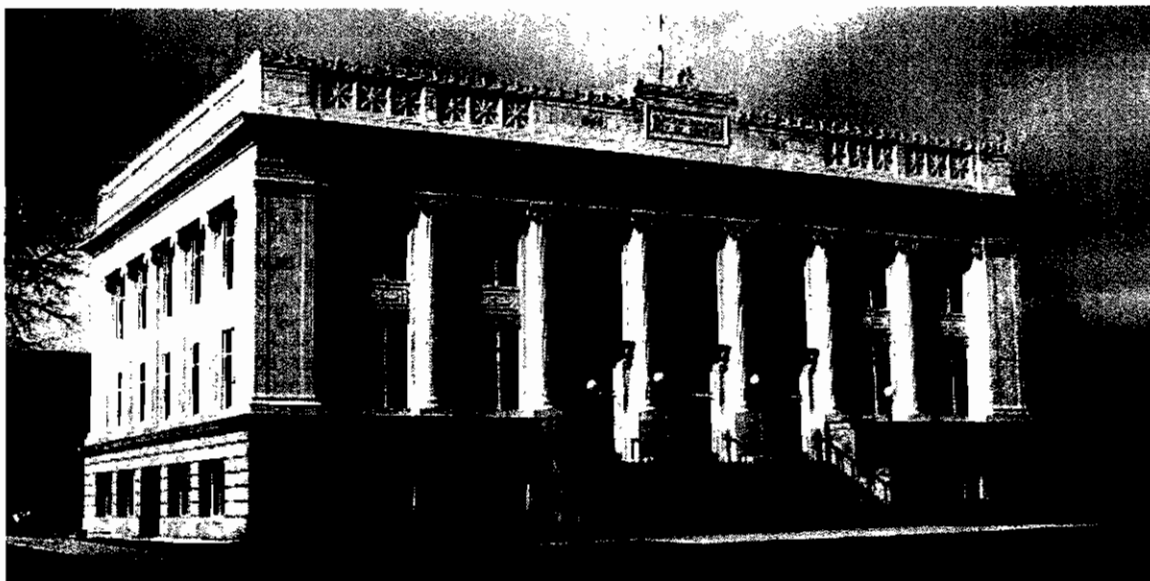




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CITY OF MERIDIAN, MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2011**

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, 2011

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INTRODUCTORY SECTION

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MERIDIAN

CITY OF MERIDIAN

A better longitude on life.

March 29, 2012

Mayor:

CHERI BARRY
(601) 485-1927
FAX: (601) 485-1911

Council Members:

GEORGE M THOMAS
Ward 1

MARY A. B. PERRY
Ward 2

BARBARA HENSON
Ward 3

JESSE E. PALMER, SR.
Ward 4

BOBBY R. SMITH
Ward 5

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

CITY DEPARTMENTS:

Chief Administrative Officer

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

Community Development:

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

Finance and Records:

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

Fire:

(601) 485-1922
FAX: (601) 485-1035

Homeland Security:

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

Parks and Recreation:

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

Police:

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

Public Works:

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

601 23rd Avenue

Post Office Box 1430

Meridian, MS 39302-1430

www.meridianms.org

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

State of Mississippi law requires that every municipality in the state shall have its books audited annually, prior to the close of the next succeeding fiscal year, either by a competent accountant approved by the State Auditor or by a certified public accountant. The audit shall be made in accordance with regulations promulgated by the State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Meridian, Mississippi ("City") for the fiscal year ended September 30, 2011.

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

The City's financial statements have been audited in accordance with auditing standards generally accepted in the United States of America by Breazeale, Saunders & O'Neil, Ltd., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

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

The City has operated under the mayor-council form of government since 1985. Legislative authority is vested in a part-time governing city council consisting of five council members elected by wards. The city council is responsible, among other things, for passing ordinances, adopting the budget and hiring an independent accountant to provide a full and complete examination of all books of the City at the end of each fiscal year. Executive authority is vested in a full-time mayor elected at-large. The mayor is responsible, among other things, for enforcing the charter and ordinances of the municipality and all general laws applicable thereto, for overseeing day-to-day operation of the City, appointing the heads of the various departments subject to council confirmation, annually reporting to council and the public on the work of the previous year, making recommendations for action by the council and supervising all of the departments of the City. The mayor may approve ordinances adopted by the council or veto such action within ten (10) business days, stating the reasons for such veto. No ordinance so vetoed shall take effect unless council within ten (10) business days resolves to override the veto by a vote of two-thirds (2/3) of the members present and voting to override. If the mayor takes no action to approve or veto an ordinance, there is a period of fifteen (15) business days before the ordinance could become effective. The mayor and council serve concurrent, four-year terms.

The City provides a full range of services, including police and fire protection; general administration; construction and maintenance of streets, drainage ways and other infrastructure; waste and trash collection and disposal; water and sewer services; community and economic development services; and recreational activities and cultural events. Discretely presented

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

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

Factors Affecting Financial Condition

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

Local economy. The City continues to have a diverse economy with industries ranging from electronic music and sound equipment to aircraft parts and steel fabrication to distribution centers for office products, flower bulbs, hardware and beverages. Meridian is located at the intersection of five US highways and two major interstates: I-20, which runs from western Texas to South Carolina and I-59, which connects southeast Louisiana to northern Georgia. Meridian is the center of a large trade area and continues to meet the medical, retail, industrial, cultural and recreational needs of hundreds of thousands of people in east Mississippi and west Alabama.

The City serves as a regional health center, with five hospitals that employ over 6,000 healthcare professionals and staff. The federal government has a major presence in the area with the Meridian Naval Air Station ("NAS Meridian"), which provides training for both naval carrier pilots and technical training for various enlisted personnel. The base also provides the RCTA or Regional Counter-Drug Training Academy. The RCTA offers training for a variety of law enforcement entities from throughout the southeast in the war on drugs. Meridian is also home to the G.V. "Sonny" Montgomery National Guard Complex.

The City's Public Safety Training Facility is recognized as a Level 2 law enforcement academy by the Mississippi Police Board of Standards and Training. The facility provides training in a

variety of courses for multiple entities both from within the state and out of state. Additionally, the Public Safety Training Facility has a working Amtrak rail site complete with rail cars and is one of the only active training sites in the country for passenger rail rescue courses. The City is also home to the first municipal Department of Homeland Security in the state and is included in a nine county regional response team that serves central Mississippi. The team is part of a 27 county task force that is supported by the Mississippi Department of Homeland Security. In May 2011, the Federal Emergency Management Agency coordinated a National Level Exercise (NLE) at the Public Safety Training Facility. The exercise was an earthquake-based disaster training scenario involving approximately 600 National Guard members from several states. The training covered confined spaces, collapsed structures, passenger rail rescue, rope rescue, emergency medical situations, triage, hazardous materials and communications. All City departments helped to make this exercise a success.

The City of Meridian worked with Mississippi State University and the Riley Foundation to donate the Kress Building to the University. This donation, along with the Riley Foundation's donation to the University of the Newberry Building, allowed Mississippi State to greatly expand its presence in downtown Meridian. The first classes of the University's downtown campus began in January 2012 with the opening of the Business School in the Newberry building. Plans are currently in the works to create a new school at the University that would be housed in the Kress Building.

The restoration of historic 1915 City Hall neared completion and opened for business in February 2012. This project has returned the National Register of Historic Places building to its original look while integrating modern technology. Other projects completed during the year include the creation of Monument Park on 23rd Avenue and Fifth Street, with the help of volunteers and the purchase of engraved bricks, and the Interstate 20/59 Jimmie Rodgers Parkway interchange for the new industrial park made possible by the Mississippi Department of Transportation.

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

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

Major initiatives. One significant ongoing project includes a major computer and software conversion to replace and improve the City information technology systems. Significant projects to be addressed include continued replacement and maintenance of aging water and sewer plants

and lines to be financed through grants and bond issues, a new police complex and a new fire station in the recently annexed north portion of the City.

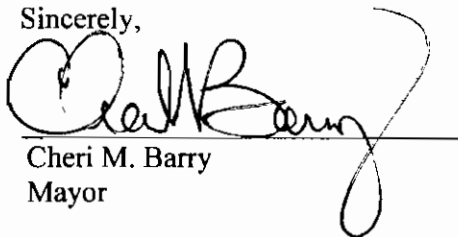
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report ("CAFR") for the fiscal year ended September 30, 2010. This was the fifteenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

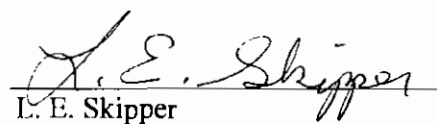
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Sincerely,



Cheri M. Barry
Mayor



L. E. Skipper
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Meridian
Mississippi

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

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.



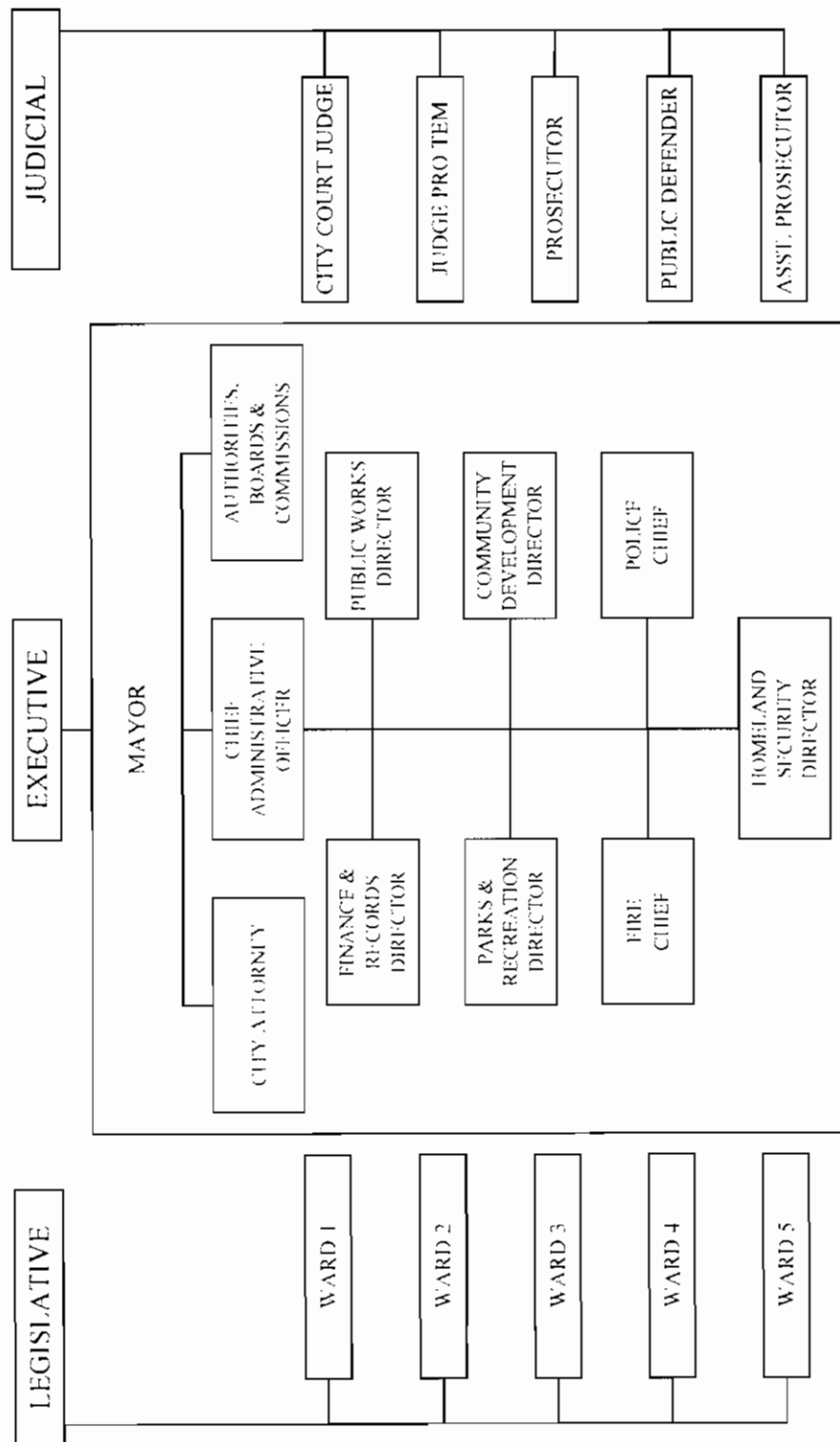
Linda C. Danison

President

Jeffrey R. Enner

Executive Director

CITY OF MERIDIAN, MISSISSIPPI
Organizational Structure
September 30, 2011



CITY OF MERIDIAN, MISSISSIPPI

Listing of City Officials

September 30, 2011

Elected Officials

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

Appointed Officials

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

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Meridian, Mississippi ("City") as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Meridian Transportation Commission or the Meridian Airport Authority, which represent 99.99 percent, 99.99 percent, and 99.97 percent, respectively, of the assets, net assets, and operating revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for these component units, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2012, on our consideration of the City's internal control over financial reporting and our tests of its

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 24 and the schedule of funding progress on page 96 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Breangale, Sanders & O'Neil, Ltd.

Jackson, Mississippi
March 29, 2012

CITY OF MERIDIAN, MISSISSIPPI
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2011

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, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3 - 7 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$112,308 (*net assets*). Of this amount, \$6,149 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$1,499. This change in net assets is largely attributable to a \$443 increase in property taxes, a \$225 increase in water and sewer charges, and a \$641 decrease in garbage disposal costs.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$20,913, a decrease of \$819 in comparison with the prior year. Approximately 31 percent of this total amount, \$6,433, is *available for spending* at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$6,433 or 23 percent of total general fund expenditures.
- The City's total debt decreased by \$1,045 (1.7 percent) during the current fiscal year. During the year, the City issued \$8,460 in new debt and retired \$9,505 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, and (3) Meridian and Bonita Lakes Development Authority. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The Meridian Redevelopment Agency, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

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

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

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

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

The City maintains 19 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, special revenue fund, and City Hall improvements fund all of which are considered to be major funds. Data from the other 15 nonmajor governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47 - 94 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 96 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 97 - 125 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 \$112,308 at the close of the most recent fiscal year.

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

City of Meridian's Net Assets

<u>Description</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 26,580	27,231	14,629	11,913	41,209	39,144
Capital assets, net	<u>107,235</u>	<u>106,157</u>	<u>32,832</u>	<u>35,563</u>	<u>140,067</u>	<u>141,720</u>
Total assets	<u>133,815</u>	<u>133,388</u>	<u>47,461</u>	<u>47,476</u>	<u>181,276</u>	<u>180,864</u>
Long-term liabilities outstanding	45,905	45,327	16,506	18,393	62,411	63,720
Other liabilities	<u>4,373</u>	<u>4,055</u>	<u>2,184</u>	<u>2,280</u>	<u>6,557</u>	<u>6,335</u>
Total liabilities	<u>50,278</u>	<u>49,382</u>	<u>18,690</u>	<u>20,673</u>	<u>68,968</u>	<u>70,055</u>
Net assets:						
Invested in capital assets, net of related debt	74,694	72,823	19,795	19,767	94,489	92,590
Restricted	6,519	6,985	5,151	4,354	11,670	11,339
Unrestricted	<u>2,324</u>	<u>4,198</u>	<u>3,825</u>	<u>2,682</u>	<u>6,149</u>	<u>6,880</u>
Total net assets	<u>\$ 83,537</u>	<u>84,006</u>	<u>28,771</u>	<u>26,803</u>	<u>112,308</u>	<u>110,809</u>

An additional portion of the City's net assets (10 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,149 in *unrestricted net assets* may be used to meet the City's ongoing obligations to citizens and creditors.

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

There was an increase of \$797 in restricted net assets reported in connection with the City's business-type activities. This is a result of increased grant and bond funds available for capital projects in the water and sewer system.

The City's net assets increased \$1,499 during the current fiscal year. This change in net assets is largely attributable to a \$443 increase in property taxes, a \$225 increase in water and sewer charges, and a \$641 decrease in garbage disposal costs.

Governmental activities. Governmental activities decreased the City's net assets by \$469. Key elements of these changes in net assets are as follows:

City of Meridian's Changes in Net Assets

<u>Description</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,720	1,951	14,604	14,416	16,324	16,367
Operating grants and contributions	608	1,645	-	-	608	1,645
Capital grants and contributions	1,654	3,699	328	-	1,982	3,699
General revenues:						
Property taxes	14,722	14,173	400	506	15,122	14,679
Other taxes	17,238	17,392	-	-	17,238	17,392
Grants and contributions not restricted to specific programs	70	73	-	-	70	73
Other	<u>194</u>	<u>196</u>	<u>105</u>	<u>114</u>	<u>299</u>	<u>310</u>
Total revenues	<u>36,206</u>	<u>39,129</u>	<u>15,437</u>	<u>15,036</u>	<u>51,643</u>	<u>54,165</u>
Expenses:						
General government	6,907	8,825	-	-	6,907	8,825
Public safety	15,528	16,238	-	-	15,528	16,238
Public works	7,877	8,187	-	-	7,877	8,187
Culture and recreation	3,223	2,284	-	-	3,223	2,284
Economic development	124	2,976	-	-	124	2,976
Sanitation	-	-	1,825	2,466	1,825	2,466
Interest on long-term debt	2,061	2,071	-	-	2,061	2,071
Other	19	11	838	778	857	789
Water and sewer	<u>-</u>	<u>-</u>	<u>11,742</u>	<u>12,161</u>	<u>11,742</u>	<u>12,161</u>
Total expenses	<u>35,739</u>	<u>40,592</u>	<u>14,405</u>	<u>15,405</u>	<u>50,144</u>	<u>55,997</u>
Excess (deficiency) of revenues over (under) expenses before transfers and special items	467	(1,463)	1,032	(369)	1,499	(1,832)
Transfers	<u>(936)</u>	<u>(152)</u>	<u>936</u>	<u>152</u>	<u>-</u>	<u>-</u>
Change in net assets	(469)	(1,615)	1,968	(217)	1,499	(1,832)
Net assets - beginning	<u>84,006</u>	<u>85,621</u>	<u>26,803</u>	<u>27,020</u>	<u>110,809</u>	<u>112,641</u>
Net assets - ending	\$ <u>83,537</u>	<u>84,006</u>	<u>28,771</u>	<u>26,803</u>	<u>112,308</u>	<u>110,809</u>

- Property taxes increased \$443 or three percent in 2011 over 2010. This increase in property tax receipts is due to a three percent increase in the City's 2011 combined tax rate from 115.07 mills in 2010 to 118.35 mills, or \$118.35 per \$1,000 of assessed valuation, in 2011.
- Charges for services decreased \$43 or .26 percent in 2011 under 2010.
- Operating grants and contributions decreased \$1,037 or 63 percent in 2011 under 2010. This was mostly due to a decrease in operating grants for public safety and economic development.
- Capital grants and contributions decreased \$1,717 or 46 percent in 2011 under 2010. This was mostly due to American Recovery and Reinvestment Act ("ARRA") grants received in fiscal year 2010 that were not received in the current fiscal year.
- Other taxes (which include sales taxes) decreased \$154 or one percent.
- Total revenues decreased \$2,522 or five percent.
- Total expenses increased \$5,853 or 10 percent. This was mainly due to \$3,120 in fiscal year 2010 economic development expenditures for infrastructure financed through the issuance of limited obligation tax increment bonds and the \$1,000 payment of pre-development expenses incurred in conjunction with the Threefoot Building Redevelopment Agreement that was terminated. There were no such expenditures in fiscal year 2011.

Business-type activities. Business-type activities increased the City's net assets by \$1,968. This is primarily due to a \$328 increase in capital grants, a \$784 increase in transfers from general obligation bond funds and a \$641 decrease in sanitation expenses as a result of changing from twice per week to once per week garbage pick-up.

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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$20,913, a decrease of \$819 in comparison with the prior year. Of this total, \$11,194 is *restricted* due to external limitations on its use, such as by debt covenants, legal restrictions, or intention of grantors or donors. A total of \$1,571 is considered *nonspendable* because it has been used for inventory and assets held for resale. A total of \$1,220 has been assigned, meaning there are limitations resulting from its intended use. A total of \$495 has been *committed* through formal action of the City Council for construction or acquisition of capital assets. The remaining \$6,433 of the fund balance is *unassigned*, which is available for spending at the City's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,433, while total fund balance was \$9,359. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 23 percent of total general fund expenditures, while total fund balance represents 34 percent of that same amount. The fund balance of the City's general fund increased by \$990, during the current fiscal year. This was primarily due to a \$382 decrease in personnel services and \$226 decrease in debt service expenditures.

The debt service fund has a total fund balance of \$2,741, all of which is restricted for the payment of debt service. The net decrease of \$175 during the current year in the debt service fund is a result of the \$1,045 decrease in total debt outstanding during the current year and the timing of payment due dates of long-term debt. The special revenue fund's total fund balance is \$4,007 at the end of the current fiscal year. \$3,647 of the special revenue fund balance is restricted. The remaining special revenue fund balance of \$360 is committed or assigned. The fund balance of the special revenue fund decreased \$397 during the current fiscal year. This decrease is largely due to a decrease in intergovernmental revenues. The City Hall improvements fund has a total fund balance of \$185, all of which is restricted for construction on the City Hall. The fund balance of the City Hall improvements fund decreased \$3,910 during the current fiscal year. This decrease is from the expenditure of bond funds for the renovation and restoration of City Hall.

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

Unrestricted net assets of the water and sewer fund at the end of the year amounted to \$3,068, and those for the waste collection and disposal fund amounted to \$537. The total increase in net assets for the waste collection and disposal fund is \$398 and the water and sewer fund increased by \$1,517.

General Fund Budgetary Highlights

There was no difference between the original budget and the final amended budget in expenditures. Changes within the levels of expenditures can be briefly summarized as follows:

<u>Description</u>	<u>Increase (Decrease)</u>
General government	\$ (48)
Finance and records	-
Community development	-
Parks and recreation	-
Public works	38
Police	-
Fire	10
Homeland security	-
Total	\$ <u> </u>

Actual revenues exceeded the final amended budget by \$573.

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

<u>Description</u>	<u>Actual Under Budget</u>
General government	\$ 711
Finance and records	156
Community development	325
Parks and recreation	332
Public works	865
Police	251
Fire	467
Homeland security	9
Arts district parking garage	35
Total	\$ <u>3,151</u>

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2011, amounts to \$140.067 (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:

- Replacing and upgrading the supervisory control and data acquisition ("SCADA") system at the Freshwater Treatment Plants.
- Replacement of South Waste Water Treatment Plant air blowers, digester blowers, process pumps, and associated electrical upgrades
- Rehabilitation of existing sewer lines.
- Continued renovation and restoration of City Hall.
- Continued installation of an integrated financial, customer, and maintenance management software system.
- Continued repairs to and stabilization of the Bonita Lakes Dam.
- Completed safety upgrades and enhancements to the 26th Avenue Viaduct.
- Completed the replacement of the 29th Avenue Bridge at Sowashee Creek.
- Completed the upgrade of signals in the downtown Meridian Central Business District.

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

<u>Description</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 8,055	7,925	248	248	8,303	8,173
Right of ways	3	3	-	-	3	3
Building and system	17,373	17,940	30,598	34,063	47,971	52,003
Improvements other than buildings	2,023	2,157	25	25	2,048	2,182
Machinery and equipment	3,837	4,076	572	652	4,409	4,728
Infrastructure	57,191	57,632	-	-	57,191	57,632
Construction in progress	<u>18,753</u>	<u>16,424</u>	<u>1,389</u>	<u>575</u>	<u>20,142</u>	<u>16,999</u>
Total	\$ <u>107,235</u>	<u>106,157</u>	<u>32,832</u>	<u>35,563</u>	<u>140,067</u>	<u>141,720</u>

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

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$48,395. Of this amount, \$31,170 comprises debt backed by the full faith and credit of the City, \$4,985 is special obligation bonds, \$5,100 is tax increment financing bonds and \$1,720 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City's total bonded debt increased by \$945 (two percent) during the current fiscal year. The increase is due to the issuance of new bonds exceeding retirements.

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

<u>Description</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 31,170	27,750	-	-	31,170	27,750
Special obligation bonds	4,985	5,280	-	-	4,985	5,280
Limited obligation tax increment financing bonds	5,100	5,680	-	-	5,100	5,680
Special assessment debt with governmental commitment	1,720	2,650	-	-	1,720	2,650
Revenue bonds	<u>-</u>	<u>-</u>	<u>5,420</u>	<u>6,090</u>	<u>5,420</u>	<u>6,090</u>
Total	\$ <u>42,975</u>	<u>41,360</u>	<u>5,420</u>	<u>6,090</u>	<u>48,395</u>	<u>47,450</u>

The City maintains excellent bond ratings for both general obligation and revenue bond debt. The general obligation bonds maintain an "Aa3" rating from Moody's Investors Service. The revenue bonds of the water and sewer fund are rated "Baa1" by Moody's Investors Service.

State statutes limit the amount of general obligation debt a government entity may issue to 15 percent of its total assessed valuation. The current debt limitation of the City is \$51,445 which is significantly in excess of the City's net outstanding general obligation debt of \$25,009 applicable to the debt limitation.

Additional information on the City's long-term debt can be found in note 9 on pages 78 - 84 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City is currently 13.3 percent, which is a decrease from the rate of 14.7 percent a year ago. The statewide average is 10.0 percent as compared to the national average of 8.8 percent.
- The revitalization of the City continued with the issuance of 772 building permits with a construction value of \$27 million.
- Inflationary trends in the City are slightly higher than the national average. The change in CPI in the past year for the City was an increase of 4.3 percent versus the national average increase of 3.9 percent.
- Sales tax collections year to date in fiscal year 2012 are up 2.29 percent from the previous fiscal year. During the first six months of fiscal year 2012, the City has received \$6.838 in sales tax collections, compared to \$6.685 received during the same period of fiscal year 2011.

All of these factors were considered in preparing the City's budget for the 2012 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund increased to \$6,433. The City has appropriated \$2.795 of this amount for spending in the 2012 fiscal year budget.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF MERIDIAN, MISSISSIPPI

Statement of Net Assets

September 30, 2011

	Primary Government			Component Units
	Governmental	Business-type	Total	
	Activities	Activities		
<u>ASSETS</u>				
Cash and cash equivalents	\$ 6,407,897	3,155,713	9,563,610	1,191,423
Investments	1,550,000	-	1,550,000	
Receivables, net:				
Taxes	1,189,715	-	1,189,715	-
Accounts	719,670	1,203,616	1,923,286	813,123
Special assessments	829,703	-	829,703	-
Intergovernmental	106,706	176,784	283,490	242,985
Interest	4,882	-	4,882	-
Miscellaneous	16,177	-	16,177	-
Due from component units	9,472	3,182	12,654	-
Internal balances	55,019	(55,019)	-	-
Inventory	51,211	437,755	488,966	302,340
Prepaid items	176,174	31,426	207,600	33,747
Deferred charges	903,343	303,647	1,206,990	-
Temporarily restricted assets:				
Cash and investments	12,222,375	9,371,554	21,593,929	188,531
Taxes receivable	27,836	-	27,836	-
Intergovernmental receivables	914,679	-	914,679	-
Assets held for resale	1,395,082	-	1,395,082	-
Capital assets not being depreciated:				
Land	8,055,370	247,787	8,303,157	2,427,975
Right of ways	2,600	-	2,600	-
Collections - historical treasures	141,250	-	141,250	-
Construction in progress	18,753,417	1,388,842	20,142,259	7,930,323
Capital assets net of accumulated depreciation:				
Buildings	17,373,315	4,750	17,378,065	4,002,600
Water and sewer system	-	30,593,489	30,593,489	-
Improvements other than buildings	2,022,689	24,975	2,047,664	13,326,588
Machinery and equipment	3,695,721	572,454	4,268,175	1,479,339
Infrastructure	57,190,978	-	57,190,978	-
Total assets	133,815,281	47,460,955	181,276,236	31,938,974

(Continued)

CITY OF MERIDIAN, MISSISSIPPI

Statement of Net Assets

September 30, 2011

	Primary Government			Component Units
	Governmental	Business-type	Total	
	Activities	Activities		
<u>LIABILITIES</u>				
Accounts payable and other current liabilities	\$ 1,495,750	881,912	2,377,662	1,102,395
Accrued interest	678,787	-	678,787	-
Accrued salaries	914,225	205,833	1,120,058	-
Accrued sales tax	-	11,799	11,799	-
Liabilities payable from restricted assets	1,284,212	1,084,274	2,368,486	-
Unearned revenue	-	-	-	3,400
Noncurrent liabilities:				
Due within one year:				
Deferred revenue forward invested funds	-	38,844	38,844	8,360
Bonds, loans and leases payable	3,630,945	80,166	3,711,111	251,388
Bonds and loans payable from restricted assets	-	1,849,746	1,849,746	-
Compensated absences	455,796	66,039	521,835	-
Claims and judgments	137,914	-	137,914	-
Due in more than one year:				
Deferred revenue forward invested funds	-	113,881	113,881	-
Bonds, loans and leases payable	40,769,384	14,222,998	54,992,382	1,811,073
Compensated absences	911,592	134,080	1,045,672	-
Total liabilities	<u>50,278,605</u>	<u>18,689,572</u>	<u>68,968,177</u>	<u>3,176,616</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	74,694,393	19,795,087	94,489,480	29,166,825
Restricted for:				
Debt service	2,087,379	4,607,162	6,694,541	-
Sowashee Creek maintenance	348,875	544,072	892,947	188,531
Construction/acquisition of capital assets	351,346	-	351,346	-
Flood damage repairs	76,030	-	76,030	-
Purposes of grantors/donors	489,519	-	489,519	-
Law enforcement	3,165,578	-	3,165,578	-
Unrestricted	<u>2,323,556</u>	<u>3,825,062</u>	<u>6,148,618</u>	<u>(592,998)</u>
Total net assets	\$ 83,536,676	28,771,383	112,308,059	28,762,358

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, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 6,906,769	501,199	4,559	-
Public safety	15,528,583	1,036,950	470,616	37,754
Public works	7,876,813	-	48,926	-
Culture and recreation	3,223,000	181,494	-	524,553
Economic development	123,830	-	83,749	1,091,450
Other	18,994	-	-	-
Interest on long-term debt	<u>2,060,748</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>35,738,737</u>	<u>1,719,643</u>	<u>607,850</u>	<u>1,653,757</u>
Business-type activities:				
Water and sewer	11,741,947	12,404,221	-	328,291
Waste collection and disposal	1,825,120	1,827,601	-	-
Golf course	446,453	249,174	-	-
Union Station	364,202	81,030	-	-
Concessions	<u>27,933</u>	<u>41,774</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>14,405,655</u>	<u>14,603,800</u>	<u>-</u>	<u>328,291</u>
Total primary government	\$ <u>50,144,392</u>	<u>16,323,443</u>	<u>607,850</u>	<u>1,982,048</u>
Component units:				
Meridian Airport Authority	\$ 12,806,081	11,917,937	30,991	3,697,589
Nonmajor component units	<u>611,456</u>	<u>89,618</u>	<u>441,455</u>	<u>-</u>
Total component units	\$ <u>13,417,537</u>	<u>12,007,555</u>	<u>472,446</u>	<u>3,697,589</u>

General revenues:

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

Transfers

Total general revenues, special items, and transfers

Change in net assets

Net assets, October 1, 2010, as previously reported

Prior period adjustment

Net assets, October 1, 2010, as restated

Net assets, September 30, 2011

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
(6,401,011)	-	(6,401,011)	-
(13,983,263)	-	(13,983,263)	-
(7,827,887)	-	(7,827,887)	-
(2,516,953)	-	(2,516,953)	-
1,051,369	-	1,051,369	-
(18,994)	-	(18,994)	-
(2,060,748)	-	(2,060,748)	-
<u>(31,757,487)</u>	<u>-</u>	<u>(31,757,487)</u>	<u>-</u>
-	990,565	990,565	-
-	2,481	2,481	-
-	(197,279)	(197,279)	-
-	(283,172)	(283,172)	-
-	13,841	13,841	-
<u>-</u>	<u>526,436</u>	<u>526,436</u>	<u>-</u>
<u>(31,757,487)</u>	<u>526,436</u>	<u>(31,231,051)</u>	<u>-</u>
-	-	-	2,840,436
<u>-</u>	<u>-</u>	<u>-</u>	<u>(80,383)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,760,053</u>
14,722,327	400,333	15,122,660	-
13,708,147	-	13,708,147	-
2,528,885	-	2,528,885	-
982,197	-	982,197	-
19,200	-	19,200	-
70,343	-	70,343	-
193,368	105,296	298,664	7,650
<u>(935,987)</u>	<u>935,987</u>	<u>-</u>	<u>-</u>
<u>31,288,480</u>	<u>1,441,616</u>	<u>32,730,096</u>	<u>7,650</u>
<u>(469,007)</u>	<u>1,968,052</u>	<u>1,499,045</u>	<u>2,767,703</u>
84,005,683	26,803,331	110,809,014	23,667,208
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,327,447</u>
<u>84,005,683</u>	<u>26,803,331</u>	<u>110,809,014</u>	<u>25,994,655</u>
\$ <u>83,536,676</u>	<u>28,771,383</u>	<u>112,308,059</u>	<u>28,762,358</u>

CITY OF MERIDIAN, MISSISSIPPI

Balance Sheet
Governmental Funds
September 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>City Hall Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 6,220,465	-	21,139	-	-	6,241,604
Investments	1,350,000	-	200,000	-	-	1,550,000
Receivables, net						
Taxes	1,189,715	-	-	-	-	1,189,715
Accounts	719,670	-	-	-	-	719,670
Intergovernmental	95,867	-	-	-	-	95,867
Interest	2,333	2,279	270	-	-	4,882
Miscellaneous	11,177	-	-	5,000	-	16,177
Due from other funds	840,528	-	313,931	4	50,538	1,205,001
Due from component units	6,540	-	-	-	-	6,540
Prepaid items	176,174	-	-	-	-	176,174
Asset held for resale	1,395,082	-	-	-	-	1,395,082
Restricted assets						
Cash and cash equivalents	231,286	2,315,114	3,652,762	949,260	4,673,953	11,822,375
Investments	-	400,000	-	-	-	400,000
Receivables, net						
Taxes	-	27,836	-	-	-	27,836
Special assessments receivable	-	829,703	-	-	-	829,703
Intergovernmental receivables	-	-	847,741	-	66,938	914,679
Total assets	\$ 12,238,837	3,574,932	5,035,843	954,264	4,791,429	26,595,305
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 877,985	-	13,678	-	-	891,663
Accrued salaries	914,225	-	-	-	-	914,225
Due to other funds	856,734	-	816,153	-	90,060	1,762,947
Liabilities payable from restricted assets						
Accounts payable	-	3,987	192,982	769,574	80,502	1,047,045
Accrued salaries	-	-	2,555	-	-	2,555
Deposits payable	231,286	-	-	-	-	231,286
Deferred revenue	-	829,703	3,326	-	-	833,029
Total liabilities	2,880,230	833,690	1,028,694	769,574	170,562	5,682,750
Fund balances:						
Nonspendable						
Prepaid items	176,174	-	-	-	-	176,174
Asset held for resale	1,395,082	-	-	-	-	1,395,082
Restricted for						
Sowashee Creek maintenance	-	-	-	-	348,875	348,875
Construction acquisition of capital assets	-	-	-	184,690	4,171,038	4,355,728
Flood damage repairs	-	-	-	-	76,030	76,030
Debt service	-	2,741,242	-	-	24,924	2,766,166
Purposes of grantors/donors	-	-	481,078	-	-	481,078
Law enforcement	-	-	3,165,578	-	-	3,165,578
Committed to						
Software conversion	151,299	-	-	-	-	151,299
Urban renewal and redevelopment	-	-	344,147	-	-	344,147
Assigned to						
General government activities	902,272	-	-	-	-	902,272
Public safety	179,719	-	7,905	-	-	187,624
Public works	120,830	-	-	-	-	120,830
Sports events	-	-	8,441	-	-	8,441
Unassigned	6,433,231	-	-	-	-	6,433,231
Total fund balances	9,358,607	2,741,242	4,007,149	184,690	4,620,867	20,912,555
Total liabilities and fund balances	\$ 12,238,837	3,574,932	5,035,843	954,264	4,791,429	26,595,305

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, 2011

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

Fund balances - total governmental funds	\$ 20,912,555
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	107,235,340
Other long-term assets (special assessments) are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds balance sheet.	829,703
Bond issuance costs are amortized over the life of the bonds on the statement of net assets.	903,343
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.	(46,584,418)
Internal service funds are used to charge the costs of certain activities, such as garage services, office supplies, and unemployment compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets (net of amount allocated to business-type activities of \$11,019).	<u>240,153</u>
Net assets of governmental activities	\$ <u>83,536,676</u>

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

CITY OF MERIDIAN, MISSISSIPPI
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>City Hall Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Taxes:						
Property	\$ 9,985,610	4,418,130	-	-	-	14,403,740
Sales	13,708,147	-	-	-	-	13,708,147
Franchise	2,528,885	-	-	-	-	2,528,885
County road	982,197	-	-	-	-	982,197
Motor fuel	19,200	-	-	-	-	19,200
Licenses and permits	271,491	-	-	-	-	271,491
Intergovernmental	281,457	-	891,418	-	1,083,715	2,256,590
Charges for services	181,494	-	-	-	-	181,494
Fines and forfeitures	995,246	-	41,704	-	-	1,036,950
Special assessments	-	72,214	-	-	-	72,214
Payments in lieu of taxes	151,593	-	-	-	-	151,593
Local contributions	-	-	55,100	-	-	55,100
Interest on investments	96,217	22,250	23,487	17,711	33,702	193,367
Interest costs and damages	169,194	-	-	-	-	169,194
Miscellaneous	217,927	-	24,666	25,490	-	268,083
Total revenues	<u>29,588,658</u>	<u>4,512,594</u>	<u>1,036,375</u>	<u>43,201</u>	<u>1,117,417</u>	<u>36,298,245</u>
Expenditures:						
Current:						
General government	6,711,302	-	-	-	-	6,711,302
Public safety	14,263,355	-	880,562	-	-	15,143,917
Public works	4,421,576	-	-	-	-	4,421,576
Culture and recreation	2,087,069	-	585,478	-	-	2,672,547
Economic development	-	-	158,193	-	-	158,193
Other	18,993	-	-	-	-	18,993
Capital outlay	-	-	-	4,423,581	1,233,989	5,657,570
Debt service:						
Principal retirement	174,554	3,512,759	-	-	-	3,687,313
Interest and fiscal charges	24,733	2,018,238	-	-	-	2,042,971
Bond issuance costs	-	133,775	-	-	105,830	239,605
Total expenditures	<u>27,701,582</u>	<u>5,664,772</u>	<u>1,624,233</u>	<u>4,423,581</u>	<u>1,339,819</u>	<u>40,753,987</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,887,076</u>	<u>(1,152,178)</u>	<u>(587,858)</u>	<u>(4,380,380)</u>	<u>(222,402)</u>	<u>(4,455,742)</u>
Other financing sources (uses):						
Transfers in	786,752	841,417	299,375	470,000	50,348	2,447,892
Transfers out	(1,684,034)	-	(109,366)	-	(1,653,881)	(3,447,281)
General obligation bonds issued	-	-	-	-	4,500,000	4,500,000
Refunding bonds issued	-	3,960,000	-	-	-	3,960,000
Premium on refunding bonds issued	-	71,175	-	-	-	71,175
Principal payments on refunded bonds	-	(3,895,000)	-	-	-	(3,895,000)
Total other financing sources (uses)	<u>(897,282)</u>	<u>977,592</u>	<u>190,009</u>	<u>470,000</u>	<u>2,896,467</u>	<u>3,636,786</u>
Net change in fund balances	<u>989,794</u>	<u>(174,586)</u>	<u>(397,849)</u>	<u>(3,910,380)</u>	<u>2,674,065</u>	<u>(818,956)</u>
Fund balances, October 1, 2010	<u>8,368,813</u>	<u>2,915,828</u>	<u>4,404,998</u>	<u>4,095,070</u>	<u>1,946,802</u>	<u>21,731,511</u>
Fund balances, September 30, 2011	<u>\$ 9,358,607</u>	<u>2,741,242</u>	<u>4,007,149</u>	<u>184,690</u>	<u>4,620,867</u>	<u>20,912,555</u>

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

CITY OF MERIDIAN, MISSISSIPPI
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended September 30, 2011

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

Net change in fund balances - total governmental funds	\$ (818,956)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,172,507
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the cost of the capital assets disposed of.	(114,408)
Governmental funds do not report contributed capital assets because they do not provide current financial resources. However, in the statement of activities the fair values of contributed capital assets is recorded as capital contributions.	20,000
Special assessment revenues related to prior periods reported as revenues in the governmental funds are not reported as revenues in the statement of activities.	(74,414)
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.	(796,191)
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.	141,353
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 earnings of the internal service funds are reported with governmental activities (net of amount allocated to business-type activities of \$387).	<u>1,102</u>
Change in net assets of governmental activities	\$ <u>(469,007)</u>

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

CITY OF MERIDIAN, MISSISSIPPI

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(Budgetary</u> <u>Basis)</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Ad valorem	\$ 9,900,000	9,900,000	10,098,681	198,681
Sales	13,100,000	13,100,000	13,382,278	282,278
County road	1,100,000	1,100,000	983,178	(116,822)
Gasoline	20,000	20,000	19,200	(800)
Payment in lieu of taxes	67,000	67,000	101,591	34,591
Intergovernmental:				
Alcoholic beverage	52,000	52,000	50,625	(1,375)
State Fire Insurance Fund	180,000	180,000	211,113	31,113
Municipal aid	20,000	20,000	20,744	744
Grants	-	-	57,703	57,703
Franchise:				
Mississippi Power Company	2,100,000	2,100,000	1,934,267	(165,733)
Atmos Energy	190,000	190,000	145,779	(44,221)
Comcast Cable Company	380,000	380,000	422,304	42,304
East Mississippi Electric Power Assn.	-	-	51,675	51,675
Fines and forfeitures	1,100,000	1,100,000	995,246	(104,754)
Licenses and permits:				
Privilege license	110,000	110,000	125,698	15,698
Building and allied permits	140,000	140,000	145,793	5,793
Charges for services:				
Garbage collection	1,825,000	1,825,000	1,774,244	(50,756)
Recreation	130,000	130,000	130,490	490
Enterprise Funds	645,500	645,500	645,499	(1)
Parking fees	20,000	20,000	25,728	5,728
Training fees	-	-	24,276	24,276
Out-of-county tonnage	-	-	54,157	54,157
Miscellaneous	230,000	230,000	385,182	155,182
Interest on investments	70,000	70,000	97,448	27,448
Interest costs and damages	100,000	100,000	169,220	69,220
Total revenues	<u>31,479,500</u>	<u>31,479,500</u>	<u>32,052,119</u>	<u>572,619</u>
Expenditures:				
General government:				
Personnel services	1,177,350	1,177,350	1,148,781	28,569
Supplies and expenses	837,869	798,569	715,152	83,417
Capital outlay	5,000	10,900	10,722	178
Transfers and other charges	1,826,720	1,812,120	1,213,622	598,498
Total general government	<u>3,846,939</u>	<u>3,798,939</u>	<u>3,088,277</u>	<u>710,662</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(Budgetary</u> <u>Basis)</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (continued):				
Finance and records:				
Personnel services	\$ 1,233,050	1,233,050	1,214,615	18,435
Supplies and expenses	1,777,893	1,777,893	1,687,806	90,087
Capital outlay	90,400	90,400	87,720	2,680
Transfers and other charges	99,500	99,500	55,000	44,500
Total finance and records	<u>3,200,843</u>	<u>3,200,843</u>	<u>3,045,141</u>	<u>155,702</u>
Community development:				
Personnel services	908,650	908,650	871,958	36,692
Supplies and expenses	235,909	235,909	136,932	98,977
Capital outlay	29,450	29,450	21,303	8,147
Transfers and other charges	656,000	656,000	474,954	181,046
Total community development	<u>1,830,009</u>	<u>1,830,009</u>	<u>1,505,147</u>	<u>324,862</u>
Parks and recreation:				
Personnel services	1,481,700	1,481,700	1,309,582	172,118
Supplies and expenses	728,613	728,613	615,038	113,575
Capital outlay	73,070	73,070	68,228	4,842
Transfers and other charges	340,000	340,000	298,509	41,491
Total parks and recreation	<u>2,623,383</u>	<u>2,623,383</u>	<u>2,291,357</u>	<u>332,026</u>
Public works:				
Personnel services	3,505,650	3,505,650	3,143,532	362,118
Supplies and expenses	1,198,725	1,236,725	1,107,143	129,582
Capital outlay	84,870	84,870	84,490	380
Transfers and other charges	2,729,000	2,729,000	2,356,107	372,893
Total public works	<u>7,518,245</u>	<u>7,556,245</u>	<u>6,691,272</u>	<u>864,973</u>
Police:				
Personnel services	5,588,200	5,588,200	5,484,999	103,201
Supplies and expenses	1,979,966	1,979,966	1,839,050	140,916
Capital outlay	17,200	17,200	16,452	748
Transfers and other charges	35,000	35,000	29,185	5,815
Total police	<u>7,620,366</u>	<u>7,620,366</u>	<u>7,369,686</u>	<u>250,680</u>
Fire:				
Personnel services	5,908,300	5,908,300	5,499,697	408,603
Supplies and expenses	755,978	761,178	727,838	33,340
Capital outlay	375,087	379,887	374,719	5,168
Transfers and other charges	20,535	20,535	-	20,535
Total fire	<u>7,059,900</u>	<u>7,069,900</u>	<u>6,602,254</u>	<u>467,646</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
 General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual (Budgetary Basis)
 For the Fiscal Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(Budgetary</u> <u>Basis)</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (continued):				
Homeland Security:				
Personnel services	\$ 225,400	225,400	230,480	(5,080)
Supplies and expenses	225,281	241,681	228,190	13,491
Capital outlay	26,750	11,350	11,249	101
Transfers and other charges	2,000	1,000	396	604
Total homeland security	<u>479,431</u>	<u>479,431</u>	<u>470,315</u>	<u>9,116</u>
Arts District Parking Garage:				
Personnel services	82,500	82,500	73,711	8,789
Supplies and expenses	<u>121,230</u>	<u>121,230</u>	<u>95,179</u>	<u>26,051</u>
Total arts district parking garage	<u>203,730</u>	<u>203,730</u>	<u>168,890</u>	<u>34,840</u>
Total expenditures	<u>34,382,846</u>	<u>34,382,846</u>	<u>31,232,339</u>	<u>3,150,507</u>
Net change in fund balances	\$ <u>(2,903,346)</u>	<u>(2,903,346)</u>	819,780	<u>3,723,126</u>
Fund balances, October 1, 2010			<u>5,769,992</u>	
Fund balances, September 30, 2011			\$ <u>6,589,772</u>	

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

CITY OF MERIDIAN, MISSISSIPPI
Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - -
Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended September 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis) Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues	\$ 340,000	720,000	1,114,185	394,185
Expenditures -				
Project costs	<u>2,120,000</u>	<u>2,120,000</u>	<u>1,505,848</u>	<u>614,152</u>
Net change in fund balances	\$ <u>(1,780,000)</u>	<u>(1,400,000)</u>	(391,663)	<u>1,008,337</u>
Fund balances, October 1, 2010			<u>2,365,811</u>	
Fund balances, September 30, 2011			\$ <u>1,974,148</u>	

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

CITY OF MERIDIAN, MISSISSIPPI

Statement of Net Assets

Proprietary Funds

September 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water & Sewer	Waste Collection & Disposal	Nonmajor Enterprise Funds	Total Enterprise Funds	
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 2,325,048	586,940	243,725	3,155,713	166,293
Restricted cash, cash equivalents and investments:					
Customer deposits	769,536	-	-	769,536	-
Revenue Bond Construction Funds	3,356,980	-	-	3,356,980	-
Other Construction Funds	416,488	-	-	416,488	-
Revenue Bond Debt Service Account	3,941,045	-	-	3,941,045	-
Receivables:					
Accounts	1,103,096	193,215	-	1,296,311	-
Less allowance for uncollectibles	(92,695)	-	-	(92,695)	-
Intergovernmental	168,772	-	8,012	176,784	10,839
Due from other funds	542	47,805	-	48,347	624,371
Due from component units	-	-	3,182	3,182	2,932
Inventory	391,283	-	46,472	437,755	51,211
Prepaid items	29,488	-	1,938	31,426	-
Total current assets	<u>12,409,583</u>	<u>827,960</u>	<u>303,329</u>	<u>13,540,872</u>	<u>855,646</u>
Noncurrent assets:					
Restricted cash, cash equivalents and investments:					
Revenue Bond Cushion Account	730,973	-	-	730,973	-
Revenue Bond Contingent Account	78,266	-	-	78,266	-
Revenue Bond Depreciation Account	78,266	-	-	78,266	-
Total restricted cash, cash equivalents and investments	<u>887,505</u>	<u>-</u>	<u>-</u>	<u>887,505</u>	<u>-</u>
Deferred charges	<u>303,647</u>	<u>-</u>	<u>-</u>	<u>303,647</u>	<u>-</u>
Capital assets:					
Land	247,787	-	-	247,787	-
Buildings	-	-	126,628	126,628	-
Water and sewer system	93,587,760	-	-	93,587,760	-
Improvements other than buildings	-	-	98,924	98,924	-
Machinery and equipment	3,314,150	19,626	435,488	3,769,264	-
Construction in progress	<u>1,388,842</u>	<u>-</u>	<u>-</u>	<u>1,388,842</u>	<u>-</u>
Total capital assets	98,538,539	19,626	661,040	99,219,205	-
Less accumulated depreciation	<u>(65,797,215)</u>	<u>(17,663)</u>	<u>(572,030)</u>	<u>(66,386,908)</u>	<u>-</u>
Capital assets (net of accumulated depreciation)	<u>32,741,324</u>	<u>1,963</u>	<u>89,010</u>	<u>32,832,297</u>	<u>-</u>
Total noncurrent assets	<u>33,932,476</u>	<u>1,963</u>	<u>89,010</u>	<u>34,023,449</u>	<u>-</u>
Total assets	<u>46,342,059</u>	<u>829,923</u>	<u>392,339</u>	<u>47,564,321</u>	<u>855,646</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI

Statement of Net Assets

Proprietary Funds

September 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water & Sewer	Waste Collection & Disposal	Nonmajor Enterprise Funds	Total Enterprise Funds	
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable	\$ 547,433	283,830	50,649	881,912	604,087
Liabilities payable from restricted assets:					
Customer deposits	769,536	-	-	769,536	-
Accounts payable	93,350	-	-	93,350	-
Revenue bonds payable	696,380	-	-	696,380	-
Promissory loans	1,153,366	-	-	1,153,366	-
Interest payable	221,388	-	-	221,388	-
Accrued liabilities:					
Payroll	157,429	7,443	40,961	205,833	-
Compensated absences	66,039	-	-	66,039	-
Sales tax	9,405	-	2,394	11,799	-
Due to other funds	114,329	1	442	114,772	-
Deferred revenue forward invested funds	38,844	-	-	38,844	-
Current portion of capital leases	79,904	-	262	80,166	-
Total current liabilities	<u>3,947,403</u>	<u>291,274</u>	<u>94,708</u>	<u>4,333,385</u>	<u>604,087</u>
Noncurrent liabilities:					
Deferred revenue forward invested funds	113,881	-	-	113,881	-
Compensated absences	134,080	-	-	134,080	-
Revenue bonds payable (net of deferred refunding costs of \$80,689)	4,642,931	-	-	4,642,931	-
Promissory loans (net of deferred refunding costs of \$184,902)	9,181,732	-	-	9,181,732	-
Capital leases payable	397,031	-	1,304	398,335	-
Total noncurrent liabilities	<u>14,469,655</u>	<u>-</u>	<u>1,304</u>	<u>14,470,959</u>	<u>-</u>
Total liabilities	<u>18,417,058</u>	<u>291,274</u>	<u>96,012</u>	<u>18,804,344</u>	<u>604,087</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	19,705,680	1,963	87,444	19,795,087	-
Restricted for:					
Debt service	4,607,162	-	-	4,607,162	-
Capital projects	544,072	-	-	544,072	-
Unrestricted	3,068,087	536,686	208,883	3,813,656	251,559
Total net assets	<u>\$ 27,925,001</u>	<u>538,649</u>	<u>296,327</u>	<u>28,759,977</u>	<u>251,559</u>
Reconciliation to government-wide statement of net assets:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				11,406	
Net assets of business-type activities				<u>\$ 28,771,383</u>	

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

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CITY OF MERIDIAN, MISSISSIPPI
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended September 30, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water & Sewer	Waste Collection & Disposal	Nonmajor Enterprise Funds	Total Enterprise Funds
Operating revenues:				
Charges for sales and services:				
Water sales	\$ 6,676,453	-	-	6,676,453
Sewer charges	5,538,825	-	-	5,538,825
Tap fees	41,062	-	-	41,062
Garbage collection fees	-	1,772,609	-	1,772,609
Out-of-county tonnage	-	54,992	-	54,992
Memberships	-	-	57,298	57,298
Green fees	-	-	53,427	53,427
Cart rental	-	-	48,708	48,708
Concessions	-	-	129,644	129,644
Internal service charges	-	-	-	4,209,332
Rental income	-	-	81,030	81,030
Miscellaneous	147,881	-	1,871	149,752
Total operating revenues	<u>12,404,221</u>	<u>1,827,601</u>	<u>371,978</u>	<u>14,603,800</u>
Operating expenses:				
Personnel services	3,267,633	53,653	315,257	3,636,543
Supplies and materials	619,034	185	120,137	739,356
Rent and utilities	1,219,053	536	72,243	1,291,832
Operation, maintenance, and repairs	754,449	1,568	206,106	962,123
Garbage disposal services	-	1,766,154	-	1,766,154
Depreciation and amortization	3,929,996	-	11,441	3,941,437
Claims paid	-	-	-	3,532,788
Miscellaneous	1,157,259	3,021	113,304	1,273,587
Total operating expenses	<u>10,947,424</u>	<u>1,825,120</u>	<u>838,488</u>	<u>13,611,032</u>
Operating income (loss)	<u>1,456,797</u>	<u>2,481</u>	<u>(466,510)</u>	<u>992,768</u>
Nonoperating revenues (expenses):				
Ad valorem taxes	-	400,333	-	400,333
Interest income	101,139	2,857	1,300	105,296
Interest expense	(794,910)	-	(100)	(795,010)
Total nonoperating revenues (expenses)	<u>(693,771)</u>	<u>403,190</u>	<u>1,200</u>	<u>(289,381)</u>
Income (loss) before capital contributions and transfers	<u>763,026</u>	<u>405,671</u>	<u>(465,310)</u>	<u>703,387</u>
Capital contributions and transfers:				
Capital contributions	328,291	-	1,596	329,887
Transfers in	1,086,851	36,759	516,000	1,639,610
Transfers out	(661,219)	(44,000)	-	(705,219)
Total capital contributions and transfers	<u>753,923</u>	<u>(7,241)</u>	<u>517,596</u>	<u>1,264,278</u>
Change in net assets	<u>1,516,949</u>	<u>398,430</u>	<u>52,286</u>	<u>1,967,665</u>
Net assets, October 1, 2010	<u>26,408,052</u>	<u>140,219</u>	<u>244,041</u>	<u>250,070</u>
Net assets, September 30, 2011	<u>\$ 27,925,001</u>	<u>538,649</u>	<u>296,327</u>	<u>251,559</u>
Reconciliation to government-wide statement of activities:				
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				387
Change in net assets of business-type activities				<u>\$ 1,968,052</u>

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

CITY OF MERIDIAN, MISSISSIPPI
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	<u>Water & Sewer</u>	<u>Waste Collection & Disposal</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
Cash flows from operating activities:					
Receipts from customers and users	\$ 12,306,683	1,790,015	370,772	14,467,470	4,465,210
Payments to suppliers	(3,718,856)	(1,699,844)	(506,638)	(5,925,338)	(4,522,781)
Payments to employees	(3,259,851)	(53,282)	(311,229)	(3,624,362)	-
Net cash provided by (used in) operating activities	<u>5,327,976</u>	<u>36,889</u>	<u>(447,095)</u>	<u>4,917,770</u>	<u>(57,571)</u>
Cash flows from noncapital financing activities:					
Ad valorem taxes received	-	400,333	-	400,333	-
Transfers to other funds	(661,219)	(44,000)	-	(705,219)	-
Transfers from other funds	<u>1,086,851</u>	<u>36,759</u>	<u>516,000</u>	<u>1,639,610</u>	<u>64,998</u>
Net cash provided by noncapital financing activities	<u>425,632</u>	<u>393,092</u>	<u>516,000</u>	<u>1,334,724</u>	<u>64,998</u>
Cash flows from capital and related financing activities:					
Capital contributions	159,519	-	-	159,519	-
Acquisition and construction of capital assets	(1,064,457)	-	(35,184)	(1,099,641)	-
Payments on long-term debt:					
Revenue bonds	(670,000)	-	-	(670,000)	-
Promissory notes	(1,177,320)	-	-	(1,177,320)	-
Capital lease payments	(75,356)	-	(248)	(75,604)	-
Interest paid on revenue bonds and other debt	<u>(818,503)</u>	<u>-</u>	<u>(100)</u>	<u>(818,603)</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(3,646,117)</u>	<u>-</u>	<u>(35,532)</u>	<u>(3,681,649)</u>	<u>-</u>
Cash flows from investing activities -					
Interest received	<u>67,014</u>	<u>2,857</u>	<u>1,300</u>	<u>71,171</u>	<u>1,303</u>
Net increase in cash and cash equivalents	<u>2,174,505</u>	<u>432,838</u>	<u>34,673</u>	<u>2,642,016</u>	<u>8,730</u>
Cash and cash equivalents, September 30, 2010 (including \$6,306,724 in restricted accounts)	<u>8,036,401</u>	<u>154,102</u>	<u>209,052</u>	<u>8,399,555</u>	<u>157,563</u>
Cash and cash equivalents, September 30, 2011 (including \$7,885,858 in restricted accounts)	\$ <u>10,210,906</u>	<u>586,940</u>	<u>243,725</u>	<u>11,041,571</u>	<u>166,293</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	<u>Water & Sewer</u>	<u>Waste Collection & Disposal</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 1,456,797	2,481	(466,510)	992,768	(64,812)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	3,929,996	-	11,441	3,941,437	-
Changes in assets and liabilities:					
Accounts receivable	76,468	1,775	(365)	77,878	-
Receivables - miscellaneous	-	-	-	-	51,448
Due from other funds	(134,740)	(39,361)	22	(174,079)	(139,125)
Due from component units	-	-	(863)	(863)	3,669
Inventory	(38,234)	-	(1,959)	(40,193)	2,891
Prepaid items	(1,938)	-	(258)	(2,196)	-
Accounts payable	(135,565)	72,364	11,828	(51,373)	94,276
Accrued liabilities	9,830	371	3,909	14,110	-
Customer deposits	(39,265)	-	-	(39,265)	-
Due to other funds	204,627	(741)	(4,340)	199,546	(5,918)
Total adjustments	3,871,179	34,408	19,415	3,925,002	7,241
Net cash provided by (used in) operating activities	\$ 5,327,976	36,889	(447,095)	4,917,770	(57,571)
Noncash investing, capital, and financing activities:					
Amortization of deferred revenue forward invested funds	\$ 40,354	-	-	40,354	-
Decrease in fair value of investments	\$ (6,229)	-	-	(6,229)	-
Noncash capital contributions:					
Capital assets transferred from a governmental fund	\$ -	-	1,596	1,596	-

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, 2011

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,579,735
Intergovernmental receivables - County	<u>161,753</u>
Total assets	\$ <u>1,741,488</u>
<u>LIABILITIES</u>	
Intergovernmental payables:	
Schools	\$ 1,422,859
PERS	200,866
State	69,151
Employee insurance withheld	<u>48,612</u>
Total liabilities	\$ <u>1,741,488</u>

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

CITY OF MERIDIAN, MISSISSIPPI

Statement of Net Assets

Component Units

September 30, 2011

	<u>Meridian Airport Authority</u>	<u>Nonmajor Component Units</u>	<u>Total Component Units</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,181,640	9,783	1,191,423
Receivables:			
Accounts	812,819	304	813,123
Intergovernmental:			
Federal	209,454	-	209,454
State	5,247	28,284	33,531
Inventory	302,340	-	302,340
Prepaid items	33,747	-	33,747
Restricted assets - cash	188,531	-	188,531
Capital assets not being depreciated:			
Land	2,427,975	-	2,427,975
Construction in progress	7,930,323	-	7,930,323
Capital assets (net of accumulated depreciation):			
Buildings	4,002,600	-	4,002,600
Improvements other than buildings	13,326,588	-	13,326,588
Machinery and equipment	1,292,137	187,202	1,479,339
Total assets	<u>31,713,401</u>	<u>225,573</u>	<u>31,938,974</u>
<u>LIABILITIES</u>			
Accounts payable	890,541	21,169	911,710
Accrued liabilities	174,075	16,610	190,685
Unearned revenue	3,400	-	3,400
Noncurrent liabilities:			
Deferred revenue	8,360	-	8,360
Note payable due within one year	247,919	3,469	251,388
Note payable due in more than one year	1,795,780	15,293	1,811,073
Total liabilities	<u>3,120,075</u>	<u>56,541</u>	<u>3,176,616</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	28,979,623	187,202	29,166,825
Restricted for capital projects	188,531	-	188,531
Unrestricted	(574,828)	(18,170)	(592,998)
Total net assets	<u>\$ 28,593,326</u>	<u>169,032</u>	<u>28,762,358</u>

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

CITY OF MERIDIAN, MISSISSIPPI
Statement of Activities
Component Units
For the Fiscal Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Meridian Airport Authority	Nonmajor Component Units	Total
Component units:							
Meridian Airport Authority	\$ 12,806,081	11,917,937	30,991	3,697,589	2,840,436	-	2,840,436
Nonmajor component units	<u>611,456</u>	<u>89,618</u>	<u>441,455</u>	<u>-</u>	<u>-</u>	<u>(80,383)</u>	<u>(80,383)</u>
Total component units	\$ <u>13,417,537</u>	<u>12,007,555</u>	<u>472,446</u>	<u>3,697,589</u>	2,840,436	(80,383)	2,760,053
General revenues -							
Interest income					<u>7,609</u>	<u>41</u>	<u>7,650</u>
Change in net assets					<u>2,848,045</u>	<u>(80,342)</u>	<u>2,767,703</u>
Net assets, October 1, 2010, as previously reported					23,417,834	249,374	23,667,208
Prior period adjustment					<u>2,327,447</u>	<u>-</u>	<u>2,327,447</u>
Net assets, October 1, 2010, as restated					<u>25,745,281</u>	<u>249,374</u>	<u>25,994,655</u>
Net assets, September 30, 2011					\$ 28,593,326	<u>169,032</u>	<u>28,762,358</u>

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

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

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

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

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

Blended Component Unit -

Meridian Redevelopment Agency

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

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2011

(1) Summary of Significant Accounting Policies (Continued)

(a) Reporting Entity (Continued)

Major Discretely Presented Component Unit -

Meridian Airport Authority

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

Nonmajor Discretely Presented Component Units:

Meridian Transportation Commission

Meridian Transportation Commission ("MTC") was created by the City on November 7, 1972, in accordance with Title 21, Chapter 27, Article 1 of the Mississippi Code of 1972 to manage the local mass transit system of the City and to provide public transportation systems and facilities. MTC has a five-member board appointed by the City's Mayor and approved by the City Council, members of which may be removed at the will of the City. The City finances a significant portion of MTC's annual operations; therefore, MTC is considered financially dependent on the City.

Meridian and Bonita Lakes Development Authority

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

MAA and MTC have September 30 year ends, whereas MBLDA has a December 31 year end.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies (Continued)

(a) Reporting Entity (Continued)

Complete financial statements for each of the individual component units may be obtained at the entities' administrative offices as follows:

Meridian Airport Authority
2811 Highway 11 South
Meridian, Mississippi

Meridian Transportation Commission
1901 Front Street
Meridian, Mississippi

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

Related Organizations:

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

Following is a list of related organizations:

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies (Continued)

(b) Government-Wide and Fund Financial Statements

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

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

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

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

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

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

The City reports the following major governmental funds:

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

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

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

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies (Continued)

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

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

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

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

When fund balance resources are available for specific purposes in more than one classification, it is the City's policy to use the most restrictive fund first in the following order: restricted, committed, assigned, then unassigned as needed.

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

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

(e) Cash and Cash Equivalents and Investments

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

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2011

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

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

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

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

(f) **Receivables and Payables**

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

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

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies (Continued)

(f) Receivables and Payables (Continued)

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

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

The tax rate of the City is expressed in terms of mills (ten mills equal one cent). For the year ended September 30, 2011, the City's 2011 combined tax rate for general governmental services and other municipal purposes was 118.35 or \$118.35 per \$1,000 of assessed valuation, expressed as follows:

<u>Description</u>	<u>Mills</u>		<u>Increase (Decrease)</u>
	<u>2011</u>	<u>2010</u>	
General	29.65	29.92	(.27)
Solid waste fund	1.30	1.60	(.30)
Fire and police disability retirement fund (closed)	4.48	4.44	.04
General municipal retirement fund (closed)	3.00	3.00	-
Debt service (general bonds and interest)	12.41	11.88	.53
Meridian Separate School District	60.51	57.23	3.28
Meridian Community College	<u>7.00</u>	<u>7.00</u>	<u>-</u>
Total mills	<u>118.35</u>	<u>115.07</u>	<u>3.28</u>

(g) Inventories and Prepaid Items

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

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2011

(1) Summary of Significant Accounting Policies (Continued)

(g) Inventories and Prepaid Items (Continued)

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

(h) Assets Held for Resale

Property acquired through tax forfeitures and property acquired for the purpose of redevelopment and sale, are recognized as assets and stated at the lower of cost or net realizable value and are offset by a nonspendable fund balance. Upon final disposition or a decline in the value of the property, gain or loss is charged or credited to operations.

(i) 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. Certain other assets are classified as restricted because their use is limited by parties external to the City, including citizens, grantors, other governments, and courts. Restrictions may also be imposed by laws through constitutional provisions or legally enforceable enabling legislation.

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies (Continued)

(i) Restricted Assets (Continued)

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, 2011, all accounts required under the bond resolution were fully funded as required.

(j) 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 as outlined below and an estimated useful life in excess of one year.

Capital asset thresholds are as follows:

<u>Property Class</u>	<u>Cost Threshold</u>
Land and infrastructure	No minimum cost threshold
Buildings	\$50,000
Improvements other than buildings	\$25,000
Machinery and equipment	\$5,000

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred in the business-type activities during the current fiscal year was \$815,355. Of this amount, \$20,345 was included as part of the cost of capital assets under construction.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

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

(j) **Capital Assets (Continued)**

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

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

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

(k) **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.

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

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

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

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

(k) **Compensated Absences (Continued)**

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.

(l) **Long-term Obligations/Deferred Charges**

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

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.

(m) **Other Post Employment Benefits**

The City does not provide post-employment health or dental care benefits for any retirees or their dependents.

(n) **Fund Balances/Net Assets**

On the government-wide and proprietary fund statement of net assets, 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.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2011

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

(n) **Fund Balances/Net Assets (Continued)**

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.

On the fund financial statements, the governmental funds balance sheet reports assets in excess of liabilities as fund balances. The fund balances are segregated into the following classifications indicating the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent:

Nonspendable - the fund balance is reported as nonspendable when the resources are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted – the fund balance is reported as restricted when constraints placed on the resources are (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – the fund balance is reported as committed for amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the City Council. Committed amounts cannot be uncommitted except by removing the constraints through the same formal action.

Assigned – the fund balance is reported as assigned for resources that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by the City Council or an official to which the City Council has delegated the authority to assign amounts to be used for specific purposes.

Unassigned – the unassigned fund balance is the residual classification for the general fund. This classification represents general fund balance that is not otherwise reported as nonspendable, restricted, committed, or assigned to specific purposes. This classification is also used to report any negative fund balance in other governmental funds.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

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

(o) **New Accounting Pronouncement**

Effective for fiscal year 2011, the City implemented the following new standards issued by GASB:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* – this statement enhances the usefulness of fund balance information by providing clearer fund balance classifications and clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with this GASB statement. See note 1(n) for further descriptions of the City's fund balance classifications and policies.

GASB Statement No. 59, *Financial Instruments Omnibus* – this statement updates and improves the accounting and financial reporting and disclosure requirements of certain financial instruments and external investment pools. This statement had no effect on the current year financial statements.

(p) **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 2010 financial statement amounts have been reclassified to conform with the 2011 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.

September 30, 2011

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

<u>Description</u>	<u>Amount</u>
Bonds payable	\$ (42,975,000)
Deferred charges – refunded debt	208,515
Premium on refunded debt issue	(68,633)
Commissory loans payable	(359,475)
Negotiable notes payable	(880,000)
Accrued interest payable	(678,787)
Capital leases payable	(325,736)
Compensated absences	(1,367,388)
Claims and judgments	<u>(137,914)</u>
Net adjustment to reduce fund balances – total governmental funds to arrive at net assets – governmental activities	\$ (46,584,418)

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

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

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

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

<u>Description</u>	<u>Amount</u>
Net assets of the internal service funds	\$ 251,559
Less internal payable representing charges in excess of cost to business-type activities	<u>(11,406)</u>
Net adjustment to increase fund balances – total governmental funds to arrive at net assets – governmental activities	\$ <u>240,153</u>

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

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

<u>Description</u>	<u>Amount</u>
Capital outlay	\$ 5,960,189
Depreciation expense	<u>(4,787,682)</u>
Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	\$ <u>1,172,507</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

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

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

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

<u>Description</u>	<u>Amount</u>
1998 Ford van contributed by the Mississippi Department of Transportation	\$... 20,000

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

<u>Description</u>	<u>Amount</u>
Debt issued:	
Issuance of general obligation bonds	\$ (4,500,000)
Issuance of general obligation refunding bonds	(3,960,000)
Deferred charges for new debt issues	239,605
Amortization of deferred charges	(89,475)
Premium on refunding bonds issued	(71,175)
Amortization of debt premium	2,542
Principal repayments:	
Bonds payable	6,845,000
Promissory loans payable	71,075
Negotiable notes payable	491,684
Capital leases payable	<u>174,553</u>
Net adjustment to decrease net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	\$ <u>(796,191)</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

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

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

Another element of that reconciliation explains that "some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds". The details of this difference are as follows:

<u>Description</u>	<u>Amount</u>
Accrued interest expense	\$ (17,776)
Compensated absences	24,002
Claims and judgments	<u>135,127</u>
 Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	 \$ <u>141,353</u>

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

<u>Description</u>	<u>Amount</u>
Change in net assets of the internal service funds	\$ 1,489
Less loss from charges to business-type activities	<u>(387)</u>
 Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	 \$ <u>1,102</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

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

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

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

<u>Description</u>	<u>Amount</u>
Internal receivable representing charges in excess of cost to business-type activities:	
Prior year	\$ 11,019
Current year activities	<u>387</u>
 Net adjustment to increase net assets – total enterprise funds to arrive at net assets – business-type activities	 \$ <u>11,406</u>

(3) Stewardship, Compliance and Accountability

(a) Budgetary Information

The City adopts annual budgets for all governmental, proprietary and fiduciary funds on a basis consistent with state law, the more significant of which is discussed below. For 2011, the original total budgeted expenditures were \$93,830,363 and were increased by amendments to \$100,000,178.

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(3) Stewardship, Compliance and Accountability (Continued)

(a) Budgetary Information (Continued)

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

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

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

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2011

(3) Stewardship, Compliance and Accountability (Continued)

(b) Budget/GAAP Reconciliation

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

<u>Description</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Net change in fund balances – budgetary basis	\$ 819,780	(391,663)
Basis differences:		
Net accrued revenues and related receivables	(2,198,555)	219,847
Net accrued expenditures and related liabilities	<u>2,368,569</u>	<u>(226,033)</u>
Net change in fund balances – GAAP basis	\$ <u>989,794</u>	<u>(397,849)</u>

(c) Excess of expenditures over appropriations

For the year ended September 30, 2011, expenditures exceeded appropriations in (1) the personnel services of the Homeland Security Department (the legal level of budgetary control) of the general fund by \$5,080 due to the transfer of personnel from the Police Department to Homeland Security and (2) the debt service fund by \$66,525. These excess expenditures were funded by greater than expected revenues in the general fund and by available fund balance in the debt service fund.

(4) Deposits and Investments

Deposits

Custodial credit risk: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. At year end, the City's carrying amount of deposits was \$31,817,460 and the bank balance was \$31,522,534. The entire bank balance was covered by federal depository insurance or collateralized in accordance with state law. The collateral for public entities' deposits in financial institutions are held in the name of the Mississippi State Treasurer under a program established by the

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(4) Deposits and Investments (Continued)

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

The carrying amount of deposits for discretely presented component units was \$1,379,954 and the bank balance was \$1,512,357. These bank balances were covered by federal depository insurance or collateralized in accordance with State law as described above.

Investments

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

<u>Description</u>	<u>Fair Value</u>	<u>Maturity Date (Within One Year)</u>
U.S. Government Securities:		
Federal National Mortgage Association Pool	\$ 754,724	10/03/2011
U. S. Treasury Notes	304,077	03/15/2012
U. S. Treasury Notes	426,479	11/15/2011
Federated Government Obligation Fund	417	-
Certificates of Deposit:		
Citizens National Bank	675,000	01/02/2012
Community Bank	675,000	01/05/2012
Citizens National Bank	200,000	01/13/2012
Citizens National Bank	400,000	11/10/2011
Total investments	\$ <u>3,435,697</u>	

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

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(4) Deposits and Investments (Continued)

guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository; or in interest-bearing time certificates of deposit with any financial institution approved for the deposit of state funds. It is the City's policy to limit its investments to those allowed by the State statute. The City's investments in the Federal National Mortgage Association are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. Investments in Federated Government Obligations Fund are rated AAAm by Standard & Poor's and Aaa-mf by Moody's Investors Service.

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

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

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

<u>Description</u>	<u>Amount</u>
Cash on hand	\$ 3,800
Cash with trustee	980,317
Carrying amount of deposits (including certificates of deposits)	31,817,460
Carrying amount of investments (securities)	<u>1,485,697</u>
Total cash and investments	\$ <u>34,287,274</u>
Cash and cash equivalents	\$ 9,563,610
Cash and investments – restricted	21,593,929
Investments	<u>1,550,000</u>
Total reported on the government-wide statement of net assets	32,707,539
Cash and cash equivalents reported on the statement of fiduciary assets and liabilities not included on the government-wide statement of net assets	<u>1,579,735</u>
Total reported	\$ <u>34,287,274</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(5) Capital Assets

Primary government:

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance September 30, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance September 30, <u>2011</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,924,810	130,560	-	8,055,370
Right of ways	2,600	-	-	2,600
Collections - historical treasures	141,250	-	-	141,250
Construction-in-progress	16,423,856	5,178,903	2,849,342	18,753,417
Total capital assets, not being depreciated	<u>24,492,516</u>	<u>5,309,463</u>	<u>2,849,342</u>	<u>26,952,637</u>
Capital assets, being depreciated:				
Buildings	24,672,869	-	278,059	24,394,810
Improvements other than buildings	3,994,171	30,356	12,730	4,011,797
Machinery and equipment	13,365,819	653,101	155,846	13,863,074
Infrastructure	106,275,597	2,849,342	-	109,124,939
Total capital assets, being depreciated	<u>148,308,456</u>	<u>3,532,799</u>	<u>446,635</u>	<u>151,394,620</u>
Less accumulated depreciation for:				
Buildings	6,732,571	472,538	183,614	7,021,495
Improvements other than buildings	1,837,237	151,871	-	1,989,108
Machinery and equipment	9,431,001	872,235	135,883	10,167,353
Infrastructure	48,642,922	3,291,039	-	51,933,961
Total accumulated depreciation	<u>66,643,731</u>	<u>4,787,683</u>	<u>319,497</u>	<u>71,111,917</u>
Total capital assets, being depreciated, net	<u>81,664,725</u>	<u>(1,254,884)</u>	<u>127,138</u>	<u>80,282,703</u>
Total governmental activities capital assets, net	\$ <u>106,157,241</u>	<u>4,054,579</u>	<u>2,976,480</u>	<u>107,235,340</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(5) Capital Assets (Continued)

	Balance September 30, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance September 30, <u>2011</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 247,787	-	-	247,787
Construction-in-progress	<u>574,969</u>	<u>932,636</u>	<u>118,763</u>	<u>1,388,842</u>
Total capital assets, not being depreciated	<u>822,756</u>	<u>932,636</u>	<u>118,763</u>	<u>1,636,629</u>
Capital assets, being depreciated:				
Buildings	126,628	-	-	126,628
Water and sewer system	93,447,988	139,772	-	93,587,760
Improvements other than buildings	98,924	-	-	98,924
Machinery and equipment	<u>3,607,298</u>	<u>161,966</u>	<u>-</u>	<u>3,769,264</u>
Total capital assets, being depreciated	<u>97,280,838</u>	<u>301,738</u>	<u>-</u>	<u>97,582,576</u>
Less accumulated depreciation for:				
Buildings	120,928	950	-	121,878
Water and sewer system	59,391,042	3,603,229	-	62,994,271
Improvements other than buildings	73,949	-	-	73,949
Machinery and equipment	<u>2,954,961</u>	<u>241,849</u>	<u>-</u>	<u>3,196,810</u>
Total accumulated depreciation	<u>62,540,880</u>	<u>3,846,028</u>	<u>-</u>	<u>66,386,908</u>
Total capital assets, being depreciated, net	<u>34,739,958</u>	<u>(3,544,290)</u>	<u>-</u>	<u>31,195,668</u>
Total business-type activities capital assets, net	\$ <u>35,562,714</u>	<u>(2,611,654)</u>	<u>118,763</u>	<u>32,832,297</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(5) Capital Assets (Continued)

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

	<u>Amount</u>
Governmental activities:	
General government	\$ 400,092
Public safety	797,885
Public works	3,517,140
Culture and recreation	<u>72,566</u>
Total depreciation expense - governmental activities	\$ <u>4,787,683</u>
Business-type activities:	
Water and sewer department	\$ 3,830,480
Golf course	6,728
Union Station	<u>8,820</u>
Total depreciation expense - business-type activities	\$ <u>3,846,028</u>

Construction-in-progress is composed of:

Governmental activities:	
City Hall improvements	\$ 17,380,314
Bonita Lakes Dam rehabilitation	889,906
Software conversion	431,081
Medical district traffic - engineering	34,362
Safe routes to school project	<u>17,754</u>
Total governmental activities	<u>18,753,417</u>
Business-type activities:	
Sewer improvements: South Industrial	
Park and other areas	686,221
Headworks improvements	264,142
Wastewater treatment plant air	
blowers and electrical upgrade	219,046
SCADA upgrades	139,555
Sanitary sewer line improvements	76,384
Chip Mill sewer line replacement	<u>3,494</u>
Total business-type activities	<u>1,388,842</u>
Total construction-in-progress	\$ <u>20,142,259</u>

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2011

(5) Capital Assets (Continued)

Discretely presented component units:

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance September 30, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance September 30, <u>2011</u>
Meridian Airport Authority:				
Capital assets, not being depreciated:				
Land	\$ 500,000	1,927,975	-	2,427,975
Construction-in-progress	<u>5,611,963</u>	<u>5,522,518</u>	<u>3,204,158</u>	<u>7,930,323</u>
Total capital assets, not being depreciated	<u>6,111,963</u>	<u>7,450,493</u>	<u>3,204,158</u>	<u>10,358,298</u>
Capital assets, being depreciated:				
Buildings	5,324,176	373,111	-	5,697,287
Improvements other than buildings	19,229,836	3,230,519	-	22,460,355
Machinery and equipment	<u>2,547,167</u>	<u>72,840</u>	<u>8,353</u>	<u>2,611,654</u>
Total capital assets, being depreciated	<u>27,101,179</u>	<u>3,676,470</u>	<u>8,353</u>	<u>30,769,296</u>
Less accumulated depreciation for:				
Buildings	1,532,182	162,505	-	1,694,687
Improvements other than buildings	8,123,176	1,010,591	-	9,133,767
Machinery and equipment	<u>984,845</u>	<u>342,810</u>	<u>8,138</u>	<u>1,319,517</u>
Total accumulated depreciation	<u>10,640,203</u>	<u>1,515,906</u>	<u>8,138</u>	<u>12,147,971</u>
Total capital assets, being depreciated, net	<u>16,460,976</u>	<u>2,160,564</u>	<u>215</u>	<u>18,621,325</u>
Total Meridian Airport Authority	\$ <u>22,572,939</u>	<u>9,611,057</u>	<u>3,204,373</u>	<u>28,979,623</u>
Nonmajor component units:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 723,375	-	17,500	705,875
Less accumulated depreciation	<u>453,431</u>	<u>82,742</u>	<u>17,500</u>	<u>518,673</u>
Total nonmajor component units	\$ <u>269,944</u>	<u>(82,742)</u>	<u>-</u>	<u>187,202</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(6) Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2011, is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 778,847
	Nonmajor Governmental Funds	61,681
Special Revenue Fund	General Fund	313,931
City Hall Improvements Fund	Special Revenue Fund	4
Nonmajor Governmental Funds	General Fund	22,159
	Nonmajor Governmental Funds	28,379
Water & Sewer Fund	Special Revenue Fund	542
Waste Collection & Disposal Fund	General Fund	11,045
	Special Revenue Fund	36,760
Internal Service Funds	General Fund	509,599
	Water & Sewer Fund	114,329
	Waste Collection & Disposal	1
	Nonmajor Enterprise Funds	<u>442</u>
Total due to/from other funds		\$ <u>1,877,719</u>

Due to primary government

Due from component units

General Fund	Meridian Airport Authority	\$ 4,983
	Meridian Transportation Commission	<u>1,557</u>
		\$ <u>6,540</u>
Nonmajor Enterprise Fund	Meridian Transportation Commission	\$ <u>3,182</u>
Internal Service Funds	Meridian Transportation Commission	\$ <u>2,932</u>

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

September 30, 2011

Interfund transfers:

		Transfers in:								
		Debt	Special	City	Nonmajor	Water	Waste	Nonmajor	Internal	Total
	General	Service	Revenue	Hall	Governmental	& Sewer	Collection &	Enterprise	Service	transfers
<u>Transfers out:</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Improvements</u>	<u>Funds</u>	<u>Fund</u>	<u>Disposal</u>	<u>Funds</u>	<u>Funds</u>	<u>out</u>
General Fund	\$ -	841,412	247,375	-	21,969	-	-	516,000	57,278	1,684,034
Special Revenue Fund	72,065	-	-	-	-	542	36,759	-	-	109,366
Nonmajor										
Governmental Funds	69,188	5	-	470,000	28,379	1,086,309	-	-	-	1,653,881
Water & Sewer Fund	601,499	-	52,000	-	-	-	-	-	7,720	661,219
Waste Collection &										
Disposal Fund	41,000	-	-	-	-	-	-	-	-	41,000
Total transfers in	\$ 786,752	841,417	299,375	470,000	50,348	1,086,851	36,759	516,000	64,998	4,152,500

Nonmajor Enterprise Funds*	1,596
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* The general fund transferred capital assets to the a nonmajor enterprise fund. This transfer was recorded in the government-wide statement of activities. This transfer was recorded in the nonmajor enterprise fund statement of revenues, expenses, and changes in fund net assets as a capital contribution. This transfer was not recorded in the general fund statement of revenues, expenditures, and changes in fund balances because governmental funds do not report capital assets.

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

A summary of notes payable at September 30, 2011, follows:

	Balance September 30, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance September 30, <u>2011</u>
Discretely presented nonmajor component unit -				
Meridian Transportation Commission:				
5.5% \$40.850 line of credit with a financial institution, maturing annually	\$ 21,207	-	21,207	-

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(8) Leases

Capital Leases

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

A summary of leased equipment capitalized in the financial statements at September 30, 2011, follows:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery and equipment	\$ 1,273,866	1,056,641
Less accumulated depreciation	<u>(643,041)</u>	<u>(417,711)</u>
Total leased equipment capitalized	\$ <u>630,825</u>	<u>638,930</u>

The future minimum lease obligations and the net present value of minimum lease commitments at September 30, 2011, follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2012	\$ 71,226	106,140
2013	71,226	106,140
2014	71,226	106,140
2015	71,226	106,140
2016	71,226	106,140
2017-2021	<u>17,807</u>	<u>26,535</u>
Total minimum lease commitments	373,937	557,235
Less amount representing imputed interest	<u>(48,201)</u>	<u>(78,733)</u>
Present value of minimum lease payments	325,736	478,502
Current portion of obligations under capital leases	<u>(53,796)</u>	<u>(80,166)</u>
Obligations under capital leases, less current installments	\$ <u>271,940</u>	<u>398,336</u>

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2011

(9) Long-Term Liabilities

A summary of long-term liabilities at September 30, 2011, follows:

	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities:		
Outstanding bonds:		
General government	2.0 - 6.0%	\$ 31,170,000
Special obligation bonds – parking facilities	2.75 - 5.375%	4,985,000
Limited obligation bonds – tax increment financing	5.0% - 9.0%	5,100,000
Special assessment debt with City commitment	4.5 - 6.75%	1,720,000
Less deferred issue costs on refunding bonds		(208,515)
Plus premiums on refunding bonds		68,633
Other debt:		
Promissory loans	3.0%	359,475
Negotiable notes	2.71%	880,000
Capital leases	5.87%	325,736
Compensated absences		1,367,388
Claims and judgments		<u>137,914</u>
Total governmental activities		45,905,631
Less current portion payable		<u>(4,224,655)</u>
Governmental activities, net		\$ <u>41,680,976</u>
Business-type activities:		
Water & sewer revenue bonds:		
Improvements and repairs to water system	4.6 - 6.5%	\$ 1,835,000
Improvements, repairs and extension to water system	4.5 - 6.375%	2,375,000
Improvements, repairs and extension to water system	5.0 - 6.25%	1,210,000
Less deferred issue costs on refunding bonds		<u>(80,689)</u>
Total revenue bonds		<u>5,339,311</u>
Water & sewer promissory loans	1.0 - 6.125%	10,520,000
Less deferred issue costs on refunding bonds		<u>(184,902)</u>
Total promissory loans		<u>10,335,098</u>
Capital leases	5.87%	<u>478,501</u>
Deferred revenue forward invested funds		<u>152,725</u>
Compensated absences		<u>200,119</u>
Total business-type activities		16,505,754
Less current portion payable		<u>(2,034,795)</u>
Business activities, net		\$ <u>14,470,959</u>
Discretely presented component unit –		
Meridian Airport Authority –		
Promissory loans	3.75% - 4.0%	\$ 2,043,699
Less current portion payable		<u>(247,919)</u>
Business activities, net		\$ <u>1,795,780</u>

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(9) Long-Term Liabilities (Continued)

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>						<u>Total</u>
	<u>General Obligation Bonds</u>	<u>Special Obligation Bonds</u>	<u>Limited Obligations Bonds</u>	<u>Special Assessment Debt</u>	<u>Promissory Loans</u>	<u>Negotiable Notes</u>	
2012	\$ 3,389,663	533,693	1,036,094	309,167	82,869	243,848	5,595,334
2013	3,326,884	535,200	1,028,775	307,713	82,869	237,886	5,519,327
2014	2,901,367	536,037	510,844	310,542	82,869	231,924	4,573,583
2015	2,807,263	536,207	513,875	312,525	82,869	225,962	4,478,701
2016	2,645,505	541,843	515,125	313,555	48,340	-	4,064,368
2017-2021	11,756,950	2,751,175	2,566,062	593,305	-	-	17,667,492
2022-2026	10,759,646	1,123,213	1,945,094	-	-	-	13,827,953
2027-2031	4,237,314	-	-	-	-	-	4,237,314
Total	\$ 41,824,592	6,557,368	8,115,869	2,146,807	379,816	939,620	59,964,072
Interest included in above totals	\$ 10,654,592	1,572,368	3,015,869	426,807	20,341	59,620	15,749,597

<u>Year Ending September 30,</u>	<u>Business-type Activities</u>			<u>Discretely Presented Component Unit Promissory Loans</u>
	<u>Revenue Bonds</u>	<u>Promissory Loans</u>	<u>Total</u>	
2012	\$ 961,837	1,680,588	2,642,425	325,141
2013	971,190	1,682,270	2,653,460	298,786
2014	974,286	1,686,585	2,660,871	296,638
2015	990,881	858,539	1,849,420	235,982
2016	994,994	854,964	1,849,958	1,183,825
2017-2021	1,517,081	4,351,362	5,868,443	-
2022-2026	-	2,696,913	2,696,913	-
Total	\$ 6,410,269	13,811,221	20,221,490	2,340,372
Interest included in above totals	\$ 990,269	3,291,221	4,281,490	296,673

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(9) Long-Term Liabilities (Continued)

A summary of changes in the long-term liabilities during the year ended September 30, 2011, follows:

<u>Description</u>	<u>October 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2011</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation debt	\$ 27,750,000	8,460,000	5,040,000	31,170,000	2,150,000
Less deferred issue costs on refunding bonds	-	(216,238)	(7,723)	(208,515)	(30,891)
Plus premiums on refunding bonds	-	71,175	2,542	68,633	10,168
Special obligation bonds	5,280,000	-	295,000	4,985,000	315,000
Limited obligation bonds	5,680,000	-	580,000	5,100,000	625,000
Special assessment with City commitment	<u>2,650,000</u>	<u>-</u>	<u>930,000</u>	<u>1,720,000</u>	<u>215,000</u>
Total bonds payable	41,360,000	8,314,937	6,839,819	42,835,118	3,284,277
Promissory loans	430,550	-	71,075	359,475	72,872
Negotiable notes	1,371,684	-	491,684	880,000	220,000
Capital leases	500,289	-	174,553	325,736	53,796
Compensated absences	1,391,390	846,632	870,634	1,367,388	455,796
Claims and judgments	<u>273,041</u>	<u>410,118</u>	<u>545,245</u>	<u>137,914</u>	<u>137,914</u>
Governmental activities long-term liabilities	\$ <u>45,326,954</u>	<u>9,571,687</u>	<u>8,993,010</u>	<u>45,905,631</u>	<u>4,224,655</u>
Business-type activities:					
Revenue bonds	\$ 6,090,000	-	670,000	5,420,000	715,000
Less deferred issue costs on refunding bonds	(99,310)	-	(18,621)	(80,689)	(18,620)
Promissory loans	11,697,320	-	1,177,320	10,520,000	1,215,000
Less deferred issue costs on refunding loans	(246,536)	-	(61,634)	(184,902)	(61,634)
Capital leases	554,106	-	75,605	478,501	80,166
Deferred revenue forward invested funds	193,079	-	40,354	152,725	38,844
Compensated absences	<u>203,933</u>	<u>245,983</u>	<u>249,797</u>	<u>200,119</u>	<u>66,039</u>
Business-type activities long-term liabilities	\$ <u>18,392,592</u>	<u>245,983</u>	<u>2,132,821</u>	<u>16,505,754</u>	<u>2,034,795</u>
Discretely presented component units:					
Meridian Airport Authority -					
Promissory loan	\$ <u>291,618</u>	<u>2,000,000</u>	<u>247,919</u>	<u>2,043,699</u>	<u>247,919</u>
Meridian Transportation Commission -					
Promissory loans	\$ <u>-</u>	<u>19,845</u>	<u>1,083</u>	<u>18,762</u>	<u>3,469</u>

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(9) Long-Term Liabilities (Continued)

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The original amount of general obligation bonds issued in prior years was \$36,250,000.

The City issued general obligation bonds during fiscal year 2011, in the amount of \$4,500,000. The proceeds from this bond issue will be used for the construction of Fire Station No. 9 in the newly annexed area and other City-wide infrastructure improvements.

During 2011, the City issued general obligation current refunding bonds in the amount of \$3,960,000 to refund the outstanding balance on the 2003 general obligation public improvement bonds and the 1995 special assessment street improvement bonds. The proceeds were sufficient to pay the principal and interest on the \$3,895,000 balance of these refunded bonds. As a result, the refunded bonds have been fully redeemed in the current fiscal year and the liability has been removed from the governmental activities column in the statement of net assets. This refunding was undertaken to reduce the total debt service payments by \$830,725 and resulted in an economic gain of \$815,319.

Special Obligation Bonds

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

Limited Obligation Bonds

The original amount of tax increment limited obligation bonds issued by the City in prior years to provide funds for the costs of constructing certain infrastructure improvements was \$3,300,000. The bonds are payable from and secured by a pledge of taxes levied on the incremental increase in the assessed value of the project and certain sales tax revenues. The City entered into an interlocal agreement with Lauderdale County, whereby the County has also pledged additional ad valorem tax revenues generated by the project to provide a pro rata portion of annual debt service on the bonds. As a result, the bonds are not a general obligation of the City.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(9) Long-Term Liabilities (Continued)

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

Special Assessment Debt

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

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, 2011 amounted to \$5,339,311, net of \$80,689 of long-term financing costs. The original amount of revenue bonds issued in prior years totals \$12,000,000.

Promissory Loans

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

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

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(9) Long-Term Liabilities (Continued)

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

In fiscal year 2003, the City entered into a loan agreement whereby the Mississippi Development Bank issued Mississippi Development Bank Special Obligation Bonds and loaned the proceeds in the amount of \$7,590,000 to the City. The proceeds from this loan were used to refund the City's 1994 Combined Water and Sewer System Revenue Bonds. As a result of this refunding, the 1994 bonds are considered fully defeased in substance, and the liability is not reported in the City's financial statements. As of September 30, 2011, the outstanding balance on the defeased bonds was \$2,400,000. This refunding resulted in a decrease in future debt service payments of \$549,006.

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

Negotiable Notes

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

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

Letter of Credit

The City maintains a \$600,000 unsecured irrevocable letter of credit with Citizens National Bank. This letter of credit was issued for a fee of \$7,575 in favor of Travelers Indemnity Company for support of the City's deductible for workers compensation claims. This letter of credit expires August 1, 2012, with an automatic extension for one year. As of September 30, 2011, the City had no outstanding balance on this letter of credit. The interest rate is set at 1.25 percent.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(9) Long-Term Liabilities (Continued)

Discretely Presented Component Unit –

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

During fiscal year 2011, the Meridian Airport Authority entered into a 3.75 percent promissory loan agreement in the amount of \$2,000,000 for construction of an aircraft maintenance hangar.

(10) Lessor Operating Leases

The City of Meridian and Meridian Airport Authority (a discretely presented component unit) leases space to others under various lease agreements. A summary of minimum future rental income on these leases as of September 30, 2011, and for each of the next five years and in aggregate, follows:

<u>Year Ending September 30,</u>	<u>City of Meridian</u>	<u>Meridian Airport Authority</u>
2012	\$ 69,567	74,207
2013	51,359	36,776
2014	34,293	26,182
2015	24,628	11,589
2016	19,562	8,493
Thereafter	<u>75,540</u>	<u>163,394</u>
Total minimum future rentals	\$ <u>274,949</u>	<u>320,641</u>

(11) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance to protect against these and other types of risks, except medical claims of City employees and their covered dependents. Coverage limits vary by exposure/policy and are decided on from examination of the number and types of prior claims, as well as from monitoring of judicial decisions, awards and trend factors. Premiums are paid from the general fund, water and sewer fund, golf course fund and Union Station fund, as well as the appropriate department within each fund and by component units. There were no significant reductions in insurance coverage in fiscal 2011, from the prior year. Settled claims have not exceeded commercial coverage in any of the past several years.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(11) Risk Management (Continued)

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, 2011 and 2010, follows:

<u>Description</u>	<u>2011</u>	<u>2010</u>
Unpaid claims, beginning of year	\$ 273,041	27,146
Incurred claims (including IBNR's)	410,118	733,820
Claim payments	<u>(545,245)</u>	<u>(487,925)</u>
Unpaid claims, end of year	\$ <u>137,914</u>	<u>273,041</u>

Effective October 1, 2004, the City contracts with a third party administrator to administer a partially self insured health plan. The City moved from a fully insured contract and, based on historical projections, maintains the same level of funding. Aggregate (\$1,000,000) and specific (\$100,000 per participant) stop-loss insurance coverages were obtained to guard against any large unforeseen claim losses. Fully insured transplant coverage was also secured to allow transplants to be fully insured outside of specific and aggregate insurance limits. This plan also provides life insurance on each employee for \$25,000 double indemnity. The City established the health and life insurance reserve fund ("the Fund") in the internal service fund group to account for this activity.

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(11) Risk Management (Continued)

Changes in the balances of claims liabilities during the fiscal years ended September 30, 2011 and 2010 follows:

<u>Description</u>	<u>2011</u>	<u>2010</u>
Unpaid claims, beginning of year	\$ 332,741	290,304
Incurred claims (including IBNR's)	3,316,831	2,939,628
Claim payments	<u>(3,243,536)</u>	<u>(2,897,191)</u>
Unpaid claims, end of year	\$ <u>406,036</u>	<u>332,741</u>

(12) Pollution Remediation

In July, 2009, the Mississippi Department of Environmental Quality ("MDEQ") notified the City that it was in violation of section 49-17-29 of the Mississippi Code due to multiple overflows of raw sewage. As a result of this violation, the City has been assessed a civil penalty of \$32,500. The City received a letter from MDEQ in August, 2010, requiring (1) the submission of plans and specifications for the repair or replacement of pipes and manholes in the affected area on or before March 30, 2011; (2) the City to replace lines and make repairs as stipulated in the agreement the last of which to be completed on or before December 31, 2012, in order to reduce inflow and infiltration into the wastewater collection system; (3) the City to develop and implement standard operating procedures to address and minimize sanitary sewer outflows throughout the sewage collection system within 15 days of MDEQ's approval; and (4) the City to bring the wastewater treatment facility into compliance with its NPDES permit on or before December 31, 2011. Failure to comply with any of these requirements would result in a stipulated penalty of \$500 per day of violation of the relevant deadline. Further, on or before March 31, 2012, the City is required to have complied with the total chlorine residual and ammonia nitrogen limitations in its NPDES permit for three consecutive months. Failure to comply with this requirement would result in a stipulated penalty of \$10,000 plus \$500 per month of non-compliance of the relevant deadline, until three consecutive months of compliance with the requirement. At this time, the City has submitted plans and specifications for the repair or replacement of manholes in the affected area, is in compliance with its NPDES permit and is working to accomplish the additional requirements in the MDEQ agreement within the year. The City estimates the obligation resulting from this pollution remediation to be approximately \$590,000, which includes \$580,000 in infrastructure improvements. This estimate is based on professional judgment, experience, historical cost data of similar projects, and the use of the expected cash flow technique. The City does not expect any recoveries from other parties. Remediation obligation estimates may change over time due to changes in technology, fluctuations in prices or changes in regulations.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(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 Other Significant Commitments

The City has entered into contracts for the development of a collection system rehabilitation program to serve the City of Meridian, including an initial infiltration and inflow study and the construction of a pump station at the South Industrial Park. Other projects identified to be completed include the construction of a lift station and the replacement of headworks at the South Waste Water Treatment Plant. The cost of these projects is estimated to be \$2,453,455. Expenditures related to these projects are being funded 45 percent from local funds and 55 percent from grants congressionally allocated through the United States Environmental Protection Agency ("EPA").

The City has approved contracts for replacing and upgrading the supervisory control and data acquisition ("SCADA") system at the Freshwater Treatment Plants. The cost of this project is estimated to be \$1,200,000 and will be funded with proceeds from the sale of bonds issued by the City.

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

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2011

(14) Construction and Other Significant Commitments (Continued)

Pollution Control Revolving Loan Fund agreement through the Mississippi Department of Environmental Quality.

The City has entered into contracts for repairs to and stabilization of the Bonita Lakes Dam, which was damaged during Hurricane Katrina. The cost of this project, including installation of a filter drain, the construction of a gabion discharge structure, and replacement of the concrete sidewalk and asphalt paving along the existing walking track, is estimated to be \$2,087,000. Expenditures related to this project are being funded \$249,000 from the sale of bonds issued by the City, \$52,000 from local funds, and \$1,786,000 from a Hurricane Katrina Supplemental Community Development Block Grant.

The City has received grant approval to rehabilitate existing sewer lines. The estimated cost of this project is \$1,200,000. Expenditures related to this project are being funded 50 percent from local funds and 50 percent from a Community Development Block Grant.

The City has plans to replace and relocate the Chip Mill sewer line. The cost of this project is estimated to be \$565,000 and is being funded from the sale of bonds issued by the City.

The City has executed an agreement for the development of a waste water system master plan and program. The cost of this project is estimated to be \$33,000 and is being funded from the sale of bonds issued by the City.

The City has received grant approval for sidewalk improvements between Meridian Public Schools and the Boys and Girls Club. The cost of this project is estimated to be \$775,833 in sidewalk improvements and \$24,793 in activities to promote pedestrian safety and reduce speeds in school zones. The total project cost of \$800,626 is funded 100 percent from a Safe Routes to School grant through the Mississippi Department of Transportation.

The City has executed a lease agreement for a new law enforcement center. The lease term is to begin upon substantial completion of the premises, such that it is made available for occupancy, and continue for twenty years with an option to purchase the premises upon expiration of the primary lease term. The base rental will be \$460,000 annually for the first five years and will be adjusted every five years thereafter according to the Consumer Price Index for Urban Wage and Clerical Workers ("CPI-U").

In fiscal year 2006, the City began a renovation and restoration project of the 1915 City Hall. The cost of this project is estimated to be \$18,000,000 and is being funded with

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(14) Construction and Other Significant Commitments (Continued)

proceeds from the sale of \$10,000,000 bonds issued by the City during fiscal year 2006 and a second \$10,000,000 bond issue during fiscal year 2009. The project will also be funded through a \$210,000 Energy Investment Program Loan Agreement with the Mississippi Development Authority to be issued upon completion of certain energy efficiency measures.

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

Other significant commitments include encumbrances outstanding for the general fund and special revenue fund as follows:

<u>Description</u>	<u>Encumbrance Amount</u>
General fund committed to software conversion	\$ 159,299
General fund assigned for other purposes	1,156,488
Special revenue funds restricted for purposes of grantors/donors	<u>120,554</u>
Total outstanding encumbrances	\$ <u>1,436,341</u>

(15) Solid Waste Management Services Accounting

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

(16) Prior Period Adjustment

The October 1, 2010 beginning balance of the net assets of the Meridian Airport Authority (a discretely presented component unit) has been restated to include grant amounts paid directly to vendors in a prior period on MAA's behalf. The correction has no effect on the results of the current year's activities, however the cumulative effect increased net assets by \$2,327,447.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2011

(17) Subsequent Events

Events that occur after the statement of net assets date, but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date require recognition in the financial statements. Subsequent events that provide evidence about conditions that existed after the statement of net assets date require disclosure in the notes to the financial statements. Management evaluated the activity of the City through March 29, 2012, (the date the financial statements were available to be issued) and noted the following items which require disclosure in the notes to the financial statements.

In October, 2011, the City executed an amendment to the March, 2010 \$210,000 Energy Investment Program Loan Agreement with the Mississippi Development Authority ("MDA"). The purpose of this loan is to provide funds for the installation of various energy conservation measures for the renovation of City Hall. The October, 2011 amendment was adopted to extend the loan agreement date to January 1, 2012 and revise the loan amortization schedule to begin January 1, 2012. The \$210,000 MDA loan was received by the City in December, 2011 upon completion of the City Hall energy conservation measures.

In February, 2012, the City authorized and directed the issuance of \$4,500,000 in Mississippi Development Bank Special Obligation Bonds, Series 2012. The purpose of this bond issue is to provide funds for City-wide infrastructure improvements.

In March, 2012, the City authorized payment of the remainder of the Meridian Transportation Commission's contribution allotment in the amount of \$21,165; a one-time forgiveness of rent, repairs and utilities in the amount of \$6,438; and other considerations with certain stipulations.

(18) 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

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2011

(18) Pension and Retirement Plans (Continued)

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, 2011, was \$5,684,624,000. The City's payroll for employees covered by PERS for the year ended September 30, 2011, was \$15,972,159; the City's total payroll was \$16,733,754 for the year ended September 30, 2011.

Participating employees who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life, in an amount equal to two percent of their average compensation for each year of credited service, up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of credited service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of credited service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. For members who enter the system on or after July 1, 2007, benefits vest upon completion of eight years of membership service. For members who entered the system before July 1, 2007, benefits vest upon completion of four years of membership service. PERS also provides certain death and disability benefits. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State of Mississippi Legislature.

A cost-of-living adjustment payment is made to eligible retirees and beneficiaries. The cost of living adjustment is equal to three percent of the annual retirement allowance for each full fiscal year of retirement prior to the year in which the member reaches age 60 (55 for those who became members of PERS before July 1, 2011), plus three percent compounded for each fiscal year thereafter. For the year ended June 30, 2011, the total additional annual payments (statewide) were \$368,645,000.

Funding Policy

Members covered by PERS are required to contribute nine percent of their earned compensation toward retirement. In the year ended September 30, 2011, City employees contributed \$1,437,494. If an employee covered by PERS leaves employment prior to retirement, accumulated employee contributions plus related investment earnings allocations are refunded to the employee or designated beneficiary upon request. The investment earnings allocation rate was 3.5 percent in 2011.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(18) Pension and Retirement Plans (Continued)

The City is required by statute to contribute to PERS at an actuarially determined rate. For the years ended September 30, 2011, 2010, and 2009, the City's contribution requirements representing 11.85 percent (from July 1, 2007 through June 30, 2009), and 12 percent (from July 1, 2009 through September 30, 2011) of covered payroll were \$1,916,658, \$1,865,457, and \$2,035,851, respectively. The City contributed 100 percent of its requirements in each of these years.

The Meridian Airport Authority (a discretely presented component unit) contributed 100 percent of its required contributions to PERS in the years ended September 30, 2011, 2010, and 2009 of \$157,132, \$138,335, and \$25,344, respectively.

Trend Information

Ten year historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS June 30, 2011, comprehensive annual financial report.

Municipal Retirement Systems:

Plan Description

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

Membership in the MRS is comprised of employees who were hired prior to July 1, 1976, and includes only those eligible employees of the City who did not opt to become a member of PERS. PERS is also responsible for the administration of MRS. MRS is considered part of the financial reporting entity of the State of Mississippi. The total payroll for City employees covered by MRS for the year ended September 30, 2011 was \$168,784; the City's total payroll for all employees was \$16,733,754. At September 30, 2011, the date of the most recent actuarial valuation, there were three participating general municipal employees, firefighters and police officers and 202 retired participants and beneficiaries currently receiving benefits.

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

(18) Pension and Retirement Plans (Continued)

Basis of Accounting

Both PERS and MRS use the accrual basis of accounting and the economic resources measurement focus. Employee and employer contributions are recognized as revenue when due pursuant to formal commitments, as well as statutory requirements. Investment income is recognized when earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Other expenses are recognized when incurred. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit ratings. Mortgage securities are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Short-term investments are reported at fair value when published prices are available, or at cost plus accrued interest, which approximates fair value. The fair value of commingled real estate funds is based on independent appraisals, while Real Estate Investment Trusts traded on a national or international exchange are valued at the last reported sales price at current exchange rates. For individual investments where no readily ascertainable fair value exists, PERS, in consultation with its investment advisors and custodial bank, has determined the fair values.

Funding Policy

Funding policies for MRS, established by Mississippi statutes, provide for a property tax to be levied within each municipality and deductions from salaries of members, at rates sufficient to make the plan actuarially sound. For the year ended September 30, 2011, the City levied 7.48 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 2011, fire and police employees and municipal employees covered by MRS were required to contribute ten percent and seven percent, respectively, of covered payroll. Any increase to the seven percent base contribution rate is made in increments not to exceed one percent per year. If an employee leaves covered employment, accumulated employee contributions are refunded to the employee upon request. Employees covered by MRS do not receive interest on their accumulated contributions. The City contributes the remaining amounts necessary to finance participation of its employees in MRS. Contribution provisions are established by Sections 21-29, Articles 1, 3, 5 and 7, Mississippi Code Ann. (1972) and annual local legislation. Statutes may be amended only by the State of Mississippi Legislature.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2011

(18) Pension and Retirement Plans (Continued)

Annual Pension Cost

The required contribution to MRS was determined as part of the actuarial valuation performed as of September 30, 2011, using the entry age actuarial cost method, the level dollar closed amortization method (with a twenty-three year remaining amortization period), and a five-year smoothed market asset valuation method. Significant actuarial assumptions include (a) a rate of return on the investment of present and future assets at 8 percent compounded annually, (b) projected salary increases of 4.25 percent per year compounded annually attributable to inflation, and (c) additional projected salary increases of .25 percent - 1.75 percent per year compounded annually attributable to seniority and/or merit.

The following provides pension cost and obligation information for MRS:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Components of annual pension cost:			
Annual required contribution	\$ 1,790,112	1,807,221	1,835,893
Adjustment to required contribution	<u>647,426</u>	<u>631,577</u>	<u>763,039</u>
Total annual pension cost	2,437,538	2,438,798	2,598,932
Less: contributions made	<u>2,437,538</u>	<u>2,438,798</u>	<u>2,598,932</u>
Net pension obligation at year end	\$ <u>-</u>	<u>-</u>	<u>-</u>
Percentage of annual pension cost contributed	<u>100%</u>	<u>100%</u>	<u>100%</u>

Funding Status and Funding Progress

As of September 30, 2011, the most recent actuarial valuation date, the plan was 31.3 percent funded. The actuarial accrued liability for benefits was \$27.2 million, and the actuarial value of assets was \$8.5 million, resulting in an unfunded actuarial accrued liability ("UALL") of \$18.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$168,798, and the ratio of UAAL to covered payroll was 11,062.7 percent. Because MMRS is a closed plan with only three active employees, this percentage is highly misleading.

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability ("AAL") - Entry Age (b)	Funded Ratio (a/b)	Unfunded AAL ("UAAL") (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
9/30/11	\$ 8,533	\$ 27,229	31.3%	\$ 18,696	169	11.062.7 %
9/30/10	8,581	27,754	30.9%	19,173	166	11,550.0 %
9/30/09	8,897	28,629	31.1%	19,732	164	12,031.7 %

Notes to Schedule of Funding Progress

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

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

For additional information regarding this schedule, refer to the separately issued Public Employees' Retirement System of Mississippi Comprehensive Annual Financial Report for 2011 by writing to Public Employees' Retirement System of Mississippi, 429 Mississippi Street, Jackson, MS 39201-1005.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Funds

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

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

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

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

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

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

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

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

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

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

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

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Funds (Continued)

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

Safe Routes to School Project – This fund is used to account for grant revenues for sidewalk improvements between Carver Middle School, Harris Elementary School, and the Boys and Girls Club; plus activities to promote pedestrian safety and reduce speeds in the Carver Middle, Harris Elementary, Oakland Heights Elementary, and Crestwood Elementary school zones.

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

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

2011 General Obligation Bonds – This fund is used to account for the proceeds and disbursements of the 2011 general obligation bonds.

CITY OF MERIDIAN, MISSISSIPPI
Combining Balance Sheet
Nonmajor Governmental Funds
Nonmajor Capital Projects Funds
September 30, 2011

	<u>Sowashee Project</u>	<u>Urban Renewal Parking Garage Bonds</u>	<u>2003 General Obligation Bonds</u>	<u>2003 Flood Damage</u>	<u>Highway 19 Drainage</u>	<u>2006 General Obligation Bonds</u>	<u>2008 General Obligation Bonds</u>
<u>ASSETS</u>							
Due from other funds	\$ -	-	-	-	-	-	-
Restricted assets							
Cash and cash equivalents	361,787	-	205,594	76,030	2,557	-	2,265
Intergovernmental receivables	-	-	-	-	-	-	-
Total assets	\$ 361,787	-	205,594	76,030	2,557	-	2,265
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Due to other funds	\$ -	-	-	-	-	-	-
Liabilities payable from restricted assets -							
Accounts payable	12,912	-	-	-	-	-	-
Total liabilities	12,912	-	-	-	-	-	-
Fund balances:							
Restricted for							
Sowashee Creek maintenance	348,875	-	-	-	-	-	-
Construction acquisition of capital assets	-	-	205,594	-	2,557	-	2,265
Flood damage repairs	-	-	-	76,030	-	-	-
Debt service	-	-	-	-	-	-	-
Total fund balances	348,875	-	205,594	76,030	2,557	-	2,265
Total liabilities and fund balances	\$ 361,787	-	205,594	76,030	2,557	-	2,265

SCHEDULE 2

<u>2009 General Obligation Bonds</u>	<u>2009 Tax Increment Financing Bonds</u>	<u>2010 Negotiable Note</u>	<u>Signal Upgrades</u>	<u>Safe Routes to School Project</u>	<u>26th Avenue Viaduct Safety Upgrades</u>	<u>29th Avenue Sowashee Creek Bridge Replacement</u>	<u>2011 General Obligation Bonds</u>	<u>Total Nonmajor Governmental Funds</u>
-	-	-	28,569	-	-	21,969	-	50,538
660,323	4,633	20,291	-	-	-	-	3,340,473	4,673,953
<u>-</u>	<u>-</u>	<u>-</u>	<u>43,946</u>	<u>17,754</u>	<u>5,238</u>	<u>-</u>	<u>-</u>	<u>66,938</u>
<u>660,323</u>	<u>4,633</u>	<u>20,291</u>	<u>72,515</u>	<u>17,754</u>	<u>5,238</u>	<u>21,969</u>	<u>3,340,473</u>	<u>4,791,429</u>
-	-	-	34,600	-	5,112	21,969	28,379	90,060
<u>-</u>	<u>-</u>	<u>-</u>	<u>37,915</u>	<u>17,754</u>	<u>-</u>	<u>-</u>	<u>11,921</u>	<u>80,502</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>72,515</u>	<u>17,754</u>	<u>5,112</u>	<u>21,969</u>	<u>40,300</u>	<u>170,562</u>
-	-	-	-	-	-	-	-	348,875
660,323	-	-	-	-	126	-	3,300,173	4,171,038
-	-	-	-	-	-	-	-	76,030
<u>-</u>	<u>4,633</u>	<u>20,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,924</u>
<u>660,323</u>	<u>4,633</u>	<u>20,291</u>	<u>-</u>	<u>-</u>	<u>126</u>	<u>-</u>	<u>3,300,173</u>	<u>4,620,867</u>
<u>660,323</u>	<u>4,633</u>	<u>20,291</u>	<u>72,515</u>	<u>17,754</u>	<u>5,238</u>	<u>21,969</u>	<u>3,340,473</u>	<u>4,791,429</u>

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Nonmajor Capital Projects Funds
For the Fiscal Year Ended September 30, 2011

	<u>Sowashee Project</u>	<u>Urban Renewal Parking Garage Bonds</u>	<u>2003 General Obligation Bonds</u>	<u>2003 Flood Damage</u>	<u>Highway 19 Drainage</u>	<u>2006 General Obligation Bonds</u>	<u>2008 General Obligation Bonds</u>
Revenues:							
Intergovernmental -							
Federal	\$ -	-	-	-	-	-	-
Interest on investments	2,638	-	1,458	665	18	-	16
Total revenues	<u>2,638</u>	<u>-</u>	<u>1,458</u>	<u>665</u>	<u>18</u>	<u>-</u>	<u>16</u>
Expenditures:							
Construction contracts	-	-	-	-	-	-	-
Engineering and other	30,706	-	-	69,188	-	-	-
Total expenditures	<u>30,706</u>	<u>-</u>	<u>-</u>	<u>69,188</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(28,068)</u>	<u>-</u>	<u>1,458</u>	<u>(68,523)</u>	<u>18</u>	<u>-</u>	<u>16</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	(5)	-	(69,188)	-	(1)	-
General obligation bonds issued	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(5)</u>	<u>-</u>	<u>(69,188)</u>	<u>-</u>	<u>(1)</u>	<u>-</u>
Net change in fund balances	<u>(28,068)</u>	<u>(5)</u>	<u>1,458</u>	<u>(137,711)</u>	<u>18</u>	<u>(1)</u>	<u>16</u>
Fund Balances, October 1, 2010	<u>376,943</u>	<u>5</u>	<u>204,136</u>	<u>213,741</u>	<u>2,539</u>	<u>1</u>	<u>2,249</u>
Fund balances, September 30, 2011	\$ <u>348,875</u>	<u>-</u>	<u>205,594</u>	<u>76,030</u>	<u>2,557</u>	<u>-</u>	<u>2,265</u>

SCHEDULE 3

<u>2009 General Obligation Bonds</u>	<u>2009 Tax Increment Financing Bonds</u>	<u>2010 Negotiable Note</u>	<u>Signal Upgrades</u>	<u>Safe Routes to School Project</u>	<u>26th Avenue Viaduct Safety Upgrades</u>	<u>29th Avenue Sowashee Creek Bridge Replacement</u>	<u>2011 General Obligation Bonds</u>	<u>Total Nonmajor Governmental Funds</u>
-	-	-	1,008,147	17,754	57,814	-	-	1,083,715
<u>8,012</u>	<u>33</u>	<u>144</u>	<u>-</u>	<u>-</u>	<u>28</u>	<u>-</u>	<u>20,691</u>	<u>33,703</u>
<u>8,012</u>	<u>33</u>	<u>144</u>	<u>1,008,147</u>	<u>17,754</u>	<u>57,842</u>	<u>-</u>	<u>20,691</u>	<u>1,117,418</u>
-	-	-	961,714	-	57,814	22,001	-	1,041,529
-	-	-	<u>74,812</u>	<u>17,754</u>	<u>-</u>	<u>-</u>	<u>105,830</u>	<u>298,290</u>
-	-	-	<u>1,036,526</u>	<u>17,754</u>	<u>57,814</u>	<u>22,001</u>	<u>105,830</u>	<u>1,339,819</u>
<u>8,012</u>	<u>33</u>	<u>144</u>	<u>(28,379)</u>	<u>-</u>	<u>28</u>	<u>(22,001)</u>	<u>(85,139)</u>	<u>(222,401)</u>
-	-	-	28,379	-	-	21,969	-	50,348
<u>(470,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,114,688)</u>	<u>(1,653,882)</u>
-	-	-	-	-	-	-	<u>4,500,000</u>	<u>4,500,000</u>
<u>(470,000)</u>	<u>-</u>	<u>-</u>	<u>28,379</u>	<u>-</u>	<u>-</u>	<u>21,969</u>	<u>3,385,312</u>	<u>2,896,466</u>
<u>(461,988)</u>	<u>33</u>	<u>144</u>	<u>-</u>	<u>-</u>	<u>28</u>	<u>(32)</u>	<u>3,300,173</u>	<u>2,674,065</u>
<u>1,122,311</u>	<u>4,600</u>	<u>20,147</u>	<u>-</u>	<u>-</u>	<u>98</u>	<u>32</u>	<u>-</u>	<u>1,946,802</u>
<u>660,323</u>	<u>4,633</u>	<u>20,291</u>	<u>-</u>	<u>-</u>	<u>126</u>	<u>-</u>	<u>3,300,173</u>	<u>4,620,867</u>

SCHEDULE 4**CITY OF MERIDIAN, MISSISSIPPI****Debt Service Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances -****Budget and Actual (Budgetary Basis)****For the Fiscal Year Ended September 30, 2011**

	Budgeted Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	(Budgetary Basis) <u>Amounts</u>	Final Budget - Positive (Negative)
Revenues	\$ 4,995,185	5,500,000	5,469,897	(30,103)
Expenditures - debt service	<u>4,995,185</u>	<u>5,500,000</u>	<u>5,566,525</u>	<u>(66,525)</u>
Net change in fund balances	\$ <u>-</u>	<u>-</u>	(96,628)	<u>(96,628)</u>
Fund Balance, October 1, 2010			<u>2,365,811</u>	
Fund Balance, September 30, 2011			\$ <u>2,269,183</u>	

SCHEDULE 5**CITY OF MERIDIAN, MISSISSIPPI****Capital Projects Funds****Schedule of Revenues, Expenditures and Changes in Fund Balances -****Budget and Actual (Budgetary Basis)****For the Fiscal Year Ended September 30, 2011**

	Budgeted Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	(Budgetary Basis) <u>Amounts</u>	Final Budget - Positive (Negative)
Revenues	\$ 160,000	6,050,000	6,181,466	131,466
Expenditures - capital outlay	<u>4,350,000</u>	<u>4,350,000</u>	<u>1,901,246</u>	<u>2,448,754</u>
Net change in fund balances	\$ <u>(4,190,000)</u>	<u>1,700,000</u>	4,280,220	<u>2,580,220</u>
Fund balance, October 1, 2010			<u>1,407,517</u>	
Fund balance, September 30, 2011			\$ <u>5,687,737</u>	

CITY OF MERIDIAN, MISSISSIPPI
Schedule of General Fund Expenditures
By Departments and Divisions
For the Fiscal Year Ended September 30, 2011
(With Comparative Totals for the Fiscal Year Ended September 30, 2010)

	Executive, Legislative and Judicial	Finance and Records	Community Development	Fire Department	Police Department
Personnel services:					
Salaries - regular	\$ 811,371	887,519	666,494	3,759,852	3,923,178
Salaries - overtime	745	2,358	208	232,452	140,595
Salaries - temporaries	65,250	9,200	6,589	11,767	15,770
Fringe benefits	273,844	299,261	209,566	1,598,934	1,351,551
Total personnel services	<u>1,151,210</u>	<u>1,198,338</u>	<u>882,857</u>	<u>5,603,005</u>	<u>5,431,094</u>
Contractual services and supplies:					
Supplies - office	4,871	4,353	1,744	1,311	3,781
Supplies - operating	654	4,365	2,752	5,035	47,483
Supplies - household	-	4,124	1,730	10,582	5,621
Supplies - uniforms and clothing	-	-	1,700	20,108	52,434
Supplies - materials direct	-	-	13,072	-	-
Materials - small tools and workorders	-	-	776	5,436	1,777
Professional services	506,688	85,237	14,835	4,982	502,466
Telephone	7,989	83,642	5,610	6,004	22,473
Postage	5,735	14,485	5,490	2,509	2,831
Travel	22,139	3,212	3,445	10,167	8,323
Freight	-	25	-	-	-
Advertising and publishing	19,448	5,146	5,491	107	42
Printing and binding	883	5,813	712	175	2,845
Insurance	107,640	34,043	34,476	170,677	304,256
Utilities	5,888	1,114,896	6,074	90,042	48,827
Operating and maintenance - buildings	1,093	11,208	115	17,139	14,228
Operating and maintenance - grounds	-	-	-	565	-
Operating and maintenance - equipment	1,884	6,127	2,234	19,904	18,942
Operating and maintenance - vehicles	1,555	1,257	15,201	96,626	494,603
Operating and maintenance - computer services	7,077	84,586	9,694	48,231	46,353
Rentals	2,100	5,935	2,703	-	-
Judgments and claims	1,269	470	14,036	130,128	218,545
Dues and subscriptions	21,167	3,822	4,284	1,516	2,802
Public relations	1,630	-	-	608	1,500
Refunds	-	1,876	-	-	-
Job training	5,940	3,856	1,650	19,495	11,856
Safety	-	-	-	52,062	-
Hospital and medical	11,395	-	-	30,479	8,604
Total contractual services & supplies	<u>737,045</u>	<u>1,478,478</u>	<u>147,824</u>	<u>743,888</u>	<u>1,820,592</u>
Capital outlay:					
Land	-	-	-	70,000	-
Buildings	-	-	-	-	-
Improvements other than buildings	-	-	-	-	-
Machinery and equipment	10,722	162,614	6,028	77,776	16,206
Vehicles	-	-	15,275	26,547	-
Total capital outlay	<u>10,722</u>	<u>162,614</u>	<u>21,303</u>	<u>174,323</u>	<u>16,206</u>
Debt service:					
Principal	-	50,735	-	123,820	-
Interest	-	20,491	-	4,241	-
Total debt service	<u>-</u>	<u>71,226</u>	<u>-</u>	<u>128,061</u>	<u>-</u>
Transfers and other charges:					
Transfer to other funds	922,860	4,651	506,000	-	10,523
Special projects	247,717	50,591	80,585	-	-
Miscellaneous contributions	378,626	-	-	-	24,080
Other projects and charges	18,993	-	-	-	-
Total transfers and other charges	<u>1,568,196</u>	<u>55,242</u>	<u>586,585</u>	<u>-</u>	<u>34,603</u>
Total General Fund expenditures - 2011	3,467,173	2,965,898	1,638,569	6,649,277	7,302,495
Total General Fund expenditures - 2010	3,966,337	2,955,053	4,733,338	6,335,820	7,448,831
Increase (decrease)	\$ (499,164)	10,845	(3,094,769)	313,457	(146,336)

SCHEDULE 6

Homeland Security	Public Works	Parks, Recreation & Cultural Affairs	Arts District Parking Garage	Totals		Increase (Decrease)
				2011	2010	
175,630	2,084,357	723,505	32,149	13,064,055	13,410,218	(346,163)
-	46,392	23,125	27,990	473,865	434,904	38,961
970	85,933	229,522	-	425,001	356,556	68,445
55,130	1,083,307	345,294	10,979	5,227,866	5,371,277	(143,411)
231,730	3,299,989	1,321,446	71,118	19,190,787	19,572,955	(382,168)
2,076	1,281	850	415	20,682	31,922	(11,240)
8,916	78,820	58,019	3,103	209,147	197,958	11,189
2,171	4,676	18,078	356	47,338	46,099	1,239
1,980	3,994	4,401	567	85,184	71,484	13,700
-	102,769	17,720	-	133,561	142,974	(9,413)
5,424	8,569	5,014	250	27,246	17,893	9,353
51,661	41,081	58,955	17,313	1,283,218	1,123,917	159,301
2,734	7,720	2,558	1,781	140,511	138,371	2,140
490	1,816	2,270	170	35,796	16,107	19,689
5,002	1,704	-	-	53,992	51,556	2,436
-	239	-	-	264	379	(115)
-	345	275	-	30,854	26,250	4,604
320	-	1,368	205	12,321	17,708	(5,387)
14,265	253,609	66,983	12,045	997,994	1,097,992	(99,998)
22,970	52,998	170,610	30,587	1,542,892	1,595,631	(52,739)
10,753	3,625	31,742	22,597	112,500	126,290	(13,790)
4,393	3,140	41,198	-	49,296	37,034	12,262
13,310	89,122	46,676	2,402	200,601	140,512	60,089
38,531	303,912	47,984	-	999,669	798,972	200,697
8,892	29,732	9,229	-	243,794	292,102	(48,308)
-	11,108	1,805	363	24,014	22,951	1,063
-	77,088	30,719	-	472,255	333,975	138,280
150	2,683	305	-	36,729	34,052	2,677
909	-	-	-	4,647	4,926	(279)
-	-	-	120	1,996	2,820	(824)
3,832	2,520	225	-	49,374	50,073	(699)
4,024	9,470	2,392	-	67,948	48,913	19,035
429	-	-	-	50,907	91,844	(40,937)
203,232	1,092,021	619,376	92,274	6,934,730	6,560,705	374,025
-	-	-	-	70,000	-	70,000
-	-	9,963	-	9,963	12,624	(2,661)
-	-	2,299	-	2,299	9,945	(7,646)
13,499	19,696	46,976	-	353,517	161,070	192,447
-	-	8,500	-	50,322	28,214	22,108
13,499	19,696	67,738	-	486,101	211,853	274,248
-	-	-	-	174,555	386,859	(212,304)
-	-	-	-	24,732	38,823	(14,091)
-	-	-	-	199,287	425,682	(226,395)
-	50,000	190,000	-	1,684,034	1,161,808	522,226
1,706	9,870	78,509	-	468,978	225,764	243,214
-	-	-	-	402,706	432,287	(29,581)
-	-	-	-	18,993	4,130,249	(4,111,256)
1,706	59,870	268,509	-	2,574,711	5,950,108	(3,375,397)
450,167	4,471,576	2,277,069	163,392	29,385,616	32,721,303	(3,335,687)
410,220	4,440,867	2,254,348	176,489	32,721,303		
39,947	30,709	22,721	(13,097)	(3,335,687)		

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NONMAJOR ENTERPRISE FUNDS

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

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

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

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

SCHEDULE 7

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2011

	<u>Golf Course</u>	<u>Union Station</u>	<u>Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 40,380	125,927	77,418	243,725
Receivables - miscellaneous	-	8,012	-	8,012
Due from component units	-	3,182	-	3,182
Inventory	43,005	-	3,467	46,472
Prepaid items	647	1,291	-	1,938
Total current assets	<u>84,032</u>	<u>138,412</u>	<u>80,885</u>	<u>303,329</u>
Capital assets:				
Buildings	126,628	-	-	126,628
Improvements other than buildings	98,924	-	-	98,924
Machinery and equipment	374,714	60,774	-	435,488
Total capital assets	600,266	60,774	-	661,040
Less accumulated depreciation	(532,445)	(39,585)	-	(572,030)
Capital assets (net of accumulated depreciation)	<u>67,821</u>	<u>21,189</u>	<u>-</u>	<u>89,010</u>
Total assets	<u>151,853</u>	<u>159,601</u>	<u>80,885</u>	<u>392,339</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	18,222	32,227	200	50,649
Accrued liabilities:				
Payroll	33,778	6,948	235	40,961
Sales tax	1,507	-	887	2,394
Due to other funds	161	281	-	442
Current portion of capital leases	262	-	-	262
Total current liabilities	<u>53,930</u>	<u>39,456</u>	<u>1,322</u>	<u>94,708</u>
Noncurrent liabilities -				
Capital lease payable, net of current portion	1,304	-	-	1,304
Total liabilities	<u>55,234</u>	<u>39,456</u>	<u>1,322</u>	<u>96,012</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	66,255	21,189	-	87,444
Unrestricted	30,364	98,956	79,563	208,883
Total net assets	<u>\$ 96,619</u>	<u>120,145</u>	<u>79,563</u>	<u>296,327</u>

SCHEDULE 8**CITY OF MERIDIAN, MISSISSIPPI**

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

Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2011

	<u>Golf Course</u>	<u>Union Station</u>	<u>Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues:				
Charges for sales and services:				
Memberships	\$ 57,298	-	-	57,298
Green fees	53,427	-	-	53,427
Cart rental	48,708	-	-	48,708
Concessions	89,590	-	40,054	129,644
Rental income	-	81,030	-	81,030
Miscellaneous	151	-	1,720	1,871
Total operating revenues	<u>249,174</u>	<u>81,030</u>	<u>41,774</u>	<u>371,978</u>
Operating expenses:				
Personnel services	216,149	87,241	11,867	315,257
Supplies and materials	92,156	12,442	15,539	120,137
Rent and utilities	27,684	44,559	-	72,243
Operation, maintenance, and repairs	94,443	111,663	-	206,106
Depreciation	6,728	4,713	-	11,441
Miscellaneous	9,193	103,584	527	113,304
Total operating expenses	<u>446,353</u>	<u>364,202</u>	<u>27,933</u>	<u>838,488</u>
Operating income (loss)	<u>(197,179)</u>	<u>(283,172)</u>	<u>13,841</u>	<u>(466,510)</u>
Nonoperating revenues (expenses):				
Interest income	92	708	500	1,300
Interest expense	(100)	-	-	(100)
Total nonoperating revenues (expenses)	<u>(8)</u>	<u>708</u>	<u>500</u>	<u>1,200</u>
Income (loss) before capital contributions and transfers	<u>(197,187)</u>	<u>(282,464)</u>	<u>14,341</u>	<u>(465,310)</u>
Capital contributions and transfers:				
Capital contributions	-	1,596	-	1,596
Transfers in	190,000	326,000	-	516,000
Total capital contributions and transfers	<u>190,000</u>	<u>327,596</u>	<u>-</u>	<u>517,596</u>
Change in net assets	<u>(7,187)</u>	<u>45,132</u>	<u>14,341</u>	<u>52,286</u>
Net assets, October 1, 2010	<u>103,806</u>	<u>75,013</u>	<u>65,222</u>	<u>244,041</u>
Net assets, September 30, 2011	\$ <u>96,619</u>	<u>120,145</u>	<u>79,563</u>	<u>296,327</u>

SCHEDULE 9

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended September 30, 2011

	<u>Golf Course</u>	<u>Union Station</u>	<u>Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 249,174	79,824	41,774	370,772
Payments to suppliers	(222,569)	(267,690)	(16,379)	(506,638)
Payments to employees	(213,032)	(86,135)	(12,062)	(311,229)
Net cash provided by (used in) operating activities	<u>(186,427)</u>	<u>(274,001)</u>	<u>13,333</u>	<u>(447,095)</u>
Cash flows from noncapital financing activities -				
Transfers from other funds	<u>190,000</u>	<u>326,000</u>	<u>-</u>	<u>516,000</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(35,184)	-	-	(35,184)
Principal payments - capital lease	(248)	-	-	(248)
Interest payments - capital lease	(100)	-	-	(100)
Net cash used in capital and related financing activities	<u>(35,532)</u>	<u>-</u>	<u>-</u>	<u>(35,532)</u>
Cash flows from investing activities -				
Interest received	<u>92</u>	<u>708</u>	<u>500</u>	<u>1,300</u>
Net increase (decrease) in cash and cash equivalents	<u>(31,867)</u>	<u>52,707</u>	<u>13,833</u>	<u>34,673</u>
Cash and cash equivalents, October 1, 2010	<u>72,247</u>	<u>73,220</u>	<u>63,585</u>	<u>209,052</u>
Cash and cash equivalents, September 30, 2011	<u>\$ 40,380</u>	<u>125,927</u>	<u>77,418</u>	<u>243,725</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (197,179)	(283,172)	13,841	(466,510)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	6,728	4,713	-	11,441
Changes in assets and liabilities:				
Accounts receivable	-	(365)	-	(365)
Due from other funds	-	22	-	22
Due from component units	-	(863)	-	(863)
Inventory	(2,694)	-	735	(1,959)
Prepaid items	99	(357)	-	(258)
Accounts payable	6,642	6,116	(930)	11,828
Accrued liabilities	3,116	1,106	(313)	3,909
Due to other funds	(3,139)	(1,201)	-	(4,340)
Total adjustments	<u>10,752</u>	<u>9,171</u>	<u>(508)</u>	<u>19,415</u>
Net cash provided by (used in) operating activities	<u>\$ (186,427)</u>	<u>(274,001)</u>	<u>13,333</u>	<u>(447,095)</u>
Noncash investing, capital, and financing activities -				
Noncash capital contributions -				
Capital assets transferred from the general fund	\$ -	1,596	-	1,596

INTERNAL SERVICE FUNDS

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

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

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

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

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

SCHEDULE 10**CITY OF MERIDIAN, MISSISSIPPI**

Combining Statement of Net Assets

Internal Service Funds

September 30, 2011

	<u>Municipal Supply</u>	<u>Municipal Office Supply</u>	<u>Health and Life Insurance Reserve</u>	<u>Unemployment Compensation</u>	<u>Total Internal Service Funds</u>
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 133,146	27,288	5,859	-	166,293
Receivables - miscellaneous	-	-	10,839	-	10,839
Due from other funds:					
General fund	54,716	-	454,883	-	509,599
Water and sewer fund	28,226	-	86,103	-	114,329
Waste collection & disposal fund	1	-	-	-	1
Golf course fund	161	-	-	-	161
Union Station fund	281	-	-	-	281
Due from component unit	2,932	-	-	-	2,932
Inventory	<u>48,752</u>	<u>2,459</u>	<u>-</u>	<u>-</u>	<u>51,211</u>
Total current assets	<u>268,215</u>	<u>29,747</u>	<u>557,684</u>	<u>-</u>	<u>855,646</u>
<u>LIABILITIES</u>					
Current liabilities -					
Accounts payable	<u>44,838</u>	<u>1,565</u>	<u>557,684</u>	<u>-</u>	<u>604,087</u>
Total current liabilities	<u>44,838</u>	<u>1,565</u>	<u>557,684</u>	<u>-</u>	<u>604,087</u>
<u>NET ASSETS</u>					
Unrestricted	\$ <u>223,377</u>	<u>28,182</u>	<u>-</u>	<u>-</u>	<u>251,559</u>

SCHEDULE 11**CITY OF MERIDIAN, MISSISSIPPI**

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

Internal Service Funds

For the Fiscal Year Ended September 30, 2011

	<u>Municipal Supply</u>	<u>Municipal Office Supply</u>	<u>Health and Life Insurance Reserve</u>	<u>Unemployment Compensation</u>	<u>Total Internal Service Funds</u>
Operating revenues:					
Charges for sales and services	\$ 504,841	1,941	-	-	506,782
Premiums	-	-	3,702,550	-	3,702,550
Reinsurance reimbursement	-	-	339,885	-	339,885
Total operating revenues	<u>504,841</u>	<u>1,941</u>	<u>4,042,435</u>	<u>-</u>	<u>4,549,217</u>
Operating expenses:					
Administration fees	-	-	574,813	-	574,813
Costs of sales and services	503,134	3,294	-	-	506,428
Claims paid	-	-	3,467,769	65,019	3,532,788
Total operating expenses	<u>503,134</u>	<u>3,294</u>	<u>4,042,582</u>	<u>65,019</u>	<u>4,614,029</u>
Operating income (loss)	1,707	(1,353)	(147)	(65,019)	(64,812)
Nonoperating revenues -					
Interest income	<u>959</u>	<u>197</u>	<u>147</u>	<u>-</u>	<u>1,303</u>
Income (loss) before transfers in	2,666	(1,156)	-	(65,019)	(63,509)
Transfers in	-	-	-	64,998	64,998
Change in net assets	2,666	(1,156)	-	(21)	1,489
Net assets, October 1, 2010	<u>220,711</u>	<u>29,338</u>	<u>-</u>	<u>21</u>	<u>250,070</u>
Net assets, September 30, 2011	\$ <u>223,377</u>	<u>28,182</u>	<u>-</u>	<u>-</u>	<u>251,559</u>

SCHEDULE 12

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended September 30, 2011

	<u>Municipal Supply</u>	<u>Municipal Office Supply</u>	<u>Health and Life Insurance Reserve</u>	<u>Unemployment Compensation</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities:					
Receipts from customers and users	\$ 524,432	2,554	3,938,224	-	4,465,210
Payments to suppliers	(507,286)	(2,788)	(3,947,688)	(65,019)	(4,522,781)
Net cash provided by (used in) operating activities	17,146	(234)	(9,464)	(65,019)	(57,571)
Cash flows from noncapital financing activities -					
Transfers from other funds	-	-	-	64,998	64,998
Cash flows from investing activities -					
Interest received	959	197	147	-	1,303
Net increase (decrease) in cash and cash equivalents	18,105	(37)	(9,317)	(21)	8,730
Cash and cash equivalents, October 1, 2010	<u>115,041</u>	<u>27,325</u>	<u>15,176</u>	<u>21</u>	<u>157,563</u>
Cash and cash equivalents, September 30, 2011	\$ <u>133,146</u>	<u>27,288</u>	<u>5,859</u>	<u>-</u>	<u>166,293</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ <u>1,707</u>	<u>(1,353)</u>	<u>(147)</u>	<u>(65,019)</u>	<u>(64,812)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Changes in assets and liabilities:					
Receivables - miscellaneous	-	-	51,448	-	51,448
Due from other funds	15,922	613	(155,660)	-	(139,125)
Due from component units	3,669	-	-	-	3,669
Inventory	3,950	(1,059)	-	-	2,891
Accounts payable	(8,102)	1,565	100,813	-	94,276
Due to other funds	-	-	(5,918)	-	(5,918)
Total adjustments	<u>15,439</u>	<u>1,119</u>	<u>(9,317)</u>	<u>-</u>	<u>7,241</u>
Net cash provided by (used in) operating activities	\$ <u>17,146</u>	<u>(234)</u>	<u>(9,464)</u>	<u>(65,019)</u>	<u>(57,571)</u>

FIDUCIARY FUNDS

Agency Funds

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

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

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

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

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

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

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

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

SCHEDULE 13

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2011

	<u>Firemen & Policemen Disability & Relief</u>	<u>General Retirement</u>	<u>Meridian Community College</u>	<u>Meridian Separate School District</u>	<u>Hospital Insurance</u>	<u>State Police Fines & Fees</u>	<u>Meridian Separate School District Bonds & Interest</u>	<u>Total Agency Funds</u>
<u>ASSETS</u>								
Cash and cash equivalents	\$ 110,174	73,795	124,707	1,052,273	48,612	69,151	101,023	1,579,735
Intergovernmental receivables - County	<u>10,084</u>	<u>6,813</u>	<u>15,547</u>	<u>116,406</u>	<u>-</u>	<u>-</u>	<u>12,903</u>	<u>161,753</u>
Total assets	\$ <u>120,258</u>	<u>80,608</u>	<u>140,254</u>	<u>1,168,679</u>	<u>48,612</u>	<u>69,151</u>	<u>113,926</u>	<u>1,741,488</u>
<u>LIABILITIES</u>								
Intergovernmental payables -								
Schools	\$ -	-	140,254	1,168,679	-	-	113,926	1,422,859
PERS	120,258	80,608	-	-	-	-	-	200,866
State	-	-	-	-	-	69,151	-	69,151
Employee insurance withheld	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,612</u>	<u>-</u>	<u>-</u>	<u>48,612</u>
Total liabilities	\$ <u>120,258</u>	<u>80,608</u>	<u>140,254</u>	<u>1,168,679</u>	<u>48,612</u>	<u>69,151</u>	<u>113,926</u>	<u>1,741,488</u>

SCHEDULE 14 (Page 1 of 3)

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended September 30, 2011

	Balance September 30, <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2011</u>
Firemen & Policemen Disability & Relief				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 106.473	1,464,332	1,460,631	110,174
Intergovernmental - county	<u>11,949</u>	<u>10,084</u>	<u>11,949</u>	<u>10,084</u>
Total assets	\$ <u>118,422</u>	<u>1,474,416</u>	<u>1,472,580</u>	<u>120,258</u>
<u>LIABILITIES</u>				
Intergovernmental - PERS	\$ <u>118,422</u>	<u>1,474,416</u>	<u>1,472,580</u>	<u>120,258</u>
General Retirement				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 71,788	978,915	976,908	73,795
Intergovernmental - county	<u>6,238</u>	<u>6,813</u>	<u>6,238</u>	<u>6,813</u>
Total assets	\$ <u>78,026</u>	<u>985,728</u>	<u>983,146</u>	<u>80,608</u>
<u>LIABILITIES</u>				
Intergovernmental - PERS	\$ <u>78,026</u>	<u>985,728</u>	<u>983,146</u>	<u>80,608</u>
Meridian Community College				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 115,968	2,158,549	2,149,810	124,707
Intergovernmental - county	<u>13,609</u>	<u>15,547</u>	<u>13,609</u>	<u>15,547</u>
Total assets	\$ <u>129,577</u>	<u>2,174,096</u>	<u>2,163,419</u>	<u>140,254</u>
<u>LIABILITIES</u>				
Intergovernmental - schools	\$ <u>129,577</u>	<u>2,174,096</u>	<u>2,163,419</u>	<u>140,254</u>

(Continued)

SCHEDULE 14 (Page 2 of 3)

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended September 30, 2011

	Balance September 30, <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2011</u>
	<u>Meridian Separate School District</u>			
<u>ASSETS</u>				
Cash and cash equivalents	\$ 917,926	17,054,599	16,920,252	1,052,273
Intergovernmental - county	98,699	116,406	98,699	116,406
Total assets	\$ 1,016,625	17,171,005	17,018,951	1,168,679

<u>LIABILITIES</u>				
Intergovernmental - schools	\$ 1,016,625	17,171,005	17,018,951	1,168,679

	<u>Hospital Insurance</u>			
<u>ASSETS</u>				
Cash and cash equivalents	\$ 48,749	3,214,220	3,214,357	48,612

<u>LIABILITIES</u>				
Employee insurance withheld	\$ 48,749	3,214,220	3,214,357	48,612

	<u>State Police Fines & Fees</u>			
<u>ASSETS</u>				
Cash and cash equivalents	\$ 54,218	840,873	825,940	69,151

<u>LIABILITIES</u>				
Intergovernmental - state	\$ 54,218	840,873	825,940	69,151

	<u>Meridian Separate School District Bonds & Interest</u>			
<u>ASSETS</u>				
Cash and cash equivalents	\$ 96,271	1,749,597	1,744,845	101,023
Intergovernmental - county	11,838	12,903	11,838	12,903
Total assets	\$ 108,109	1,762,500	1,756,683	113,926

<u>LIABILITIES</u>				
Intergovernmental - schools	\$ 108,109	1,762,500	1,756,683	113,926

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended September 30, 2011

	Balance September 30, <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2011</u>
	<u>Total Agency Funds</u>			
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,411,393	27,461,085	27,292,743	1,579,735
Intergovernmental receivables	<u>142,333</u>	<u>161,753</u>	<u>142,333</u>	<u>161,753</u>
Total assets	<u>\$ 1,553,726</u>	<u>27,622,838</u>	<u>27,435,076</u>	<u>1,741,488</u>
<u>LIABILITIES</u>				
Intergovernmental payables	\$ 1,504,977	24,408,618	24,220,719	1,692,876
Employee insurance withheld	<u>48,749</u>	<u>3,214,220</u>	<u>3,214,357</u>	<u>48,612</u>
Total liabilities	<u>\$ 1,553,726</u>	<u>27,622,838</u>	<u>27,435,076</u>	<u>1,741,488</u>

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NONMAJOR COMPONENT UNITS

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

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

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

SCHEDULE 15**CITY OF MERIDIAN, MISSISSIPPI**
Combining Statement of Net Assets
Nonmajor Component Units
September 30, 2011

	<u>Meridian Transportation Commission</u>	<u>Meridian and Bonita Lakes Development Authority</u>	<u>Total Nonmajor Component Units</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 5,773	4,010	9,783
Receivables:			
Accounts	304	-	304
Intergovernmental - State	<u>28,284</u>	<u>-</u>	<u>28,284</u>
Total current assets	34,361	4,010	38,371
Capital assets (net of accumulated depreciation) -			
Machinery and equipment	<u>187,202</u>	<u>-</u>	<u>187,202</u>
Total assets	<u>221,563</u>	<u>4,010</u>	<u>225,573</u>
<u>LIABILITIES</u>			
Current liabilities:			
Current portion of note payable	3,469	-	3,469
Accounts payable	21,169	-	21,169
Accrued liabilities	<u>16,610</u>	<u>-</u>	<u>16,610</u>
Total current liabilities	<u>41,248</u>	<u>-</u>	<u>41,248</u>
Noncurrent liabilities -			
Note payable, less current portion	<u>15,293</u>	<u>-</u>	<u>15,293</u>
Total liabilities	<u>56,541</u>	<u>-</u>	<u>56,541</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	187,202	-	187,202
Unrestricted	<u>(22,180)</u>	<u>4,010</u>	<u>(18,170)</u>
Total net assets	\$ <u>165,022</u>	<u>4,010</u>	<u>169,032</u>

SCHEDULE 16

CITY OF MERIDIAN, MISSISSIPPI

Combining Statement of Activities

Nonmajor Component Units

For the Fiscal Year Ended September 30, 2011

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Meridian Transportation Commission</u>	<u>Meridian and Bonita Lakes Development Authority</u>	<u>Total Nonmajor Component Units</u>
Nonmajor component units:							
Meridian Transportation Commission	\$ 608,156	89,618	436,835	-	(81,703)	-	(81,703)
Meridian and Bonita Lakes Development Authority	3,300	-	4,620	-	-	1,320	1,320
Total nonmajor component units	<u>\$ 611,456</u>	<u>89,618</u>	<u>441,455</u>	<u>-</u>	<u>(81,703)</u>	<u>1,320</u>	<u>(80,383)</u>
General revenues -							
Interest income					41	-	41
Special item - assets conveyed to City of Meridian					-	-	-
Total general revenues and special item					41	-	41
Change in net assets					(81,662)	1,320	(80,342)
Net assets, October 1, 2010					<u>246,684</u>	<u>2,690</u>	<u>249,374</u>
Net assets, September 30, 2011					<u>\$ 165,022</u>	<u>4,010</u>	<u>169,032</u>

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OTHER SUPPLEMENTARY INFORMATION

CITY OF MERIDIAN, MISSISSIPPI
Schedule Reconciling Original Ad Valorem
Tax Rolls to Fund Collections
For the Fiscal Year Ended September 30, 2011

	<u>Assessed Value</u>	<u>Millage</u>	<u>Ad Valorem Taxes</u>
City of Meridian:			
Realty	\$ 230,869,757	50.84	\$ 11,737,418
Personal property - other than auto	53,247,117	50.84	2,707,083
Public utilities	23,998,818	50.84	1,220,100
Personal autos - 2009 rates	5,208	50.84	265
Personal autos - 2010 rates	3,275,781	50.84	166,541
Personal autos - 2011 rates	<u>27,595,992</u>	50.84	<u>1,402,980</u>
Total City of Meridian valuation	\$ <u>338,992,673</u>		17,234,387
Less homestead exemption allowed			<u>(957,016)</u>
Total City ad valorem taxes			16,277,371
Adjustments to original tax roll:			
Realty		(120.864)	
Personal		(57,397)	
Homestead exemption		<u>(12,833)</u>	<u>(191,094)</u>
Add:			
Actual homestead reimbursement		541,765	
Motor vehicle rent tax		77,984	
Payments in lieu of taxes		101,591	
Prior year tax collection		134,927	
Mobile homes		7,575	
Aircraft		<u>6,016</u>	<u>869,858</u>
Total City to account for			<u>16,956,135</u>
Separate School District:			
Realty	\$ 227,006,453	67.51	15,325,206
Personal property - other than auto	56,008,940	67.51	3,781,164
Public utilities	31,858,753	67.51	2,150,784
Personal autos - 2009 rates	4,297	62.98	271
Personal autos - 2010 rates	3,059,928	64.23	196,539
Personal autos - 2011 rates	<u>25,502,333</u>	67.51	<u>1,721,663</u>
Total Separate School District valuation	\$ <u>343,440,704</u>		23,175,627
Less homestead exemption allowed			<u>(1,829,839)</u>
Total Separate School District ad valorem taxes			21,345,788
Adjustments to original tax roll:			
Realty		(20,816)	
Personal		(16,151)	
Homestead exemption		<u>(10,928)</u>	<u>(47,895)</u>
Add:			
Prior year tax collection		99,111	
Mobile homes		20,792	<u>119,903</u>
Total Separate School District to account for			<u>21,417,796</u>
Total City of Meridian and Separate School District to account for			\$ <u>38,373,931</u>

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
Schedule Reconciling Original Ad Valorem
Tax Rolls to Fund Collections
For the Fiscal Year Ended September 30, 2011

		<u>Taxes</u>	<u>Homestead Reimbursement</u>	<u>Total</u>
Accounted for as follows:				
General Fund	\$	9,768,869	329,812	10,098,681
General Fund - Pilot		101,591	-	101,591
General Bond and Interest		3,915,176	132,244	4,047,420
School Bond and Interest		1,749,597	-	1,749,597
Police and Fire Disability		1,416,592	47,740	1,464,332
General Retirement		946,946	31,969	978,915
School Fund		<u>19,050,886</u>	<u>-</u>	<u>19,050,886</u>
Total accounted for	\$	<u>36,949,657</u>	<u>541,765</u>	37,491,422
Balance represented by:				
Real property held from tax sale				273,188
Unpaid personal property				264,925
Held by tax collector				17,182
Sold to state				153,616
Tax collector's commission				174,413
Unaccounted for				<u>(815)</u>
Total ad valorem taxes	\$			<u>38,373,931</u>

SCHEDULE 18**CITY OF MERIDIAN, MISSISSIPPI****Schedule of Investments****September 30, 2011**

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
General fund - unrestricted:				
Certificate of deposit	07/06/11	01/02/12	0.65%	\$ 675,000
Certificate of deposit	07/06/11	01/05/12	0.80%	<u>675,000</u>
Total general fund investments - unrestricted				\$ <u>1,350,000</u>
Debt service fund - restricted -				
Certificate of deposit	11/10/2010	11/10/11	0.64%	<u>\$ 400,000</u>
Special revenue fund - unrestricted -				
Certificate of deposit	7/17/2010	01/13/12	0.65%	<u>\$ 200,000</u>
Proprietary funds - restricted:				
United States Treasury Notes	-	11/15/11	-	\$ 426,479
United States Treasury Notes	-	03/15/12	-	304,077
Federal National Mortgage Association Pool	-	10/03/11	-	754,724
Federated Government Obligations Fund	-	-	-	<u>417</u>
Total proprietary funds investments - restricted				\$ <u>1,485,697</u>

SCHEDULE 19

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2011

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

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

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SCHEDULE 20

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Changes in Long-Term Debt
For the Fiscal Year Ended September 30, 2011

	Date of Issue	Interest Rate	Amount of Original Issue	Balance September 30, 2010	Principal Payments	New Issues	Balance September 30, 2011
<u>Governmental activities:</u>							
Public Improvement of 1998	03/01/1998	4 20-6.00%	\$ 4,500,000	1,195,000	380,000	-	815,000
Public Improvement of 1999	04/01/1999	4 10-5 70%	1,150,000	390,000	90,000	-	300,000
Public Improvement of 2003	07/01/2003	3 25-4 125%	6,000,000	3,685,000	3,685,000	-	-
Public Improvement of 2006	06/01/2006	4 00-5 50%	10,000,000	8,650,000	375,000	-	8,275,000
Water and Sewer Improvement of 2007	04/01/2007	3 75-5.25%	3,600,000	3,240,000	130,000	-	3,110,000
Public Improvement of 2008	04/22/2008	2 60-3.65%	1,000,000	900,000	55,000	-	845,000
Public Improvement of 2009	06/01/2009	3 00-4 00%	10,000,000	9,690,000	325,000	-	9,365,000
Refunding Bonds of 2011	07/01/2011	2 00-2 50%	3,960,000	-	-	3,960,000	3,960,000
Public Improvement of 2011	03/01/2011	3 10-4 40%	4,500,000	-	-	4,500,000	4,500,000
Total general obligations bonds			<u>44,710,000</u>	<u>27,750,000</u>	<u>5,040,000</u>	<u>8,460,000</u>	<u>31,170,000</u>
Special Obligation Bonds 2003A	07/01/2003	2 75-4.50%	5,500,000	4,125,000	235,000	-	3,890,000
Special Obligation Bonds 2003B	07/01/2003	3 30-5 375%	1,500,000	1,155,000	60,000	-	1,095,000
Total special obligation bonds			<u>7,000,000</u>	<u>5,280,000</u>	<u>295,000</u>	-	<u>4,985,000</u>
Limited Obligation Tax Increment Bonds	09/01/2000	9 00%	2,200,000	945,000	290,000	-	655,000
Limited Obligation Tax Increment Bonds	12/01/2000	9 00%	1,100,000	435,000	135,000	-	300,000
Limited Obligation Tax Increment Bonds	12/17/2009	8 75%	4,000,000	4,000,000	135,000	-	3,865,000
Limited Obligation Tax Increment Bonds	03/01/2010	5 00%	300,000	300,000	20,000	-	280,000
Total tax increment bonds			<u>7,600,000</u>	<u>5,680,000</u>	<u>580,000</u>	-	<u>5,100,000</u>
Revolving loan - capital improvements	06/01/2001	3 00%	<u>1,000,000</u>	<u>430,550</u>	<u>71,075</u>	-	<u>359,475</u>
Total promissory loans			<u>1,000,000</u>	<u>430,550</u>	<u>71,075</u>	-	<u>359,475</u>
Taxable Negotiable Notes	09/28/2006	5 45%	1,225,000	271,684	271,684	-	-
Taxable Negotiable Notes	02/18/2010	2 71%	1,100,000	1,100,000	220,000	-	880,000
Total taxable negotiable notes			<u>2,325,000</u>	<u>1,371,684</u>	<u>491,684</u>	-	<u>880,000</u>
Special Street Improvements	08/01/1995	4 80-6 75%	1,920,000	725,000	725,000	-	-
Special Assessment Public Improvement	06/01/1996	4 70-6 70%	2,000,000	860,000	125,000	-	735,000
Special Assessment Public Improvement	06/01/2000	5 20-6 25%	1,125,000	725,000	55,000	-	670,000
Special Assessment Public Imp 2001	08/01/2001	4 50-6 00%	500,000	340,000	25,000	-	315,000
Total special assessment			<u>5,545,000</u>	<u>2,650,000</u>	<u>930,000</u>	-	<u>1,720,000</u>
CitiCapital Lease - energy saving equipment	05/21/2002	5 87%	709,066	376,470	50,734	-	325,736
Trustmark Lease - rescue pumper	04/04/2008	2 85%	364,800	123,819	123,819	-	-
Total capital leases			<u>1,073,866</u>	<u>500,289</u>	<u>174,553</u>	-	<u>325,736</u>
Total governmental activities			\$ 69,253,866	43,662,523	7,582,312	8,460,000	44,540,211
<u>Business-type activities:</u>							
Water and Sewer Revenue	12/01/1995	4 60-6 50%	\$ 5,000,000	2,140,000	305,000	-	1,835,000
Water and Sewer Revenue	10/01/1997	4 50-6 375%	5,000,000	2,645,000	270,000	-	2,375,000
Water and Sewer Revenue	06/01/2000	5 00-6 25%	2,000,000	1,305,000	95,000	-	1,210,000
Total revenue bonds			<u>12,000,000</u>	<u>6,090,000</u>	<u>670,000</u>	-	<u>5,420,000</u>
Water and sewer promissory loan	12/01/1998	4 70-6 125%	5,300,000	3,950,000	215,000	-	3,735,000
Loan - capital improvements	01/01/2001	3 00%	360,000	7,320	7,320	-	-
Water and sewer promissory loan	11/29/2001	2 30-5 125%	3,100,000	2,380,000	105,000	-	2,275,000
Water and sewer promissory loan	07/01/2003	2 60-3 25%	7,590,000	3,075,000	730,000	-	2,345,000
Water and sewer promissory loan	03/24/2004	1 00-5 00%	2,900,000	2,285,000	120,000	-	2,165,000
Total promissory loans			<u>19,250,000</u>	<u>11,697,320</u>	<u>1,177,320</u>	-	<u>10,520,000</u>
CitiCapital lease - energy saving equipment	05/21/2002	5 87%	1,053,181	552,292	75,357	-	476,935
CitiCapital lease - energy saving equipment	05/21/2002	5 87%	3,460	1,814	248	-	1,566
Total capital leases			<u>1,056,641</u>	<u>554,106</u>	<u>75,605</u>	-	<u>478,501</u>
Total business-type activities			\$ 32,306,641	18,341,426	1,922,925	-	16,418,501

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Long-Term Debt Maturities
September 30, 2011

	Date of Issue	Interest Rate	Amount of Original Issue	Balance September 30, 2011	2012
<u>Governmental activities:</u>					
Public Improvement of 1998	03/01/1998	4 20-6 00%	\$ 4,500,000	815,000	395,000
Public Improvement of 1999	04/01/1999	4 10-5 70%	1,150,000	300,000	95,000
Public Improvement of 2006	06/01/2006	4 00-5 50%	10,000,000	8,275,000	400,000
Water and Sewer Improvement of 2007	04/01/2007	3 75-5 25%	3,600,000	3,110,000	135,000
Public Improvement of 2008	04/22/2008	2 60-3.65%	1,000,000	845,000	55,000
Public Improvement of 2009	06/01/2009	3 00-4.00%	10,000,000	9,365,000	340,000
Refunding Bonds of 2011	07/01/2011	2 00-2 50%	3,960,000	3,960,000	585,000
Public Improvement of 2011	03/01/2011	3 10-4 40%	4,500,000	4,500,000	145,000
Total general obligations bonds			<u>38,710,000</u>	<u>31,170,000</u>	<u>2,150,000</u>
Special Obligation Bonds 2003A	07/01/2003	2 75-4 50%	5,500,000	3,890,000	250,000
Special Obligation Bonds 2003B	07/01/2003	3 30-5 375%	1,500,000	1,095,000	65,000
Total special obligation bonds			<u>7,000,000</u>	<u>4,985,000</u>	<u>315,000</u>
Limited Obligation Tax Increment Bonds	09/01/2000	9 00%	2,200,000	655,000	315,000
Limited Obligation Tax Increment Bonds	12/01/2000	9 00%	1,100,000	300,000	145,000
Limited Obligation Tax Increment Bonds	12/17/2009	8 75%	4,000,000	3,865,000	145,000
Limited Obligation Tax Increment Bonds	03/01/2010	5 00%	300,000	280,000	20,000
Total tax increment bonds			<u>7,600,000</u>	<u>5,100,000</u>	<u>625,000</u>
Revolving loan - capital improvements	06/01/2001	3 00%	1,000,000	359,475	72,872
Total promissory loans			<u>1,000,000</u>	<u>359,475</u>	<u>72,872</u>
Taxable Negotiable Notes	02/18/2010	2 71%	1,100,000	880,000	220,000
Total taxable negotiable notes			<u>1,100,000</u>	<u>880,000</u>	<u>220,000</u>
Special Assessment Public Improvement	06/01/1996	4 70-6 70%	2,000,000	735,000	130,000
Special Assessment Public Improvement	06/01/2000	5 20-6 25%	1,125,000	670,000	60,000
Special Assessment Public Imp 2001	08/01/2001	4 50-6 00%	500,000	315,000	25,000
Total special assessment			<u>3,625,000</u>	<u>1,720,000</u>	<u>215,000</u>
CitiCapital Lease - energy saving equipment	05/21/2002	5 87%	709,066	325,736	53,796
Total capital leases			<u>709,066</u>	<u>325,736</u>	<u>53,796</u>
Total governmental activities			\$ <u>59,744,066</u>	<u>44,540,211</u>	<u>3,651,668</u>
<u>Business-type activities:</u>					
Water and Sewer Revenue	12/01/1995	4 60-6 50%	\$ 5,000,000	1,835,000	325,000
Water and Sewer Revenue	10/01/1997	4 50-6 375%	5,000,000	2,375,000	285,000
Water and Sewer Revenue	06/01/2000	5 00-6 25%	2,000,000	1,210,000	105,000
Total revenue bonds			<u>12,000,000</u>	<u>5,420,000</u>	<u>715,000</u>
Water and sewer promissory loan	12/01/1998	4 70-6 125%	5,300,000	3,735,000	225,000
Water and sewer promissory loan	11/29/2001	2 30-5 125%	3,100,000	2,275,000	110,000
Water and sewer promissory loan	07/01/2003	2 60-3.25%	7,590,000	2,345,000	755,000
Water and sewer promissory loan	03/24/2004	1 00-5 00%	2,900,000	2,165,000	125,000
Total promissory loans			<u>18,890,000</u>	<u>10,520,000</u>	<u>1,215,000</u>
CitiCapital lease - energy saving equipment	05/21/2002	5 87%	1,053,181	476,935	79,904
CitiCapital lease - energy saving equipment	05/21/2002	5 87%	3,460	1,566	262
Total capital leases			<u>1,056,641</u>	<u>478,501</u>	<u>80,166</u>
Total business-type activities			\$ <u>31,946,641</u>	<u>16,418,501</u>	<u>2,010,166</u>

SCHEDULE 21

Maturities for the Years Ended September 30,

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017 - 2021</u>	<u>2022 - 2026</u>	<u>2027 - 2031</u>
420,000	-	-	-	-	-	-
100,000	105,000	-	-	-	-	-
410,000	430,000	450,000	475,000	2,710,000	3,400,000	-
145,000	150,000	155,000	165,000	935,000	1,160,000	265,000
60,000	60,000	65,000	65,000	370,000	170,000	-
355,000	375,000	400,000	410,000	2,350,000	2,985,000	2,150,000
605,000	620,000	640,000	490,000	1,020,000	-	-
155,000	160,000	165,000	175,000	985,000	1,220,000	1,495,000
<u>2,250,000</u>	<u>1,900,000</u>	<u>1,875,000</u>	<u>1,780,000</u>	<u>8,370,000</u>	<u>8,935,000</u>	<u>3,910,000</u>
260,000	270,000	285,000	300,000	1,715,000	810,000	-
70,000	75,000	75,000	80,000	490,000	240,000	-
<u>330,000</u>	<u>345,000</u>	<u>360,000</u>	<u>380,000</u>	<u>2,205,000</u>	<u>1,050,000</u>	<u>-</u>
340,000	-	-	-	-	-	-
155,000	-	-	-	-	-	-
160,000	175,000	190,000	210,000	1,370,000	1,615,000	-
20,000	20,000	25,000	25,000	140,000	30,000	-
<u>675,000</u>	<u>195,000</u>	<u>215,000</u>	<u>235,000</u>	<u>1,510,000</u>	<u>1,645,000</u>	<u>-</u>
75,089	77,373	79,726	54,415	-	-	-
<u>75,089</u>	<u>77,373</u>	<u>79,726</u>	<u>54,415</u>	<u>-</u>	<u>-</u>	<u>-</u>
220,000	220,000	220,000	-	-	-	-
<u>220,000</u>	<u>220,000</u>	<u>220,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
140,000	145,000	155,000	165,000	-	-	-
60,000	65,000	70,000	75,000	340,000	-	-
25,000	30,000	30,000	30,000	175,000	-	-
<u>225,000</u>	<u>240,000</u>	<u>255,000</u>	<u>270,000</u>	<u>515,000</u>	<u>-</u>	<u>-</u>
57,043	60,486	64,136	68,007	22,268	-	-
<u>57,043</u>	<u>60,486</u>	<u>64,136</u>	<u>68,007</u>	<u>22,268</u>	<u>-</u>	<u>-</u>
<u>3,832,132</u>	<u>3,037,859</u>	<u>3,068,862</u>	<u>2,787,422</u>	<u>12,622,268</u>	<u>11,630,000</u>	<u>3,910,000</u>
345,000	365,000	390,000	410,000	-	-	-
305,000	320,000	340,000	355,000	770,000	-	-
110,000	115,000	125,000	135,000	620,000	-	-
<u>760,000</u>	<u>800,000</u>	<u>855,000</u>	<u>900,000</u>	<u>1,390,000</u>	<u>-</u>	<u>-</u>
235,000	245,000	260,000	270,000	1,640,000	860,000	-
115,000	120,000	125,000	130,000	735,000	940,000	-
780,000	810,000	-	-	-	-	-
130,000	135,000	145,000	150,000	860,000	620,000	-
<u>1,260,000</u>	<u>1,310,000</u>	<u>530,000</u>	<u>550,000</u>	<u>3,235,000</u>	<u>2,420,000</u>	<u>-</u>
84,727	89,840	95,262	101,011	26,191	-	-
278	295	313	332	86	-	-
<u>85,005</u>	<u>90,135</u>	<u>95,575</u>	<u>101,343</u>	<u>26,277</u>	<u>-</u>	<u>-</u>
<u>2,105,005</u>	<u>2,200,135</u>	<u>1,480,575</u>	<u>1,551,343</u>	<u>4,651,277</u>	<u>2,420,000</u>	<u>-</u>

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STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial trends information	139 - 146
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue capacity information	147 - 150
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	
Debt capacity information.....	151 - 155
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and economic information.....	156 - 157
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating information.....	158 - 160
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

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CITY OF MERIDIAN, MISSISSIPPI

Net Assets by Component

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:										
Invested in capital assets, net of related debt	\$ 43,469	\$ 43,643	\$ 45,586	\$ 45,997	\$ 48,025	\$ 48,799	\$ 50,692	\$ 75,492	\$ 72,823	\$ 74,694
Restricted	2,447	2,214	1,561	4,009	5,626	6,881	5,810	6,429	6,985	6,519
Unrestricted	4,296	6,496	6,156	5,635	7,197	3,920	4,076	3,700	4,198	2,324
Total governmental activities net assets	\$ 50,212	\$ 52,353	\$ 53,303	\$ 55,641	\$ 60,848	\$ 59,600	\$ 60,578	\$ 85,621	\$ 84,006	\$ 83,537
Business-type activities:										
Invested in capital assets, net of related debt	\$ 23,103	\$ 22,052	\$ 20,624	\$ 19,003	\$ 19,534	\$ 18,938	\$ 17,684	\$ 19,326	\$ 19,767	\$ 19,795
Restricted	4,170	3,362	3,949	4,467	4,021	7,509	7,717	5,441	4,354	5,151
Unrestricted	1,668	1,759	1,454	3,779	3,440	3,354	3,167	2,253	2,682	3,825
Total business-type activities net assets	\$ 28,941	\$ 27,173	\$ 26,027	\$ 27,249	\$ 26,995	\$ 29,801	\$ 28,568	\$ 27,020	\$ 26,803	\$ 28,771
Primary government:										
Invested in capital assets, net of related debt	\$ 66,572	\$ 65,695	\$ 66,210	\$ 65,000	\$ 67,559	\$ 67,737	\$ 68,376	\$ 94,818	\$ 92,590	\$ 94,489
Restricted	6,617	5,576	5,510	8,476	9,647	14,390	13,527	11,870	11,339	11,670
Unrestricted	5,964	8,255	7,610	9,414	10,637	7,274	7,243	5,953	6,880	6,149
Total primary government net assets	\$ 79,153	\$ 79,526	\$ 79,330	\$ 82,890	\$ 87,843	\$ 89,401	\$ 89,146	\$ 112,641	\$ 110,809	\$ 112,308

Source: Audit Reports - Statement of Net Assets

CITY OF MERIDIAN, MISSISSIPPI

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental activities										
General government	\$ 5,348	\$ 5,270	\$ 5,721	\$ 5,778	\$ 6,209	\$ 6,526	\$ 7,211	\$ 7,017	\$ 8,825	\$ 6,907
Public safety	10,395	10,864	11,981	14,875	16,074	14,976	15,017	16,010	16,238	15,528
Public works	5,608	6,230	6,770	6,650	6,738	6,893	6,567	7,440	8,187	7,877
Culture and recreation	1,609	1,806	1,968	1,975	2,068	2,156	2,390	2,307	2,284	3,223
Economic development	156	85	169	121	105	98	134	22	2,976	124
Other	71	50	101	127	82	64	6	42	11	19
Interest on long-term debt	1,533	1,390	1,685	1,443	1,333	1,918	1,772	1,615	2,071	2,061
Total governmental activities expenses	24,940	25,695	28,395	30,969	32,549	32,631	33,097	34,453	40,592	35,739
Business-type activities										
Water and sewer	8,324	10,742	10,381	10,879	11,577	12,218	12,078	12,557	12,161	11,742
Waste collection and disposal	2,174	2,529	2,739	2,231	2,332	2,380	2,401	2,526	2,466	1,825
Golf course	183	433	433	407	391	400	419	418	397	446
Union Station	251	254	284	307	335	323	331	388	352	364
Concessions	41	48	39	41	37	26	32	39	29	28
Total business-type activities expenses	11,243	14,006	13,866	13,868	14,675	15,347	15,261	15,918	15,405	14,405
Total primary government expenses	36,183	39,701	42,261	44,837	47,224	47,978	48,358	50,371	55,997	50,144
Program revenues										
Governmental activities										
Charges for services										
General government	562	827	681	788	1,063	587	640	581	355	501
Public safety	695	853	1,148	2,164	2,484	2,856	1,730	1,590	1,220	1,037
Culture and recreation	110	137	144	135	162	164	180	173	376	182
Operating grants and contributions	792	817	1,168	3,257	3,229	2,194	1,379	1,572	1,645	608
Capital grants and contributions	60	280	603	581	2,169	230	500	1,497	3,699	1,654
Total governmental activities program revenues	2,129	2,914	3,741	6,925	9,107	6,051	4,429	5,413	7,295	3,982
Business-type activities										
Charges for services										
Water and sewer	9,442	9,602	9,798	10,902	11,036	10,907	11,125	11,715	12,145	12,404
Waste collection and disposal	1,607	1,599	1,580	1,569	1,564	1,560	1,570	1,611	1,870	1,828
Golf course	421	367	346	310	343	324	318	284	271	249
Union Station	90	98	103	97	117	111	103	80	84	81
Concessions	16	15	11	43	36	35	43	44	46	42
Operating grants and contributions	2,823	312	253	8	-	-	-	-	-	-
Capital grants and contributions	-	-	-	1,644	494	740	87	65	-	338
Total business-type activities program revenues	14,129	11,423	12,121	14,573	13,590	13,680	13,246	13,299	14,416	14,932
Total primary government program revenues	16,558	14,337	15,865	21,498	22,697	19,731	17,675	19,212	21,711	18,914

(Continued)

CITY OF MERIDIAN, MISSISSIPPI

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net (expense)/revenue										
Governmental activities	\$ (22,811)	\$ (22,781)	\$ (24,651)	\$ (24,044)	\$ (23,442)	\$ (26,580)	\$ (28,668)	\$ (29,040)	\$ (33,297)	\$ (31,757)
Business-type activities	3,186	(2,583)	(1,745)	705	(1,085)	(1,667)	(2,015)	(2,119)	(989)	527
Total primary government net (expense)/revenue	\$ (19,625)	\$ (25,364)	\$ (26,396)	\$ (23,339)	\$ (24,527)	\$ (28,247)	\$ (30,683)	\$ (31,159)	\$ (34,286)	\$ (31,230)
General revenues and other changes in net assets										
Governmental activities										
Taxes										
Property taxes	\$ 9,385	\$ 9,828	\$ 10,107	\$ 10,162	\$ 10,121	\$ 10,098	\$ 10,826	\$ 12,085	\$ 14,173	\$ 14,722
Sales taxes	11,450	11,839	12,179	12,715	14,170	13,574	14,166	13,744	13,502	13,708
Franchise taxes	1,747	1,794	1,845	1,990	2,381	2,587	2,568	2,744	2,647	2,529
County road taxes	651	868	815	798	971	1,010	1,042	1,194	1,224	982
Motor fuel taxes	19	19	19	19	19	19	19	19	19	19
Unrestricted grants and contributions	61	68	65	74	69	65	70	74	73	70
Unrestricted investment earnings	173	149	176	259	564	1,131	628	146	196	194
Special item - annexed property	-	-	-	-	-	-	-	23,549	-	-
Transfers	700	357	395	375	353	(3,182)	327	528	(152)	(936)
Total governmental activities general revenues and other changes in net assets	24,186	24,922	25,601	26,382	28,648	25,332	29,646	54,083	31,682	31,288
Business-type activities										
Property taxes	823	901	882	710	975	811	810	999	506	400
Unrestricted investment earnings	201	270	113	152	210	480	299	100	114	105
Transfers	(700)	(357)	(395)	(375)	(353)	3,182	(327)	(528)	152	936
Total business-type activities general revenues and other changes in net assets	324	814	600	517	832	4,473	782	571	772	1,441
Total primary government general revenues and other changes in net assets	\$ 24,510	\$ 25,737	\$ 26,201	\$ 26,899	\$ 29,480	\$ 29,805	\$ 30,428	\$ 54,654	\$ 32,454	\$ 32,729
Change in Net Assets										
Governmental activities	\$ 1,375	\$ 2,141	\$ 950	\$ 2,338	\$ 5,206	\$ (1,248)	\$ 978	\$ 25,043	\$ (1,615)	\$ (469)
Business-type activities	3,510	(1,769)	(1,145)	1,222	(253)	2,806	(1,233)	(1,548)	(217)	1,968
Total primary government change in net assets	\$ 4,885	\$ 372	\$ (195)	\$ 3,560	\$ 4,953	\$ 1,558	\$ (255)	\$ 23,495	\$ (1,832)	\$ 1,499

Source: Audit Reports - Statement of Activities

SCHEDULE 24

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>County Road Tax</u>	<u>Motor Fuel Tax</u>	<u>Total</u>
2002	\$ 9,385	\$ 11,450	\$ 1,747	\$ 651	\$ 19	\$ 23,252
2003	9,828	11,839	1,794	868	19	24,348
2004	10,107	12,179	1,845	815	19	24,965
2005	10,162	12,715	1,990	798	19	25,684
2006	10,121	14,170	2,381	971	19	27,662
2007	10,098	13,574	2,587	1,040	19	27,318
2008	10,826	14,166	2,568	1,042	19	28,621
2009	12,085	13,744	2,744	1,194	19	29,786
2010	14,173	13,502	2,647	1,224	19	31,565
2011	14,722	13,708	2,529	982	19	31,960

Source: Audit Reports - Statement of Activities

SCHEDULE 25

CITY OF MERIDIAN, MISSISSIPPI

Fund Balances of Governmental Funds

Last Ten Fiscal Years

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General fund:										
Nonspendable	\$ 86	\$ 70	\$ 86	\$ 90	\$ 99	\$ 1,297	\$ 1,297	\$ 1,469	\$ 1,454	\$ 1,571
Committed	-	-	-	100	-	486	515	339	220	151
Assigned	263	930	795	655	1,069	141	742	677	1,011	1,204
Unassigned	4,870	6,099	6,210	5,638	6,301	6,753	5,618	4,275	5,684	6,433
Total general fund	<u>\$ 5,219</u>	<u>\$ 7,099</u>	<u>\$ 7,091</u>	<u>\$ 6,483</u>	<u>\$ 7,469</u>	<u>\$ 8,677</u>	<u>\$ 8,172</u>	<u>\$ 6,760</u>	<u>\$ 8,369</u>	<u>\$ 9,359</u>
All other governmental funds:										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 1,198	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	3,175	14,474	7,269	5,842	15,278	14,947	11,544	16,857	12,992	11,194
Committed	-	-	-	-	-	-	-	-	347	344
Assigned	16	16	16	16	16	17	16	12	24	16
Total all other governmental funds	<u>\$ 3,191</u>	<u>\$ 14,490</u>	<u>\$ 7,285</u>	<u>\$ 5,858</u>	<u>\$ 16,492</u>	<u>\$ 14,964</u>	<u>\$ 11,560</u>	<u>\$ 16,869</u>	<u>\$ 13,363</u>	<u>\$ 11,554</u>

Source: Audit Reports - Governmental Funds Balance Sheet

Note: Fiscal years 2002 through 2010 have been reclassified with the implementation of GASB Statement 54 in fiscal year 2011.

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
Taxes	\$ 21,322	\$ 22,380	\$ 22,944	\$ 23,534	\$ 25,121	\$ 24,562	\$ 25,889	\$ 26,859	\$ 28,716	\$ 29,113
Franchise	1,747	1,794	1,845	1,990	2,381	2,587	2,568	2,744	2,647	2,529
Licenses and permits	233	225	298	302	305	373	386	256	301	271
Intergovernmental	864	976	1,613	3,746	4,913	2,203	1,514	1,951	3,888	2,257
Charges for services	110	137	144	135	162	164	180	173	375	182
Fines and forfeitures	605	853	1,148	2,164	2,484	2,855	1,730	1,580	1,219	1,037
Special assessments	127	120	132	96	79	75	86	67	74	72
Payments in lieu of taxes	112	100	86	83	80	77	66	67	68	152
Local contributions	49	189	223	155	555	307	434	98	461	55
Investment earnings	173	148	176	259	564	1,131	628	146	196	193
Interest costs and damages	69	84	94	95	91	92	99	117	132	169
Miscellaneous	328	652	471	499	758	234	302	389	85	268
Total revenues	25,739	27,658	29,174	33,058	37,493	34,660	33,882	34,447	38,162	36,298
Expenditures:										
General government	5,116	4,885	5,342	5,440	5,843	6,033	6,760	6,836	7,634	6,711
Public safety	9,998	10,576	11,500	14,767	16,420	15,684	14,731	16,117	14,732	15,144
Public works	2,876	3,541	3,827	3,956	4,223	4,425	4,146	4,671	4,441	4,422
Culture and recreation	1,535	1,750	1,884	1,963	2,027	2,065	2,484	2,639	3,406	2,673
Economic development	156	85	169	411	105	98	134	118	3,201	158
Other	71	51	102	127	268	150	56	42	11	19
Capital outlay	4,644	2,083	8,855	4,529	4,647	2,772	5,868	5,860	6,071	5,657
Debt service:										
Principal	4,064	3,346	3,440	3,059	2,356	3,019	3,467	3,062	3,498	3,687
Interest	1,634	1,261	1,705	1,506	1,354	1,736	1,790	1,555	1,982	2,043
Bond issuance costs	-	355	-	-	186	86	36	165	304	240
Total expenditures	30,094	27,933	36,824	35,758	37,429	36,068	39,472	41,065	45,280	40,754
Excess (deficiency) of revenues over (under) expenditures	(4,355)	(275)	(7,650)	(2,700)	64	(1,408)	(5,590)	(6,618)	(7,118)	(4,456)

(Continued)

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

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Other financing sources (uses):										
Transfers in	\$ 2,611	\$ 1,438	\$ 2,634	\$ 1,929	\$ 2,960	\$ 4,531	\$ 9,599	\$ 10,304	\$ 6,017	\$ 2,448
Transfers out	(1,968)	(984)	(2,264)	(1,576)	(2,629)	(7,733)	(9,283)	(9,789)	(6,197)	(3,447)
Bonds issued	-	13,000	-	-	10,000	3,600	1,000	10,000	4,300	8,460
Negotiable notes issued	-	-	-	-	1,225	-	-	-	1,100	-
Capital leases	709	-	67	312	-	690	365	-	-	-
Premium on refunding bonds issued	-	-	-	-	-	-	-	-	-	71
Principal payments on refunded bonds	-	-	-	-	-	-	-	-	-	(3,895)
Total other financing source (uses)	<u>1,352</u>	<u>13,454</u>	<u>437</u>	<u>665</u>	<u>11,556</u>	<u>1,088</u>	<u>1,681</u>	<u>10,515</u>	<u>5,220</u>	<u>3,637</u>
Net change in fund balance	<u>\$ (3,003)</u>	<u>\$ 13,179</u>	<u>\$ (7,213)</u>	<u>\$ (2,035)</u>	<u>\$ 11,620</u>	<u>\$ (320)</u>	<u>\$ (3,909)</u>	<u>\$ 3,897</u>	<u>\$ (1,898)</u>	<u>\$ (819)</u>
Debt service as a percentage of noncapital expenditures	<u>22.4%</u>	<u>17.6%</u>	<u>18.2%</u>	<u>14.8%</u>	<u>11.6%</u>	<u>15.0%</u>	<u>16.0%</u>	<u>13.7%</u>	<u>14.5%</u>	<u>17.2%</u>

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

SCHEDULE 27

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax¹</u>	<u>Franchise Tax</u>	<u>County Road Tax</u>	<u>Motor Fuel Tax</u>	<u>Total</u>
2002	\$ 9,202	\$ 11,450	\$ 1,747	\$ 651	\$ 19	\$ 23,069
2003	9,653	11,840	1,794	868	19	24,174
2004	9,930	12,180	1,845	815	19	24,789
2005	10,002	12,715	1,990	798	19	25,524
2006	9,961	14,170	2,381	971	19	27,502
2007	9,929	13,574	2,587	1,040	19	27,149
2008	10,662	14,166	2,568	1,042	19	28,457
2009	11,902	13,744	2,744	1,194	19	29,603
2010	13,971	13,502	2,647	1,224	19	31,363
2011	14,404	13,708	2,529	982	19	31,642

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

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

SCHEDULE 28

CITY OF MERIDIAN, MISSISSIPPI

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

Fiscal Year Ended September 30,	Real Property		Personal Property		Less: Tax Exempt		Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Motor Vehicles	Other	Real Property					
2002	\$ 46,652	\$ 112,307	\$ 34,065	\$ 38,864	\$ 2,043	\$ 229,845	51.49	\$ 1,470,234	15.63%	
2003	59,118	120,764	34,521	40,667	2,138	252,932	50.08	1,608,689	15.72%	
2004	58,359	122,919	34,883	40,798	2,719	254,240	50.08	1,629,911	15.60%	
2005	58,138	125,003	34,466	40,651	2,911	255,347	50.08	1,645,053	15.52%	
2006	58,094	122,836	36,032	44,443	2,530	258,875	50.08	1,657,502	15.62%	
2007	59,190	124,049	34,299	43,847	2,527	258,858	50.08	1,662,921	15.57%	
2008	60,176	123,601	32,352	44,701	3,139	257,691	53.08	1,657,190	15.55%	
2009	76,714	154,532	32,355	49,060	5,131	307,530	50.84	2,002,797	15.36%	
2010	87,063	170,953	31,722	56,584	4,120	342,202	50.84	2,234,043	15.32%	
2011	87,731	171,111	30,877	53,247	3,973	338,993	50.84	2,221,081	15.26%	

Source: Lauderdale County real and personal property tax rolls.

Note: During 2002 and 2008, all property in Lauderdale County was reappraised and resulted in an increase in assessed values.
During 2009, the City annexed approximately 9 square miles into the City which resulted in an increase in assessed values.

SCHEDULE 29

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

Fiscal Year	City of Meridian					Overlapping Rates							
	Special					Lauderdale County			Meridian Separate School District				
	Operating Millage	Debt Service Millage	Revenue Pension Millage	Solid Waste Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	School District Millage	Meridian Community College	
2002	24.69	15.01	7.79	4.00	51.49	34.04	9.07	43.11	52.68	4.70	57.38	7.00	158.98
2003	26.39	12.09	7.60	4.00	50.08	34.87	8.19	43.06	52.50	2.87	55.37	7.00	155.51
2004	26.39	12.20	7.49	4.00	50.08	35.80	6.70	42.50	54.38	0.92	55.30	7.00	154.88
2005	26.19	12.10	7.79	4.00	50.08	38.08	6.71	44.79	54.38	2.99	57.37	7.00	159.24
2006	25.56	12.47	8.05	4.00	50.08	38.36	7.09	45.45	53.30	3.35	56.65	7.00	159.18
2007	26.51	11.17	8.40	4.00	50.08	39.27	8.40	47.67	54.00	1.87	55.87	7.00	160.62
2008	29.23	11.19	8.66	4.00	53.08	40.66	7.78	48.44	54.40	6.68	61.08	7.00	169.60
2009	25.71	12.38	8.75	4.00	50.84	39.66	10.95	50.61	49.89	6.09	55.98	7.00	164.43
2010	29.92	11.88	7.44	1.60	50.84	39.36	7.47	46.83	51.42	5.81	57.23	7.00	161.90
2011	29.65	12.41	7.48	1.30	50.84	41.66	9.12	50.78	54.84	5.67	60.51	7.00	169.13

Source: Office of the City Clerk.

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

SCHEDULE 30**CITY OF MERIDIAN, MISSISSIPPI**

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

<u>Taxpayer</u>	<u>2011</u>			<u>2002</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Mississippi Power Company	\$ 12,318	1	3.63%	\$ 16,314	1	7.09%
Bonita Lakes Mall/Bonita Properties, Inc./CBL	10,372	2	3.06%	6,630	3	2.88%
Wal-Mart Supercenters	8,061	3	2.38%	2,103	6	0.91%
Bell South Telecommunications	6,121	4	1.81%	9,625	2	4.18%
Meridian HMA/Riley Hospital	4,900	5	1.45%	4,342	4	1.89%
Meridian Crossroads	3,677	6	1.08%	---	---	---
Anderson Infirmary Benevolent Association	3,123	7	0.92%	2,434	5	1.06%
Norfolk Southern Railroad	2,402	8	0.71%	1,896	8	0.82%
Peavey Electronics Corporation	2,398	9	0.71%	2,044	7	0.89%
Atmos Energy	2,274	10	0.67%	---	---	---
Rush Foundation Hospital	---	---	---	1,396	9	0.61%
Sowashee Investment, et al	---	---	---	1,365	10	0.59%
Totals	<u>\$ 55,646</u>		<u>16.42%</u>	<u>\$ 48,149</u>		<u>20.92%</u>

Source: Lauderdale County real and personal property tax rolls.

SCHEDULE 31

CITY OF MERIDIAN, MISSISSIPPI
 Property Tax Levies and Collections
 Last Ten Fiscal Years
 (amounts expressed in thousands)

<u>Fiscal Year Ended September 30,</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Collected within the</u>		<u>Collections in</u>		<u>Total Collections to Date</u>	
		<u>Fiscal Year of the Levy</u>	<u>Percentage of Levy</u>	<u>Subsequent Years</u>	<u>Percentage of Levy</u>	<u>Amount</u>	<u>Percentage of Levy</u>
2002	\$ 11,863	\$ 11,764	99.17%	\$ 99	100.00%	\$ 11,863	100.00%
2003	12,362	12,104	97.91%	175	99.33%	12,279	99.33%
2004	12,569	12,393	98.60%	167	99.93%	12,560	99.93%
2005	12,613	12,482	98.96%	70	99.52%	12,552	99.52%
2006	12,962	12,835	99.02%	42	99.34%	12,877	99.34%
2007	12,850	12,745	99.18%	30	99.42%	12,775	99.42%
2008	13,570	13,505	99.52%	54	99.92%	13,559	99.92%
2009	15,634	15,462	98.90%	76	99.39%	15,538	99.39%
2010	16,960	16,824	99.20%	43	99.45%	16,867	99.45%
2011	16,956	16,766	98.88%	-	98.88%	16,766	98.88%

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

(amounts expressed in thousands, except per capita amount)

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SCHEDULE 33

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value¹ of Property	Per Capita²
2002	\$ 9.735	\$ 2.194	\$ 7.541	0.51%	\$ 185
2003	13.790	2.085	11.705	0.73%	289
2004	11.770	1.983	9.787	0.60%	244
2005	9.955	1.988	7.967	0.48%	200
2006	19.070	3.148	15.922	0.96%	403
2007	21.415	2.950	18.465	1.11%	466
2008	20.985	2.325	18.660	1.13%	472
2009	29.555	2.680	26.875	1.34%	677
2010	27.750	2.916	24.834	1.11%	604
2011	31.170	2.741	28.429	1.28%	691

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

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

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

SCHEDULE 34

CITY OF MERIDIAN, MISSISSIPPI
Direct and Overlapping Governmental Activities Debt
As of September 30, 2011
(amounts expressed in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County	\$ 29.805	50.94%	\$ 15,183
Debt repaid with property taxes: School	<u>18.885</u>	92.12%	<u>17,397</u>
Subtotal, overlapping debt	48.690		32,580
City of Meridian direct debt	<u>44,540</u>	100.00%	<u>44,540</u>
Total direct and overlapping debt	<u><u>\$ 93,230</u></u>		<u><u>\$ 77,120</u></u>

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

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

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

SCHEDULE 35

CITY OF MERIDIAN, MISSISSIPPI
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (amounts expressed in thousands)

	Fiscal year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt Limit	\$ 34,783	\$ 38,261	\$ 38,544	\$ 38,739	\$ 39,211	\$ 39,208	\$ 39,125	\$ 46,899	\$ 51,948	\$ 51,445
Total net debt applicable to limit	<u>7,541</u>	<u>11,705</u>	<u>9,787</u>	<u>7,967</u>	<u>15,922</u>	<u>18,465</u>	<u>18,660</u>	<u>26,875</u>	<u>24,834</u>	<u>25,009</u>
Legal debt margin	<u>\$ 27,242</u>	<u>\$ 26,556</u>	<u>\$ 28,757</u>	<u>\$ 30,772</u>	<u>\$ 23,289</u>	<u>\$ 20,743</u>	<u>\$ 20,465</u>	<u>\$ 20,024</u>	<u>\$ 27,114</u>	<u>\$ 26,436</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>21.68%</u>	<u>30.59%</u>	<u>25.39%</u>	<u>20.57%</u>	<u>40.61%</u>	<u>47.09%</u>	<u>47.69%</u>	<u>57.30%</u>	<u>47.81%</u>	<u>48.61%</u>

Legal Debt Margin Calculation for Fiscal Year 2011:

Assessed value	\$ 338,993
Add back: exempt real property	<u>3,973</u>
Total assessed value	<u>\$ 342,966</u>
Debt limit (15% of total assessed value)	<u>\$ 51,445</u>
Debt applicable to limit:	
General obligation bonds	27,750
Less: Amount set aside for repayment of general obligation debt	<u>(2,741)</u>
Total net debt applicable to limit	<u>25,009</u>
Legal debt margin	<u>\$ 26,436</u>

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

SCHEDULE 36

CITY OF MERIDIAN, MISSISSIPPI
Pledged-Revenue Bond Coverage
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Water & Sewer Charges and Other	Less: Operating Expenses¹	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2002	\$ 9,442	\$ 4,777	\$ 4,665	\$ 1,370	\$ 1,518	\$ 2,888
2003	9,002	5,435	3,567	1,555	1,655	3,210
2004	9,798	5,269	4,529	1,845	1,495	3,340
2005	10,902	5,690	5,212	2,020	1,516	3,536
2006	11,036	6,416	4,620	2,125	1,399	3,524
2007	10,907	7,016	3,891	2,230	1,298	3,528
2008	11,125	6,976	4,149	2,345	1,193	3,538
2009	11,715	7,510	4,205	2,455	1,072	3,527
2010	12,145	7,239	4,906	3,605	963	4,568
2011	12,404	7,017	5,387	1,840	789	2,629

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

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

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

¹Total operating expenses exclusive of depreciation and amortization expense.

SCHEDULE 37

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

<u>Fiscal Year</u>	<u>Population¹</u>	<u>Personal Income (amounts expressed in thousands)²</u>	<u>Per Capita Personal Income³</u>	<u>Median Age⁴</u>	<u>School Enrollment⁵</u>	<u>Unemployment Rate⁶</u>
2002	40,663	\$ 1,002,912	\$ 24,664	34.6	6,695	7.7%
2003	40,538	1,032,381	25,467	34.6	6,619	8.4%
2004	40,057	1,061,551	26,501	35.5	6,305	8.1%
2005	39,795	1,110,957	27,917	35.6	6,449	8.6%
2006	39,541	1,185,518	29,982	35.9	6,722	7.8%
2007	39,596	1,209,262	30,540	36.5	6,630	8.6%
2008	39,572	1,284,468	32,459	36.6	6,612	9.1%
2009	39,695	1,253,131	31,569	36.2	6,461	12.7%
2010	41,148	1,299,001	31,569	35.7	6,418	14.7%
2011	41,148	1,299,001	31,569	34.9	6,250	14.9%

Sources:

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

Note:

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

SCHEDULE 38

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

<u>Taxpayer</u>	<u>2011</u>			<u>2002</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Rush Foundation Hospital	2,610	1	18.71%	1,123	3	7.79%
Anderson Regional Medical Center	1,722	2	12.34%	1,065	4	7.39%
East Mississippi State Hospital	1,205	3	8.64%	1,150	2	7.98%
Meridian Public Schools	1,000	4	7.17%	987	5	6.85%
Peavey Electronics Corporation	950	5	6.81%	1,700	1	11.80%
Wal-Mart Supercenters	760	6	5.45%	---	---	---
City of Meridian	550	7	3.94%	579	8	4.02%
Mississippi Air National Guard	420	8	3.01%	389	10	2.70%
Alliance Health Center	385	9	2.76%	---	---	---
Meridian Community College	327	10	---	471	9	3.27%
Meridian HMA/Riley Hospital	---	---	---	700	6	4.86%
Winn Dixie Food Stores	---	---	---	589	7	4.09%
Totals	<u>9,929</u>		<u>68.83%</u>	<u>8,753</u>		<u>60.75%</u>

Source: East Mississippi Business Development Corporation

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

<u>Function</u>	<u>Full-time Equivalent Employees as of September 30,</u>									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General government	50	49	47	46	47	49	54	49	50	46
Public safety:										
Police:										
Officers	104	94	96	104	106	112	105	111	108	109
Civilians	15	15	17	18	18	14	18	19	15	15
Fire:										
Firefighters and officers	106	105	106	103	104	106	98	101	108	112
Civilians	10	11	10	9	10	8	9	9	11	10
Highways and streets	74	69	68	70	75	70	72	72	60	65
Sanitation	1	1	2	1	1	1	1	1	1	1
Culture and recreation	42	42	45	52	45	49	49	49	56	42
Water	51	48	51	52	50	44	50	48	47	48
Sewer	43	44	45	44	44	45	45	46	44	42
Golf course	5	5	5	3	3	3	3	3	5	7
Union Station	1	1	2	2	2	2	2	2	2	2
Municipal Garage	13	13	15	15	14	11	14	14	13	11
Homeland Security	-	-	2	6	7	6	5	5	5	4
Community Development	20	21	21	20	21	20	19	19	19	16
Totals	<u>535</u>	<u>518</u>	<u>532</u>	<u>545</u>	<u>547</u>	<u>540</u>	<u>544</u>	<u>548</u>	<u>544</u>	<u>530</u>

Source: City's payroll department.

CITY OF MERIDIAN, MISSISSIPPI
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police:										
Physical arrests	3,956	4,514	4,322	4,568	4,376	4,289	4,785	4,967	4,952	5,089
Parking violations	5,813	6,757	7,045	7,544	7,717	6,481	5,565	6,088	5,329	4,347
Traffic violations	9,261	12,272	11,564	13,049	14,766	10,763	12,663	10,816	8,676	12,089
Fire:										
Number calls answered	3,315	2,848	2,752	2,743	3,273	3,209	3,357	1,666	1,636	2,070
Inspections	1,900	2,048	2,844	3,051	3,734	3,673	2,907	2,814	1,375	1,810
Highways and streets:										
Street resurfacing (miles)	8	-	10	35	-	1	-	-	-	-
Potholes repaired	327	284	348	355	260	277	351	352	271	394
Culture and recreation:										
Meridian Activity Center/Velma										
Young Park/Highland Park classes	812	841	912	1,075	1,096	1,175	1,194	1,215	1,290	1,255
Water:										
New connections	56	45	74	71	112	93	88	45	30	50
Water leak repairs	1,415	1,143	1,193	1,286	948	1,130	823	1,190	1,291	1,344
Average daily consumption (millions of gallons)	5,347	5,401	5,916	4,802	4,495	5,079	5,221	4,447	4,211	5,033
Wastewater:										
Average daily sewerage treatment (millions of gallons)	9,450	10,090	9,560	11,570	10,800	6,350	9,230	5,730	7,100	6,390

Source: Various City departments.

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

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	28	36	37	43	71	67	77	73	84	84
Fire stations	7	7	7	7	7	7	8	8	8	7
Highways and streets:										
Streets (miles)	306.01	306.01	306.15	306.83	306.83	306.83	307.50	330.35	330.35	330.35
Streetlights ¹	6,267	6,273	6,287	6,298	6,351	6,400	6,411	6,570	6,589	6,603
Traffic signals	118	118	118	120	121	121	120	120	120	117
Culture and recreation:										
Parks acreage	225	226	286	286	286	286	286	286	286	286
Parks	15	16	17	17	17	17	17	17	17	17
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	18	18	18	18	18	18	18	18	18	18
Community centers	3	3	3	3	3	3	3	3	3	3
Softball/Baseball fields	16	18	18	18	18	18	18	18	18	18
Soccer fields	12	12	12	12	12	12	12	14	14	14
Golf course	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains (miles)	426	426	426	428	428	428	428	429	429	430
Fire hydrants	3,777	3,793	3,802	3,820	3,832	2,105	2,113	2,131	2,136	2,141
Maximum daily capacity (thousands of gallons)	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500
Sewer:										
Sanitary sewers (miles)	424	442	442	442	442	444	444	445	445	445
Storm sewers (miles)	200	200	200	200	200	200	225	225	225	225
Maximum daily treatment capacity (thousands of gallons)	13,000	13,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000

Source: Various City departments.

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

SINGLE AUDIT SECTION

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

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number/ Federal Contract	Program or Award Amount	(Deferred) Revenue 9/30/2010	Federal Receipts	Federal Share Disbursements/Expenditures	(Deferred) Revenue 9/30/2011	Cumulative Federal Receipts	Federal Share Disbursements Expenditures	Fund Type
U. S. Department of Housing & Urban Development										
Direct program -										
Mississippi Arts and Entertainment Center	14 251	B-06-SF-VS-0540	\$ 198,000	\$ 3,487	\$ 3,487	\$ -	\$ -	\$ 102,267	\$ 102,267	Special revenue
Pass-through Mississippi Development Authority -										
Katrina CDBG Bonita Lakes Dam Rehab	14 228	R-110-258-01-GZ	1,780,000	77,450	214,973	515,010	377,496	1,278,010	1,655,506	Special revenue
CDBG Sanitary Sewer Rehabilitation	14 228	1127-10-258-PI-01	600,000	-	-	38,192	38,192	-	38,192	Enterprise fund
Total U.S. Department of Housing & Urban Development				<u>80,946</u>	<u>218,460</u>	<u>553,202</u>	<u>415,688</u>	<u>1,380,277</u>	<u>1,795,965</u>	
U. S. Department of Justice										
Direct programs -										
ARRA-COPS Hiring Recovery Program	16 730	2009RKN-VS-07	581,680	-	89,479	89,479	-	89,479	89,479	Special revenue
Total direct programs				-	<u>89,479</u>	<u>89,479</u>	-	<u>89,479</u>	<u>89,479</u>	
Pass-through Mississippi Department of Public Safety										
MS Stop Violence Against Women Program	16 588	08S1 2221	34,527	-	-	-	-	33,788	33,788	Special revenue
MS Stop Violence Against Women Program	16 588	09S1 2221	46,036	2,788	26,808	24,020	-	32,405	32,405	Special revenue
MS Stop Violence Against Women Program	16 588	10S1 2221	33,865	-	2,650	2,650	-	2,650	2,650	Special revenue
Bulletproof Vests Partnership	16 007	2004 BI-BN-0102314	33,250	-	151	151	-	33,250	33,250	Special revenue
Bulletproof Vests Partnership	16 007	2009 BI-BN-08014953	1,637	-	4,418	4,418	-	4,418	4,418	Special revenue
Bulletproof Vests Partnership	16 007	BA-2006S-1401	13,175	-	-	-	-	-	-	Special revenue
Total pass-through programs				<u>2,788</u>	<u>34,039</u>	<u>31,251</u>	-	<u>106,520</u>	<u>106,520</u>	
JAG Program cluster										
Direct programs										
Edward Byrne Memorial Justice Assistance	16 738	2007-DI-BN-0340	43,855	2,015	2,015	-	-	43,855	43,855	Special revenue
Edward Byrne Memorial Justice Assistance	16 738	2008-DI-BN-0323	11,433	1,020	4,192	3,172	-	9,973	9,973	Special revenue
Edward Byrne Memorial Justice Assistance	16 738	2009-DI-BN-0058	53,020	-	-	-	-	21,208	21,208	Special revenue
Edward Byrne Memorial Justice Assistance	16 738	2010-DI-BN-0589	47,613	12,045	-	5,250	21,205	-	24,295	Special revenue
Edward Byrne Memorial Justice Assistance	16 738	2011-DI-BN-2099	42,914	-	-	17,166	17,166	-	17,166	Special revenue
ARRA-Meridian City Joint Recovery Act JAG	16 804	2009-SB-B9-1744	237,141	-	-	-	-	245,094	245,094	Special revenue
Total direct programs				<u>22,080</u>	<u>6,207</u>	<u>25,588</u>	<u>41,461</u>	<u>320,130</u>	<u>361,591</u>	
Pass-through Mississippi Department of Public Safety										
JAG Multi-Jurisdictional Narcotics Assistance	16 738	06SN12223	165,805	(1,433)	-	1,433	-	162,215	162,215	Special revenue
JAG Multi-Jurisdictional Narcotics Assistance	16 738	09SN12221	185,516	29,842	29,842	-	-	180,800	180,800	Special revenue
Total pass-through programs				<u>28,409</u>	<u>29,842</u>	<u>1,433</u>	-	<u>343,015</u>	<u>343,015</u>	
Total JAG Program cluster				<u>50,489</u>	<u>56,049</u>	<u>27,021</u>	<u>41,461</u>	<u>663,145</u>	<u>704,606</u>	
Total U.S. Department of Justice				<u>53,277</u>	<u>159,567</u>	<u>147,751</u>	<u>41,461</u>	<u>859,144</u>	<u>900,605</u>	

(continued)

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number/ Federal Contract	Program or Award Amount	Accrued (Deferred) Revenue 9/30/2010	Federal Receipts	Federal Share Disbursements/Expenditures	Accrued (Deferred) Revenue 9/30/2011	Cumulative Federal Receipts	Cumulative Federal Share Disbursements/Expenditures	Fund Type
U. S. Department of Transportation										
Pass-through Mississippi Department of Public Safety										
Occupant Protection Seatbelt Enforcement	20 600	10-OP-222-1	15,000	-	3,954	3,954	-	12,423	12,423	Special revenue
Occupant Protection Seatbelt Enforcement	20 600	11-OP-222-1	15,000	-	9,386	14,033	4,647	9,386	14,033	Special revenue
Meridian DUI Enforcement Program	20 600	10-TA-222-1	100,000	8,620	16,392	7,772	-	84,659	84,659	Special revenue
Meridian DUI Enforcement Program	20 600	11-TA-222-1	100,000	-	59,128	71,707	12,579	59,128	71,707	Special revenue
Pass-through MS Department of Transportation										
ARRA-29th Ave Sowash Creek Bridge Replacement	20 205	STP-8134-00(001)	1,048,480	136,640	136,640	-	-	826,908	826,908	Capital project
ARRA-26th Ave Viaduct Safety Upgrades	20 205	STP-8161-00(001)	912,797	160,043	212,619	57,814	5,238	677,521	682,759	Capital project
Central Business District & 14th St. Signal Upgrades	20 205	STP-0320-00(022)	1,075,550	25,188	989,388	1,008,146	43,946	989,388	1,033,334	Capital project
State Routes to School Project	20 205	SRSP-0320-00(024)	809,626	-	-	17,754	17,754	-	17,754	Capital project
Replacement of Bridges on 35th Ave. and 40th St	20 205	STP-0320-00(025)	549,600	-	-	-	-	-	-	Capital project
Milling, Leveling, and Overlay of Various City Routes	20 205	STP-0320-00(026)	1,084,560	-	-	-	-	-	-	Capital project
Total U.S. Department of Transportation				330,491	1,427,507	1,181,180	84,164	2,659,413	2,743,577	
U. S. Environmental Protection Agency										
Direct program -										
South Industrial Park Study	60 202	NP-06402004-2	1,349,400	-	159,519	290,099	130,580	747,029	877,609	Enterprise fund
U. S. Department of Energy										
Direct program -										
ARRA-Energy Efficiency and Conservation	81 128	DE-FE09-1874	182,400	(25,489)	-	25,489	-	182,400	182,400	Special revenue
U. S. Department of Health and Human Services										
Pass-through Mississippi State Department of Health -										
Fire Academy for Kids	93 136	1128CE000852-04	700	-	700	700	-	700	700	Special revenue
U. S. Department of Homeland Security										
Direct program -										
Assistance to Firefighters	97 044	1A1W-2010-10-00530	66,150	-	25,691	25,691	-	25,691	25,691	Special revenue
Pass-through Mississippi Department of Public Safety										
2003 Flood Assistance	83 544	FEMA-1450-DR-MIS	360,510	190,571	190,571	-	-	360,510	360,510	Capital projects
Hurricane Ivan Clean Up	97 036	FEMA-1450-MIS-DR	758,483	254,309	-	-	254,309	504,174	758,483	Special revenue
Hurricane Katrina Clean Up	97 036	FEMA-1604-MIS-DR	3,079,153	-	-	-	-	3,079,153	3,079,153	Special revenue
Homeland Security - Citizen Corps	97 053	08CC258	1,999	1,999	1,999	-	-	1,999	1,999	Special revenue
Homeland Security - Citizen Corps	97 053	09CC258	5,198	-	4,415	4,415	-	4,415	4,415	Special revenue
Homeland Security - Citizen Corps	97 053	10CC258	6,998	-	-	-	-	-	-	Special revenue
Homeland Security - Neighborhood Watch Program	97 053	S9CC258	3,008	-	-	-	-	-	-	Special revenue
Interoperable Emergency Communication	97 055	81CC258	103,637	28,566	29,273	-	(707)	97,563	96,856	Special revenue
Homeland Security - Collapse Structure Training	97 067	S3HS258R	98,685	(120)	-	-	(120)	98,685	98,565	Special revenue
Homeland Security - Regional Response Team	97 067	7HS2581	141,300	(729)	-	-	(729)	140,581	139,852	Special revenue
Homeland Security	97 067	5HS038R	150,000	(118)	-	-	(118)	150,000	149,882	Special revenue
Homeland Security	97 067	6HS258R	150,000	(40)	-	-	(40)	150,000	149,960	Special revenue

(continued)

CITY OF MERIDIAN, MISSISSIPPI

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended September 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number/ Federal Contract	Program or Award Amount	Accrued (Deferred) Revenue 9/30/2010	Federal Share Disbursements/ Expenditures	Accrued (Deferred) Revenue 9/30/2011	Cumulative Federal Receipts	Cumulative Federal Share Disbursements	Fund Type
U.S. Department of Homeland Security (Continued)									
Homeland Security - PPL	97 073	A9HS258T	3,895	-	3,895	3,895	-	3,895	Special revenue
Homeland Security - Regional Response Funds	97 073	10HS258T	60,080	-	206	206	-	206	Special revenue
Homeland Security - Regional Response Funds	97 073	10HS258T	8,200	-	-	-	-	-	Special revenue
Homeland Security - Regional Response Funds	97 073	S9HS258T	10,150	-	10,150	-	10,150	10,150	Special revenue
Homeland Security - Salaries	97 073	E9HS258T	52,000	-	15,520	15,520	-	15,520	Special revenue
Homeland Security - Task Force Training	97 073	08HS258T	125,000	-	-	-	-	95,564	Special revenue
Homeland Security - Task Force Funds	97 073	S8HS258T	253,633	30,505	541	(126)	149,367	149,241	Special revenue
Homeland Security - Task Force Funds	97 073	09HS258T	61,900	14,607	37,635	(1,484)	53,726	52,242	Special revenue
Homeland Security - Training	97 073	09HS258T	100,000	10,560	73,760	-	100,000	100,000	Special revenue
Homeland Security - Training	97 073	10HS258T	100,000	-	28,325	6,655	21,670	28,325	Special revenue
Total U.S. Department of Homeland Security				\$ 530,110	\$ 189,578	\$ 277,261	\$ 5,043,248	\$ 5,320,509	
Total federal financial assistance				\$ 969,335	\$ 2,408,180	\$ 949,154	\$ 10,872,211	\$ 11,821,365	

¹ The beginning accrued revenue and cumulative Federal share disbursements/expenditures for this grant has been adjusted to reflect that all grant-related expenditures have been requested and received for reimbursement

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

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

CITY OF MERIDIAN, MISSISSIPPI
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2011

(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, 2011

There were no prior year findings or questioned costs.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Meridian, Mississippi ("City") as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 29, 2012. We did not audit the financial statements of the Meridian Transportation Commission or the Meridian Airport Authority, which represent 99.99 percent, 99.99 percent, and 99.97 percent, respectively, of the assets, net assets, and operating revenues of the component units column. Those statements were audited by other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated March 29, 2012.

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.

Breazale, Sanders & O'Neil, Ltd

Jackson, Mississippi
March 29, 2012

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

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

Compliance

We have audited City of Meridian, Mississippi's ("City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's financial statements include the operations of the Meridian Airport Authority ("MAA"), which expended \$3,228,259 in federal awards; and the Meridian Transportation Commission ("MTC"), which expended \$313,095 in federal awards; both of which are not included in the schedule during the year ended September 30, 2011. Our audit described below did not include the operations of MAA or MTC because they engaged other auditors to perform audits in accordance with OMB Circular A-133.

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

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

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

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

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

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

Breangale, Sanders & O'Neil, Ltd.

Jackson, Mississippi
March 29, 2012

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2011

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

14.228
20.205

Katrina CDBG Bonita Lakes Dam Rehab
Highway Planning and Construction/
Recreational Trails Program

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

Continued

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2011

Section II - Findings - Financial Statement Audit

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

Section III - Findings and Questioned Costs - Federal Award Programs

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of the City of Meridian, Mississippi ("City") as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 29, 2012. We did not audit the financial statements of the Meridian Transportation Commission or the Meridian Airport Authority, which represent 99.99 percent, 99.99 percent, and 99.97 percent, respectively, of the assets, net assets, and operating revenues of the component units column. Those financial statements were audited by other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

Breazale, Sanders & O'Neil, Ltd.

Jackson, Mississippi
March 29, 2012

