the Federal Railroad Administration.

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

completion and re-opening of the Grand Opera House of Mississippi scheduled for late summer of 2006. The Arts District Parking Garage, the City's commitment to the Riley project, is scheduled to open by June, 2005. A companion arts project, The Mississippi Arts and Entertainment Center at Bonita Lakes, has acquired seed money. Design professionals for preliminary site work were hired and they have developed a master plan. The next major step is fund raising to build the project.

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

Experts from the Urban Land Institute ("ULI") spent a week in Meridian and produced a report with many recommendations to continue the growth of downtown. Work is ongoing in planning and implementing the ULI recommendations. Recommendations range from improved aesthetics on the 22nd Avenue overpass gateway into downtown to development of a tourism and business welcome center to creation of a downtown walking tour spotlighting both existing and proposed museums and other cultural attractions.

Through the efforts of the City and business leaders, the Meridian Community Development and Investment Corporation was created in order to qualify for New Market Tax Credits through the National Trust for Historic Preservation. This will aid in attracting investors to the downtown area.

Construction of water and sewer lines to the new industrial park has now been completed. Construction of a new water tank for that area will begin shortly.

Completion of the $6 million dollar street paving project should be completed by early summer of 2005.

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 address the EPA's Capacity, Management, Operations and Maintenance ("CMOM") regulations; support capital reinvestment and repair to revitalize some infrastructure due to age; and support current annexation efforts. Project costs will be financed by the issuance of bonds at a current estimated cost of $6,000,000.

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

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

Risk management. Risk management efforts are coordinated through the office of the risk manager. The City maintains various forms of insurance, including but not limited to workers compensation, property, various liability policies and employee health insurance. Various

training and safety programs are conducted and the City has an Employee Assistance Program designed to assist employees with problems and retain employees if possible, and a health screening program providing preventive health care. All new employees are tested for drugs and a random drug screening program is conducted monthly from a pool of all employees.

Pension and Retirement Plans. The City and its component units contribute to the Public Employee's Retirement System of Mississippi ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. Employees covered by PERS are required by statute to contribute 7.25% of their salary to PERS. During the year ended September 30, 2004, City employees contributed $968,454. The Meridian Airport Authority made contributions to PERS during the year ended September 30, 2004, of approximately $18,500. Ten-year historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS June 30, 2004, 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, 2004 was $207,106; the City's total payroll for all employees was $14,275,788. At September 30, 2003, the date of the most recent actuarial valuation, there were 10 participating general municipal employees, firefighters and police officers.

Awards and Acknowledgements

The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report ("CAFR") for the fiscal year ended September 30, 2003. This was the eighth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance and Records Department. We would like to express our

appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the city council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Sincerely,

John Robert Smith
Mayor

L. E. Skipper
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Meridian, Mississippi

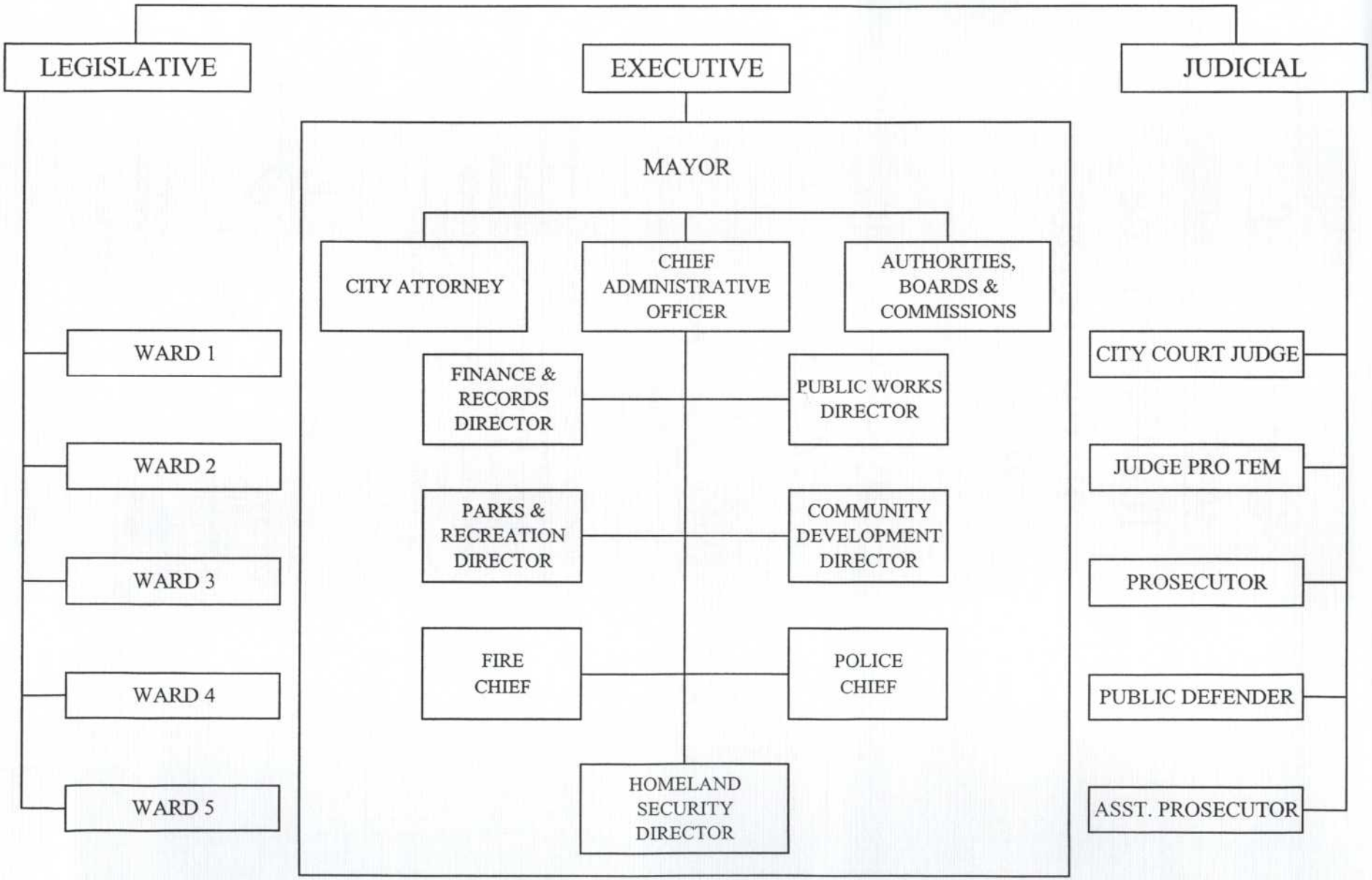
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2003

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

President

Executive Director

CITY OF MERIDIAN, MISSISSIPPI
ORGANIZATIONAL STRUCTURE



CITY OF MERIDIAN, MISSISSIPPI
Listing of City Officials
September 30, 2004

Elected Officials

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

Appointed Officials

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

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FINANCIAL SECTION

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BREAZEALE, SAUNDERS & O'NEIL, LTD. CERTIFIED PUBLIC ACCOUNTANTS
MEMBERS OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND SEC PRACTICE SECTIONS

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, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Meridian Transportation Commission or the Meridian Airport Authority, which represent 99.8% and 98.8%, 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 opinion, insofar as it relates to the amounts included for these component units, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

120 NORTH CONGRESS STREET / SUITE 300 / P. O. BOX 80 / JACKSON, MISSISSIPPI, 39205-0080
TELEPHONE (601) 969-7440 / TELECOPIER (601) 355-9003 / E-MAIL info@bsoltd.com

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

As discussed in note 1 to the basic financial statements, the City adopted Governmental Accounting Standards Board ("GASB") Statement No. 39, *Determining Whether Certain Organizations are Component Units, an amendment of GASB Statement No. 14*, and GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences, an amendment of GASB Statement No. 34*, for the year ended September 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 17 through 25 and the schedule of funding progress on page 91 are not a required part 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 methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Bryant, Sanders & O'Keith, Ltd.

March 7, 2005

CITY OF MERIDIAN, MISSISSIPPI
Management's Discussion and Analysis

As management of the City of Meridian, Mississippi ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2004. 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 $79,330 (*net assets)*. Of this amount, $12,665 (*unrestricted net assets)* may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by $195. This decrease is attributable to business-type activities fees not fully covering depreciation expenses (non-cash expense) for fiscal year 2004.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $14,376, a decrease of $7,213 in comparison with the prior year. Approximately 39 per cent of this total amount, $5,578, is *available for spending* at the City's discretion (*unreserved fund balance)*.
- At the end of the current fiscal year, unreserved fund balance for the general fund was $6,211 or 27 percent of total general fund expenditures.
- The City's total long-term debt decreased by $2,378 (3.6 percent) during the current fiscal year. During the year, the City issued $3,028 in new debt and retired $5,407 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 25 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, urban renewal parking garage bonds, and the 2003 general obligation bonds, all of which are considered to be major funds. Data from the other 21 governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental funds financial statements can be found on pages 32 – 37 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer Fund, Waste Collection and Disposal Fund, Golf Course Fund, Union Station Fund and a citywide Concessions Fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for service and maintenance costs for its fleet of vehicles. It uses a second internal service fund to account for office supplies. A third internal service fund is used to account for unemployment insurance and claims. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the business-type activities of the Water and Sewer Fund and the Waste Collection and Disposal Fund which are considered to be major funds of the City. 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 three internal service funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47 – 88 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 91 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, internal service funds, fiduciary funds, and nonmajor component units are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 93 – 121 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $79,330 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (69 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

	Governmental Activities		Business-type Activities		Total	
Description	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
Current and other assets	$ 20,186	26,542	11,405	9,848	31,591	36,390
Capital assets	69,828	64,726	50,911	51,958	120,739	116,684
Total assets	90,014	91,268	62,316	61,806	152,330	153,074
Long-term liabilities outstanding	28,983	31,974	31,013	30,083	59,996	62,057
Other liabilities	7,728	6,941	5,276	4,551	13,004	11,492
Total liabilities	36,711	38,915	36,289	34,634	73,000	73,549
Net assets:						
Invested in capital assets, net of related debt	36,915	31,813	17,957	20,085	54,872	51,898
Restricted	7,229	14,460	4,564	3,449	11,793	17,909
Unrestricted	9,159	6,080	3,506	3,638	12,665	9,718
Total net assets	$ 53,303	52,353	26,027	27,172	79,330	79,525

An additional portion of the City's net assets (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* ($19,894) 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 and for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

There was an increase of $1,115 in restricted net assets reported in connection with the City's business-type activities. This is a result of issuing new debt in the amount of $2,900 to be used for future system expansion.

The City's net assets decreased during the current fiscal year. This is due to depreciation expense not totally being recovered by fees in the business type activities.

Governmental activities. Governmental activities increased the City's net assets by $950; however, they did not fully offset the decrease in business-type activities. Key elements of these changes are as follows:

City of Meridian's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
Description	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
Revenues:						
Program revenues:						
Charges for services	$ 1,973	1,817	11,868	11,111	13,841	12,928
Operating grants and contributions	1,168	817	253	312	1,421	1,129
Capital grants and contributions	603	281	-	-	603	281
General revenues:						
Property taxes	10,107	9,828	882	901	10,989	10,729
Other taxes	14,859	14,521	-	-	14,859	14,521
Grants and contributions not restricted to specific programs	65	68	-	-	65	68
Other	192	169	112	269	304	438
Total revenues	28,967	27,501	13,115	12,593	42,082	40,094
Expenses:						
General government	5,738	5,291	-	-	5,738	5,291
Public safety	11,981	10,865	-	-	11,981	10,865
Public works	6,770	6,230	-	-	6,770	6,230
Sanitation	-	-	2,739	2,529	2,739	2,529
Economic development	169	85	-	-	169	85
Culture and recreation	1,967	1,805	-	-	1,967	1,805
Interest on long-term debt	1,685	1,390	-	-	1,685	1,390
Other	102	50	746	735	848	785
Water and Sewer	-	-	10,380	10,742	10,380	10,742
Total expenses	28,412	25,716	13,865	14,006	42,277	39,722
Increase (decrease) in net assets before transfers	555	1,785	(750)	(1,413)	(195)	372
Transfers in (out)	395	356	(395)	(356)	-	-
Increase (decrease) in net assets	950	2,141	(1,145)	(1,769)	(195)	372
Net assets – October 1	52,353	50,212	27,172	28,941	79,525	79,153
Net assets – September 30	$ 53,303	52,353	26,027	27,172	79,330	79,525

- Property taxes increased by $260 (2.4 percent) during the year.
- Revenues were higher than anticipated and expenditures were less than budgeted.

General government, debt service, public safety and public works expenditures increased. The addition of a new homeland security activity increased the public safety function. The other areas remained relatively unchanged.

Business-type activities. Business-type activities decreased the City's net assets by $1,145. This is primarily due to fees not generating revenue to fully cover depreciation expense.

Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $14,376, a decrease of $7,213 in comparison with the prior year. Approximately thirty-nine percent of this total amount ($5,578) constitutes *unreserved fund balance,* which is available for spending at the City's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to liquidate contracts and pay purchase orders of the prior period ($3,515) and for a variety of other restricted or designated purposes ($5,284).

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 $6,211, while total fund balance was $7,091. 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 27 percent of total general fund expenditures, while total fund balance represents 31 percent of that same amount.

The fund balance of the City's general fund decreased by a minimal amount ($7) during the current fiscal year.

The debt service fund has a total fund balance of $1,983, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was minimal ($102).

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

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to $3,296, and those for the Waste Collection and Disposal Fund amounted to $84. The total decrease in net assets for both funds was $813 and $316, respectively. Other factors concerning the finances have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor ($643 increase in appropriations) and can be briefly summarized as follows:

Description	Increase
General government	$ 100
Finance and records	66
Community development	60
Parks and recreation	18
Public works	299
Fire	100
Total	$ 643

Of this increase, $100 was to be funded from miscellaneous revenue. The remaining $543 was to be budgeted from available fund balance.

The final amended budget exceeded actual in all departments. Differences between the final amended budget and actual are as follows:

Description	Actual Under Budget
General government	$ 116
Finance and records	125
Community development	136
Parks and recreation	107
Public works	240
Police	415
Fire	31
Homeland security	112
Total	$ 1,282

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, 2004, amounts to $120,739 (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:

- The beginning of a major street overlay program.
- An extension of the water and sewer systems to a new industrial park.
- The beginning of the construction of a new downtown parking garage.

City of Meridian's Capital Assets
(net of depreciation)

Description		Governmental Activities 2004	Governmental Activities 2003	Business-type Activities 2004	Business-type Activities 2003	Total 2004	Total 2003
Land	$	5,500	5,467	272	272	5,772	5,739
Building and system		12,824	12,748	47,668	50,684	60,492	63,432
Improvements other than buildings		738	784	30	31	768	815
Machinery and equipment		3,729	3,354	826	648	4,555	4,002
Infrastructure		38,079	40,476	-	-	38,079	40,476
Construction in progress		8,958	1,897	2,115	323	11,073	2,220
Total	$	69,828	64,726	50,911	51,958	120,739	116,684

Additional information on the City's capital assets can be found in note 5 on pages 69 – 72 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $49,780. Of this amount, $11,770 comprises debt backed by the full faith and credit of the City, $6,790 in special obligation bonds, $5,230 in tax increment financing bonds and $4,240 in special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

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

Description		Governmental Activities 2004	Governmental Activities 2003	Business-type Activities 2004	Business-type Activities 2003	Total 2004	Total 2003
General obligation bonds	$	11,770	13,790	-	-	11,770	13,790
Special obligation bonds		6,790	7,000	-	-	6,790	7,000
Limited obligation tax increment financing bonds		5,230	5,900	-	-	5,230	5,900
Special assessment debt with governmental commitment		4,240	4,450	-	-	4,240	4,450
Revenue bonds		-	-	14,750	15,780	14,750	15,780
Total	$	28,030	31,140	14,750	15,780	42,780	46,920

The City's total bonded debt decreased by $4,140 (9 percent) during the current fiscal year. The decrease is due to retirements exceeding issuance.

The City entered into a promissory loan to be used to expand the water and sewer system to a new industrial park.

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

State statutes limit the amount of general obligation debt a government entity may issue to 15 percent of its total assessed valuation. The current debt limitation of the City is $38,012 which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in note 9 on pages 76 – 81 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City is currently 7.6 percent, which is an increase from the rate of 6.5 percent a year ago. This compares to the national average of 5.7 percent and is slightly higher than the state average of 7.1 percent.
- The revitalization of the City continued with the issuance of 2,296 building permits with a construction value of $29 million.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2005 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund decreased to $6,210. The City has appropriated $2,540 of this amount for spending in the 2005 fiscal year budget.

The Water and Sewer Fund's rates were increased for the 2005 budget year. The water and sewer rates were increased by an average of 10 percent for all customers. The water and sewer rates affected both residential and industrial consumers by approximately the same percentage. These rate increases were necessary to finance debt service on the new debt issued by the Water and Sewer Fund.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

CITY OF MERIDIAN, MISSISSIPPI

Statement of Net Assets

September 30, 2004

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 13,363,128	1,570,625	14,933,753	221,971
Investments	2,152,071	100,000	2,252,071	8,424
Receivables, net:				
Taxes	1,044,089	-	1,044,089	-
Accounts	517,261	981,720	1,498,981	228,176
Special assessments	1,407,160	-	1,407,160	-
Intergovernmental	941,463	-	941,463	205,318
Interest	1,502	222	1,724	-
Miscellaneous	3,128	8,980	12,108	-
Due from component units	63,720	-	63,720	-
Internal balances	15,157	(15,157)	-	-
Inventory	47,365	428,062	475,427	62,167
Asset held for resale	-	-	-	130,000
Prepaid items	103,585	27,384	130,969	31,514
Deferred charges	526,412	526,989	1,053,401	-
Temporarily restricted assets - Cash and investments	-	7,776,707	7,776,707	290,149
Capital assets (net of accumulated depreciation):				
Land	5,499,702	271,666	5,771,368	507,500
Buildings	12,824,454	4,677	12,829,131	1,645,466
Water and sewer system	-	47,663,875	47,663,875	-
Improvements other than buildings	737,745	29,596	767,341	7,661,413
Machinery and equipment	3,729,102	826,172	4,555,274	420,189
Infrastructure	38,078,722	-	38,078,722	-
Construction in progress	8,958,185	2,115,142	11,073,327	3,696,394
Total assets	90,013,951	62,316,660	152,330,611	15,108,681

(Continued)

CITY OF MERIDIAN, MISSISSIPPI

Statement of Net Assets

September 30, 2004

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Accounts payable and other current liabilities	$ 2,728,510	594,897	3,323,407	402,680
Accrued interest	447,839	-	447,839	-
Accrued salaries	754,143	152,553	906,696	-
Accrued sales tax	-	15,254	15,254	-
Deposits payable	146,716	664,389	811,105	400
Notes payable	-	-	-	444,973
Liabilities payable from restricted assets	-	3,213,142	3,213,142	-
Unearned revenue	16,804	470,369	487,173	83,702
Noncurrent liabilities:				
Due within one year	3,633,570	165,363	3,798,933	-
Due in more than one year	28,983,400	31,013,331	59,996,731	-
Total liabilities	36,710,982	36,289,298	73,000,280	931,755
NET ASSETS				
Invested in capital assets, net of related debt	36,915,291	17,957,287	54,872,578	13,499,962
Restricted for:				
Debt service	1,982,668	1,800,781	3,783,449	-
Capital projects	4,648,223	2,762,784	7,411,007	290,149
Other	597,957	-	597,957	-
Unrestricted	9,158,830	3,506,510	12,665,340	386,815
Total net assets	$ 53,302,969	26,027,362	79,330,331	14,176,926

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, 2004

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 5,738,197	680,573	-	-
Public safety	11,980,818	1,148,297	1,106,971	56,741
Public works	6,769,958	-	-	-
Culture and recreation	1,967,716	144,349	22,747	-
Economic development	169,318	-	38,207	546,126
Other	101,747	-	-	-
Interest on long-term debt	1,684,793	-	-	-
Total governmental activities	28,412,547	1,973,219	1,167,925	602,867
Business-type activities:				
Water and sewer	10,380,548	9,797,807	252,513	-
Waste collection and disposal	2,738,616	1,580,321	-	-
Golf course	423,386	346,144	-	-
Union station	283,686	102,723	-	-
Concessions	38,720	40,775	-	-
Total business-type activities	13,864,956	11,867,770	252,513	-
Total primary government	$ 42,277,503	13,840,989	1,420,438	602,867
Component units:				
Meridian Airport Authority	$ 2,089,017	1,235,964	227,405	1,042,676
Nonmajor component units	432,247	44,498	327,656	32,500
Total component units	$ 2,521,264	1,280,462	555,061	1,075,176

General revenues:

Property taxes
Sales taxes
Franchise taxes
County road taxes
Motor fuel taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Insurance proceeds
Gain on sale of capital assets
Casualty loss of capital asset

Transfers

Loss on impairment of asset

Total general revenues, transfers and specialty item

Change in net assets

Net assets, October 1, 2003

Net assets, September 30, 2004

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
(5,057,624)	-	(5,057,624)	-
(9,668,809)	-	(9,668,809)	-
(6,769,958)	-	(6,769,958)	-
(1,800,620)	-	(1,800,620)	-
415,015	-	415,015	-
(101,747)	-	(101,747)	-
(1,684,793)	-	(1,684,793)	-
(24,668,536)	-	(24,668,536)	-
-	(330,228)	(330,228)	-
-	(1,158,295)	(1,158,295)	-
-	(77,242)	(77,242)	-
-	(180,963)	(180,963)	-
-	2,055	2,055	-
-	(1,744,673)	(1,744,673)	-
(24,668,536)	(1,744,673)	(26,413,209)	-
-	-	-	417,028
-	-	-	(27,593)
-	-	-	389,435
10,107,163	882,244	10,989,407	-
12,179,516	-	12,179,516	-
1,844,968	-	1,844,968	-
815,092	-	815,092	-
19,239	-	19,239	-
64,858	-	64,858	-
175,672	112,491	288,163	6,903
-	-	-	9,500
16,764	-	16,764	(13,880)
-	-	-	(30,000)
395,044	(395,044)	-	-
-	-	-	(13,880)
25,618,316	599,691	26,218,007	(27,477)
949,780	(1,144,982)	(195,202)	361,958
52,353,189	27,172,344	79,525,533	13,814,968
$ 53,302,969	26,027,362	79,330,331	14,176,926

CITY OF MERIDIAN, MISSISSIPPI
Balance Sheet
Governmental Funds
September 30, 2004

	General	Debt Service	Urban Renewal Parking Garage Bonds	2003 General Obligation Bonds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 5,936,936	1,908,375	-	3,857,135	1,511,801	13,214,247
Investments	500,000	-	1,402,071	-	250,000	2,152,071
Receivables, net:						
Taxes	1,013,763	30,326	-	-	-	1,044,089
Accounts	517,261	-	-	-	-	517,261
Special assessments	-	1,407,160	-	-	-	1,407,160
Intergovernmental	151,156	-	-	-	790,307	941,463
Interest	1,109	-	-	-	393	1,502
Miscellaneous	-	-	-	-	3,128	3,128
Due from other funds	769,045	46,755	-	-	118,834	934,634
Due from component units	38,590	-	-	-	-	38,590
Prepaid items	85,693	-	-	-	17,893	103,586
Total assets	$ 9,013,553	3,392,616	1,402,071	3,857,135	2,692,356	20,357,731
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 804,777	2,788	487,672	1,165,310	213,770	2,674,317
Accrued salaries	754,143	-	-	-	-	754,143
Deposits payable	146,716	-	-	-	-	146,716
Due to other funds	216,741	-	-	8,529	756,939	982,209
Unearned revenue	-	1,407,160	-	-	16,804	1,423,964
Total liabilities	1,922,377	1,409,948	487,672	1,173,839	987,513	5,981,349
Fund balances:						
Reserved:						
Encumbrances	794,732	-	1,068,948	-	1,651,555	3,515,235
Prepaid items	85,693	-	-	-	17,893	103,586
Debt service	-	1,982,668	-	-	-	1,982,668
Unreserved, designated for subsequent years' expenditures, reported in - Capital projects funds	-	-	-	2,683,296	514,074	3,197,370
Unreserved, reported in:						
General fund	6,210,751	-	-	-	-	6,210,751
Special revenue fund	-	-	-	-	533,544	533,544
Capital projects funds	-	-	(154,549)	-	(1,012,223)	(1,166,772)
Total fund balances	7,091,176	1,982,668	914,399	2,683,296	1,704,843	14,376,382
Total liabilities and fund balances	$ 9,013,553	3,392,616	1,402,071	3,857,135	2,692,356	20,357,731

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, 2004

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

Fund balances - total governmental funds	$ 14,376,382
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance	69,827,910
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds balance	1,407,160
Bond issuance costs are amortized over the life of the bonds on the statement of net assets.	526,412
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.	(33,064,809)
Internal service funds are used to charge the costs of certain activities, such as garage services, office supplies, and unemployment compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets (net of amount allocated to business-type activities of $1,447).	229,914
Net assets of governmental activities	$ 53,302,969

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, 2004

	General	Debt Service	Urban Renewal Parking Garage Bonds	2003 General Obligation Bonds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Taxes:						
Property	$ 6,645,422	3,284,593	-	-	-	9,930,015
Sales	12,179,516	-	-	-	-	12,179,516
Franchise	1,844,968	-	-	-	-	1,844,968
County Road	815,092	-	-	-	-	815,092
Motor Fuel	19,239	-	-	-	-	19,239
Licenses and permits	298,309	-	-	-	-	298,309
Intergovernmental	475,383	-	-	-	1,137,416	1,612,799
Charges for services	144,349	-	-	-	-	144,349
Fines and forfeitures	783,228	-	-	-	365,069	1,148,297
Special assessments	-	131,889	-	-	-	131,889
Payments in lieu of taxes	85,527	-	-	-	-	85,527
Local contributions	-	-	-	-	222,851	222,851
Interest on investments	66,707	18,248	25,790	52,156	12,771	175,672
Interest costs and damages	94,381	-	-	-	-	94,381
Miscellaneous	340,358	-	-	-	131,016	471,374
Total revenues	23,792,479	3,434,730	25,790	52,156	1,869,123	29,174,278
Expenditures:						
Current:						
General government	5,342,358	-	-	-	-	5,342,358
Public safety	10,690,066	-	-	-	810,272	11,500,338
Public works	3,826,834	-	-	-	-	3,826,834
Culture and recreation	1,814,885	-	-	-	68,858	1,883,743
Economic development	-	-	-	-	169,318	169,318
Other	87,347	14,400	-	-	-	101,747
Capital outlay	1,067,345	-	4,090,893	2,866,456	829,885	8,854,579
Debt Service:						
Principal retirement	137,800	3,302,340	-	-	-	3,440,140
Interest and fiscal charges	43,572	1,661,482	-	-	-	1,705,054
Total expenditures	23,010,207	4,978,222	4,090,893	2,866,456	1,878,333	36,824,111
Excess (deficiency) of revenues over (under) expenditures	782,272	(1,543,492)	(4,065,103)	(2,814,300)	(9,210)	(7,649,833)
Other financing sources (uses):						
Transfers in	647,494	1,441,104	-	-	544,991	2,633,589
Transfers out	(1,504,408)	-	-	(371,405)	(387,732)	(2,263,545)
Capital leases	67,223	-	-	-	-	67,223
Total other financing sources (uses)	(789,691)	1,441,104	-	(371,405)	157,259	437,267
Net change in fund balances	(7,419)	(102,388)	(4,065,103)	(3,185,705)	148,049	(7,212,566)
Fund balances, October 1, 2003	7,098,595	2,085,056	4,979,502	5,869,001	1,556,794	21,588,948
Fund balances, September 30, 2004	$ 7,091,176	1,982,668	914,399	2,683,296	1,704,843	14,376,382

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, 2004

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

Net change in fund balances - total governmental funds	$ (7,212,566)
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.	5,262,084
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.	(160,286)
Special assessment revenues related to prior periods reported as revenues in the governmental funds are not reported as revenues in the statement of activities.	(134,649)
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.	3,379,460
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.	(185,587)
Internal service funds are used to charge the costs of certain activities, such as garage services, office supplies, and unemployment compensation to individual funds. The net revenue of the internal service funds is reported with governmental activities (net of amount allocated to business-type activities of $1,447).	1,324
Change in net assets of governmental activities	$ 949,780

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Taxes:				
Ad valorem	$ 7,250,000	7,250,000	7,455,886	205,886
Sales	11,300,000	11,400,000	11,688,584	288,584
County road	830,000	830,000	817,662	(12,338)
Gasoline	20,000	20,000	19,239	(761)
Payment in lieu of taxes	100,000	100,000	98,842	(1,158)
Intergovernmental:				
Alcoholic beverage	40,000	40,000	44,700	4,700
State Fire Insurance Fund	171,000	171,000	170,769	(231)
Municipal aid	20,000	20,000	20,833	833
Grant	350,000	350,000	126,473	(223,527)
Franchise:				
Mississippi Power Company	1,300,000	1,300,000	1,330,178	30,178
Mississippi Valley Gas Company	170,000	170,000	179,671	9,671
Comcast Cable Company	280,000	280,000	313,509	33,509
Fines and forfeitures	800,000	800,000	783,228	(16,772)
Licenses and permits:				
Privilege license	140,000	140,000	126,542	(13,458)
Building and allied permits	90,000	90,000	171,767	81,767
Charges for services:				
Garbage collection	1,600,000	1,600,000	1,517,261	(82,739)
Recreation	110,000	110,000	139,074	29,074
Enterprise Funds	601,500	601,500	645,500	44,000
Out-of-county tonnage	-	-	60,665	60,665
Miscellaneous	200,000	200,000	287,792	87,792
Interest on investments	80,000	80,000	77,991	(2,009)
Interest costs and damages	60,000	60,000	92,944	32,944
Transfers in	-	-	14	14
Total revenues	25,512,500	25,612,500	26,169,124	556,624
Expenditures:				
General government:				
Personnel services	1,039,650	1,033,850	1,030,465	3,385
Supplies	634,550	586,850	484,592	102,258
Capital outlay	10,950	77,950	75,429	2,521
Transfers and other charges	836,290	923,290	915,707	7,583
Total general government	2,521,440	2,621,940	2,506,193	115,747
Finance and records:				
Personnel services	1,183,550	1,183,550	1,129,342	54,208
Supplies	1,206,360	1,240,460	1,172,502	67,958
Capital outlay	195,750	227,620	224,660	2,960
Transfers and other charges	35,000	35,000	35,000	-
Total finance and records	2,620,660	2,686,630	2,561,504	125,126

(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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Expenditures (continued):				
Community development:				
Personnel services	$ 874,000	874,000	855,287	18,713
Supplies	216,050	216,050	171,838	44,212
Capital outlay	47,750	47,750	46,335	1,415
Transfers and other charges	375,100	435,100	363,076	72,024
Total community development	1,512,900	1,572,900	1,436,536	136,364
Parks and recreation:				
Personnel services	1,316,750	1,316,750	1,220,864	95,886
Supplies	512,150	538,610	531,378	7,232
Capital outlay	83,050	81,550	78,021	3,529
Transfers and other charges	67,000	60,000	59,999	1
Total parks and recreation	1,978,950	1,996,910	1,890,262	106,648
Public works:				
Personnel services	2,932,550	2,917,350	2,701,674	215,676
Supplies	930,200	961,200	951,919	9,281
Capital outlay	258,950	301,950	287,957	13,993
Transfers and other charges	2,541,000	2,781,000	2,780,091	909
Total public works	6,662,700	6,961,500	6,721,641	239,859
Police:				
Personnel services	4,375,950	4,375,950	4,084,347	291,603
Supplies	1,437,600	1,418,600	1,294,931	123,669
Capital outlay	305,350	324,350	324,348	2
Transfers and other charges	71,400	71,400	71,339	61
Total police	6,190,300	6,190,300	5,774,965	415,335
Fire:				
Personnel services	4,444,250	4,444,250	4,416,744	27,506
Supplies	558,100	545,980	542,823	3,157
Capital outlay	108,200	220,320	219,706	614
Transfers and other charges	15,000	15,000	15,000	-
Total fire	5,125,550	5,225,550	5,194,273	31,277
Homeland Security:				
Personnel services	90,000	90,700	91,115	(415)
Supplies	320,000	269,300	158,826	110,474
Capital outlay	40,000	90,000	87,825	2,175
Total homeland security	450,000	450,000	337,766	112,234
Total expenditures	27,062,500	27,705,730	26,423,140	1,282,590
Net change in fund balances	(1,550,000)	(2,093,230)	(254,016)	1,839,214
Fund balances, October 1, 2003	2,300,000	2,843,230	4,442,326	1,599,096
Fund balances, September 30, 2004	$ 750,000	750,000	4,188,310	3,438,310

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, 2004

	Business-type Activities - Enterprise Funds				Governmental Activities -
	Water & Sewer	Waste Collection & Disposal	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	$ 1,239,166	169,160	162,299	1,570,625	148,881
Investments	100,000	-	-	100,000	-
Receivables:					
Accounts	937,303	137,112	-	1,074,415	-
Less allowance for uncollectibles	(92,695)	-	-	(92,695)	-
Interest	222	-	-	222	-
Miscellaneous	-	-	8,980	8,980	-
Due from other funds	-	4,637	-	4,637	64,179
Due from component units	-	-	-	-	25,130
Inventory	383,040	-	45,022	428,062	47,365
Prepaid items	27,384	-	-	27,384	-
Total current assets	2,594,420	310,909	216,301	3,121,630	285,555
Restricted cash and investments:					
Revenue Bond Construction Funds	763,772	-	-	763,772	-
Other Construction Funds	2,693,361	-	-	2,693,361	-
Revenue Bond Debt Service Account	2,447,963	-	-	2,447,963	-
Revenue Bond Cushion Account	1,704,213	-	-	1,704,213	-
Revenue Bond Contingent Account	83,699	-	-	83,699	-
Revenue Bond Depreciation Account	83,699	-	-	83,699	-
Total restricted cash and investments	7,776,707	-	-	7,776,707	-
Noncurrent assets:					
Deferred charges	526,989	-	-	526,989	-
Capital assets:					
Land	271,666	-	-	271,666	-
Buildings	-	-	117,128	117,128	-
Water and sewer system	85,996,950	-	-	85,996,950	-
Improvements other than buildings	-	-	113,067	113,067	-
Machinery and equipment	2,979,229	19,626	415,819	3,414,674	-
Construction in progress	2,115,142	-	-	2,115,142	-
Total capital assets	91,362,987	19,626	646,014	92,028,627	-
Less accumulated depreciation	(40,552,981)	(3,926)	(560,592)	(41,117,499)	-
Capital assets (net of accumulated depreciation)	50,810,006	15,700	85,422	50,911,128	-
Total noncurrent assets	51,336,995	15,700	85,422	59,214,824	-
Total assets	61,708,122	326,609	301,723	62,336,454	285,555

(Continued)

CITY OF MERIDIAN, MISSISSIPPI

Statement of Net Assets
Proprietary Funds
September 30, 2004

	Business-type Activities - Enterprise Funds				Governmental Activities -
	Water & Sewer	Waste Collection & Disposal	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
LIABILITIES					
Current liabilities:					
Accounts payable	$ 323,337	222,439	49,121	594,897	54,194
Accrued liabilities:					
Payroll	138,666	1,801	12,086	152,553	-
Compensated absences	247,139	2,583	27,318	277,040	-
Sales tax	13,303	-	1,951	15,254	-
Customer deposits	664,389	-	-	664,389	-
Due to other funds	20,780	-	461	21,241	-
Current portion of capital leases	72,841	-	175	73,016	-
Total current liabilities	1,480,455	226,823	91,112	1,798,390	54,194
Current liabilities payable from restricted assets:					
Accounts payable	694,349	-	-	694,349	-
Revenue bonds payable	1,095,000	-	-	1,095,000	-
Promissory loans	957,187	-	-	957,187	-
Interest payable	466,606	-	-	466,606	-
Total current liabilities payable from restricted assets	3,213,142	-	-	3,213,142	-
Noncurrent liabilities:					
Revenue bonds payable (net of deferred refunding costs of $211,032)	13,443,968	-	-	13,443,968	-
Deferred revenue forward invested funds	470,369	-	-	470,369	-
Promissory loans (net of deferred refunding costs of $616,341)	16,471,052	-	-	16,471,052	-
Capital leases payable	910,763	-	2,855	913,618	-
Total noncurrent liabilities	31,296,152	-	2,855	31,299,007	-
Total liabilities	35,989,749	226,823	93,967	36,310,539	54,194
NET ASSETS					
Invested in capital assets, net of related debt	17,859,195	15,700	82,392	17,957,287	-
Restricted for:					
Debt Service	1,800,781	-	-	1,800,781	-
Capital projects	2,762,784	-	-	2,762,784	-
Unrestricted	3,295,613	84,086	125,364	3,505,063	231,361
Total net assets	$ 25,718,373	99,786	207,756	26,025,915	231,361

Reconciliation to government-wide statement of net assets:

Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds	1,447
Net assets of business-types activities	$ 26,027,362

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, 2004

	Business-type Activities - Enterprise Funds				Governmental Activities -
	Water & Sewer	Waste Collection & Disposal	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating revenues:					
Charges for sales and services:					
Water sales	$ 4,926,400	-	-	4,926,400	-
Sewer charges	4,514,939	-	-	4,514,939	-
Tap fees	314,684	-	-	314,684	-
Garbage collection fees	-	1,519,036	-	1,519,036	-
Out-of-county tonnage	-	61,285	-	61,285	-
Memberships	-	-	81,680	81,680	-
Green fees	-	-	65,444	65,444	-
Cart rental	-	-	57,549	57,549	-
Concessions	-	-	181,005	181,005	-
Other services	-	-	-	-	385,733
Rental income	-	-	102,723	102,723	-
Miscellaneous	41,784	-	1,241	43,025	-
Total operating revenues	9,797,807	1,580,321	489,642	11,867,770	385,733
Operating expenses:					
Personnel services	2,807,123	44,751	277,034	3,128,908	-
Supplies and materials	333,612	1,127	148,651	483,390	384,921
Rent and utilities	814,752	901	51,650	867,303	-
Operation, maintenance, and repairs	428,032	1,145	138,988	568,165	-
Garbage disposal services	-	2,684,766	-	2,684,766	-
Depreciation and amortization	3,616,684	3,926	25,792	3,646,402	-
Claims paid	-	-	-	-	24,280
Miscellaneous	885,142	2,000	103,494	990,636	-
Total operating expenses	8,885,345	2,738,616	745,609	12,369,570	409,201
Operating income (loss)	912,462	(1,158,295)	(255,967)	(501,800)	(23,468)
Nonoperating revenues (expenses):					
Ad valorem taxes	-	882,244	-	882,244	-
Operating grants	252,513	-	-	252,513	-
Interest income	107,103	4,116	1,272	112,491	-
Interest expense	(1,495,411)	-	(183)	(1,495,594)	-
Total nonoperating revenues (expenses)	(1,135,795)	886,360	1,089	(248,346)	-
Loss before transfers	(223,333)	(271,935)	(254,878)	(750,146)	(23,468)
Transfers:					
Transfers in	12,106	-	238,350	250,456	25,000
Transfers out	(601,500)	(44,000)	-	(645,500)	-
Total transfers	(589,394)	(44,000)	238,350	(395,044)	25,000
Change in net assets	(812,727)	(315,935)	(16,528)	(1,145,190)	1,532
Net assets, October 1, 2003	26,531,100	415,721	224,284		229,829
Net assets, September 30, 2004	$ 25,718,373	99,786	207,756		231,361

Reconciliation to government-wide statement of activities:

Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds	208
Change in net assets of business-types activities	$ (1,144,982)

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, 2004

	Business-type Activities - Enterprise Funds				Governmental Activities -
	Water & Sewer	Waste Collection & Disposal	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:					
Receipts from customers and users	$ 9,600,005	1,593,756	489,706	11,683,467	381,041
Payments to suppliers	(1,943,623)	(2,687,403)	(452,279)	(5,083,305)	(380,575)
Payments to employees	(2,762,968)	(44,722)	(273,038)	(3,080,728)	-
Net cash provided by (used in) operating activities	4,893,414	(1,138,369)	(235,611)	3,519,434	466
***Cash flows from* noncapital financing activities:**					
Operating grants received	252,513	-	-	252,513	-
Ad valorem taxes received	-	882,244	-	882,244	-
Transfers to other funds	(601,500)	(44,000)	-	(645,500)	-
Transfers from other funds	12,106	-	238,350	250,456	25,000
Net cash provided by (used in) noncapital financing activities	(336,881)	838,244	238,350	739,713	25,000
Cash flows from capital and related financing activities:					
Proceeds from promissory notes	2,812,075	-	-	2,812,075	-
Acquisition and construction of capital assets	(2,407,908)	(19,626)	-	(2,427,534)	-
Payments on long-term debt:					
Revenue bonds	(1,030,000)	-	-	(1,030,000)	-
Promissory notes	(851,917)	-	-	(851,917)	-
Capital lease payments	(77,814)	-	(218)	(78,032)	-
Interest paid on revenue bonds and other debt	(1,476,654)	-	(183)	(1,476,837)	-
Net cash used in capital and related financing activities	(3,032,218)	(19,626)	(401)	(3,052,245)	-
Cash flows from investing activities:					
Purchase of investments	(234,114)	-	-	(234,114)	-
Interest received	54,466	4,116	1,272	59,854	-
Net cash provided by (used in) investing activities	(179,648)	4,116	1,272	(174,260)	-
Net increase (decrease) in cash and cash equivalents	1,344,667	(315,635)	3,610	1,032,642	25,466
Cash and cash equivalents, October 1, 2003 (including $3,265,878 in restricted accounts)	4,794,020	484,795	158,689	5,437,504	123,415
Cash and cash equivalents, September 30, 2004 (including $4,899,521 in restricted accounts)	$ 6,138,687	169,160	162,299	6,470,146	148,881

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2004

	Business-type Activities - Enterprise Funds				Governmental Activities -
	Water & Sewer	Waste Collection & Disposal	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ 912,462	(1,158,295)	(255,967)	(501,800)	(23,468)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	3,616,684	3,926	25,792	3,646,402	-
Changes in assets and liabilities:					
Accounts receivable	(314,089)	2,861	63	(311,165)	-
Due from other funds	81,514	10,574	-	92,088	(7,389)
Due from component units	-	-	-	-	2,698
Inventory	2,938	-	(8,477)	(5,539)	7,867
Prepaid items	(4,412)	-	1,439	(2,973)	-
Accounts payable	524,393	2,537	(3,164)	523,766	20,758
Accrued liabilities	44,909	28	4,250	49,187	-
Customer deposits	34,773	-	-	34,773	-
Due to other funds	(5,758)	-	453	(5,305)	-
Total adjustments	3,980,952	19,926	20,356	4,021,234	23,934
Net cash provided by (used in) operating activities	$ 4,893,414	(1,138,369)	(235,611)	3,519,434	466
Noncash investing, capital and financing activities:					
Bond issue costs	$ 87,924	-	-	87,924	-
Borrowing under capital lease	$ 61,171	-	-	61,171	-

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, 2004

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 712,732
Intergovernmental receivables- County	189,889
Total assets	$ 902,621
LIABILITIES	
Intergovernmental payables:	
Schools	$ 697,821
PERS	124,916
State	31,793
Employee insurance withheld	48,091
Total liabilities	$ 902,621

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, 2004

	Meridian Airport Authority	Nonmajor Component Units	Total Component Units
ASSETS			
Cash and cash equivalents	$ 204,376	17,595	221,971
Investments	-	8,424	8,424
Receivables:			
Accounts	228,081	95	228,176
Intergovernmental:			
Federal	172,525	-	172,525
State	13,306	19,487	32,793
Inventory	62,167	-	62,167
Asset held for resale	130,000	-	130,000
Prepaid items	23,037	8,477	31,514
Restricted assets - cash	290,149	-	290,149
Capital assets (net of accumulated depreciation):			
Land	500,000	7,500	507,500
Buildings	1,645,466	-	1,645,466
Improvements other than buildings	7,661,413	-	7,661,413
Machinery and equipment	396,692	23,497	420,189
Construction in progress	3,696,394	-	3,696,394
Total assets	15,023,606	85,075	15,108,681
LIABILITIES			
Notes payable	431,000	13,973	444,973
Accounts payable	323,783	29,423	353,206
Accrued liabilities	41,960	7,514	49,474
Customer deposits	400	-	400
Unearned revenue	76,408	7,294	83,702
Total liabilities	873,551	58,204	931,755
NET ASSETS			
Invested in capital assets, net of related debt	13,468,965	30,997	13,499,962
Restricted for capital projects	290,149	-	290,149
Unrestricted	390,941	(4,126)	386,815
Total net assets	$ 14,150,055	26,871	14,176,926

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, 2004

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Meridian Airport Authority	Net (Expense) Revenue and Changes in Net Assets: Nonmajor Component Units	Total
Component units:							
Meridian Airport Authority	$ 2,089,017	1,235,964	227,405	1,042,676	417,028	-	417,028
Nonmajor component units	432,247	44,498	327,656	32,500	-	(27,593)	(27,593)
Total component units	$ 2,521,264	1,280,462	555,061	1,075,176	417,028	(27,593)	389,435
General revenues:							
Interest income					6,744	159	6,903
Insurance proceeds					-	9,500	9,500
Casualty loss of capital asset					-	(30,000)	(30,000)
Loss on impairment of asset					(13,880)	-	(13,880)
Total general revenues and special item					(7,136)	(20,341)	(27,477)
Change in net assets					409,892	(47,934)	361,958
Net assets, October 1, 2003					13,740,163	74,805	13,814,968
Net assets, September 30, 2004					$ 14,150,055	26,871	14,176,926

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

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

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

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

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

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

(1) Summary of Significant Accounting Policies (Continued)

(a) Reporting Entity (Continued)

Blended Component Unit -

Meridian Public Improvement Corporation

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

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.

(1) Summary of Significant Accounting Policies (Continued)

(a) Reporting Entity (Continued)

Nonmajor Discretely Presented Component Units (Continued):

Meridian and Bonita Lakes Development Authority

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

Meridian Redevelopment Authority

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

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

Meridian Airport Authority
2811 Highway 11 South
Meridian, Mississippi

Meridian Transportation Commission
1901 Front Street
Meridian, Mississippi

Meridian Redevelopment Authority
601 24th Avenue
Meridian, Mississippi

Meridian Public Improvement Corporation
601 24th Avenue
Meridian, Mississippi

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

(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.

(1) Summary of Significant Accounting Policies (Continued)

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

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

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

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

The City reports the following major governmental funds:

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

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

(1) Summary of Significant Accounting Policies (Continued)

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

(1) Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

(e) Cash and Cash Equivalents and Investments

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

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

(1) Summary of Significant Accounting Policies (Continued)

(f) Receivables and Payables

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

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

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

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

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

(1) Summary of Significant Accounting Policies (Continued)

(f) Receivables and Payables (Continued)

The tax rate of the City is expressed in terms of mills (ten mills equal one cent). For the year ended September 30, 2004, the City's 2004 combined tax rate for general governmental services and other municipal purposes was 112.38 or $112.38 per $1,000 of assessed valuation, expressed as follows:

	Mills		
Description	**2004**	**2003**	**Increase (Decrease)**
General	26.39	26.39	-
Solid Waste Fund	4.00	4.00	-
Fire and Police Disability Retirement Fund (closed)	4.49	4.60	(.11)
General Municipal Retirement Fund (closed)	3.00	3.00	-
Debt service (general bonds and interest)	12.20	12.09	.11
Meridian Separate School District	62.30	62.37	(.07)
Total mills	112.38	112.45	(.07)

(g) Inventories and Prepaid Items

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

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

(1) Summary of Significant Accounting Policies (Continued)

(h) Restricted Assets

Certain proceeds of the City's enterprise fund water and sewer revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Revenues collected from operations of the system are transferred to various accounts established pursuant to the revenue bond ordinance. The "revenue bond operations and maintenance" account receives sufficient amounts to provide for the payment of current expenses to be paid each month, plus any prior month deficiencies. The "revenue bond construction" accounts are used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "revenue bond current debt service" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond cushion" account is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account. The "revenue bond contingent" account is used to report resources set aside to pay for unforeseen contingencies arising from the operation and maintenance of the system, including the construction of reasonable and proper improvements, betterments and extensions, upon written certification of the engineers. The "revenue bond depreciation fund" account is used to report resources set aside to pay for replacing such parts of the system as may need replacement in order to keep the system operating in an economical and efficient manner, upon written certification of the engineers. Any surplus remaining after all deposits and transfers required and allowed by the bond resolution are to be used solely for purposes pertaining to the system. As of September 30, 2004, all accounts required under the bond resolution were fully funded as required.

(i) Capital Assets

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

(1) Summary of Significant Accounting Policies (Continued)

(i) Capital Assets (Continued)

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. $78,877 of interest incurred by the water and sewer fund during the current fiscal year was included as part of the cost of capital assets under construction in connection with the wastewater treatment facilities construction projects.

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

Property Class	Years
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.

(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:

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

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

(k) Long-term Obligations/Deferred Charges

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

(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.

(1) Summary of Significant Accounting Policies (Continued)

(n) New Accounting Pronouncements

The City implemented the following GASB Statements during the current fiscal year as required:

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, and amendment to GASB Statement No. 14.*

GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences, an amendment to GASB Statement No. 34.*

The provisions of these new standards have been incorporated into the financial statements and accompanying notes.

(o) Financial Statement Format

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the City's financial position and operations. For consistency, certain 2003 financial statement amounts have been reclassified to conform with the 2004 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:

Description	Amount
Bonds payable	$ 28,030,000
Less deferred charges	(16,250)
Promissory loans payable	814,899
Accrued interest payable	447,839
Capital leases payable	688,260
Compensated absences	1,504,148
Pension obligation	1,520,301
Claims and judgments	75,612
Net adjustment to reduce fund balances – total governmental funds to arrive at net assets – governmental activities	$ 33,064,809

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:

Description	Amount
Net assets of the internal service funds	$ 231,361
Less internal payable representing charges in excess of cost to business-type activities:	
Prior years	(1,239)
Current year	(208)
Net adjustment to increase fund balances – total governmental funds to arrive at net assets – governmental activities	$ 229,914

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

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

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

Description	Amount
Capital outlay	$ 8,618,783
Depreciation expense	(3,356,699)
Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	$ 5,262,084

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:

Description	Amount
Debt issued -	
Issuance of capital lease	$ 67,223
Principal repayments:	
Bonds payable	(3,240,000)
Promissory loans payable	(62,197)
Capital leases payable	(144,486)
Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	$ (3,379,460)

(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:

Description		Amount
Accrued interest expense	$	(26,718)
Amortization of deferred charges		94,852
Compensated absences		156,376
Claims and judgments		74,952
Pension obligation		(113,875)
Net adjustment to reduce net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	$	185,587

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:

Description		Amount
Change in net assets of the internal service funds	$	1,532
Less profit from charges to business-type activities		(208)
Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	$	1,324

(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:

Internal receivable representing charges in excess of cost to business-type activities:		
Prior years	$	1,239
Current year		208
Net adjustment to increase net assets – total enterprise funds to arrive at net assets – business-type activities	$	1,447

(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 2004, the original total budgeted expenditures were $85,452,050 and were increased by amendment to $86,146,610.

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

(3) Stewardship, Compliance and Accountability (Continued)

(a) Budgetary Information (Continued)

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

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

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

(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:

Description	General Fund
Net change in fund balances – budgetary basis	$ (254,016)
Basis differences:	
Net accrued revenues and related receivables	(1,729,151)
Net accrued expenditures and related liabilities	1,975,748
Net change in fund balances – GAAP basis	$ (7,419)

(c) Excess if expenditures over appropriations

For the year ended September 30, 2004, expenditures exceeded appropriations in (1) the personnel services of the Homeland Security Department (the legal level of budgetary control) of the general fund by $415, (2) the debt service fund by $334,855, and (3) the special revenue fund by $742,590. These overexpenditures were funded by greater than anticipated revenues.

(d) Encumbrances

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

(4) Deposits and Investments

At year end, the City's carrying amount of deposits was $18,548,752 and the bank balance was $18,871,623. The entire bank balance was covered by federal depository insurance or collateralized in accordance with state law. The collateral for public entities' deposits in financial institutions are now held in the name of the Mississippi State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of deposits for discretely presented component units was $230,395. The entire amount of the bank balance was covered by federal depository insurance or pledged securities held by the component unit or its agent in the component unit's name.

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

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

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

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

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

(4) Deposits and Investments (Continued)

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

Description		Carrying Amount	Fair Value
Category 1:			
U.S. Government securities	$	4,099,397	4,099,397
Repurchase agreements		2,526,000	2,526,000
Total	$	6,625,397	6,625,397

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

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

Description		Amount
Cash on hand	$	20,192
Cash with trustee		480,922
Carrying amount of deposits		18,548,752
Carrying amount of investments		6,625,397
Total	$	25,675,263
Cash and cash equivalents	$	14,933,753
Cash and investments – restricted		7,776,707
Investments		2,252,071
Total reported on the government-wide statement of net assets		24,962,531
Cash and cash equivalents reported on the statement of fiduciary assets and liabilities not included on the government-wide statement of net assets		712,732
Total	$	25,675,263

(5) Capital Assets

Primary government:

Capital asset activity for the year ended September 30, 2004, was as follows:

		Balance September 30, 2003	Increases	Decreases	Balance September 30, 2004
Governmental activities:					
Capital assets, not being depreciated:					
Land	$	5,466,995	60,000	27,293	5,499,702
Collections - historical treasures		141,250	-	-	141,250
Construction-in-progress		1,897,235	7,148,890	87,940	8,958,185
Total capital assets, not being depreciated		7,505,480	7,208,890	115,233	14,599,137
Capital assets, being depreciated:					
Buildings		16,646,341	400,000	-	17,046,341
Improvements other than buildings		1,400,299	-	-	1,400,299
Machinery and equipment		9,922,513	1,138,138	650,570	10,410,081
Infrastructure		71,436,779	-	-	71,436,779
Total capital assets, being depreciated		99,405,932	1,538,138	650,570	100,293,500
Less accumulated depreciation for:					
Buildings		3,899,162	322,725	-	4,221,887
Improvements other than buildings		615,904	46,650	-	662,554
Machinery and equipment		6,709,693	589,808	477,272	6,822,229
Infrastructure		30,960,541	2,397,516	-	33,358,057
Total accumulated depreciation		42,185,300	3,356,699	477,272	45,064,727
Total capital assets, being depreciated, net		57,220,632	(1,818,561)	173,298	55,228,773
Total governmental activities capital assets, net	$	64,726,112	5,390,329	288,531	69,827,910

(5) Capital Assets (Continued)

	Balance September 30, 2003	Increases	Decreases	Balance September 30, 2004
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 271,666	-	-	271,666
Construction-in-progress	322,596	1,792,546	-	2,115,142
Total capital assets, not being depreciated	594,262	1,792,546	-	2,386,808
Capital assets, being depreciated:				
Buildings	117,128	-	-	117,128
Water and sewer system	85,668,240	328,710	-	85,996,950
Improvements other than buildings	113,067	-	-	113,067
Machinery and equipment	3,253,908	367,450	206,684	3,414,674
Total capital assets, being depreciated	89,152,343	696,160	206,684	89,641,819
Less accumulated depreciation for:				
Buildings	109,945	2,506	-	112,451
Water and sewer system	34,990,969	3,342,106	-	38,333,075
Improvements other than buildings	82,057	1,414	-	83,471
Machinery and equipment	2,606,084	189,102	206,684	2,588,502
Total accumulated depreciation	37,789,055	3,535,128	206,684	41,117,499
Total capital assets, being depreciated, net	51,363,288	(2,838,968)	-	48,524,320
Total business-type activities capital assets, net	$ 51,957,550	(1,046,422)	-	50,911,128

(5) Capital Assets (Continued)

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

		Amount
Governmental activities:		
General government	$	243,594
Public safety		384,774
Public works		2,644,356
Culture and recreation		83,975
Total depreciation expense - governmental activities	$	3,356,699
Business-type activities:		
Water and sewer department	$	3,505,411
Waste collection and disposal		3,926
Golf course		24,623
Union Station		1,168
Total depreciation expense - business-type activities	$	3,535,128

Construction-in-progress is composed of:

Governmental activities:		
Downtown parking garage	$	5,900,188
Street paving project		2,866,456
Highway 19 drainage project		58
Gallagher Creek project		42,913
Lake Drive realignment project		22,289
8th Street signalization project		20,354
Highway 39 at 33rd Street project		26,733
North Hills at Highway 39 project		79,194
Total governmental activities		8,958,185
Business-type activities:		
Bonita Lakes dam		132,983
New industrial park water lines		1,975,529
Sweet Gum Bottom Road		6,630
Total business-type activities		2,115,142
Total construction-in-progress	$	11,073,327

(5) Capital Assets (Continued)

Component units:

Capital asset activity for the year ended September 30, 2004, was as follows:

		Balance September 30, 2003	Increases	Decreases	Balance September 30, 2004
Meridian Airport Authority:					
Capital assets, not being depreciated:					
Land	$	500,000	-	-	500,000
Construction-in-progress		2,789,123	907,271	-	3,696,394
Total capital assets, not being depreciated		3,289,123	907,271	-	4,196,394
Capital assets, being depreciated:					
Buildings		2,379,534	235,627	-	2,615,161
Improvements other than buildings		11,771,180	-	4,276	11,766,904
Machinery and equipment		227,128	425,939	581	652,486
Total capital assets, being depreciated		14,377,842	661,566	4,857	15,034,551
Less accumulated depreciation for:					
Buildings		899,225	70,470	-	969,695
Improvements other than buildings		3,564,320	546,307	5,136	4,105,491
Machinery and equipment		176,004	80,371	581	255,794
Total accumulated depreciation		4,639,549	697,148	5,717	5,330,980
Total capital assets, being depreciated, net		9,738,293	(35,582)	(860)	9,703,571
Total Meridian Airport Authority	$	13,027,416	871,689	(860)	13,899,965
Nonmajor component units:					
Capital assets, not being depreciated -					
Land	$	-	7,500	-	7,500
Capital assets, being depreciated:					
Machinery and equipment		402,618	-	43,460	359,158
Less accumulated depreciation		363,610	15,511	43,460	335,661
Total Meridian Transportation Commission	$	39,008	(8,011)	-	30,997

(6) Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2004 is as follows:

Due to/from other funds:

Receivable fund	Payable fund	Amount
General Fund	Water & Sewer Fund	$ 12,106
	Nonmajor Governmental Funds	756,939
Debt Service Fund	General Fund	46,755
Waste Collection & Disposal Fund	General Fund	4,637
Internal Service Funds	General Fund	55,044
	Water & Sewer Fund	8,674
	Nonmajor Enterprise Funds	461
Nonmajor Governmental Funds	General Fund	110,305
	2003 General Obligation Bonds	8,529
Due to primary government:	**Due from component units:**	
General Fund	Meridian Transportation Commission	$ 38,590
Internal Service Funds	Meridian Transportation Commission	25,130

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

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

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

Interfund transfers:

	Transfers in:						
Transfers out:	**General Fund**	**Debt Service Fund**	**Nonmajor Governmental Funds**	**Water & Sewer Fund**	**Nonmajor Enterprise Funds**	**Internal Service Funds**	**Total**
General Fund	$ -	1,083,890	145,062	12,106	238,350	25,000	1,504,408
2003 G.O. Bonds	-	-	371,405	-	-	-	371,405
Nonmajor Governmental Funds	1,994	357,214	28,524	-	-	-	387,732
Water & Sewer Fund	601,500	-	-	-	-	-	601,500
Waste Collection & Disposal Fund	44,000	-	-	-	-	-	44,000
Total	$ 647,494	1,441,104	544,991	12,106	238,350	25,000	2,909,045

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, 2004, follows:

Description	October 1, 2003	Additions	Deletions	September 30, 2004
Component units:				
Meridian Airport Authority:				
5.0% note payable to a financial institution; due in 60 monthly installments of $2,122; secured by assignment of leases, rents and profits; due April 2, 2009. This loan was paid off in 2004.	$ -	200,000	200,000	-
4.0% 90-day note payable to financial institution; secured by assignment of leases, rents and profits; due October 19, 2004.	-	584,000	153,000	431,000
5.0% $25,000 line of credit with a financial institution; maturing annually.	-	13,973	-	13,973
Total notes payable	$ -	797,973	353,000	444,973

The 90-note above was subsequently renewed for another 90-day period at a rate of 4.75%. Management intends to continue renewing this note until the balance is paid in full.

(8) 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, 2004, follows:

Description		Governmental Activities	Business-type Activities
Machinery and equipment	$	821,289	1,185,958
Less accumulated depreciation		(142,620)	(148,684)
Total	$	678,669	1,037,274

The future minimum lease obligations and the net present value of minimum lease commitments at September 30, 2004, follows:

Year Ending September 30,		Governmental Activities	Business-type Activities
2005	$	95,162	127,422
2006		95,162	127,422
2007		95,162	127,421
2008		71,226	106,140
2009		71,226	106,140
2010-2014		356,130	530,700
2015-2017		219,381	238,815
Total minimum lease commitments		1,003,449	1,364,060
Less amount representing imputed interest		(315,189)	(377,426)
Present value of minimum lease payments		688,260	986,634
Current portion of obligations under capital leases		57,347	(73,016)
Obligations under capital leases, less current installments	$	630,913	913,618

(9) Long-Term Debt

A summary of long-term debt at September 30, 2004, follows:

	Interest Rates		Amount
Governmental activities:			
Outstanding bonds:			
General government	3.25 - 10.5%	$	11,375,000
General government – refunding	3.875 - 5.0%		395,000
Less deferred issue costs on refunding bonds			(16,250)
Total general obligation bonds			11,753,750
Special obligation bonds – parking facilities	2.75 - 4.5%		6,790,000
Limited obligation bonds – tax increment financing	9.0%		5,230,000
Special assessment debt with City commitment	4.5 - 6.75%		4,240,000
Other debt:			
Promissory loans	3.0%		814,899
Capital leases	5.69 - 5.87%		688,260
Compensated absences			1,504,148
Pension obligation			1,520,301
Claims and judgments			75,612
Total governmental activities			32,616,970
Less current portion payable			(3,633,570)
Governmental activities, net		$	28,983,400
Business-type activities:			
Water & sewer revenue bonds:			
Advanced refunding of a refunding	6.0 - 6.5%	$	5,315,000
Improvements and repairs to water system	4.6 - 6.5%		3,655,000
Improvements, repairs and extension to water system	4.5 - 6.375%		4,010,000
Improvements, repairs and extension to water system	5.0 - 6.25%		1,770,000
Less deferred issue costs on refunding bonds			(211,032)
Total revenue bonds			14,538,968
Water & sewer promissory loans	1.0 - 6.125%		18,044,580
Less deferred issue costs on refunding bonds			(616,341)
Total promissory loans			17,428,239
Capital leases	2.83 – 5.87%		986,634
Compensated absences			277,040
Total business-type activities			33,230,881
Less current portion payable			(2,217,550)
Business activities, net		$	31,013,331

(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:

	Governmental Activities					
Year Ending September 30,	General Obligation Bonds	Special Obligation Bonds	Limited Obligations Bonds	Special Assessment Debt	Promissory Loans	Total
2005	$ 2,288,343	511,733	1,124,875	462,026	75,963	4,462,940
2006	1,284,339	509,847	1,153,950	469,473	82,869	3,500,478
2007	1,301,143	523,276	1,107,625	475,671	82,869	3,490,584
2008	1,305,354	516,124	1,054,275	475,657	82,869	3,434,279
2009	1,193,979	528,476	540,725	474,729	82,869	2,820,778
2010-2014	5,065,480	2,663,267	2,104,350	2,402,732	414,345	12,650,174
2015-2019	2,210,908	2,717,906	-	1,213,168	145,021	6,287,003
2020-2023	-	2,234,532	-	181,530	-	2,416,062
Total	$ 14,649,546	10,205,161	7,085,800	6,154,986	966,805	39,062,298
Interest included in above totals	$ 2,879,546	3,415,161	1,855,800	1,914,986	151,906	10,217,399

	Business-type Activities		
Year Ending September 30,	Revenue Bonds	Promissory Loans	Total
2005	$ 1,875,797	1,698,238	3,574,035
2006	1,880,717	1,684,835	3,565,552
2007	1,877,411	1,692,717	3,570,128
2008	1,880,647	1,699,029	3,579,676
2009	1,880,309	1,699,056	3,579,365
2010-2014	6,764,815	8,447,860	15,212,675
2015-2019	3,323,096	4,283,583	7,606,679
2020-2024	179,860	4,047,189	4,227,049
2025-2026	-	431,006	431,006
Total	$ 19,662,652	25,683,513	45,346,165
Interest included in above totals	$ 4,912,652	7,638,933	12,551,585

(9) Long-Term Debt (Continued)

A summary of changes in the long-term liabilities during the year ended September 30, 2004, follows:

Description	October 1, 2003	Additions	Deletions	September 30, 2004	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation debt	$ 13,790,000	-	2,020,000	11,770,000	1,815,000
Special obligation bonds	7,000,000	-	210,000	6,790,000	225,000
Limited obligation bonds	5,900,000	-	670,000	5,230,000	685,000
Special assessment with City commitment	4,450,000	-	210,000	4,240,000	220,000
Certificates of participation	130,000	-	130,000	-	-
Less deferred issue costs on refunding bonds	(29,250)	-	(13,000)	(16,250)	-
Total bonds payable	31,240,750	-	3,227,000	28,013,750	2,945,000
Promissory loans	877,096	-	62,197	814,899	54,228
Capital leases	765,523	67,223	144,486	688,260	57,347
Compensated absences	1,347,772	1,282,465	1,126,089	1,504,148	501,383
Pension obligation	1,634,176	1,735,371	1,849,246	1,520,301	-
Claims and judgments	660	533,918	458,966	75,612	75,612
Governmental activities long-term liabilities	$ 35,865,977	3,618,977	6,867,984	32,616,970	3,633,570
Business-type activities:					
Revenue bonds	$ 15,780,000	-	1,030,000	14,750,000	1,095,000
Less deferred issue costs on refunding bonds	(229,653)	-	(18,621)	(211,032)	-
Promissory loans	15,996,497	2,900,000	851,917	18,044,580	957,187
Less deferred issue costs on refunding loans	(677,975)	-	(61,634)	(616,341)	-
Capital leases	1,003,494	61,171	78,031	986,634	73,016
Compensated absences	251,911	229,914	204,785	277,040	92,347
Business-type activities long-term liabilities	$ 32,124,274	3,191,085	2,084,478	33,230,881	2,217,550

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

The government-wide statement of activities includes $2,052,187 of the long-term liabilities due within one year for business-type activities in "liabilities payable from restricted assets". The remaining amount of $165,363 is displayed as "noncurrent liabilities, due within one year" on that same statement.

(9) Long-Term Debt (Continued)

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government operations only. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The original amount of general obligation bonds issued in prior years was $25,670,000.

Special Obligation Bonds

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

Limited Obligation Bonds

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

Special Assessment Debt

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

Certificates of Participation

As discussed in note 1(a), the City established the Meridian Public Improvement Corporation ("MPIC"), a financing authority, specifically to issue debt to provide financing for the construction of certain major capital projects. Because the City created MPIC solely for its benefit, MPIC is therefore considered a blended component unit, and the City is required to carry the related debt in its governmental activities.

(9) Long-Term Debt (Continued)

Certificates of Participation (Continued)

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

Revenue Bonds

The City also issues bonds whereby the City pledges income derived from user fees of its water and sewer operations. The balance of revenue bonds outstanding as of September 30, 2004 amounted to $14,538,968, net of $211,032 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, 2004, the outstanding balance on the defeased bonds was $5,165,000. 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.

(9) Long-Term Debt (Continued)

Promissory Loans (Continued)

In 2003, the City entered into a loan agreement whereby the Mississippi Development Bank issued Mississippi Development Bank Special Obligation Bonds and loaned the proceeds in the amount of $7,590,000 to the City. The proceeds from this loan were used to refund the City's 1994 Combined Water and Sewer System Revenue Bonds. As a result to this refunding, the 1994 bonds are considered fully defeased in substance, and the liability is not reported in the City's financial statements. As of September 30, 2004, the outstanding balance on the defeased bonds was $6,525,000. This refunding resulted in a decrease in future debt service payments of $549,006.

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

The City maintains a $10,000,000 line of credit with the Mississippi Development Authority. This line of credit can be used for interim or permanent financing for various City projects. As of September 30, 2004, the City had no outstanding balance on this line of credit. The interest rate on this line of credit is established weekly based on the Bond Market Association index plus 120 basis points.

(10) Lessor Operating Leases

The Meridian Airport Authority leases space to others under various lease agreements. A summary of minimum future rental income on these leases as of September 30, 2004, and for each of the next five years and in aggregate, follows:

Year Ending September 30,		Amount
2005	$	135,592
2006		35,325
2007		32,991
2008		33,485
2009		20,662
2010 – 2014		46,594
2015 – 2019		14,325
2020 – 2024		14,325
2025 – 2029		14,325
2030 – 2034		14,325
2035 – 2039		1,346
Total minimum future rentals	$	363,295

(11) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance to protect against these and other types of risks. Coverage limits vary by exposure/policy and are decided on from examination of the number and types of prior claims, as well as from monitoring of judicial decisions, awards and trend factors. Premiums are paid from the General Fund, Water & Sewer Fund, Lakeview Golf Course Fund and Union Station Fund, as well as the appropriate department within each fund and by component units. There were no significant reductions in insurance coverage in fiscal 2004, 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, 2004 and 2003, follows:

Description	2004	2003
Unpaid claims, beginning of year	$ 660	-
Incurred claims (including IBNR's)	533,918	68,729
Claim payments	(458,966)	(68,069)
Unpaid claims, end of year	$ 75,612	660

(12) Subsequent Events

In September, 2004, the City endured damage from Hurricane Ivan. The cost for cleanup and repair is estimated at $700,000. The City received federal and state grants to cover approximately 87.5 percent of these costs. The City will absorb the remainder of these costs.

(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 an engineering contract in connection with the extension of water and sewer lines to a new industrial park. Estimated balances on this contract total $1,000,000 as of September 30, 2004. Future expenditures related to this contract will be funded from bond funds already available. Construction contracts of approximately $2,800,000 will be executed to complete the project. These contracts will be funded with proceeds from the future sale of bonds and a grant committed to be provided by the federal government.

The City has committed to contracts in connection with an interchange on Interstate 20 and Interstate 59 that will provide access to the new industrial park. Estimated balances on these contracts total $800,000 as of September 30, 2004. Future expenditures related to these contracts will be funded from grants that have been committed to be provided by the federal government.

The City has committed to contracts in connection with the construction of a downtown parking garage. Estimated balances on these contracts total $1,050,000 as of September 30, 2004. Future expenditures related to these contracts will be funded from bond funds already available.

The City has committed to contracts in connection with a major street overlay program. Estimated balances on these contracts total $1,800,000 as of September 30, 2004. Future expenditures related to these contracts will be funded from bond funds already available.

(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, 2004, was $4,617,273,000. The City's payroll for employees covered by PERS for the year ended September 30, 2004, was $13,344,526; the City's total payroll was $14,275,788 for the year ended September 30, 2004.

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

(16) Pension and Retirement Plans (Continued)

Public Employees Retirement System (Continued):

Plan Description (Continued)

A cost-of-living payment is made to eligible retirees and beneficiaries. The cost of living adjustment is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement prior to the year in which the member reaches age 55, plus 3 percent compounded for each year thereafter beginning with the fiscal year in which the member turns age 55. For the year ended June 30, 2004, the total additional annual payments were $191,879,000.

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, 2004, City employees contributed $968,454. 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 2004. The City is required by statute to contribute to PERS at an actuarially determined rate. For the years ended September 30, 2004, 2003, and 2002, the City's contribution requirements representing 9.75% of covered payroll were $1,302,347, $1,256,556, and $1,213,501, respectively. The City contributed 100% of its requirements in each of these years.

The Meridian Airport Authority made contributions to PERS in the year ended September 30, 2004 of approximately $18,500. The component unit's total payroll was approximately $200,000 and substantially all payroll is covered under the PERS plan.

Trend Information

Ten year historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS June 30, 2004, comprehensive annual financial report.

(16) Pension and Retirement Plans (Continued)

Municipal Retirement Systems:

Plan Description

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

Membership in the MRS is comprised of employees who were hired prior to July 1, 1976, and includes only those eligible employees of the City who did not opt to become a member of PERS. PERS is also responsible for the administration of MRS. MRS is considered part of the financial reporting entity of the State of Mississippi. The total payroll for City employees covered by MRS for the year ended September 30, 2004 was $207,106; the City's total payroll for all employees was $14,275,788. At September 30, 2003, the date of the most recent actuarial valuation, there were 10 participating general municipal employees, firefighters and police officers.

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

Basis of Accounting

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

(16) Pension and Retirement Plans (Continued)

Municipal Retirement Systems (Continued):

Funding Policy

Funding policies for MRS, established by Mississippi statutes, provide for a property tax to be levied within each municipality and deductions from salaries of members, at rates sufficient to make the plan actuarially sound. As of September 30, 2004, the City levied 7.79 mills to help fund MRS. An actuarial valuation is performed on an annual basis to determine the rates necessary to make the System actuarially sound. However, Mississippi statutes limit any increase in the property tax levy for pension contributions to one-half mill per year.

During fiscal year 2004, fire and police employees and municipal employees covered by MRS were required to contribute 10% and 7%, respectively, of covered payroll. Any increase to the base employee contribution rates of 10% and 7% is made in increments not to exceed 1% per year. If an employee leaves covered employment, accumulated employee contributions are refunded to the employee upon request. Employees covered by MRS do not receive an interest earnings allocation to their accumulated contributions. The City contributes the remaining amounts necessary to finance participation of its employees in MRS. Contribution provisions are established by Sections 21-29, Articles 1, 3, 5 and 7, Mississippi Code Ann. (1972) and annual local legislation. Statutes may be amended only by the State of Mississippi Legislature.

Annual Pension Cost

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

The required contribution to MRS was determined as part of the actuarial valuation performed as of September 30, 2003 (the most recent available), using the entry age actuarial cost method. Significant actuarial assumptions include (a) a rate of return on the investment of present and future assets at 8% compounded annually, (b) projected salary increases of 4% per year compounded annually attributable to inflation, and (c) additional projected salary increases of 2% per year compounded annually attributable to seniority and/or merit.

(16) Pension and Retirement Plans (Continued)

Municipal Retirement Systems (Continued):

Annual Pension Cost (Continued)

The following provides pension cost and obligation information for MRS:

	2004	2003	2002
Components of annual pension cost:			
Annual required contribution	$ 1,744,105	1,711,554	1,698,739
Interest cost	130,734	139,487	146,166
Adjustment to required contribution	(139,468)	(148,806)	(155,931)
Total annual pension cost	1,735,371	1,702,235	1,688,974
Less: contributions made	1,849,246	1,811,643	1,772,465
Decrease in net pension obligation	$ (113,875)	(109,408)	(83,491)
Percentage of annual pension cost contributed	106.56%	106.43%	104.94%
Net pension obligation at year end	$ 1,520,301	1,634,176	1,743,583

REQUIRED SUPPLEMENTARY INFORMATION

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SCHEDULE 1

CITY OF MERIDIAN, MISSISSIPPI

Required Supplementary Information
Mississippi Municipal Retirement System (MMRS)
Schedule of Funding Progress
Last Three Fiscal Years
(In Thousands of Dollars)

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]
9/30/03	$ 11,113	$ 30,913	35.9%	$ 19,800	341	5806.5%
9/30/02	11,781	31,303	37.6%	19,522	390	5005.6%
9/30/01	12,252	31,669	38.7%	19,417	475	4087.8%

Notes to Schedule of Funding Progress

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

The actuarial value of assets is determined on a market-related basis that recognizes 20 percent of the previously unrecognized and unanticipated gains and losses (both realized and unrealized). The required contribution was determined as part of the actuarial valuation performed as of September 30, 2003 (the most recent available), using the entry age actuarial cost method. Significant assumptions include (a) rate of return on the investment of present and future assets at 8% compounded annually, (b) projected salary increases of 4% per year computed annually attributable to inflation, and (c) additional projected salary increases of 2% per year compounded annually attributable to seniority and/or merit.

For additional information regarding this schedule, refer to the separately issued Public Employees' Retirement System of Mississippi Comprehensive Annual Financial Report for 2003 by writing to Public Employees' Retirement System of Mississippi, 429 Mississippi Street, Jackson, MS 39201-1005.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Fund

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

Capital Projects Funds

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

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

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

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

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

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

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

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

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

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

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

Capital Projects Funds (Continued)

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

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

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

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

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

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

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

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

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

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

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

SCHEDULE 2

CITY OF MERIDIAN, MISSISSIPPI

Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2004

		Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$	715,039	796,762	1,511,801
Investments		-	250,000	250,000
Receivables, net:				
Intergovernmental		401,280	389,027	790,307
Interest		-	393	393
Miscellaneous		3,128	-	3,128
Due from other funds		-	118,834	118,834
Prepaid items		17,893	-	17,893
Total assets	$	1,137,340	1,555,016	2,692,356
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$	130,333	83,437	213,770
Due to other funds		335,888	421,051	756,939
Unearned revenue		16,804	-	16,804
Total liabilities		483,025	504,488	987,513
Fund balances:				
Reserved:				
Encumbrances		102,878	1,548,677	1,651,555
Prepaid items		17,893	-	17,893
Unreserved, designated for subsequent years' expenditures, reported in -				
Capital projects funds		-	514,074	514,074
Unreserved, undesignated		533,544	(1,012,223)	(478,679)
Total fund balances		654,315	1,050,528	1,704,843
Total liabilities and fund balances	$	1,137,340	1,555,016	2,692,356

SCHEDULE 3

CITY OF MERIDIAN, MISSISSIPPI

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2004

		Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
Revenues:				
Intergovernmental:				
Federal	$	708,467	324,029	1,032,496
State		30,174	22,097	52,271
County		52,649	-	52,649
Fines and forfeitures		365,069	-	365,069
Local contributions		22,851	200,000	222,851
Interest on investments		1,590	11,181	12,771
Miscellaneous		131,016	-	131,016
Total revenues		1,311,816	557,307	1,869,123
Expenditures:				
Current:				
Public safety		810,272	-	810,272
Culture and recreation		68,858	-	68,858
Economic development		169,318	-	169,318
Capital outlay		-	829,885	829,885
Total expenditures		1,048,448	829,885	1,878,333
Excess (deficiency) of revenues over (under) expenditures		263,368	(272,578)	(9,210)
Other financing sources (uses):				
Transfers in		50,989	494,002	544,991
Transfers out		(1,981)	(385,751)	(387,732)
Total other financing sources (uses)		49,008	108,251	157,259
Net change in fund balances		312,376	(164,327)	148,049
Fund balances, October 1, 2003		341,939	1,214,855	1,556,794
Fund balances, September 30, 2004	$	654,315	1,050,528	1,704,843

CITY OF MERIDIAN, MISSISSIPPI
Combining Balance Sheet
Nonmajor Capital Projects Funds
September 30, 2004

	Sowashee Project	DECD Bonita Lakes Mall Road Project	10th Avenue Improve-ments	1998 General Obligation Bonds	Training Facility Grant - Riley	1999 General Obligation Bonds	2000 General Obligation Bonds	2000A Tax Increment Financing Bonds	2000B Tax Increment Financing Bonds
ASSETS									
Cash and cash equivalents	$ 395,420	-	-	-	-	177,424	47,854	9,639	2,286
Investments	250,000	-	-	-	-	-	-	-	-
Grant receivable	-	-	-	-	-	-	-	-	-
Interest receivable	393	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Total assets	$ 645,813	-	-	-	-	177,424	47,854	9,639	2,286
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	$ -	-	-	-	-	-	2,640	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	2,640	-	-
Fund balances:									
Reserved for encumbrances	260,000	-	-	-	-	165,000	41,512	-	-
Unreserved, designated for subsequent years' expenditures	385,813	-	-	-	-	12,424	3,702	9,639	2,286
Unreserved, undesignated	-	-	-	-	-	-	-	-	-
Total fund balances	645,813	-	-	-	-	177,424	45,214	9,639	2,286
Total liabilities and fund balances	$ 645,813	-	-	-	-	177,424	47,854	9,639	2,286

SCHEDULE 4

2001 Special Assessment Bonds	2002 Special Street Improve-ments	I20/I59 Interchange Project	2003 Flood Damage	Training Burn Tower	Highway 19 Drainage	Gallagher Creek Drainage	Lake Drive Realignment	8th Street Signalization Project	Highway 39 at 33rd Street	North Hills - 10th Avenue to Highway 39	Total
-	-	-	-	424	69,942	-	-	-	25,616	68,157	796,762
-	-	-	-	-	-	-	-	-	-	-	250,000
-	-	181,999	135,148	-	-	-	17,831	16,283	21,387	16,379	389,027
-	-	-	-	-	-	-	-	-	-	-	393
-	-	-	110,305	-	-	-	4,458	4,071	-	-	118,834
-	-	181,999	245,453	424	69,942	-	22,289	20,354	47,003	84,536	1,555,016
-	-	907	-	424	-	-	22,289	20,354	16,349	20,474	83,437
-	-	181,092	239,959	-	-	-	-	-	-	-	421,051
-	-	181,999	239,959	424	-	-	22,289	20,354	16,349	20,474	504,488
-	-	812,223	-	-	269,942	-	-	-	-	-	1,548,677
-	-	-	5,494	-	-	-	-	-	30,654	64,062	514,074
-	-	(812,223)	-	-	(200,000)	-	-	-	-	-	(1,012,223)
-	-	-	5,494	-	69,942	-	-	-	30,654	64,062	1,050,528
-	-	181,999	245,453	424	69,942	-	22,289	20,354	47,003	84,536	1,555,016

CITY OF MERIDIAN, MISSISSIPPI

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

Nonmajor Capital Projects Funds

For the Fiscal Year Ended September 30, 2004

	Sowashee Project	DECD Bonita Lakes Mall Road Project	10th Avenue Improve-ments	1998 General Obligation Bonds	Training Facility Grant - Riley	1999 General Obligation Bonds	2000 General Obligation Bonds	2000A Tax Increment Financing Bonds	2000B Tax Increment Financing Bonds
Revenues:									
Intergovernmental:									
Federal	$ -	-	-	-	-	-	-	-	-
State	-	3,000	-	-	-	-	-	-	-
Local contributions	-	-	-	-	-	-	-	-	-
Interest on investments	5,939	-	36	1,369	9	1,635	727	89	21
Total revenues	5,939	3,000	36	1,369	9	1,635	727	89	21
Expenditures:									
Construction contracts	-	-	-	-	-	-	-	-	-
Engineering and other	3,024	-	-	-	2,889	-	5,641	-	-
Street improvements	-	-	-	-	-	-	-	-	-
Total expenditures	3,024	-	-	-	2,889	-	5,641	-	-
Excess (deficiency) of revenues over (under) expenditures	2,915	3,000	36	1,369	(2,880)	1,635	(4,914)	89	21
Other financing sources (uses):									
Transfers in	-	4,975	-	-	-	-	-	-	-
Transfers out	-	-	(32,976)	(175,169)	(13)	-	(28,524)	-	-
Total other financing sources (uses)	-	4,975	(32,976)	(175,169)	(13)	-	(28,524)	-	-
Net change in fund balances	2,915	7,975	(32,940)	(173,800)	(2,893)	1,635	(33,438)	89	21
Fund balances (deficit), October 1, 2003	642,898	(7,975)	32,940	173,800	2,893	175,789	78,652	9,550	2,265
Fund balances, September 30, 2004	$ 645,813	-	-	-	-	177,424	45,214	9,639	2,286

SCHEDULE 5

2001 Special Assessment Bonds	2002 Special Street Improve-ments	I20/I59 Interchange Project	2003 Flood Damage	Training Burn Tower	Highway 19 Drainage	Gallagher Creek Drainage	Lake Drive Realignment	8th Street Signalization Project	Highway 39 at 33rd Street	North Hills - 10th Avenue to Highway 39	Total
-	-	94,059	115,177	-	-	42,913	17,831	16,283	21,387	16,379	324,029
-	-	-	19,097	-	-	-	-	-	-	-	22,097
-	-	-	-	200,000	-	-	-	-	-	-	200,000
1,250	-	-	106	-	-	-	-	-	-	-	11,181
1,250	-	94,059	134,380	200,000	-	42,913	17,831	16,283	21,387	16,379	557,307
-	-	-	132,731	400,000	58	42,913	22,289	-	-	-	597,991
-	-	94,059	-	-	-	-	-	20,354	26,733	79,194	231,894
-	-	-	-	-	-	-	-	-	-	-	-
-	-	94,059	132,731	400,000	58	42,913	22,289	20,354	26,733	79,194	829,885
1,250	-	-	1,649	(200,000)	(58)	-	(4,458)	(4,071)	(5,346)	(62,815)	(272,578)
-	28,524	-	19,097	200,000	70,000	-	4,458	4,071	36,000	126,877	494,002
(149,069)	-	-	-	-	-	-	-	-	-	-	(385,751)
(149,069)	28,524	-	19,097	200,000	70,000	-	4,458	4,071	36,000	126,877	- 108,251
(147,819)	28,524	-	20,746	-	69,942	-	-	-	30,654	64,062	(164,327)
147,819	(28,524)	-	(15,252)	-	-	-	-	-	-	-	1,214,855
-	-	-	5,494	-	69,942	-	-	-	30,654	64,062	1,050,528

SCHEDULE 6

CITY OF MERIDIAN, MISSISSIPPI

Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Budgetary Basis)

For the Fiscal Year Ended September 30, 2004

		Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues	$	4,650,000	5,175,422	525,422
Expenditures - debt service		4,650,000	4,984,855	(334,855)
Net change in fund balances		-	190,567	190,567
Fund Balance, October 1, 2003		-	2,375,502	2,375,502
Fund Balance, September 30, 2004	$	-	2,566,069	2,566,069

SCHEDULE 7

CITY OF MERIDIAN, MISSISSIPPI

Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Budgetary Basis)

For the Fiscal Year Ended September 30, 2004

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues	$ 264,000	1,023,079	759,079
Expenditures -			
Supplies and capital outlay	699,000	1,441,590	(742,590)
Net change in fund balances	(435,000)	(418,511)	16,489
Fund balances, October 1, 2003	530,000	487,585	(42,415)
Fund balances, September 30, 2004	$ 95,000	69,074	(25,926)

SCHEDULE 8

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, 2004

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues	$ 20,195,000	5,044,772	(15,150,228)
Expenditures - capital outlay	18,195,000	5,813,487	12,381,513
Net change in fund balances	2,000,000	(768,715)	(2,768,715)
Fund balance, October 1, 2003	1,000,000	5,594,287	4,594,287
Fund balance, September 30, 2004	$ 3,000,000	4,825,572	1,825,572

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CITY OF MERIDIAN, MISSISSIPPI
Schedule of General Fund Expenditures
By Departments and Divisions
For the Fiscal Year Ended September 30, 2004
(With Comparative Totals for the Fiscal Year Ended September 30, 2003)

	Executive, Legislative and Judicial	Finance and Records	Community Development	Fire Department	Police Department
Personnel services:					
Salaries - regular	$ 797,386	836,878	649,659	3,166,804	3,051,683
Salaries - overtime	-	2,519	1,449	173,820	76,971
Salaries - temporaries	-	-	7,748	-	-
Fringe benefits	233,593	287,516	197,808	1,077,488	981,329
Total personnel services	1,030,979	1,126,913	856,664	4,418,112	4,109,983
Contractual services and supplies:					
Supplies - office	7,267	8,607	4,828	1,641	3,347
Supplies - operating	221	6,747	2,797	4,727	28,473
Supplies - household	-	2,741	-	10,791	2,694
Supplies - uniforms and clothing	-	-	2,013	16,087	35,369
Supplies - materials direct	-	-	50	-	108
Materials - small tools	-	739	287	3,362	673
Professional services	283,921	78,939	25,117	4,900	296,282
Telephone	1,825	80,762	3,611	4,972	15,517
Postage	3,940	7,889	10,472	876	1,931
Travel	19,120	721	11,134	13,895	24,528
Freight	-	18	66	-	-
Advertising and publishing	17,807	8,258	8,089	110	6
Printing and binding	1,710	2,642	11,344	393	3,353
Insurance	41,871	31,610	39,836	186,470	363,873
Utilities	4,022	747,260	140	64,889	31,802
Operating and maintenance - buildings	5,070	39,811	-	7,256	8,553
Operating and maintenance - grounds	-	-	-	1,801	1,600
Operating and maintenance - equipment	4,156	59,605	3,901	8,402	7,578
Operating and maintenance - vehicles	1,538	881	11,722	53,637	238,464
Operating and maintenance - computer services	17,961	29,487	26,433	63,060	78,385
Rentals	-	1,600	708	-	6,613
Judgments and claims	-	123	214	56,814	125,549
Dues and subscriptions	22,640	2,881	5,928	1,522	1,549
Public relations	2,634	1,000	-	1,652	1,889
Refunds	-	2,005	-	-	-
Job training	6,120	1,449	7,787	13,327	26,876
Safety	-	-	-	19,825	-
Hospital and medical	8,400	-	-	2,284	44,883
Total contractual services & supplies	450,223	1,115,775	176,477	542,693	1,349,895
Capital outlay:					
Land	60,000	-	-	-	-
Improvements other than buildings	-	-	-	-	-
Machinery and equipment	10,511	162,992	9,555	90,581	98,270
Vehicles	-	-	30,630	-	179,398
Total capital outlay	70,511	162,992	40,185	90,581	277,668
Debt service:					
Principal	4,664	39,797	5,385	36,777	43,316
Interest	253	33,663	765	1,998	2,353
Total debt service	4,917	73,460	6,150	38,775	45,669
Transfers and other charges:					
Transfer to other funds	1,108,889	-	259,837	-	29,502
Special projects	38,653	35,000	155,599	-	-
Miscellaneous contributions	356,076	-	-	-	-
Other projects and charges	87,347	-	-	-	-
Total transfers and other charges	1,590,965	35,000	415,436	-	29,502
Total General Fund expenditures - 2004	3,147,595	2,514,140	1,494,912	5,090,161	5,812,717
Total General Fund expenditures - 2003	2,439,644	2,432,467	1,282,105	4,916,995	5,571,914
Increase (decrease)	$ 707,951	81,673	212,807	173,166	240,803

SCHEDULE 9

Homeland Security	Public Works	Parks, Recreation & Cultural Affairs	Totals 2004	Totals 2003	Increase (Decrease)
74,299	1,960,073	730,714	11,267,496	10,846,653	420,843
606	70,280	16,415	342,060	461,529	(119,469)
-	6,328	229,228	243,304	221,231	22,073
26,477	717,412	251,914	3,773,537	3,364,097	409,440
101,382	2,754,093	1,228,271	15,626,397	14,893,510	732,887
949	2,396	1,645	30,680	24,534	6,146
4,372	76,321	48,610	172,268	147,813	24,455
950	3,058	16,217	36,451	34,794	1,657
560	5,306	1,135	60,470	98,820	(38,350)
-	114,894	10,219	125,271	76,303	48,968
2,300	5,112	8,773	21,246	27,321	(6,075)
49,413	7,848	39,499	785,919	734,773	51,146
1,724	5,946	2,804	117,161	112,737	4,424
290	1,303	1,977	28,678	26,891	1,787
12,952	1,326	243	83,919	60,576	23,343
-	61	-	145	387	(242)
583	312	2,626	37,791	29,368	8,423
816	761	1,875	22,894	16,386	6,508
11,965	224,485	62,737	962,847	1,142,865	(180,018)
11,563	39,557	122,072	1,021,305	1,035,023	(13,718)
8,854	4,434	32,085	106,063	113,098	(7,035)
1,139	2,400	48,308	55,248	39,614	15,634
4,422	55,248	50,927	194,239	170,055	24,184
5,226	183,364	36,458	531,290	518,262	13,028
9,693	46,340	19,432	290,791	188,995	101,796
-	-	1,358	10,279	10,204	75
-	146,335	3,033	332,068	42,175	289,893
395	1,192	100	36,207	34,355	1,852
4,519	500	1,000	13,194	10,028	3,166
-	-	-	2,005	1,753	252
22,906	2,706	365	81,536	109,336	(27,800)
12,410	6,922	1,359	40,516	33,574	6,942
-	-	-	55,567	65,930	(10,363)
168,001	938,127	514,857	5,256,048	4,905,970	350,078
-	-	-	60,000	85,000	(25,000)
-	-	8,892	8,892	-	8,892
29,550	137,195	57,141	595,795	234,925	360,870
-	173,695	18,933	402,656	166,078	236,578
29,550	310,890	84,966	1,067,343	486,003	581,340
-	9,058	2,703	141,700	410,347	(268,647)
-	492	147	39,671	50,439	(10,768)
-	9,550	2,850	181,371	460,786	(279,415)
-	106,179	-	1,504,407	898,361	606,046
-	134,616	71,758	435,626	195,034	240,592
-	-	-	356,076	238,991	117,085
-	-	-	87,347	50,521	36,826
-	240,795	71,758	2,383,456	1,382,907	1,000,549
298,933	4,253,455	1,902,702	24,514,615	22,129,176	2,385,439
-	3,717,350	1,768,701	22,129,176		
298,933	536,105	134,001	2,385,439		

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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 10

CITY OF MERIDIAN, MISSISSIPPI

Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2004

	Golf Course	Union Station	Concessions	Total Nonmajor Enterprise Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ 40,161	110,272	11,866	162,299
Receivables - miscellaneous	-	8,980	-	8,980
Inventory	42,252	-	2,770	45,022
Total current assets	82,413	119,252	14,636	216,301
Capital assets:				
Buildings	117,128	-	-	117,128
Improvements other than buildings	113,067	-	-	113,067
Machinery and equipment	389,814	26,005	-	415,819
Total capital assets	620,009	26,005	-	646,014
Less accumulated depreciation	(537,801)	(22,791)	-	(560,592)
Capital assets (net of accumulated depreciation)	82,208	3,214	-	85,422
Total assets	164,621	122,466	14,636	301,723
LIABILITIES				
Current liabilities:				
Accounts payable	13,963	33,777	1,381	49,121
Accrued liabilities:				
Payroll	7,364	4,021	701	12,086
Compensated absences	26,556	762	-	27,318
Sales tax	1,532	-	419	1,951
Due to other funds	415	46	-	461
Current portion of capital leases	175	-	-	175
Total current liabilities	50,005	38,606	2,501	91,112
Noncurrent liabilities -				
Capital lease payable, net of current portion	2,855	-	-	2,855
Total liabilities	52,860	38,606	2,501	93,967
NET ASSETS				
Invested in capital assets, net of related debt	79,178	3,214	-	82,392
Unrestricted	32,583	80,646	12,135	125,364
Total net assets	$ 111,761	83,860	12,135	207,756

SCHEDULE 11

CITY OF MERIDIAN, MISSISSIPPI

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended September 30, 2004

		Golf Course	Union Station	Concessions	Total Nonmajor Enterprise Funds
Operating revenues:					
Charges for sales and services:					
Memberships	$	81,680	-	-	81,680
Green fees		65,444	-	-	65,444
Cart rental		57,549	-	-	57,549
Concessions		140,947	-	40,058	181,005
Rental income		-	102,723	-	102,723
Miscellaneous		524	-	717	1,241
Total operating revenues		346,144	102,723	40,775	489,642
Operating expenses:					
Personnel services		190,899	62,057	24,078	277,034
Supplies and materials		118,351	15,906	14,394	148,651
Rent and utilities		17,226	34,424	-	51,650
Operation, maintenance, and repairs		62,554	76,434	-	138,988
Depreciation		24,623	1,169	-	25,792
Miscellaneous		9,550	93,696	248	103,494
Total operating expenses		423,203	283,686	38,720	745,609
Operating income (loss)		(77,059)	(180,963)	2,055	(255,967)
Nonoperating revenues (expenses):					
Interest income		463	727	82	1,272
Interest expense		(183)	-	-	(183)
Total nonoperating revenues (expenses)		280	727	82	1,089
Income (loss) before transfers in		(76,779)	(180,236)	2,137	(254,878)
Transfers in		-	238,350	-	238,350
Change in net assets		(76,779)	58,114	2,137	(16,528)
Net assets, October 1, 2003		188,540	25,746	9,998	224,284
Net assets, September 30, 2004	$	111,761	83,860	12,135	207,756

SCHEDULE 12

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended September 30, 2004

		Golf Course	Union Station	Concessions	Total Nonmajor Enterprise Funds
Cash flows from operating activities:					
Receipts from customers and users	$	346,144	102,787	40,775	489,706
Payments to suppliers		(213,216)	(223,834)	(15,229)	(452,279)
Payments to employees		(189,549)	(60,112)	(23,377)	(273,038)
Net cash provided by (used in) operating activities		(56,621)	(181,159)	2,169	(235,611)
Cash flows from noncapital financing activities -					
Transfers from other funds		-	238,350	-	238,350
Cash flows from capital and related financing activities:					
Principal payments - capital lease		(218)	-	-	(218)
Interest paid on capital lease		(183)	-	-	(183)
Net cash used in capital and related financing activities		(401)	-	-	(401)
Cash flows from investing activities -					
Interest received		463	727	82	1,272
Net increase (decrease) in cash and cash equivalents		(56,559)	57,918	2,251	3,610
Cash and cash equivalents, October 1, 2003		96,720	52,354	9,615	158,689
Cash and cash equivalents, September 30, 2004	$	40,161	110,272	11,866	162,299
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$	(77,059)	(180,963)	2,055	(255,967)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation		24,623	1,169	-	25,792
Changes in assets and liabilities:					
Accounts receivable		-	63	-	63
Inventory		(7,920)	-	(557)	(8,477)
Prepaid items		612	827	-	1,439
Accounts payable		1,122	(4,238)	(48)	(3,164)
Accrued liabilities		1,586	1,945	719	4,250
Due to other funds		415	38	-	453
Total adjustments		20,438	(196)	114	20,356
Net cash provided by (used in) operating activities	$	(56,621)	(181,159)	2,169	(235,611)

INTERNAL SERVICE FUNDS

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

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

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

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

SCHEDULE 13

CITY OF MERIDIAN, MISSISSIPPI

Combining Statement of Net Assets
Internal Service Funds
September 30, 2004

	Municipal Supply	Municipal Office Supply	Unemployment Compensation Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 139,821	5,484	3,576	148,881
Due from other funds:				
General Fund	55,044	-	-	55,044
Water and Sewer Fund	8,674	-	-	8,674
Golf Course Fund	415	-		415
Union Station Fund	46	-	-	46
Due from component unit	25,130	-	-	25,130
Inventory	43,901	3,464	-	47,365
Total current assets	273,031	8,948	3,576	285,555
LIABILITIES				
Current liabilities -				
Accounts payable	52,874	1,320	-	54,194
NET ASSETS				
Unrestricted	$ 220,157	7,628	3,576	231,361

SCHEDULE 14

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, 2004

	Municipal Supply	Municipal Office Supply	Unemployment Compensation Fund	Total
Operating revenues -				
Charges for sales and services	$ 379,949	5,784	-	385,733
Operating expenses:				
Costs of sales and services	380,103	4,818	-	384,921
Claims paid	-	-	24,280	24,280
Total operating expenses	380,103	4,818	24,280	409,201
Operating income (loss) before transfers	(154)	966	(24,280)	(23,468)
Transfers in	-	-	25,000	25,000
Change in net assets	(154)	966	720	1,532
Net assets, October 1, 2003	220,311	6,662	2,856	229,829
Net assets, September 30, 2004	$ 220,157	7,628	3,576	231,361

SCHEDULE 15

CITY OF MERIDIAN, MISSISSIPPI

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended September 30, 2004

	Municipal Supply	Municipal Office Supply	Unemployment Compensation Fund	Total
Cash flows from operating activities:				
Receipts from customers and users	$ 374,456	6,585	-	381,041
Payments to suppliers	(351,013)	(5,282)	(24,280)	(380,575)
Net cash provided by (used in) operating activities	23,443	1,303	(24,280)	466
Cash flows from noncapital financing activities -				
Transfers from other funds	-	-	25,000	25,000
Net increase in cash and cash equivalents	23,443	1,303	720	25,466
Cash and cash equivalents, October 1, 2003	116,378	4,181	2,856	123,415
Cash and cash equivalents, September 30, 2004	$ 139,821	5,484	3,576	148,881
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ (154)	966	(24,280)	(23,468)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Changes in assets and liabilities:				
Due from other funds	(8,190)	801	-	(7,389)
Due from component units	2,698	-	-	2,698
Inventory	8,178	(311)	-	7,867
Accounts payable	20,911	(153)	-	20,758
Total adjustments	23,597	337	-	23,934
Net cash provided by (used in) operating activities	$ 23,443	1,303	(24,280)	466

FIDUCIARY FUNDS

Agency Funds

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

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

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

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

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

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

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

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

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

SCHEDULE 16

CITY OF MERIDIAN, MISSISSIPPI

Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2004

	Firemen & Policemen Disability & Relief	General Retirement Fund	Meridian Community College	Meridian Separate School District	Hospital Insurance	State Police Fines & Fees	Meridian Separate School District Bonds & Interest	Total
ASSETS								
Cash and cash equivalents	$ 63,727	42,571	56,326	462,814	48,091	31,793	7,410	712,732
Intergovernmental receivables- County	11,161	7,457	19,039	149,725	-	-	2,507	189,889
Total assets	$ 74,888	50,028	75,365	612,539	48,091	31,793	9,917	902,621
LIABILITIES								
Intergovernmental payables:								
Schools	$ -	-	75,365	612,539	-	-	9,917	697,821
PERS	74,888	50,028	-	-	-	-	-	124,916
State	-	-	-	-	-	31,793	-	31,793
Employee insurance withheld	-	-	-	-	48,091	-	-	48,091
Total liabilities	$ 74,888	50,028	75,365	612,539	48,091	31,793	9,917	902,621

CITY OF MERIDIAN, MISSISSIPPI

Agency Funds

Combining Statement of Changes in Fiduciary Assets and Liabilities

For the Fiscal Year Ended September 30, 2004

	Balance September 30, 2003	Additions	Deletions	Balance September 30, 2004
	Firemen & Policemen Disability & Relief Fund			
ASSETS				
Cash and cash equivalents	$ 70,007	1,103,395	1,109,675	63,727
Intergovernmental - county	13,791	11,161	13,791	11,161
Total assets	$ 83,798	1,114,556	1,123,466	74,888
LIABILITIES				
Intergovernmental - PERS	$ 83,798	1,114,556	1,123,466	74,888
	General Retirement Fund			
ASSETS				
Cash and cash equivalents	$ 45,639	736,503	739,571	42,571
Intergovernmental - county	8,994	7,457	8,994	7,457
Total assets	$ 54,633	743,960	748,565	50,028
LIABILITIES				
Intergovernmental - State	$ 54,633	743,960	748,565	50,028
	Meridian Community College			
ASSETS				
Cash and cash equivalents	$ 61,611	1,730,275	1,735,560	56,326
Intergovernmental - county	21,099	19,039	21,099	19,039
Total assets	$ 82,710	1,749,314	1,756,659	75,365
LIABILITIES				
Intergovernmental - schools	$ 82,710	1,749,314	1,756,659	75,365

(Continued)

CITY OF MERIDIAN, MISSISSIPPI

Agency Funds

Combining Statement of Changes in Fiduciary Assets and Liabilities

For the Fiscal Year Ended September 30, 2004

	Balance September 30, 2003	Additions	Deletions	Balance September 30, 2004
	Meridian Separate School District			
ASSETS				
Cash and cash equivalents	$ 490,489	13,526,785	13,554,460	462,814
Intergovernmental - county	158,240	149,725	158,240	149,725
Total assets	$ 648,729	13,676,510	13,712,700	612,539
LIABILITIES				
Intergovernmental - schools	$ 648,729	13,676,510	13,712,700	612,539
	Hospital Insurance			
ASSETS				
Cash and cash equivalents	$ 47,559	534,221	533,689	48,091
LIABILITIES				
Employee insurance withheld	$ 47,559	534,221	533,689	48,091
	State Police Fines & Fees			
ASSETS				
Cash and cash equivalents	$ 34,929	467,766	470,902	31,793
LIABILITIES				
Intergovernmental - state	$ 34,929	467,766	470,902	31,793
	Pass Through Grants			
ASSETS				
Cash and cash equivalents	$ -	51,843	51,843	-
LIABILITIES				
Other	$ -	51,843	51,843	-

(Continued)

CITY OF MERIDIAN, MISSISSIPPI

Agency Funds

Combining Statement of Changes in Fiduciary Assets and Liabilities

For the Fiscal Year Ended September 30, 2004

		Balance September 30, 2003	Additions	Deletions	Balance September 30, 2004
		Meridian Separate School District Bonds & Interest			
ASSETS					
Cash and cash equivalents	$	25,319	241,638	259,547	7,410
Intergovernmental - county		8,650	2,507	8,650	2,507
Total assets	$	33,969	244,145	268,197	9,917
LIABILITIES					
Intergovernmental - schools	$	33,969	244,145	268,197	9,917
		Total All Agency Funds			
ASSETS					
Cash and cash equivalents	$	775,553	18,392,426	18,455,247	712,732
Intergovernmental receivables		210,774	189,889	210,774	189,889
Total assets	$	986,327	18,582,315	18,666,021	902,621
LIABILITIES					
Intergovernmental	$	938,768	17,996,251	18,080,489	854,530
Employee insurance withheld		47,559	534,221	533,689	48,091
Other		-	51,843	51,843	-
Total liabilities	$	986,327	18,582,315	18,666,021	902,621

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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.

SCHEDULE 18

CITY OF MERIDIAN, MISSISSIPPI

Combining Statement of Net Assets
Nonmajor Component Units
September 30, 2004

	Meridian Transportation Commission	Meridian and Bonita Lakes Development Authority	Meridian Redevelopment Authority	Total Nonmajor Component Units
ASSETS				
Current assets:				
Cash and cash equivalents	$ 1,159	63	16,373	17,595
Investments	8,424	-	-	8,424
Receivables:				
Accounts	95	-	-	95
Intergovernmental - State	19,487	-	-	19,487
Prepaid items	8,477	-	-	8,477
Total current assets	37,642	63	16,373	54,078
Capital assets (net of accumulated depreciation):				
Land	-	-	7,500	7,500
Machinery and equipment	23,497	-	-	23,497
Total assets	61,139	63	23,873	85,075
LIABILITIES				
Current liabilities:				
Notes payable	13,973	-	-	13,973
Accounts payable	29,423	-	-	29,423
Accrued liabilities	7,514	-	-	7,514
Unearned revenue	7,294	-	-	7,294
Total current liabilities	58,204	-	-	58,204
NET ASSETS				
Invested in capital assets, net of related debt	23,497	-	7,500	30,997
Unrestricted (deficit)	(20,562)	63	16,373	(4,126)
Total net assets	$ 2,935	63	23,873	26,871

SCHEDULE 19

CITY OF MERIDIAN, MISSISSIPPI

Combining Statement of Activities
Nonmajor Component Units
For the Fiscal Year Ended September 30, 2004

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Meridian Transportation Commission	Net (Expense) Revenue and Changes in Net Assets: Meridian and Bonita Lakes Development Authority	Net (Expense) Revenue and Changes in Net Assets: Meridian Redevelopment Authority	Total Nonmajor Component Units
Component units:								
Meridian Transportation Commission	$ 419,685	44,498	325,746	-	(49,441)	-	-	(49,441)
Meridian and Bonita Lakes Development Authority	3,852	-	700	-	-	(3,152)	-	(3,152)
Meridian Redevelopment Authority	8,710	-	1,210	32,500	-	-	25,000	25,000
Total component units	$ 432,247	44,498	327,656	32,500	(49,441)	(3,152)	25,000	(27,593)
General revenues:								
Interest income					121	4	34	159
Insurance proceeds					9,500	-	-	9,500
Casualty loss of capital asset					-	-	(30,000)	(30,000)
Total general revenues					9,621	4	(29,966)	(20,341)
Change in net assets					(39,820)	(3,148)	(4,966)	(47,934)
Net assets, October 1, 2003					42,755	3,211	28,839	74,805
Net assets, September 30, 2004					$ 2,935	63	23,873	26,871

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CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE 20

CITY OF MERIDIAN, MISSISSIPPI

Capital Assets Used in the Operation of Governmental Funds

Comparative Schedules by Source[1]

September 30, 2004 and 2003

		2004	2003	Increase (Decrease)
Governmental funds capital assets:				
Land	$	5,499,702	5,466,995	32,707
Buildings		17,046,341	16,646,341	400,000
Improvements other than buildings		1,400,299	1,400,299	-
Machinery and equipment		10,551,331	10,063,763	487,568
Infrastructure		71,436,779	71,436,779	-
Construction in-progress		8,958,185	1,897,235	7,060,950
Total governmental funds capital assets	$	114,892,637	106,911,412	7,981,225
Investments in governmental funds capital assets by source:				
Prior investments in governmental funds capital assets	$	10,275,760	10,948,101	(672,341)
General fund		14,252,379	13,129,753	1,122,626
Special revenue funds		9,213,534	8,743,544	469,990
Capital projects funds		80,394,964	73,334,014	7,060,950
Donations		756,000	756,000	-
Total governmental funds capital assets	$	114,892,637	106,911,412	7,981,225

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

CITY OF MERIDIAN, MISSISSIPPI

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity[1]

September 30, 2004

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Infrastructure	Construction In-Progress	Total
General government:							
Finance and records	$ -	-	-	906,704	-	-	906,704
Executive	1,454,527	880,504	-	113,753	-	5,900,188	8,348,972
Legislative	-	-	-	17,567	-	-	17,567
Community development	1,324,338	7,281,824	604,658	251,027	-	-	9,461,847
Total general government	2,778,865	8,162,328	604,658	1,289,051	-	5,900,188	18,735,090
Public safety:							
Police	-	1,675,261	-	1,694,240	-	-	3,369,501
Fire	53,019	3,458,841	-	2,493,869	-	-	6,005,729
Zoning and inspection	-	-	-	93,024	-	-	93,024
Homeland security	-	400,000	-	233,736	-	-	633,736
Total public safety	53,019	5,534,102	-	4,514,869	-	-	10,101,990
Sanitation	-	-	-	25,965	-	-	25,965
Highways and streets:							
Engineering	-	-	-	174,397	-	-	174,397
Maintenance	1,449,729	1,916,194	-	4,061,611	71,436,779	3,057,997	81,922,310
Total highways and streets	1,449,729	1,916,194	-	4,236,008	71,436,779	3,057,997	82,096,707
Culture and recreation -							
Parks and recreation	1,218,089	1,433,717	795,641	485,438	-	-	3,932,885
Total governmental funds capital assets	$ 5,499,702	17,046,341	1,400,299	10,551,331	71,436,779	8,958,185	114,892,637

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

SCHEDULE 22

CITY OF MERIDIAN, MISSISSIPPI

Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity[1]
For the Fiscal Year Ended September, 30, 2004

Function and Activity	Governmental Funds Capital Assets September 30, 2003	Additions	Deductions	Governmental Funds Capital Assets September 30, 2004
General government:				
Finance and records	$ 861,485	124,284	79,065	906,704
Executive	4,169,504	4,194,061	14,593	8,348,972
Legislative	17,567	-	-	17,567
Community development	9,428,229	43,147	9,529	9,461,847
Total general government	14,476,785	4,361,492	103,187	18,735,090
Public safety:				
Police	3,415,111	237,629	283,239	3,369,501
Fire	6,017,247	49,923	61,441	6,005,729
Zoning and inspection	92,176	11,671	10,823	93,024
Homeland security	-	633,736	-	633,736
Total public safety	9,524,534	932,959	355,503	10,101,990
Sanitation	25,965	-	-	25,965
Highways and streets:				
Engineering	162,499	42,164	30,266	174,397
Maintenance	78,838,231	3,347,256	263,177	81,922,310
Total highways and streets	79,000,730	3,389,420	293,443	82,096,707
Culture and recreation -				
Parks and recreation	3,883,398	63,157	13,670	3,932,885
Total governmental funds capital assets	$ 106,911,412	8,747,028	765,803	114,892,637

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF MERIDIAN, MISSISSIPPI
Schedule Reconciling Original Ad Valorem
Tax Rolls to Fund Collections
For the Fiscal Year Ended September 30, 2004

	Assessed Value	Millage		Ad Valorem Taxes
City of Meridian:				
Realty	$ 150,337,267	50.08		$ 7,528,890
Personal property - other than auto	40,797,708	50.08		2,043,149
Public utilities	27,396,498	50.08		1,372,017
Personal autos - 2002 rates	96	51.49		5
Personal autos - 2003 rates	3,675,721	50.08		184,080
Personal autos - 2004 rates	31,207,129	50.08		1,562,853
Total City of Meridian valuation	$ 253,414,419			12,690,994
Less homestead exemption allowed				(862,212)
Total City ad valorem taxes				11,828,782
Adjustments to original tax roll:				
2002 taxes refunded			$ (9,035)	
Realty			(21,809)	
Personal			(40,332)	
Homestead exemption			(6,247)	(77,423)
Add:				
Actual homestead reimbursement			568,904	
Prior year tax collection			78,447	
Payments in lieu of taxes			98,842	
Motor vehicle rent tax			53,364	
Public utilities			1,522	
Aircraft			6,863	
Mobile homes			9,533	817,475
Total City to account for				12,568,834
Separate School District:				
Realty	$ 158,106,401	62.30		9,850,029
Personal property - other than auto	47,469,865	62.30		2,957,373
Public utilities	35,051,472	62.30		2,183,707
Personal autos - 2002 rates	96	64.38		6
Personal autos - 2003 rates	3,710,428	62.37		231,419
Personal autos - 2004 rates	31,545,296	62.30		1,965,272
Total Separate School District valuation	$ 275,883,558			17,187,806
Less homestead exemption allowed				(1,671,346)
Total Separate School District ad valorem taxes				15,516,460
Adjustments to original tax roll:				
2002 taxes refunded			(11,253)	
Realty			(10,738)	
Personal			(14,874)	
Homestead exemption			(5,446)	(42,311)
Add:				
Prior year tax collection			70,094	
Mobile homes			24,875	
Public utilities			67,733	162,702
Total Separate School District to account for				15,636,851
Total City of Meridian and Separate School District to account for				$ 28,205,685

(Continued)

CITY OF MERIDIAN, MISSISSIPPI

Schedule Reconciling Original Ad Valorem
Tax Rolls to Fund Collections
For the Fiscal Year Ended September 30, 2004

		Taxes	Homestead Reimbursement	Total
Accounted for as follows:				
General Fund	$	7,110,659	345,227	7,455,886
General Fund - Pilot		98,842	-	98,842
General Bond & Interest		2,864,373	138,591	3,002,964
School Bond & Interest		241,638	-	241,638
Police & Fire Disability		1,052,389	51,006	1,103,395
General Retirement		702,423	34,080	736,503
School Fund		15,163,961	-	15,163,961
Total accounted for	$	27,234,285	568,904	27,803,189
Balance represented by:				
Unpaid personal property				144,874
Held by tax collector				22,109
Sold to state				26,858
Held from tax sale				11,275
Tax collector's commission				197,182
Unaccounted for				198
Total ad valorem taxes			$	28,205,685

SCHEDULE 24

CITY OF MERIDIAN, MISSISSIPPI

Schedule of Investments
September 30, 2004

	Issue Date	Maturity Date	Interest Rate	Amount
General fund - unrestricted -				
Certificate of deposit	07/12/2004	01/11/2005	1.00%	$ 500,000
Capital projects funds - unrestricted:				
Certificate of deposit	08/30/2004	02/28/2005	1.85%	$ 250,000
Treasury obligations fund	-	-	N/A	1,402,071
Total capital projects funds - unrestricted				$ 1,652,071
Proprietary funds:				
Unrestricted -				
Certificate of deposit	07/12/2004	01/11/2005	1.00%	$ 100,000
Restricted:				
Certificate of deposit	12/23/2003	12/23/2004	1.25%	179,860
Treasury obligations fund	-	-	N/A	234,113
Federal National Mortgage Association Discount Notes	09/01/2004	12/27/2004	N/A	759,000
Federal National Mortgage Association Discount Notes	09/01/2004	12/27/2004	N/A	971,000
Federal Home Loan Mortgage Corporate Discount Notes	05/27/2004	11/24/2004	N/A	428,000
Federated Government Obligations	09/06/2001	N/A	N/A	975
Federal Home Loan Mortgage Corporate Discount Notes	09/27/2004	03/28/2005	N/A	304,238
Total restricted funds				2,877,186
Total proprietary funds investments				$ 2,977,186
Total unrestricted investments				$ 2,252,071
Total restricted investments				$ 2,877,186
Total repurchase agreements - presented as cash and cash equivalents in various fund types				$ 2,526,000

SCHEDULE 25

CITY OF MERIDIAN, MISSISSIPPI

Schedule of Surety Bonds for Municipal Officials

September 30, 2004

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

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

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CITY OF MERIDIAN, MISSISSIPPI

Schedule of Changes in Long-Term Debt
For the Fiscal Year Ended September 30, 2004

	Date of Issue	Interest Rate	Amount of Original Issue	Balance September 30, 2003	Principal Payments	New Issues	Balance September 30, 2004
Governmental activities:							
Public Improvements of 1984	11/01/1984	9.25-10.5%	$ 3,000,000	585,000	275,000	-	310,000
Public Improvements of 1989	05/01/1989	7.1-6.5%	2,500,000	310,000	310,000	-	-
Public Improvements of 1993	08/01/1993	3.8-5.4%	1,160,000	500,000	90,000	-	410,000
Public Improvements of 1995	08/01/1995	4.4-6.2%	2,050,000	505,000	245,000	-	260,000
Refunding Bonds of 1996	01/01/1996	3.875-5.0%	4,210,000	775,000	380,000	-	395,000
Public Improvements of 1998	03/01/1998	4.2-6.0%	4,500,000	3,365,000	265,000	-	3,100,000
Public Improvement of 1999	04/01/1999	4.1-5.7%	1,150,000	920,000	65,000	-	855,000
Public Improvement of 2000	05/01/2000	4.4-6.25%	1,100,000	830,000	100,000	-	730,000
Public Improvement of 2003	07/01/2003	3.25-4.125%	6,000,000	6,000,000	290,000	-	5,710,000
Total general obligations bonds			25,670,000	13,790,000	2,020,000	-	11,770,000
Special Obligation Bonds 2003A	07/01/2003	2.75-4.5%	5,500,000	5,500,000	170,000	-	5,330,000
Special Obligation Bonds 2003B	07/01/2003	3.3-3.375%	1,500,000	1,500,000	40,000	-	1,460,000
Total special obligation bonds			7,000,000	7,000,000	210,000	-	6,790,000
Limited Obligation Tax Increment Bonds (TIF)	12/01/1996	9.0%	4,160,000	2,600,000	520,000	-	2,080,000
Limited Obligation Tax Increment Bonds (TIF)	09/01/2000	9.0%	2,200,000	2,200,000	75,000	-	2,125,000
Limited Obligation Tax Increment Bonds (TIF)	12/01/2000	9.0%	1,100,000	1,100,000	75,000	-	1,025,000
Total tax increment bonds			7,460,000	5,900,000	670,000	-	5,230,000
Revolving loan - capital improvements	06/01/2001	3.00%	1,000,000	877,096	62,197	-	814,899
Total promissory loans			1,000,000	877,096	62,197	-	814,899
Special Street Improvements	08/01/1995	4.8-6.75%	1,920,000	1,420,000	80,000	-	1,340,000
Special Assessment Public Improvement	06/01/1996	4.7-6.7%	2,000,000	1,530,000	80,000	-	1,450,000
Special Assessment Public Improvement	06/01/2000	5.2-6.25%	1,125,000	1,030,000	35,000	-	995,000
Special Assessment Public Imp 2001	08/01/2001	4.5-6.0%	500,000	470,000	15,000	-	455,000
Total special assessment			5,545,000	4,450,000	210,000	-	4,240,000
Certificates of Participation - MPIC	07/01/1994	7.00%	1,300,000	130,000	130,000	-	-
Total certificates of participation			1,300,000	130,000	130,000	-	-
First Continental Leasing - computers/equipment	08/14/2000	5.69%	425,000	110,823	110,823	-	-
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	709,066	654,700	33,663	-	621,037
Trustmark Lease - street sweeper	11/21/2003	3.35%	67,223	-	-	67,223	67,223
Total capital leases			1,201,289	765,523	144,486	67,223	688,260
Total governmental activities			$ 49,176,289	32,912,619	3,446,683	67,223	29,533,159
Business-type activities:							
Water and Sewer Revenue	07/01/1994	6.0-6.5%	$ 9,710,000	5,890,000	575,000	-	5,315,000
Water and Sewer Revenue	12/01/1995	4.6-6.5%	5,000,000	3,860,000	205,000	-	3,655,000
Water and Sewer Revenue	10/01/1997	4.5-6.375%	5,000,000	4,195,000	185,000	-	4,010,000
Water and Sewer Revenue	06/01/2000	5.0-6.25%	2,000,000	1,835,000	65,000	-	1,770,000
Total revenue bonds			21,710,000	15,780,000	1,030,000	-	14,750,000
Water and sewer promissory loan	12/01/1998	4.7-6.125%	5,300,000	5,115,000	140,000	-	4,975,000
Loan - capital improvements	01/01/2001	3.00%	360,000	271,497	36,917	-	234,580
Water and sewer promissory loan	11/29/2001	2.3-5.125%	3,100,000	3,020,000	85,000	-	2,935,000
Water and sewer promissory loan	07/01/2003	2.6-3.25%	7,590,000	7,590,000	590,000	-	7,000,000
Water and sewer promissory loan	03/24/2004	1.0-5.0%	2,900,000	-	-	2,900,000	2,900,000
Total promissory loans			19,250,000	15,996,497	851,917	2,900,000	18,044,580
Citizens National Bank Lease - flush truck	09/18/2001	4.06%	82,934	27,814	27,814	-	-
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	1,053,181	972,433	50,000	-	922,433
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	3,460	3,247	217	-	3,030
Trustmark Lease - trucks	05/11/2004	2.83%	61,171	-	-	61,171	61,171
Total capital leases			1,200,746	1,003,494	78,031	61,171	986,634
Total business-type activities			$ 42,160,746	32,779,991	1,959,948	2,961,171	33,781,214

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Long-Term Debt Maturities
September 30, 2004

	Date of Issue	Interest Rate	Amount of Original Issue	Balance September 30, 2004	2005
Governmental activities:					
Public Improvements of 1984	11/01/1984	9.25-10.5%	$ 3,000,000	310,000	310,000
Public Improvements of 1993	08/01/1993	3.8-5.4%	1,160,000	410,000	95,000
Public Improvements of 1995	08/01/1995	4.4-6.2%	2,050,000	260,000	260,000
Refunding Bonds of 1996	01/01/1996	3.875-5.0%	4,210,000	395,000	395,000
Public Improvements of 1998	03/01/1998	4.2-6.0%	4,500,000	3,100,000	280,000
Public Improvement of 1999	04/01/1999	4.1-5.7%	1,150,000	855,000	70,000
Public Improvement of 2000	05/01/2000	4.4-6.25%	1,100,000	730,000	105,000
Public Improvement of 2003	07/01/2003	3.25-4.125%	6,000,000	5,710,000	300,000
Total general obligations bonds			23,170,000	11,770,000	1,815,000
Special Obligation Bonds 2003A	07/01/2003	2.75-4.5%	5,500,000	5,330,000	180,000
Special Obligation Bonds 2003B	07/01/2003	3.3-3.375%	1,500,000	1,460,000	45,000
Total special obligation bonds			7,000,000	6,790,000	225,000
Limited Obligation Tax Increment Bonds (TIF)	12/01/1996	9.0%	4,160,000	2,080,000	520,000
Limited Obligation Tax Increment Bonds (TIF)	09/01/2000	9.0%	2,200,000	2,125,000	85,000
Limited Obligation Tax Increment Bonds (TIF)	12/01/2000	9.0%	1,100,000	1,025,000	80,000
Total tax increment bonds			7,460,000	5,230,000	685,000
Revolving loan - capital improvements	06/01/2001	3.00%	1,000,000	814,899	54,228
Total promissory loans			1,000,000	814,899	54,228
Special Street Improvements	08/01/1995	4.8-6.75%	1,920,000	1,340,000	85,000
Special Assessment Public Improvement	06/01/1996	4.7-6.7%	2,000,000	1,450,000	80,000
Special Assessment Public Improvement	06/01/2000	5.2-6.25%	1,125,000	995,000	40,000
Special Assessment Public Imp 2001	08/01/2001	4.5-6.0%	500,000	455,000	15,000
Total special assessment			5,545,000	4,240,000	220,000
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	709,066	621,037	35,694
Trustmark Lease - street sweeper	11/21/2003	3.35%	67,223	67,223	21,653
Total capital leases			776,289	688,260	57,347
Total governmental activities			$ 44,951,289	29,533,159	3,056,575
Business-type activities:					
Water and Sewer Revenue	07/01/1994	6.0-6.5%	$ 9,710,000	5,315,000	615,000
Water and Sewer Revenue	12/01/1995	4.6-6.5%	5,000,000	3,655,000	215,000
Water and Sewer Revenue	10/01/1997	4.5-6.375%	5,000,000	4,010,000	200,000
Water and Sewer Revenue	06/01/2000	5.0-6.25%	2,000,000	1,770,000	65,000
Total revenue bonds			21,710,000	14,750,000	1,095,000
Water and sewer promissory loan	12/01/1998	4.7-6.125%	5,300,000	4,975,000	150,000
Loan - capital improvements	01/01/2001	3.00%	360,000	234,580	32,187
Water and sewer promissory loan	11/29/2001	2.3-5.125%	3,100,000	2,935,000	85,000
Water and sewer promissory loan	07/01/2003	2.6-3.25%	7,590,000	7,000,000	600,000
Water and sewer promissory loan	03/24/2004	1.0-5.0%	2,900,000	2,900,000	90,000
Total promissory loans			19,250,000	18,044,580	957,187
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	1,053,181	922,433	53,017
CitiCapital Lease - energy saving equipment	05/21/2002	5.87%	3,460	3,030	174
Trustmark Lease - trucks	05/11/2004	2.83%	61,171	61,171	19,825
Total capital leases			1,117,812	986,634	73,016
Total business-type activities			$ 42,077,812	33,781,214	2,125,203

Maturities for the Years Ended September 30,							
2006	2007	2008	2009	2010 - 2014	2015 - 2019	2020 - 2024	2025 - 2026
-	-	-	-	-	-	-	-
100,000	105,000	110,000	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
290,000	310,000	325,000	340,000	1,555,000	-	-	-
70,000	75,000	80,000	85,000	475,000	-	-	-
110,000	120,000	125,000	130,000	140,000	-	-	-
315,000	330,000	345,000	360,000	2,055,000	2,005,000	-	-
885,000	940,000	985,000	915,000	4,225,000	2,005,000	-	-
185,000	200,000	200,000	215,000	1,240,000	1,565,000	1,545,000	-
45,000	50,000	50,000	55,000	330,000	430,000	455,000	-
230,000	250,000	250,000	270,000	1,570,000	1,995,000	2,000,000	-
520,000	520,000	520,000	-	-	-	-	-
175,000	190,000	205,000	255,000	1,215,000	-	-	-
85,000	95,000	100,000	110,000	555,000	-	-	-
780,000	805,000	825,000	365,000	1,770,000	-	-	-
60,882	62,733	64,642	66,608	364,689	141,117	-	-
60,882	62,733	64,642	66,608	364,689	141,117	-	-
95,000	100,000	105,000	110,000	680,000	165,000	-	-
85,000	95,000	105,000	110,000	655,000	320,000	-	-
40,000	45,000	45,000	50,000	290,000	390,000	95,000	-
20,000	20,000	20,000	20,000	125,000	160,000	75,000	-
240,000	260,000	275,000	290,000	1,750,000	1,035,000	170,000	-
37,849	40,133	42,555	45,123	269,906	149,777	-	-
22,410	23,160	-	-	-	-	-	-
60,259	63,293	42,555	45,123	269,906	149,777	-	-
2,256,141	2,381,026	2,442,197	1,951,731	9,949,595	5,325,894	2,170,000	-
655,000	690,000	735,000	775,000	1,845,000	-	-	-
230,000	245,000	260,000	275,000	1,630,000	800,000	-	-
210,000	220,000	230,000	245,000	1,440,000	1,465,000	-	-
70,000	75,000	80,000	85,000	515,000	710,000	170,000	-
1,165,000	1,230,000	1,305,000	1,380,000	5,430,000	2,975,000	170,000	-
155,000	165,000	175,000	185,000	1,115,000	1,430,000	1,600,000	-
36,136	37,235	38,368	39,535	51,119	-	-	-
90,000	90,000	95,000	95,000	550,000	675,000	855,000	400,000
620,000	645,000	665,000	685,000	3,785,000	-	-	-
95,000	100,000	105,000	110,000	625,000	785,000	990,000	-
996,136	1,037,235	1,078,368	1,114,535	6,126,119	2,890,000	3,445,000	400,000
56,217	59,610	63,208	67,022	400,894	222,465	-	-
185	196	208	220	1,315	732	-	-
20,650	20,696	-	-	-	-	-	-
77,052	80,502	63,416	67,242	402,209	223,197	-	-
2,238,188	2,347,737	2,446,784	2,561,777	11,958,328	6,088,197	3,615,000	400,000

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STATISTICAL SECTION

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

SCHEDULE 28

CITY OF MERIDIAN, MISSISSIPPI

Government-Wide Expenses by Function

Last Ten Fiscal Years[1]

Fiscal Year	General Government	Public Safety	Public Works	Cultural and Recreation	Economic Development	Other	Interest on Long-term Debt	Water and Sewer	Waste Collection and Disposal	Golf Course	Union Station	Concessions	Total
2004	$ 5,738,197	$11,980,818	$ 6,769,958	$ 1,967,716	$ 169,318	$ 101,747	$ 1,684,793	$10,380,548	$ 2,738,616	$ 423,386	$ 283,686	$ 38,720	$ 42,277,503
2003	5,290,667	10,864,580	6,230,296	1,805,588	84,848	50,554	1,389,605	10,741,834	2,529,121	433,220	253,725	48,250	39,722,288
2002	5,547,859	10,395,388	5,607,847	1,609,224	155,631	70,950	1,553,184	8,323,547	2,174,461	453,012	250,887	40,733	36,182,723

[1]Government-wide information is not available for the fiscal years 1995 through 2001.

Source: Audit Reports - Statement of Activities

SCHEDULE 29

CITY OF MERIDIAN, MISSISSIPPI

Government-Wide Revenues

Last Ten Fiscal Years[1]

	Program Revenues			General Revenues				
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Grants and Contributions Not Restricted to Specific Programs	Unrestricted Investment Earnings	Miscellaneous	Total
2004	$13,840,989	$ 1,420,438	$ 602,867	$25,848,222	$ 64,858	$ 288,163	$ 16,764	$ 42,082,301
2003	12,928,212	1,128,736	280,553	25,250,166	68,158	418,086	20,817	40,094,728
2002	12,793,868	3,614,962	60,160	24,163,931	60,658	374,432	-	41,068,011

[1]Government-wide information is not available for the fiscal years 1995 through 2001.

Source: Audit Reports - Statement of Activities

SCHEDULE 30

CITY OF MERIDIAN, MISSISSIPPI

General Government Expenditures and Transfers by Function
Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works	Cultural and Recreation	Other	Capital Outlay	Transfers	Debt Service	Total
2004	$ 5,342,358	$10,690,066	$ 3,826,834	$ 1,814,885	$ 101,747	$ 1,067,345	$ 1,504,408	$ 5,145,194	$ 29,492,837
2003	4,885,213	10,088,753	3,541,259	1,718,247	50,554	486,003	898,361	4,606,621	26,275,011
2002	5,115,537	9,538,547	2,876,315	1,530,652	70,950	763,178	1,016,589	5,698,322	26,610,090
2001	4,842,690	9,538,463	2,965,928	1,466,969	65,128	245,730	1,164,161	5,578,608	25,867,677
2000	4,896,203	10,037,326	3,016,929	1,555,983	83,806	2,210,928	517,580	4,323,775	26,642,530
1999	4,707,981	9,447,046	2,905,732	1,519,263	37,496	833,216	442,404	4,606,734	24,499,872
1998	4,529,491	9,050,305	2,984,276	2,112,435	2,169	535,677	349,499	4,249,692	23,813,544
1997	4,180,214	8,619,835	2,918,496	1,418,877	42,160	540,462	169,795	3,931,654	21,821,493
1996	4,159,024	8,212,206	2,614,659	1,359,114	37,490	990,528	188,910	3,546,697	21,108,628
1995	3,959,291	7,894,221	2,656,329	1,329,202	34,611	1,027,282	270,570	3,170,686	20,342,192

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

SCHEDULE 31

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

Fiscal Year	Taxes[1] Property	Taxes[1] Sales Taxes[2]	Inter-govern-mental	Franchises	Fines and Forfeits	Licenses and Permits	Charges for Services	Interest	Misc.	Transfers	Total
2004	$ 11,076,143	$ 12,179,516	$ 475,383	$ 1,844,968	$ 783,228	$ 298,309	$ 144,349	$ 84,955	$ 340,358	$2,088,598	$ 29,315,807
2003	10,844,781	11,839,530	248,811	1,793,752	823,646	224,644	136,681	119,111	648,496	1,365,184	28,044,636
2002	10,179,175	11,450,017	230,911	1,746,832	605,080	233,115	110,018	122,322	327,859	2,569,911	27,575,240
2001	9,418,922	10,764,418	222,785	1,748,021	622,599	232,203	93,802	281,837	153,830	2,248,909	25,787,326
2000	8,852,997	10,954,407	257,529	1,581,725	744,312	239,853	106,331	358,794	166,824	1,292,969	24,555,741
1999	8,605,464	11,308,228	245,710	1,480,563	849,034	256,028	90,880	355,116	380,809	836,682	24,408,514
1998	7,751,720	10,913,296	248,434	1,537,771	935,297	199,319	95,419	387,591	283,930	823,990	23,176,767
1997	7,884,496	9,802,729	242,645	1,444,800	890,793	269,623	93,258	351,983	240,830	801,500	22,022,657
1996	7,515,768	9,771,072	241,668	1,479,889	881,195	238,363	74,714	198,251	174,495	801,500	21,376,915
1995	7,106,119	9,284,297	230,739	1,431,381	955,629	215,744	94,514	162,118	346,722	801,500	20,628,763

[1]Taxes included taxes, payments in lieu of taxes and interest cost and damages.

[2]Sales taxes are an allocation from the State of Mississippi General Sales Tax Levy. The allocation is calculated at 18.5% of the total sales taxes collected by the State within the City.

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

SCHEDULE 32

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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
2004	$ 12,568,834	$ 12,392,769	98.60%	$ 167,006	$ 12,559,775	99.93%	$ 58,364	0.46%
2003	12,361,889	12,104,160	97.92%	174,542	12,278,702	99.33%	67,892	0.55%
2002	11,862,546	11,763,922	99.17%	165,469	11,929,391	100.56%	97,497	0.82%
2001	11,348,544	11,257,750	99.20%	171,499	11,429,249	100.71%	66,125	0.58%
2000	11,173,080	11,032,840	98.74%	180,263	11,213,103	100.36%	75,195	0.67%
1999	10,775,566	10,643,207	98.77%	174,672	10,817,879	100.39%	70,843	0.66%
1998	10,434,879	10,033,672	96.16%	205,643	10,239,315	98.13%	93,785	0.90%
1997	10,219,944	9,652,711	94.45%	242,359	9,895,070	96.82%	82,595	0.81%
1996	9,851,704	9,224,710	93.64%	233,723	9,458,433	96.01%	54,232	0.55%
1995	9,123,298	8,813,988	96.61%	214,670	9,028,658	98.96%	42,300	0.46%

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

SCHEDULE 33

CITY OF MERIDIAN, MISSISSIPPI

Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property		Total Property		Ratio of Total Assessed to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
2004	$177,733,765	$1,199,581,810	$75,680,654	$360,384,067	$253,414,419	$1,559,965,877	16.24%
2003	175,091,538	1,187,622,860	75,187,375	358,035,119	250,278,913	1,545,657,979	16.19%
2002	157,213,264	1,038,348,980	72,929,280	347,282,286	230,142,544	1,385,631,266	16.61%
2001	156,854,915	1,021,522,850	68,645,424	326,882,971	225,500,339	1,348,405,821	16.72%
2000	153,367,951	1,009,946,581	68,121,791	324,389,481	221,489,742	1,334,336,062	16.60%
1999	149,665,564	988,287,261	64,411,535	306,721,595	214,077,099	1,295,008,856	16.53%
1998	139,749,477	929,256,573	58,212,187	277,200,890	197,961,664	1,206,457,463	16.41%
1997	137,001,114	920,382,953	57,222,889	272,489,948	194,224,003	1,192,872,901	16.28%
1996	134,470,069	896,861,363	52,921,107	252,005,271	187,391,176	1,148,866,634	16.31%
1995	134,988,093	877,500,843	52,702,836	250,965,886	187,690,929	1,128,466,729	16.63%

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

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

SCHEDULE 34

CITY OF MERIDIAN, MISSISSIPPI

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

	City of Meridian					Meridian		
Fiscal Year	General Fund	Debt Service Fund	Special Revenue Pension Fund	Waste Collection and Disposal Fund	Total City Millage	Municipal Separate School District	Lauderdale County	Total Millage
2004	26.39	12.20	7.49	4.00	50.08	62.30	42.50	154.88
2003	26.39	12.09	7.60	4.00	50.08	62.37	43.06	155.51
2002	24.69	15.01	7.79	4.00	51.49	64.38	43.11	158.98
2001	21.86	15.00	8.28	4.00	49.14	63.25	43.11	155.50
2000	23.44	15.25	10.45	-	49.14	63.35	42.26	154.75
1999	21.48	17.31	10.35	-	49.14	58.70	42.26	150.10
1998	21.17	17.62	10.35	-	49.14	58.61	42.26	150.01
1997	21.17	19.07	11.00	-	51.24	58.15	42.26	151.65
1996	21.32	18.39	10.50	-	50.21	61.26	42.26	153.73
1995	21.34	16.78	10.00	-	48.12	56.42	42.70	147.24

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

Note: 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.

Source: Office of the City Clerk.

SCHEDULE 35

CITY OF MERIDIAN, MISSISSIPPI

Principal Taxpayers
September 30, 2004

Name of Taxpayer	Nature of Business	Estimated Actual Value	2004 Assessed Valuation	Percentage of Total Assessed Valuation
Mississippi Power Company	Utility	$ 73,391,025	$ 20,032,053	7.90%
CBL & Associates	Real estate	52,201,799	7,830,270	3.09%
Bell South Telecommunications	Utility	29,564,850	8,869,455	3.50%
Riley Hospital and Benevolent Assn.	Medical care	27,997,403	4,199,610	1.66%
Wal-Mart	Retail	27,013,304	4,051,996	1.60%
Anderson Infirmary Benevolent Assn.	Medical care	17,583,394	2,646,909	1.04%
Peavey Electronics	Manufacturing	13,194,118	1,961,444	0.77%
Mississippi Valley Gas	Utility	6,676,620	1,821,173	0.72%
Norfolk Southern Railroad	Railroad	6,503,767	1,951,130	0.77%
Plantation Pipeline Company	Utility	5,515,487	1,654,646	0.65%
Totals		$ 259,641,767	$ 55,018,686	21.71%
Total assessed valuation for City of Meridian			$ 253,414,419	

Source: Lauderdale County real and personal property tax rolls.

SCHEDULE 36

CITY OF MERIDIAN, MISSISSIPPI

Special Assessment Billings and Collections
Last Ten Fiscal Years

Fiscal Year	Current Assessments Due	Current Assessments Collected	Ratio of Collections to Amount Due	Total Outstanding Assessments
2004	$ 159,216	$ 137,814	86.56%	$ 21,402
2003	185,308	116,634	62.94%	68,674
2002	209,157	130,531	62.41%	78,626
2001	170,847	130,615	76.45%	40,232
2000	222,977	162,209	72.75%	60,768
1999	153,524	114,797	74.77%	38,727
1998	109,545	60,453	55.19%	49,092
1997	113,007	85,701	75.84%	27,306
1996	122,600	105,275	85.87%	17,325
1995	77,592	74,254	95.70%	3,338

Source: Tax Collector Records.

Special assessments are composed of two broad categories:

(1) Paving, curb, gutter and storm drainage; and

(2) Lot clearing and house demolition.

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

SCHEDULE 37

CITY OF MERIDIAN, MISSISSIPPI

Computation of Legal Debt Margin
September 30, 2004

		Amount
Assessed value for tax purposes[1]	$	253,414,419
Debt limitation - 15 percent of total assessed value	$	38,012,163
Legal debt margin:		
Debt applicable to limitation[2]:		
Total debt		63,314,373
Less:		
Special obligation bonds		6,790,000
Special assessment bonds		4,240,000
Tax increment financing bonds		5,230,000
Revenue bonds		14,750,000
Promissory loans		18,859,479
Capital leases		1,674,894
Total adjustments		51,544,373
Total debt applicable to limitation[2]		11,770,000
Total legal debt margin	$	26,242,163

[1]The assessed value for tax purposes is the value supplied by the Lauderdale County Tax Assessor's Office on October 1, 2003. The total City valuation on the Tax Reconciliation Report dated September 30, 2004, reflects all adjustments made by the Lauderdale County Tax Assessor during fiscal year 2004.

[2]Total debt applicable to limitation excludes limited obligation tax increment financing bonds, special obligation bonds, capital leases, revenue bonds, special assessments, promissory loans and certificates of participation.

Source: Lauderdale County Tax Rolls and City Clerk Records

SCHEDULE 38

CITY OF MERIDIAN, MISSISSIPPI

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

Fiscal Year	Population	Assessed Value	Gross Bonded Debt[1]	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2004	39,559	$ 253,414,419	$ 16,010,000	$ 1,982,668	$ 14,027,332	5.54%	$ 355
2003	39,518	250,278,913	18,240,000	2,085,056	16,154,944	6.45%	409
2002	39,968	230,142,544	14,390,000	2,194,367	12,195,633	5.30%	305
2001	39,968	225,500,339	17,290,000	2,098,854	15,191,146	6.74%	380
2000	39,968	221,489,742	19,640,000	2,176,344	17,463,656	7.88%	437
1999	40,255	214,077,099	20,260,000	2,269,302	17,990,698	8.40%	447
1998	40,255	197,961,664	21,235,000	2,694,541	18,540,459	9.37%	461
1997	40,534	194,224,003	18,330,000	2,809,834	15,520,166	7.99%	383
1996	40,720	187,391,776	15,880,000	1,336,675	14,543,325	7.76%	357
1995	41,046	187,690,929	17,065,000	982,754	16,082,246	8.57%	392

[1]Gross bonded debt excludes capital improvement loans, capital leases, certificates of participation and limited obligation bonds.

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

SCHEDULE 39

CITY OF MERIDIAN, MISSISSIPPI

Ratio of Annual Debt Service Expenditures
For General Obligation Bonded Debt
To Total General Governmental Expenditures
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures[1]	Ratio of Debt Service to Total General Expenditures
2004	$ 3,302,340	$ 1,661,482	$ 4,963,822	$ 29,492,837	16.83%
2003	2,935,650	1,210,185	4,145,835	26,275,011	15.78%
2002	3,679,140	1,599,718	5,278,858	26,610,090	19.84%
2001	3,525,970	1,657,673	5,183,643	25,867,677	20.04%
2000	2,670,000	1,517,687	4,187,687	26,642,530	15.72%
1999	2,320,000	1,712,511	4,032,511	24,499,872	16.46%
1998	1,785,000	1,731,700	3,516,700	23,813,544	14.77%
1997	1,895,000	1,303,318	3,198,318	21,821,493	14.66%
1996	1,694,700	1,295,923	2,990,623	21,108,628	14.17%
1995	1,540,000	1,280,703	2,820,703	20,342,192	13.87%

[1]Total General Fund and Debt Service Fund expenditures.

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

SCHEDULE 40

CITY OF MERIDIAN, MISSISSIPPI

Computation of Direct and Overlapping Bonded Debt
General Obligation Bonds
September 30, 2004

Jurisdiction	Net General Obligations Debt Outstanding	Percentage Applicable to City of Meridian	Amount Applicable to City of Meridian
Direct debt - City of Meridian[1]	$ 11,770,000	100.00%	$ 11,770,000
Overlapping debt:			
Meridian Municipal Separate School District	773,000	91.58%	707,913
Lauderdale County	29,943,486	53.75%	16,094,624
Total overlapping debt	30,716,486		16,802,537
Total direct and overlapping debt	$ 42,486,486	67.25%	$ 28,572,537

[1]City of Meridian debt excludes negotiable notes, capital leases, limited obligation tax increment financing bonds, capital improvement loans, other promissory loans and certificates of participation.

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

SCHEDULE 41

CITY OF MERIDIAN, MISSISSIPPI

Revenue Bond Coverage
Water and Sewer Fund
Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Direct Operating Expenses[1]	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2004	$ 9,797,807	$ 5,268,661	$ 4,529,146	$ 1,845,000	$ 1,495,411	$ 3,340,411	135.59%
2003	9,001,957	5,434,761	3,567,196	1,555,000	1,654,551	3,209,551	111.14%
2002	9,441,944	4,776,767	4,665,177	1,370,000	1,518,352	2,888,352	161.52%
2001	8,458,725	4,837,030	3,621,695	1,230,000	1,724,689	2,954,689	122.57%
2000	8,727,744	4,461,173	4,266,571	1,105,000	1,725,272	2,830,272	150.75%
1999	8,500,055	4,421,153	4,078,902	1,045,000	1,682,695	2,727,695	149.54%
1998	8,075,709	4,154,728	3,920,981	845,000	1,316,118	2,161,118	181.43%
1997	7,180,795	4,330,685	2,850,110	800,000	1,561,240	2,361,240	120.70%
1996	7,112,573	4,071,806	3,040,767	625,000	1,414,337	2,039,337	149.11%
1995	6,425,480	4,122,595	2,302,885	590,000	1,236,828	1,826,828	126.06%

[1]Total operating expenses exclusive of depreciation and amortization expense

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

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

SCHEDULE 42

CITY OF MERIDIAN, MISSISSIPPI

Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population[1]	Per Capita Income[2]	Median Age[2]	Civilian Labor Force[3]	School Enrollment[4]	Unemployment Rate[5]
2004	39,559	$ 23,869	35.5	17,310	6,305	7.6%
2003	39,518	23,869	34.6	18,090	6,619	6.5%
2002	39,968	22,722	34.6	17,980	6,695	6.1%
2001	39,968	22,722	34.6	18,050	6,898	5.4%
2000	39,968	21,521	36.5	18,040	7,089	6.0%
1999	40,255	N/A	36.5	17,740	7,139	6.2%
1998	40,255	21,521	36.5	18,100	7,271	5.8%
1997	40,534	18,976	34.7	19,020	7,200	5.5%
1996	40,720	18,513	34.7	20,430	7,215	4.8%
1995	41,046	18,062	34.7	18,490	7,321	6.3%

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

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

CITY OF MERIDIAN, MISSISSIPPI

Property Value and Construction
Last Ten Fiscal Years

Fiscal Year	Property Value			Commercial Construction		Residential Construction	
	Commercial	Residential	Total	Number of Permits	Value	Number of Permits	Value
2004	$ 615,993,020	$ 583,588,790	$1,199,581,810	583	$ 19,016,129	385	$ 10,085,004
2003	606,110,070	581,512,790	1,187,622,860	582	20,299,580	290	8,720,208
2002	571,828,260	466,520,720	1,038,348,980	447	19,170,185	315	9,197,026
2001	555,482,910	466,039,940	1,021,522,850	481	29,244,587	326	8,746,598
2000	546,235,348	463,711,233	1,009,946,581	802	14,112,708	374	9,306,522
1999	526,872,313	461,414,948	988,287,261	682	31,410,310	417	8,891,563
1998	471,581,790	457,674,783	929,256,573	610	24,821,111	435	19,228,972
1997	465,775,910	454,607,043	920,382,953	1,355	57,102,285	549	10,463,462
1996	451,674,273	445,187,090	896,861,363	626	37,741,673	427	3,222,779
1995	447,432,013	430,068,830	877,500,843	629	20,093,179	492	7,127,631

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

CITY OF MERIDIAN, MISSISSIPPI

Miscellaneous Statistics
September 30, 2004

Date of incorporation	February 10, 1860
Form of government	Mayor - Council
Area	45.54 Sq. Miles
Miles of Streets	
Paved	438
Unpaved	7
Number of Street Lights	5,995
Employees Excluding Police & Firemen	
Classified:	
Monthly	16
Bi-weekly	282
Part-time (average)	25
Building Permits Issued	968

Public Schools	**Number of Schools**	**Enrollment**
Elementary K-5	8	3,300
Middle 6-7	2	1,015
Jr. high 8-9	2	934
Sr. high 10-12	1	1,056
Number of teachers		483

Fire Protection	
Number of stations	7
Number of firemen and officers	109
Number of civilians	1
Rescue units	1
Police Protection	
Number of stations	4
Number of officers	109
Number of civilian employees	14

Municipal Water & Sewer Department	
Number of consumers	14,167
Average daily consumption	5,437,173
Miles of water mains	420
Miles of sanitary sewers	420
Miles of storm sewers	200
Recreation and Culture	
Number of playgrounds	5
Number of golf courses	1
Number of swimming pools	2
Number of community centers	3
Number of tennis centers	2
Number of tennis courts	20
Number of gyms	3
Number of ball fields	23
Number of soccer fields	16
Number of special education and handicap centers	1
Number of jogging trails	2
Facilities and Services not Included in the Reporting Entity	
Hospitals	6
Number of beds	1,520
Private and parochial schools	4
Television stations	3
Cablevision systems	1
Wireless cablevision systems	1
Museums	4
Historic districts	7
Meridian Symphony	1
Meridian Little Theatre	1
Meridian Community College	1
Mississippi State University Branch	1
Number of libraries	1
Number of volumes	123,025

Sources: Departments of the City of Meridian and Meridian Separate School District.

SINGLE AUDIT SECTION

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

CITY OF MERIDIAN, MISSISSIPPI

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2004

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Number/ Federal Contract	Program or Award Amount	Accrued or (Deferred) Revenue 09/30/2003	Federal Receipts	Federal Share Disbursements/ Expenditures	Accrued (Deferred) Revenue 09/30/2004	Cumulative Federal Receipts	Cumulative Federal Share Disbursements Expenditures	Fund Type
U. S. Department of Housing & Urban Development										
Pass through Mississippi Department of Economic and Community Development:										
CLG Supplemental Prior Year	15.904	N/A	$ 3,480	(1,174)	-	1,174	-	3,480	3,480	Special revenue
Certified Local Government Grant (2002)	15.904	N/A	930	930	930	-	-	930	930	Special revenue
CLG - Williams House Roof	15.904	N/A	25,682	-	-	22,576	22,576	-	22,576	Special revenue
Home 2000 Grant	14.231	M00-SG-28-01-00	350,000	14,889	26,879	11,990	-	124,295	124,295	Special revenue
Total U.S. Department of Housing & Urban Development				14,645	27,809	35,740	22,576	128,705	151,281	
U. S. Department of Agriculture										
Gallagher Creek/Highland Park	12.106	69-4423-3-9355	42,913	-	42,913	42,913	-	42,913	42,913	Capital projects
U. S. Department of Transportation										
Federal Railroad Administration	20.301	DTFR53-001-H-00301	349,000	-	126,472	239,756	113,284	126,472	239,756	General fund
I20/I59 Interchange Project	20.205	N/A	1,000,000	87,940	-	94,059	181,999	-	181,999	Capital projects
Pass through Mississippi Department of Transportation:										
Lake Drive Realignment - TEA21	20.205	STP-0075-01(008)	287,500	-	-	17,831	17,831	-	17,831	Capital projects
Signalization Program - TEA21	20.205	STP-9450-00(004)	201,250	-	-	16,284	16,284	-	16,284	Capital projects
Highway 39 at 33rd Street - TEA21	20.205	STP-0074-01(004)	172,500	-	-	21,387	21,387	-	21,387	Capital projects
North Hills/Highway 39	20.205	N/A	1,800,000	-	-	16,379	16,379	-	16,379	Capital projects
Total U.S. Department of Transportation				87,940	126,472	405,696	367,164	126,472	493,636	
U. S. Department of Homeland Security										
Pass through Mississippi Department of Public Safety:										
2003 Flood Assistance	83.544	FEMA-1459-DR-MS	262,272	79,605	102,448	115,177	92,334	169,939	262,272	Capital projects
Emergency Response Training	83.544	N/A	4,704	4,704	4,704	-	-	4,704	4,704	Special revenue
Domestic Cooperative Preparedness	16.007	3SUP-80	40,000	-	27,423	31,741	4,318	27,423	31,741	Special revenue
Domestic Cooperative Preparedness	16.007	2DPG-013	252,800	-	-	161,845	161,845	-	161,845	Special revenue
Domestic Cooperative Preparedness	16.007	N/A	95,400	-	-	46,519	46,519	-	46,519	Special revenue
Homeland Security - Planner	16.007	3SSG-5015	80,000	-	-	39,675	39,675	-	39,675	Special revenue
Homeland Security - Trainer	16.007	3SSG-5017	80,000	-	-	41,127	41,127	-	41,127	Special revenue
Homeland Security - Other Supplies	16.007	3SSG-5016	10,000	-	-	1,985	1,985	-	1,985	Special revenue
Ratheon ACU 1000	16.007	2DPG-85	25,000	-	-	25,000	25,000	-	25,000	Special revenue
Domestic Cooperative Preparedness	16.007	N/A	55,042	-	-	-	-	-	-	Special revenue
Homeland Security	16.007	04LE258	69,900	-	-	-	-	-	-	Special revenue
Homeland Security	16.007	04HS258	48,600	-	-	-	-	-	-	Special revenue
Total U.S. Department of Homeland Security				84,309	134,575	463,069	412,803	202,066	614,868	

U. S. Department of Interior										
Pass through Mississippi Forestry Commission:										
Urban and Community Forestry Grant	10.664	03-DG-11083128-02A	3,250	-	2,120	2,120	-	2,120	2,120	Special revenue
Transportation Enhanced Tree Planting Program	10.664	N/A	14,996	-	14,996	14,996	-	14,996	14,996	Special revenue
Total U.S. Department of Interior				-	17,116	17,116	-	17,116	17,116	
U. S. Department of Justice										
Local Law Enforcement Block Grant	16.592	2001-LB-BX-2332	60,619	(1,243)	-	1,243	-	60,619	60,619	Special revenue
Local Law Enforcement Block Grant	16.592	2002-LB-BX-2228	53,204	(13,041)	-	13,041	-	53,204	53,204	Special revenue
Local Law Enforcement Block Grant	16.592	2003-LB-BX-0924	25,713	-	25,713	24,476	(1,237)	25,713	24,476	Special revenue
Local Law Enforcement Block Grant	16.592	2004-LB-BX-1084	10,812	-	10,812	-	(10,812)	10,812	-	Special revenue
Total Local Law Enforcement Grants				(14,284)	36,525	38,760	(12,049)	150,348	138,299	
Pass through Mississippi Department of Public Safety:										
Wesley House/Victim Assistance	16.575	2NW2222	87,894	-	51,843	51,843	-	51,843	51,843	Agency
Multi-Jurisdictional Drug Task Force	16.579	2NM2221	195,433	16,514	16,514	-	-	176,696	176,696	Special revenue
Multi-Jurisdictional Drug Task Force	16.579	3NM2221	205,423	-	151,101	169,649	18,548	151,101	169,649	Special revenue
Alcohol Countermeasures	16.579	3-TA-222-1	70,000	15,267	15,267	-	-	67,448	67,448	Special revenue
Alcohol Countermeasures	16.579	4-TA-222-1	75,000	-	73,505	74,928	1,423	73,505	74,928	Special revenue
Stop Violence Against Women	16.579	2002-WF-BX0047	46,890	5,903	23,152	32,150	14,901	31,744	46,645	Special revenue
Domestic Violence Grant	16.579	3SL-222-1	46,689	-	-	10,487	10,487	-	10,487	Special revenue
Total Mississippi Department of Public Safety				37,684	331,382	339,057	45,359	552,337	597,696	
Total U.S. Department of Justice				23,400	367,907	377,817	33,310	702,685	735,995	
Total federal financial assistance				$ 210,294	716,792	1,342,351	835,853	1,219,957	2,055,809	

CITY OF MERIDIAN, MISSISSIPPI
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2004

(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, 2004

There were no prior year findings or questioned costs.

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BREAZEALE, SAUNDERS & O'NEIL, LTD. CERTIFIED PUBLIC ACCOUNTANTS
MEMBERS OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND SEC PRACTICE SECTIONS

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

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

We have audited the financial statements of the City of Meridian, Mississippi ("City") as of and for the year ended September 30, 2004, and have issued our report thereon dated March 7, 2005. We did not audit the financial statements of the Meridian Transportation Commission or the Meridian Airport Authority, which represent 99.8% of the assets and 98.8% 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.

Compliance

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

120 NORTH CONGRESS STREET / SUITE 300 / P. O. BOX 80 / JACKSON, MISSISSIPPI, 39205-0080
TELEPHONE (601) 969-7440 / TELECOPIER (601) 355-9003 / E-MAIL info@bsoltd.com

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated March 7, 2005.

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.

Brzeski, Sanders & O'Neil, Ltd.

March 7, 2005

BREAZEALE, SAUNDERS & O'NEIL, LTD. CERTIFIED PUBLIC ACCOUNTANTS
MEMBERS OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND SEC PRACTICE SECTIONS

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

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

Compliance

We have audited the compliance of the City of Meridian, Mississippi ("City") with the types of compliance requirements described in the *U. S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2004. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's financial statements include the operations of the Meridian Airport Authority ("MAA"), which expended $1,034,268 in federal awards; and the Meridian Transportation Commission ("MTC"), which expended $194,830 in federal awards; both of which are not included in the schedule during the year ended September 30, 2004. 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.

120 NORTH CONGRESS STREET / SUITE 300 / P. O. BOX 80 / JACKSON, MISSISSIPPI, 39205-0080
TELEPHONE (601) 969-7440 / TELECOPIER (601) 355-9003 / E-MAIL info@bsoltd.com

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2004.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

Brzeski, Sanders & O'Neil, Ltd.

March 7, 2005

CITY OF MERIDIAN, MISSISSIPPI

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2004

Section I - Summary of Audit Results

Financial Statements

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

Federal Awards

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

Identification of major program tested:

CFDA Number	***Name of Federal Program or Cluster***
16.007	Domestic Cooperative Preparedness – Cluster of Programs

Dollar threshold used to distinguish between type A and type B programs:	**$ 300,000**
Auditee determined to be a low-risk auditee?	**Yes**

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2004

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.

BREAZEALE, SAUNDERS & O'NEIL, LTD. CERTIFIED PUBLIC ACCOUNTANTS
MEMBERS OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND SEC PRACTICE SECTIONS

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

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

We have audited the financial statements of the City of Meridian, Mississippi ("City") as of and for the year ended September 30, 2004, and have issued our report thereon dated March 7, 2005. We did not audit the financial statements of the Meridian Transportation Commission or the Meridian Airport Authority, which represent 99.8% of the assets and 98.8% 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.

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

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

Breazeale, Saunders & O'Neil, Ltd.

March 7, 2005

120 NORTH CONGRESS STREET / SUITE 300 / P. O. BOX 80 / JACKSON, MISSISSIPPI, 39205-0080
TELEPHONE (601) 969-7440 / TELECOPIER (601) 355-9003 / E-MAIL info@bsoltd.com