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MERIDIAN

CITY OF MERIDIAN

A better longitude on life.

JUNE 28, 2017

Mayor:

PERCY BLAND, III
(601) 485-1927
FAX: (601) 485-1911

Council Members:

GEORGE M THOMAS
Ward 1

K. DUSTIN MARKHAM
Ward 2

BARBARA HENSON
Ward 3

KIM HOUSTON
Ward 4

RANDY HAMMON
Ward 5

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

CITY DEPARTMENTS:

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

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

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

Fire:
(601) 485-1822
FAX: (601) 485-1035

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

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

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

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

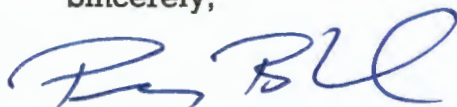
Mr. Stacey E. Pickering
Mississippi Office of the State Auditor
P. O. Box 956
Jackson, Mississippi 39205

Re: Annual Municipal Audit FY2016

Dear Mr. Pickering:

Accompanying this letter are three copies (two bound and one electronic) of the annual audit of the City of Meridian, Mississippi, for the fiscal year ended September 30, 2016. In connection with this audit, a separate management letter was written to the city. Enclosed you will find two copies (one hard copy and one electronic) of this management letter along with the three previously mentioned audit reports.

Sincerely,



Percy Bland, III
Mayor
City of Meridian

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CITY OF MERIDIAN, MISSISSIPPI

Management Letter

September 30, 2016



BREAZEALE, SAUNDERS & O'NEIL, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

**The Honorable Mayor Percy Bland, III and
Honorable Members of the City Council
City of Meridian, Mississippi:**

In planning and performing our audit of 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, 2016, 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, we considered the City's internal control over financial reporting ("internal control") 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. We previously communicated to you about the City's internal control in our letter dated April 27, 2017. This letter does not affect our report dated April 27, 2017, on the financial statements of the City.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

To ensure that continuing attention is given to internal control matters, the Council members should periodically review prior years' management letters to ascertain if there are matters that need additional corrective action.

We wish to thank all employees for their support and assistance during our audit. This report is intended solely for the information and use of the Honorable Mayor, honorable members of the City Council, management, and others within the City, and is not intended to be, and should not be, used by anyone other than these specified parties.

Jackson, Mississippi
April 27, 2017

Breazeale, Saunders & O'Neil Ltd.

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CITY OF MERIDIAN, MISSISSIPPI
Independent Auditors' Findings and Recommendations
With Respect to Internal Controls
For the Year Ended September 30, 2016

The following findings and recommendations include conditions noted during the course of our audit for the year ended September 30, 2016.

BANK RECONCILIATIONS

Finding:

During our audit, we noted unreconciled differences on a few of the bank reconciliations that are in some cases carried over to future months. The majority of these reconciling items were determined to be credit card timing differences that are difficult to track down due to lack of supporting documentation. City personnel is working to solve the documentation issues in order to complete the reconciling process.

Recommendation:

Monthly bank account reconciliations are an important internal control procedure relating to the City's cash accounts. We recommend that the City implement policies and procedures that allow for timely reconciliation of all bank activities. Although these items may appear not to be material to the overall financial position of the City, it may obscure significant but offsetting items, such as bank errors or improperly recorded transactions, that would be a cause for investigation if the items were apparent. Unreconciled amounts should be investigated and not allowed to carry over from month to month.

BANK DEPOSITS

Finding:

During our audit, we noted instances in which cash deposits were not being made timely. In some cases, they are accumulated and deposited at later dates.

Recommendation:

Daily deposits of cash receipts not only reduce the risk of theft, misplacement, or misappropriation, but also makes the cash available for expenditures or investment. We recommend that the City implement policies and procedures to ensure that deposits are made on a daily basis both to improve cash flow and to reduce the risk of loss.

CITY OF MERIDIAN, MISSISSIPPI
Independent Auditors' Findings and Recommendations
With Respect to Internal Controls
For the Year Ended September 30, 2016

PAYROLL

Finding:

During our audit, we noted that the overtime pay has increased over the past few years. There were instances noted in which the overtime is not documented on the employee automated time card, but instead summarized on a separate sheet. It was also noted that, in addition to regular and overtime, some employees receive stand-by pay or additional pay for part-time duties, all of which are documented on separate sheets from the automated time card. In some cases, it was difficult to determine the actual time of day worked for overtime and additional part-time hours.

Recommendation:

We recommend that the City implement policies and procedures for the continuous evaluation of the economic effects of overtime expense. We further recommend that the automated time cards be used to document each employee's workday from start to finish. The hours worked each day can then be summarized as to regular, overtime, stand-by, or part-time pay. These time cards should indicate clearly the time and date. All overtime should be approved by a supervisor. Any excessive overtime should be approved by management. Additionally, procedures should be implemented to ensure that all vacation and sick pay is properly approved and documented as taken.



CITY OF MERIDIAN, MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016**



Prepared by:
Department of Finance and Records
David Whitaker, Director

CITY OF MERIDIAN, MISSISSIPPI
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2016

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INTRODUCTORY SECTION

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Mayor:

Percy Bland, III
(P) 601.485.1927
(F) 601.485.1911

Council Members:

George M Thomas
Ward 1

K. Dustin Markham
Ward 2

Barbara Henson
Ward 3

Kim Houston
Ward 4

Randy Hammon
Ward 5

Council Clerk
(P) 601.485.1959
(F) 601.485.1913

City Departments:

Chief Administrative Officer
(P) 601.485.1929
(F) 601.485.1911

Community Development
(P) 601.485.1914
(F) 601.484.6813

Finance and Records
(P) 601.485.1946
(F) 601.485.1979

Fire
(P) 601.485.1922
(F) 601.485.1035

Public Safety
(P) 601.484.6890
(F) 601.484.6895

Parks and Recreation
(P) 601.485.1802
(F) 601.485.1851

Police
(P) 601.485.1841
(F) 601.484.6832

Public Works
(P) 601.485.1920
(F) 601.485.1864

601 23rd Avenue
P.O. Box 1430
Meridian, MS 39302-1430
www.meridianms.org

April 27, 2017

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, 2016.

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, 2016, 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 unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2016, 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.



CITY OF MERIDIAN

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, the Meridian and Bonita Lakes Development Authority and the Meridian Urban Renewal Authority are reported as discretely presented component units.

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

Factors Affecting Financial Condition

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

Local economy. The City 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, and beverages. 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.

Meridian is the sixth largest city in the state of Mississippi and 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. The Meridian Regional Airport offers commercial airline service with daily flights to and from Dallas/Fort Worth International Airport and its 10,003 foot runway is the longest public-use runway in the state. The City is also served by two Class I railroads and two short line railroads.

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

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pilots and technical training for various enlisted personnel. NAS Meridian 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 Complex, which is home to the 186th Air Refueling Wing.

The City's Public Safety and Training Facility is situated on approximately 99 acres and 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 three-story drill tower with live fire capabilities, a driving track, firing ranges and a working Amtrak rail site complete with rail cars. The facility is one of the only active training sites in the country for passenger rail rescue courses. The City is also 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.

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

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. 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.

Awards and Acknowledgements

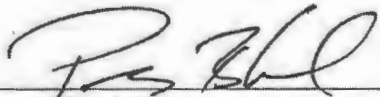
The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report ("CAFR") for the fiscal year ended September 30, 2015. This was the twentieth consecutive 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.

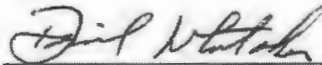
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance and Records Department. We would like to express our

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,



Percy Bland, III
Mayor



David Whitaker
CFO/City Clerk

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

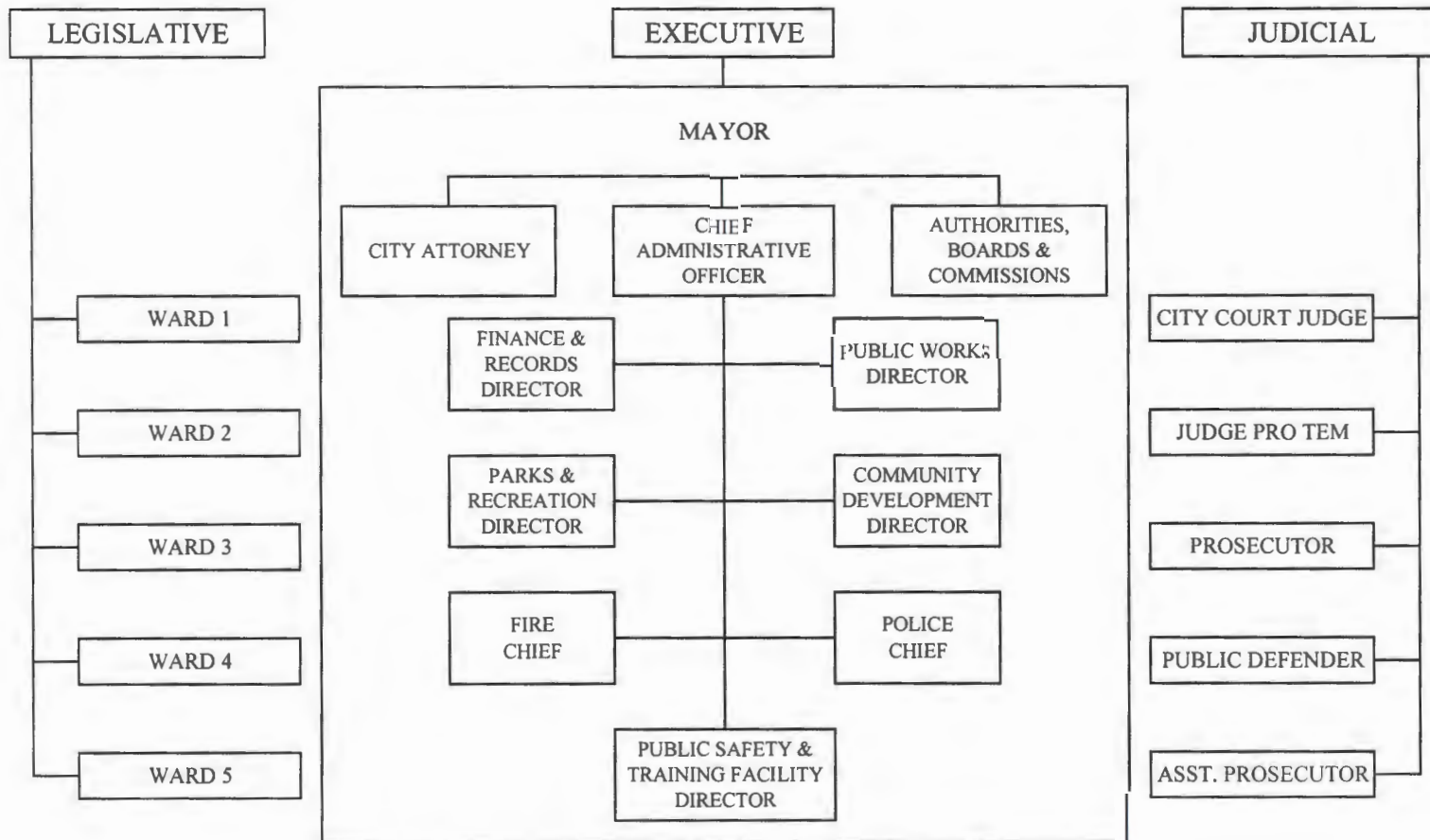
**City of Meridian
Mississippi**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

CITY OF MERIDIAN, MISSISSIPPI
Organizational Structure
September 30, 2016



CITY OF MERIDIAN, MISSISSIPPI

Listing of City Officials

September 30, 2016

Elected Officials

| | |
|-------------------------------|-------------------|
| Mayor | Percy Bland, III |
| Council Member - Ward 1 | George M Thomas |
| Council Member - Ward 2 | K. Dustin Markham |
| Council Member - Ward 3 | Barbara Henson |
| Council Member - Ward 4 | Kim Houston |
| Council Member - Ward 5 | Randy Hammon |

Appointed Officials

| | |
|---|----------------------|
| Chief Administrative Officer | Richie McAlister |
| Finance & Records Director/City Clerk | David Whitaker |
| Public Works Director | Hugh Smith |
| Parks & Recreation Director | Kelvin McGruder |
| Community Development Director | H. C. Partridge, Jr. |
| Fire Chief | Anthony Clayton |
| Police Chief | Benny Dubose |
| Public Safety & Training Facility Director..... | Buck Roberts |
| City Attorney | Bill Hammack |

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

**The Honorable Mayor Percy Bland, III and
Honorable Members of the City Council
City of Meridian, Mississippi:**

Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Meridian Airport Authority, which represent 85.67 percent, 88.52 percent, and 98.06 percent, respectively, of the assets, net position, and program revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for this component unit, is based solely on the report 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness

**The Honorable Mayor Percy Bland, III and
Honorable Members of the City Council
City of Meridian, Mississippi
Page two**

of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 26 and the pension required supplementary information on pages 110 through 115 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Honorable Mayor Percy Bland, III and
Honorable Members of the City Council
City of Meridian, Mississippi
Page three

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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

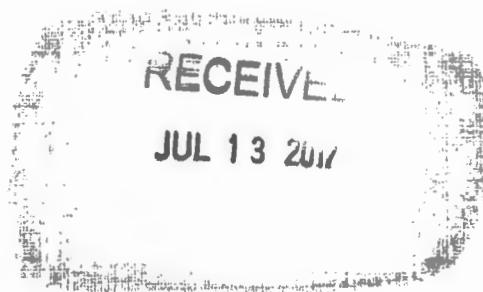
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Jackson, Mississippi
April 27, 2017

Brigette, Sandra & O'Neil, Ltd.



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CITY OF MERIDIAN, MISSISSIPPI
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2016

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, 2016. 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 \$71,591 (*net position*). Of this amount, the \$(34,394) *deficit unrestricted net position* is due to the City's \$58,995 net pension liability recognized as a result of the fiscal year 2015 implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions: An Amendment of GASB Statement No. 27*.
- The City's total net position increased by \$1,793. This increase in net position is largely attributable to capital grants and contributions for culture and recreation and public works in the amounts of \$598 and \$515, respectively, and a \$425 increase in property tax revenues.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$24,086, an increase of \$4,449 in comparison with the prior year. Approximately 28 percent of this total amount, \$6,628, 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 \$6,628 or 20 percent of total general fund expenditures.
- The City's total debt increased by \$4,647 (9.9 percent) during the current fiscal year. The increase is due to a \$7,500 bond issue for the purchase of paving equipment and street paving, plus \$2,017 in loans for the purchase of standard fleet vehicle and a sewer vacuum truck. This was offset by the payment of \$4,870 in outstanding 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 position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 Urban Renewal Authority (3) The Meridian Transportation Commission, and (4) 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 government-wide financial statements can be found on pages 28 - 31 of this report.

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

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

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

The City maintains 17 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 the 2016 General Obligation Bonds fund, which are considered to be major funds. Data from the other 13 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. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages 32 - 41 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 42 - 47 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 48 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 51 - 108 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 defined benefit pension plans. This required supplementary information can be found on pages 109 - 115 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 117 - 145 of this report.

Government-wide Financial Analysis

The following table presents the City's net positions at September 30, 2016 compared to September 30, 2015.

City of Meridian's Net Position

| <u>Description</u> | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|-----------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Current and other assets | \$ 30,314 | 24,639 | 25,388 | 23,135 | 55,702 | 47,774 |
| Capital assets, net | <u>93,258</u> | <u>93,659</u> | <u>33,286</u> | <u>30,775</u> | <u>126,544</u> | <u>124,434</u> |
| Total assets | <u>123,572</u> | <u>118,298</u> | <u>58,674</u> | <u>53,910</u> | <u>182,246</u> | <u>172,208</u> |
| Deferred outflows of resources | <u>10,376</u> | <u>6,832</u> | <u>1,629</u> | <u>1,057</u> | <u>12,005</u> | <u>7,889</u> |
| Long-term liabilities outstanding | 95,644 | 83,819 | 17,597 | 18,271 | 113,241 | 102,090 |
| Other liabilities | <u>5,850</u> | <u>4,586</u> | <u>2,858</u> | <u>2,706</u> | <u>8,708</u> | <u>7,292</u> |
| Total liabilities | <u>101,494</u> | <u>88,405</u> | <u>20,455</u> | <u>20,977</u> | <u>121,949</u> | <u>109,382</u> |
| Deferred inflows of resources | <u>584</u> | <u>757</u> | <u>127</u> | <u>160</u> | <u>711</u> | <u>917</u> |
| Net position: | | | | | | |
| Net investment in capital assets | 65,945 | 66,592 | 25,555 | 21,704 | 91,500 | 88,296 |
| Restricted | 5,329 | 4,783 | 9,156 | 7,647 | 14,485 | 12,430 |
| Unrestricted (deficit) | <u>(39,404)</u> | <u>(35,407)</u> | <u>5,010</u> | <u>4,479</u> | <u>(34,394)</u> | <u>(30,928)</u> |
| Total net position | \$ <u>31,870</u> | <u>35,968</u> | <u>39,721</u> | <u>33,830</u> | <u>71,591</u> | <u>69,798</u> |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$71,591 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (128 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.

An additional portion of the City's net position (20 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(34,394) in *deficit unrestricted net position* is due to the City's \$58,995 net pension liability discussed in note 10.

At the end of the current fiscal year, the City was able to report positive balances in total net position, both for the City as a whole, as well as for its separate governmental activities. The City's business-type activities also reported a positive total net position as a whole. The same situation held true for the prior fiscal year.

There was an increase of \$1,509 in restricted net position reported in connection with the City's business-type activities. This is a result of a \$380 increase in funds available for debt service and a \$1,129 increase in funds authorized for capital projects in the water and sewer fund.

The City's net position increased \$1,793 during the current fiscal year. This increase in net position is largely attributable to capital grants and contributions for culture and recreation and public works in the amounts of \$598 and \$515, respectively, and a \$425 increase in property tax revenues.

The following table presents the City's a summary of the changes in net position for the fiscal year ended September 30, 2016 compared to the fiscal year ended September 30, 2015.

City of Meridian's Changes in Net Position

| <u>Description</u> | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|---|---|--------------------|--|--------------------|---------------------|--------------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,676 | 1,744 | 16,156 | 15,391 | 17,832 | 17,135 |
| Operating grants and contributions | 586 | 733 | - | - | 586 | 733 |
| Capital grants and contributions | 1,156 | 378 | 1,748 | 1,611 | 2,904 | 1,989 |
| General revenues: | | | | | | |
| Property taxes | 14,932 | 14,466 | 16 | 57 | 14,948 | 14,523 |
| Other taxes | 17,730 | 18,490 | - | - | 17,730 | 18,490 |
| Grants and contributions not restricted to specific programs | 70 | 80 | - | - | 70 | 80 |
| Unrestricted investment earnings | 78 | 60 | 123 | 116 | 201 | 176 |
| Total revenues | <u>36,228</u> | <u>35,951</u> | <u>18,043</u> | <u>17,175</u> | <u>54,271</u> | <u>53,126</u> |
| Expenses: | | | | | | |
| General government | 9,120 | 9,234 | - | - | 9,120 | 9,234 |
| Public safety | 16,855 | 16,054 | - | - | 16,855 | 16,054 |
| Public works | 8,459 | 7,934 | - | - | 8,459 | 7,934 |
| Culture and recreation | 3,122 | 2,500 | - | - | 3,122 | 2,500 |
| Economic development | 1 | 1 | - | - | 1 | 1 |
| Interest on long-term debt | 1,334 | 1,565 | - | - | 1,334 | 1,565 |
| Sanitation | - | - | 1,891 | 1,849 | 1,891 | 1,849 |
| Water and sewer | - | - | 10,921 | 10,449 | 10,921 | 10,449 |
| Golf Course, Union Station and Concessions | - | - | 775 | 708 | 775 | 708 |
| Total expenses | <u>38,891</u> | <u>37,288</u> | <u>13,587</u> | <u>13,006</u> | <u>52,478</u> | <u>50,294</u> |
| Excess (deficiency) of revenues over (under) expenses before transfers | (2,663) | (1,337) | 4,456 | 4,169 | 1,793 | 2,832 |
| Transfers | <u>(1,435)</u> | <u>266</u> | <u>1,435</u> | <u>(266)</u> | <u>-</u> | <u>-</u> |
| Change in net position | (4,098) | (1,071) | 5,891 | 3,903 | 1,793 | 2,832 |
| Net position - beginning | <u>35,968</u> | <u>37,039</u> | <u>33,830</u> | <u>29,927</u> | <u>69,798</u> | <u>66,966</u> |
| Net position - ending | \$ <u>31,870</u> | <u>35,968</u> | <u>39,721</u> | <u>33,830</u> | <u>71,591</u> | <u>69,798</u> |

Governmental activities. Governmental activities decreased the City's net position by \$4,098. Key elements of these changes in net position are as follows:

- Property taxes increased \$466 or three percent in 2016 compared to 2015. This increase in property tax receipts is primarily due to a \$5,573 or two percent increase in the 2016 taxable assessed value.
- Charges for services decreased \$68 or four percent in 2016 compared to 2015. This was mostly due to a \$175 decrease in general government charges for services.
- Operating grants and contributions decreased \$147 or 20 percent in 2016 compared to 2015. This decrease was largely due to a \$137 decrease in operating grants for public safety.
- Capital grants and contributions increased \$778 or 206 percent in 2016 compared to 2015. This was due to a \$515 increase in capital grants for public works and a \$598 increase for culture and recreation offset by a decrease of \$335 in grants for public safety.
- Other taxes (which include sales taxes) decreased \$760 or four percent.
- Total revenues increased \$277 or one percent. This was mainly due to a \$778 increase in capital grants and contributions.
- Total expenses increased \$1,603 or four percent. This was primarily due to an \$801 increase in public safety expenditures, \$525 increase in public works expenditures, and \$622 increase in culture and recreation expenditures, offset by a \$114 decrease in general government expenditures.

Business-type activities. Business-type activities increased the City's net position by \$5,891. This is primarily due to \$13,993 in water and sewer charges for services plus \$1,748 in water and sewer capital grants and contributions, offset by \$10,921 in water and sewer expenses.

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 \$24,086, an increase of \$4,449 in comparison with the prior year. Of this total, \$14,744 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 \$319 is considered *nonspendable* because it has been used for inventory and assets held for resale. A total of \$1,953 has been assigned, meaning there are limitations resulting from its intended use. A total of \$442 has been *committed* through formal action of the City Council for construction or acquisition of capital assets. The remaining \$6,628 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 \$6,628, while total fund balance was \$8,891. 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 20 percent of total general fund expenditures, while total fund balance represents 28 percent of that same amount. The fund balance of the City's general fund decreased by \$2,294 during the current fiscal year. This was primarily due to a \$2,272 increase in public safety expenditures.

The debt service fund has a total fund balance of \$3,946, all of which is restricted for the payment of debt service. The net increase of \$591 during the current year in the debt service fund is a result of the timing of payment due dates of long-term debt.

The special revenue fund's total fund balance is \$1,003 at the end of the current fiscal year. \$642 of the special revenue fund balance is restricted. The remaining special revenue fund balance of \$361 is committed or assigned. The fund balance of the special revenue fund increased \$12 during the current fiscal year. This increase is largely due to an increase in local contributions.

The 2016 General Obligation Bonds fund has a total fund balance of \$6,972, all of which is restricted for paying projects throughout the City. The fund balance of the 2016 General Obligation Bonds fund increased \$6,972 during the current fiscal year. This increase represents proceeds of the \$7,500 bond issue less bond issue costs and expenditures for street paving projects.

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 position of the water and sewer fund at the end of the year amounted to \$5,037, and those for the waste collection and disposal fund amounted to \$374. The total decrease in net position for the waste collection and disposal fund is \$51 and the water and sewer fund net position increased by \$5,727.

General Fund Budgetary Highlights

There was an increase of \$94 between the original budget and the final amended budget in total expenditures. Changes within the levels of expenditures can be briefly summarized as follows:

| <u>Description</u> | <u>Increase (Decrease)</u> |
|-----------------------------------|--------------------------------|
| General government | \$ (1,855) |
| Finance and records | 400 |
| Community development | 205 |
| Parks and recreation | 617 |
| Public works | 219 |
| Police | (190) |
| Fire | 623 |
| Public safety & training facility | 74 |
| Arts District Parking Garage | <u>1</u> |
| Total | \$ <u>94</u> |

Actual revenues were under the final amended budget by \$34.

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 | \$ 633 |
| Finance and records | 105 |
| Community development | 122 |
| Parks and recreation | 40 |
| Public works | 185 |
| Police | 364 |
| Fire | 339 |
| Public safety & training facility | 62 |
| Arts district parking garage | 1 |
| Total | \$ <u>1,851</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, 2016, amounts to \$126,544 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

- Continued engineering and survey of 5th Street for the replacement of sidewalks, curb cuts, and pedestrian crossings and installation of decorative lighting and landscaping.
- Continued replacement of South Waste Water Treatment Plant air blowers, digester blowers, process pumps, and associated electrical upgrades.
- Construction of a new community center at Velma Young Park.
- Public street improvements and construction of an access drive to the newly constructed Fairfield Inn just off Highway 80.
- Emergency repair of a collapsed drainage structure located within a City drainage easement on North Frontage Road.

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>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Land | \$ 8,203 | 7,997 | 324 | 250 | 8,527 | 8,247 |
| Right of ways | 3 | 3 | 30 | 30 | 33 | 33 |
| Collections – historical treasures | 141 | 141 | - | - | 141 | 141 |
| Building and system | 31,993 | 32,797 | 28,696 | 26,869 | 60,689 | 59,666 |
| Improvements other than buildings | 2,382 | 2,478 | 191 | 31 | 2,573 | 2,509 |
| Machinery and equipment | 6,094 | 4,094 | 1,540 | 1,350 | 7,634 | 5,444 |
| Infrastructure | 43,355 | 45,869 | - | - | 43,355 | 45,869 |
| Construction in progress | <u>1,087</u> | <u>280</u> | <u>2,505</u> | <u>2,245</u> | <u>3,592</u> | <u>2,525</u> |
| Total | \$ <u>93,258</u> | <u>93,659</u> | <u>33,286</u> | <u>30,775</u> | <u>126,544</u> | <u>124,434</u> |

Additional information on the City's capital assets can be found in note 5 on pages 76 - 79 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$40,505. Of this amount, \$36,105 comprises debt backed by the full faith and credit of the City, \$730 is special obligation bonds, \$3,155 is tax increment financing bonds and \$515 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment.

The City's total bonded debt increased by \$4,430 (12 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>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| General obligation bonds | \$ 36,105 | 31,090 | - | - | 36,105 | 31,090 |
| Special obligation bonds | 730 | 810 | - | - | 730 | 810 |
| Limited obligation tax increment financing bonds | 3,155 | 3,390 | - | - | 3,155 | 3,390 |
| Special assessment debt with governmental commitment | <u>515</u> | <u>785</u> | <u>-</u> | <u>-</u> | <u>515</u> | <u>785</u> |
| Total | \$ <u>40,505</u> | <u>36,075</u> | <u>-</u> | <u>-</u> | <u>40,505</u> | <u>36,075</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 and an "A+" rating from Standard and Poor's Ratings Services.

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 \$52,283 which is significantly in excess of the City's net outstanding general obligation debt of \$34,663 applicable to the debt limitation.

Additional information on the City's long-term debt can be found in note 8 on pages 84 - 89 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City is currently 4.9 percent, which is a decrease from the rate of 7.2 percent a year ago. The statewide average is 4.6 percent as compared to the national average of 5.2 percent.
- The revitalization of the City continued with the issuance of 568 building permits with a construction value of \$39 million.

- Inflationary trends in the City are slightly lower than the national average. The change in CPI in the past year for the City was an increase of 1.3 percent versus the national average which increased 1.5 percent.
- Sales tax collections year-to-date in fiscal year 2017 are down 1.4 percent from the previous fiscal year. During the first six months of fiscal year 2017, the City has received \$6,993 in sales tax collections, compared to \$7,092 received during the same period of fiscal year 2016.

All of these factors were considered in preparing the City's budget for the 2017 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund decreased to \$6,628. The City has appropriated \$4,764 of this amount for spending in the 2017 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 Position

September 30, 2016

| | Primary Government | | | Component Units |
|--|----------------------------|-----------------------------|--------------------|--------------------|
| | Governmental Activities | Business-type Activities | Total | |
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 7,826,550 | 8,378,261 | 16,204,811 | 1,390,611 |
| Investments | 1,350,000 | - | 1,350,000 | - |
| Receivables, net: | | | | |
| Taxes | 1,263,423 | - | 1,263,423 | - |
| Accounts | 739,746 | 2,145,997 | 2,885,743 | 985,845 |
| Special assessments | 440,548 | - | 440,548 | - |
| Intergovernmental | 142,695 | 2,667,668 | 2,810,363 | 13,269 |
| Interest | 4,631 | - | 4,631 | 48,721 |
| Contribution | - | - | - | 7,863 |
| Miscellaneous | 96,866 | 6,624 | 103,490 | - |
| Due from component units | 4,570 | - | 4,570 | - |
| Internal balances | (85,895) | 85,895 | - | - |
| Inventory | 52,421 | 625,509 | 677,930 | 418,269 |
| Prepaid items | 254,493 | 69,916 | 324,409 | 49,669 |
| Temporarily restricted assets: | | | | |
| Cash and investments | 17,284,160 | 11,407,833 | 28,691,993 | 116,801 |
| Taxes receivable | 35,365 | - | 35,365 | - |
| Intergovernmental receivables | 806,930 | - | 806,930 | - |
| Leverage loans receivable | - | - | - | 5,691,198 |
| Assets held for resale | 97,802 | - | 97,802 | - |
| Capital assets not being depreciated: | | | | |
| Land | 8,202,705 | 324,320 | 8,527,025 | 2,468,621 |
| Right of ways | 2,600 | 30,610 | 33,210 | - |
| Collections - historical treasures | 141,250 | - | 141,250 | - |
| Construction in progress | 1,086,737 | 2,505,029 | 3,591,766 | 376,874 |
| Capital assets net of accumulated depreciation: | | | | |
| Buildings | 31,993,320 | - | 31,993,320 | 13,641,972 |
| Water and sewer system | - | 28,695,946 | 28,695,946 | - |
| Improvements other than buildings | 2,381,498 | 190,869 | 2,572,367 | 15,145,487 |
| Machinery and equipment | 6,094,370 | 1,539,481 | 7,633,851 | 243,398 |
| Infrastructure | 43,355,297 | - | 43,355,297 | - |
| Total assets | <u>123,572,082</u> | <u>58,673,958</u> | <u>182,246,040</u> | <u>40,598,598</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | | |
| Deferred loss on refundings | 358,531 | - | 358,531 | - |
| Deferred outflows related to net pension liability | <u>10,017,352</u> | <u>1,628,869</u> | <u>11,646,221</u> | <u>892,905</u> |
| Total deferred outflows of resources | <u>10,375,883</u> | <u>1,628,869</u> | <u>12,004,752</u> | <u>892,905</u> |

(Continued)

CITY OF MERIDIAN, MISSISSIPPI

Statement of Net Position

September 30, 2016

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|--------------------|--------------------|
| | Governmental Activities | Business-type Activities | Total | |
| <u>LIABILITIES</u> | | | | |
| Accounts payable and other current liabilities | \$ 1,945,012 | 888,623 | 2,833,635 | 703,606 |
| Accrued interest | 457,726 | - | 457,726 | - |
| Accrued salaries | 486,124 | 115,716 | 601,840 | - |
| Accrued sales tax | - | 15,332 | 15,332 | - |
| Liabilities payable from restricted assets | 2,961,677 | 1,837,569 | 4,799,246 | - |
| Unearned revenue | - | - | - | 3,319 |
| Noncurrent liabilities: | | | | |
| Due within one year: | | | | |
| Bonds, loans and leases payable | 4,176,192 | 26,277 | 4,202,469 | 170,905 |
| Bonds and loans payable from restricted assets | - | 1,245,596 | 1,245,596 | - |
| Compensated absences | 340,872 | 44,859 | 385,731 | 25,379 |
| Claims and judgments | 389,722 | - | 389,722 | - |
| Due in more than one year: | | | | |
| Bonds, loans and leases payable | 38,923,724 | 8,325,523 | 47,249,247 | 2,894,095 |
| Compensated absences | 681,743 | 91,078 | 772,821 | 166,452 |
| Net pension liability | 51,131,326 | 7,864,042 | 58,995,368 | 5,358,749 |
| Total liabilities | 101,494,118 | 20,454,615 | 121,948,733 | 9,322,505 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | |
| Deferred gain on refundings | - | 26,690 | 26,690 | - |
| Deferred inflows related to net pension liability | 583,655 | 100,984 | 684,639 | 14,240 |
| Total deferred inflows of resources | 583,655 | 127,674 | 711,329 | 14,240 |
| <u>NET POSITION</u> | | | | |
| Net investment in capital assets | 65,945,511 | 25,554,894 | 91,500,405 | 30,876,352 |
| Restricted for: | | | | |
| Debt service | 3,488,315 | 7,950,088 | 11,438,403 | - |
| Sowashee Creek maintenance | 292,542 | - | 292,542 | - |
| Construction/acquisition of capital assets | 676,813 | 1,205,484 | 1,882,297 | 116,801 |
| Flood damage repairs | 229,476 | - | 229,476 | - |
| Purposes of grantors/donors | 640,697 | - | 640,697 | - |
| Law enforcement | 1,394 | - | 1,394 | - |
| Unrestricted (deficit) | (39,404,556) | 5,010,072 | (34,394,484) | 1,161,605 |
| Total net position | \$ 31,870,192 | 39,720,538 | 71,590,730 | 32,154,758 |

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, 2016

| <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 | \$ 9,120,009 | 402,350 | - | - |
| Public safety | 16,854,708 | 1,048,556 | 509,978 | 43,939 |
| Public works | 8,459,437 | - | - | 514,832 |
| Culture and recreation | 3,121,931 | 224,747 | 76,193 | 597,825 |
| Economic development | 701 | - | - | - |
| Interest on long-term debt | 1,334,686 | - | - | - |
| Total governmental activities | <u>38,891,472</u> | <u>1,675,653</u> | <u>586,171</u> | <u>1,156,596</u> |
| Business-type activities: | | | | |
| Water and sewer | 10,920,790 | 13,992,613 | - | 1,747,869 |
| Waste collection and disposal | 1,891,379 | 1,867,543 | - | - |
| Golf course | 423,266 | 224,169 | - | - |
| Union Station | 316,658 | 44,553 | - | - |
| Concessions | 35,210 | 26,738 | - | - |
| Total business-type activities | <u>13,587,303</u> | <u>16,155,616</u> | <u>-</u> | <u>1,747,869</u> |
| Total primary government | <u>\$ 52,478,775</u> | <u>17,831,269</u> | <u>586,171</u> | <u>2,904,465</u> |
| Component units: | | | | |
| Meridian Airport Authority | \$ 10,363,775 | 9,784,524 | 65,777 | 378,655 |
| Nonmajor component units | 139,897 | 194,866 | 7,871 | - |
| Total component units | <u>\$ 10,503,672</u> | <u>9,979,390</u> | <u>73,648</u> | <u>378,655</u> |

General revenues:

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

Transfers

Total general revenues and transfers

Change in net position

Net position, October 1, 2015

Net position, September 30, 2016

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

Net (Expense) Revenue and Changes in Net Position

| Primary Government | | | Component Units |
|------------------------------------|-------------------------------------|---------------------|----------------------------|
| Governmental Activities | Business-type Activities | Total | |
| (8,717,659) | - | (8,717,659) | - |
| (15,252,235) | - | (15,252,235) | - |
| (7,944,605) | - | (7,944,605) | - |
| (2,223,166) | - | (2,223,166) | - |
| (701) | - | (701) | - |
| (1,334,686) | - | (1,334,686) | - |
| <u>(35,473,052)</u> | <u>-</u> | <u>(35,473,052)</u> | <u>-</u> |
| - | 4,819,692 | 4,819,692 | - |
| - | (23,836) | (23,836) | - |
| - | (199,097) | (199,097) | - |
| - | (272,105) | (272,105) | - |
| - | (8,472) | (8,472) | - |
| - | <u>4,316,182</u> | <u>4,316,182</u> | <u>-</u> |
| <u>(35,473,052)</u> | <u>4,316,182</u> | <u>(31,156,870)</u> | <u>-</u> |
| - | - | - | (134,819) |
| - | - | - | <u>62,840</u> |
| - | - | - | <u>(71,979)</u> |
| 14,932,624 | 15,805 | 14,948,429 | - |
| 14,431,185 | - | 14,431,185 | - |
| 2,554,711 | - | 2,554,711 | - |
| 714,242 | - | 714,242 | - |
| 30,584 | - | 30,584 | - |
| 69,770 | - | 69,770 | - |
| 77,643 | 122,886 | 200,529 | 2,952 |
| <u>(1,435,489)</u> | <u>1,435,489</u> | <u>-</u> | <u>-</u> |
| <u>31,375,270</u> | <u>1,574,180</u> | <u>32,949,450</u> | <u>2,952</u> |
| (4,097,782) | 5,890,362 | 1,792,580 | (69,027) |
| <u>35,967,974</u> | <u>33,830,176</u> | <u>69,798,150</u> | <u>32,223,785</u> |
| \$ <u>31,870,192</u> | <u>39,720,538</u> | <u>71,590,730</u> | <u>32,154,758</u> |

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CITY OF MERIDIAN, MISSISSIPPI

Balance Sheet
Governmental Funds
September 30, 2016

| | <u>General</u> | <u>Debt Service</u> | <u>Special Revenue</u> | <u>2016 General Obligation Bonds</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------|----------------------|-------------------------|----------------------------|--|--|---|
| <u>ASSETS</u> | | | | | | |
| Cash and cash equivalents | \$ 6,971,531 | - | 6,829 | - | - | 6,978,360 |
| Investments | 1,350,000 | - | - | - | - | 1,350,000 |
| Receivables, net: | | | | | | |
| Taxes | 1,263,423 | - | - | - | - | 1,263,423 |
| Accounts | 739,746 | - | - | - | - | 739,746 |
| Intergovernmental | 142,695 | - | - | - | - | 142,695 |
| Interest | 856 | 3,775 | - | - | - | 4,631 |
| Miscellaneous | 79,992 | - | - | - | - | 79,992 |
| Due from other funds | 266,620 | - | 52,678 | - | - | 319,298 |
| Due from component units | 4,570 | - | - | - | - | 4,570 |
| Prepaid items | 221,134 | - | - | - | - | 221,134 |
| Asset held for resale | 97,802 | - | - | - | - | 97,802 |
| Restricted assets: | | | | | | |
| Cash and cash equivalents | 284,983 | 3,509,401 | 2,331,578 | 7,329,038 | 3,429,160 | 16,884,160 |
| Investments | - | 400,000 | - | - | - | 400,000 |
| Receivables, net: | | | | | | |
| Taxes | - | 35,365 | - | - | - | 35,365 |
| Special assessments receivable | - | 440,548 | - | - | - | 440,548 |
| Intergovernmental receivables | - | - | 388,630 | - | 418,300 | 806,930 |
| Total assets | \$ 11,423,352 | 4,389,089 | 2,779,715 | 7,329,038 | 3,847,460 | 29,768,654 |

(Continued)

CITY OF MERIDIAN, MISSISSIPPI

Balance Sheet
Governmental Funds
September 30, 2016

| | <u>General</u> | <u>Debt Service</u> | <u>Special Revenue</u> | <u>2016 General Obligation Bonds</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|-------------------------|----------------------------|--|--|---|
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u> | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 998,059 | - | 1,403 | - | - | 999,462 |
| Accrued salaries | 486,124 | - | - | - | - | 486,124 |
| Due to other funds | 673,172 | - | 24,139 | - | 97,106 | 794,417 |
| Liabilities payable from restricted assets: | | | | | | |
| Accounts payable | - | 2,500 | 1,729,386 | 356,606 | 566,484 | 2,654,976 |
| Deposits payable | 284,983 | - | - | - | - | 284,983 |
| Unearned revenue | - | - | 21,718 | - | - | 21,718 |
| Total liabilities | <u>2,442,338</u> | <u>2,500</u> | <u>1,776,646</u> | <u>356,606</u> | <u>663,590</u> | <u>5,241,680</u> |
| Deferred inflows of resources - | | | | | | |
| Unavailable revenue - special assessments | - | 440,548 | - | - | - | 440,548 |
| Fund balances: | | | | | | |
| Nonspendable: | | | | | | |
| Prepaid items | 221,134 | - | - | - | - | 221,134 |
| Asset held for resale | 97,802 | - | - | - | - | 97,802 |
| Restricted for: | | | | | | |
| Sowashee Creek maintenance | - | - | - | - | 292,542 | 292,542 |
| Construction/acquisition of capital assets | - | - | - | - | 1,469,589 | 1,469,589 |
| Flood damage repairs | - | - | - | - | 229,476 | 229,476 |
| Paving and sidewalk projects | - | - | - | 6,972,432 | 1,192,263 | 8,164,695 |
| Debt service | - | 3,946,041 | - | - | - | 3,946,041 |
| Purposes of grantors/donors | - | - | 640,697 | - | - | 640,697 |
| Law enforcement | - | - | 1,394 | - | - | 1,394 |
| Committed to: | | | | | | |
| Construction/acquisition of capital assets | 96,402 | - | - | - | - | 96,402 |
| Urban renewal and redevelopment | - | - | 345,556 | - | - | 345,556 |
| Assigned to: | | | | | | |
| General government activities | 1,041,685 | - | - | - | - | 1,041,685 |
| Public safety | - | - | 6,829 | - | - | 6,829 |
| Public works | 777,565 | - | - | - | - | 777,565 |
| Sports events and other recreation | 118,172 | - | 8,593 | - | - | 126,765 |
| Unassigned | <u>6,628,254</u> | - | - | - | - | <u>6,628,254</u> |
| Total fund balances | <u>8,981,014</u> | <u>3,946,041</u> | <u>1,003,069</u> | <u>6,972,432</u> | <u>3,183,870</u> | <u>24,086,426</u> |
| Total liabilities, deferred inflows of resources, and fund balances | \$ <u>11,423,352</u> | <u>4,389,089</u> | <u>2,779,715</u> | <u>7,329,038</u> | <u>3,847,460</u> | <u>29,768,654</u> |

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

CITY OF MERIDIAN, MISSISSIPPI
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2016

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

| | |
|--|-----------------------------|
| Fund balances - total governmental funds | \$ 24,086,426 |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. | 93,257,777 |
| 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. | 440,548 |
| Long-term liabilities, including related deferred outflows and deferred inflows, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet. | (86,275,718) |
| 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 position (net of amount allocated to business-type activities of \$30,063). | <u>361,159</u> |
| Net position of governmental activities | \$ <u>31,870,192</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, 2016

| | <u>General</u> | <u>Debt Service</u> | <u>Special Revenue</u> | <u>2016 General Obligation Bonds</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-------------------------|----------------------------|--|--|---|
| Revenues: | | | | | | |
| Taxes: | | | | | | |
| Property | \$ 10,153,490 | 4,599,772 | - | - | - | 14,753,262 |
| Sales | 14,431,185 | - | - | - | - | 14,431,185 |
| Franchise | 2,554,711 | - | - | - | - | 2,554,711 |
| County road | 714,242 | - | - | - | - | 714,242 |
| Motor fuel | 30,584 | - | - | - | - | 30,584 |
| Licenses and permits | 299,100 | - | - | - | - | 299,100 |
| Intergovernmental | 333,674 | - | 415,775 | - | 843,693 | 1,593,142 |
| Charges for services | 224,747 | - | - | - | - | 224,747 |
| Fines and forfeitures | 786,624 | - | 261,932 | - | - | 1,048,556 |
| Special assessments | - | 73,717 | - | - | - | 73,717 |
| Payments in lieu of taxes | 137,153 | - | - | - | - | 137,153 |
| Local contributions | - | - | 83,803 | - | - | 83,803 |
| Interest on investments | 38,253 | 18,128 | 1,490 | 10,268 | 9,504 | 77,643 |
| Interest costs and damages | 58,812 | - | - | - | - | 58,812 |
| Miscellaneous | 136,212 | - | 12,954 | - | - | 149,166 |
| Total revenues | <u>29,898,787</u> | <u>4,691,617</u> | <u>775,954</u> | <u>10,268</u> | <u>853,197</u> | <u>36,229,823</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 7,629,287 | - | - | - | - | 7,629,287 |
| Public safety | 16,882,114 | - | 745,108 | - | - | 17,627,222 |
| Public works | 4,977,267 | - | - | - | - | 4,977,267 |
| Culture and recreation | 2,902,195 | - | 23,039 | - | - | 2,925,234 |
| Economic development | - | - | 701 | - | - | 701 |
| Capital outlay | - | - | - | 390,614 | 1,651,575 | 2,042,189 |
| Debt service: | | | | | | |
| Principal retirement | 90,305 | 3,152,963 | - | - | - | 3,243,268 |
| Interest and fiscal charges | 6,847 | 1,384,952 | - | - | - | 1,391,799 |
| Bond issuance costs | - | - | - | 147,222 | - | 147,222 |
| Total expenditures | <u>32,488,015</u> | <u>4,537,915</u> | <u>768,848</u> | <u>537,836</u> | <u>1,651,575</u> | <u>39,984,189</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,589,228)</u> | <u>153,702</u> | <u>7,106</u> | <u>(527,568)</u> | <u>(798,378)</u> | <u>(3,754,366)</u> |
| Other financing sources (uses): | | | | | | |
| Transfers in | 645,500 | 437,600 | 5,000 | - | 1,952,826 | 3,040,926 |
| Transfers out | (1,428,949) | - | - | - | (2,924,807) | (4,353,756) |
| General obligation bonds issued | - | - | - | 7,500,000 | - | 7,500,000 |
| Loan proceeds | 1,078,338 | - | - | - | 938,177 | 2,016,515 |
| Total other financing sources (uses) | <u>294,889</u> | <u>437,600</u> | <u>5,000</u> | <u>7,500,000</u> | <u>(33,804)</u> | <u>8,203,685</u> |
| Net change in fund balances | <u>(2,294,339)</u> | <u>591,302</u> | <u>12,106</u> | <u>6,972,432</u> | <u>(832,182)</u> | <u>4,449,319</u> |
| Fund balances, October 1, 2015 | <u>11,275,353</u> | <u>3,354,739</u> | <u>990,963</u> | <u>-</u> | <u>4,016,052</u> | <u>19,637,107</u> |
| Fund balances, September 30, 2016 | <u>\$ 8,981,014</u> | <u>3,946,041</u> | <u>1,003,069</u> | <u>6,972,432</u> | <u>3,183,870</u> | <u>24,086,426</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, 2016

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

| | |
|--|------------------------------|
| Net change in fund balances - total governmental funds | \$ 4,449,319 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. | (325,406) |
| 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. | 135,592 |
| 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. | (43,259) |
| Governmental funds do not report contributions of capital assets to enterprise funds because they do not require the use of current financial resources. However, in the statement of activities the net carrying amount of these contributions are recorded as transfers. | (167,659) |
| Special assessment revenues related to prior periods reported as revenues in the governmental funds are not reported as revenues in the statement of activities. | (90,320) |
| 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 position. Also, governmental funds report the effect of 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. | (6,263,976) |
| Governmental funds report pension plan payments as expenditures as paid, whereas these amounts along with other changes in the net pension liability are deferred and amortized in the statement of activities. | (1,474,586) |
| 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. | (335,640) |
| Internal service funds are used to charge the costs of certain activities, such as garage services, office supplies, and unemployment compensation to individual funds. The net loss of the internal service funds are reported with governmental activities (net of amount allocated to business-type activities of \$1,022). | <u>18,153</u> |
| Change in net position of governmental activities | \$ <u>(4,097,782)</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, 2016

| | <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 | \$ 9,530,177 | 9,530,177 | 10,068,396 | 538,219 |
| Sales | 14,600,000 | 14,600,000 | 14,184,075 | (415,925) |
| County road | 700,000 | 700,000 | 713,473 | 13,473 |
| Gasoline | 25,000 | 25,000 | 30,584 | 5,584 |
| Payment in lieu of taxes | 100,000 | 100,000 | 124,857 | 24,857 |
| Intergovernmental: | | | | |
| Alcoholic beverage | 50,000 | 50,000 | 50,675 | 675 |
| State Fire Insurance Fund | 210,000 | 210,000 | 263,904 | 53,904 |
| Municipal aid | 20,000 | 20,000 | 20,520 | 520 |
| Franchise: | | | | |
| Mississippi Power Company | 2,000,000 | 2,000,000 | 1,971,620 | (28,380) |
| Atmos Energy | 130,000 | 130,000 | 124,831 | (5,169) |
| Comcast Cable Company | 450,000 | 450,000 | 461,227 | 11,227 |
| East Mississippi Electric Power Assn. | 50,000 | 50,000 | 52,848 | 2,848 |
| Contact Network, Inc. | - | - | 5,511 | 5,511 |
| Telepak Networks, Inc. | - | - | 7,616 | 7,616 |
| Fines and forfeitures | 1,000,000 | 1,000,000 | 786,624 | (213,376) |
| Licenses and permits: | | | | |
| Privilege license | 140,000 | 140,000 | 133,825 | (6,175) |
| Building and allied permits | 110,000 | 110,000 | 165,275 | 55,275 |
| Charges for services: | | | | |
| Garbage collection | 1,865,000 | 1,865,000 | 1,844,925 | (20,075) |
| Recreation | 125,000 | 125,000 | 104,704 | (20,296) |
| Enterprise Funds | 645,500 | 645,500 | 645,500 | - |
| Training fees | 91,901 | 74,041 | 109,966 | 35,925 |
| Miscellaneous | 325,000 | 325,000 | 233,528 | (91,472) |
| Interest on investments | 50,000 | 50,000 | 37,991 | (12,009) |
| Interest costs and damages | 100,000 | 100,000 | 123,505 | 23,505 |
| Total revenues | <u>32,317,578</u> | <u>32,299,718</u> | <u>32,265,980</u> | <u>(33,738)</u> |
| Expenditures: | | | | |
| General government: | | | | |
| Personnel services | 1,491,330 | 1,338,330 | 1,247,183 | 91,147 |
| Supplies and expenses | 1,024,717 | 1,248,717 | 1,073,990 | 174,727 |
| Transfers and other charges | <u>3,051,940</u> | <u>1,125,552</u> | <u>758,000</u> | <u>367,552</u> |
| Total general government | <u>5,567,987</u> | <u>3,712,599</u> | <u>3,079,173</u> | <u>633,426</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, 2016

| | <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 | \$ 1,218,761 | 1,218,761 | 1,207,737 | 11,024 |
| Supplies and expenses | 1,470,118 | 1,720,118 | 1,673,733 | 46,385 |
| Capital outlay | 62,000 | 192,000 | 146,498 | 45,502 |
| Transfers and other charges | 35,000 | 55,000 | 53,188 | 1,812 |
| Total finance and records | <u>2,785,879</u> | <u>3,185,879</u> | <u>3,081,156</u> | <u>104,723</u> |
| Community development: | | | | |
| Personnel services | 1,279,813 | 1,329,813 | 1,319,411 | 10,402 |
| Supplies and expenses | 261,789 | 263,789 | 204,508 | 59,281 |
| Capital outlay | 46,100 | 46,100 | 23,430 | 22,670 |
| Transfers and other charges | 288,132 | 440,932 | 410,931 | 30,001 |
| Total community development | <u>1,875,834</u> | <u>2,080,634</u> | <u>1,958,280</u> | <u>122,354</u> |
| Parks and recreation: | | | | |
| Personnel services | 1,646,933 | 1,741,933 | 1,729,871 | 12,062 |
| Supplies and expenses | 773,290 | 948,638 | 936,263 | 12,375 |
| Capital outlay | 53,700 | 197,600 | 181,803 | 15,797 |
| Transfers and other charges | 375,000 | 577,852 | 577,852 | - |
| Total parks and recreation | <u>2,848,923</u> | <u>3,466,023</u> | <u>3,425,789</u> | <u>40,234</u> |
| Public works: | | | | |
| Personnel services | 3,372,397 | 3,272,397 | 3,189,966 | 82,431 |
| Supplies and expenses | 1,432,651 | 1,442,729 | 1,405,768 | 36,961 |
| Capital outlay | 607,480 | 850,657 | 845,539 | 5,118 |
| Transfers and other charges | 1,958,000 | 2,024,488 | 1,964,556 | 59,932 |
| Total public works | <u>7,370,528</u> | <u>7,590,271</u> | <u>7,405,829</u> | <u>184,442</u> |
| Police: | | | | |
| Personnel services | 6,194,586 | 5,994,586 | 5,879,694 | 114,892 |
| Supplies and expenses | 1,875,884 | 1,885,884 | 1,692,545 | 193,339 |
| Capital outlay | 455,250 | 455,250 | 436,789 | 18,461 |
| Transfers and other charges | 61,000 | 61,000 | 23,500 | 37,500 |
| Total police | <u>8,586,720</u> | <u>8,396,720</u> | <u>8,032,528</u> | <u>364,192</u> |
| Fire: | | | | |
| Personnel services | 6,106,328 | 6,456,328 | 6,388,606 | 67,722 |
| Supplies and expenses | 824,845 | 892,705 | 729,733 | 162,972 |
| Capital outlay | 229,333 | 434,333 | 329,172 | 105,161 |
| Transfers and other charges | 16,450 | 16,450 | 13,550 | 2,900 |
| Total fire | <u>7,176,956</u> | <u>7,799,816</u> | <u>7,461,061</u> | <u>338,755</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, 2016

| | Budgeted Amounts | | Actual | Variance with |
|---|-----------------------|--------------------|--|---|
| | <u>Original</u> | <u>Final</u> | (Budgetary Basis) <u>Amounts</u> | Final Budget - Positive (Negative) <u></u> |
| Expenditures (continued): | | | | |
| Public Safety & Training Facility: | | | | |
| Personnel services | \$ 235,458 | 235,458 | 221,013 | 14,445 |
| Supplies and expenses | 149,661 | 211,452 | 169,760 | 41,692 |
| Capital outlay | - | 12,000 | 6,523 | 5,477 |
| Total public safety & training facility | <u>385,119</u> | <u>458,910</u> | <u>397,296</u> | <u>61,614</u> |
| Arts District Parking Garage - Supplies and expenses | <u>60,109</u> | <u>61,109</u> | <u>60,329</u> | <u>780</u> |
| Total expenditures | <u>36,658,055</u> | <u>36,751,961</u> | <u>34,901,441</u> | <u>1,850,520</u> |
| Net change in fund balances | \$ <u>(4,340,477)</u> | <u>(4,452,243)</u> | (2,635,461) | <u>1,816,782</u> |
| Fund balances, October 1, 2015 | | | <u>11,541,786</u> | |
| Fund balances, September 30, 2016 | | | \$ <u>8,906,325</u> | |

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

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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, 2016

| | Budgeted Amounts | | Actual | Variance with |
|--|-------------------------|---------------------|-----------------------|-----------------------|
| | <u>Original</u> | <u>Final</u> | (Budgetary | Final Budget - |
| | | | Basis) | Positive |
| | | | <u>Amounts</u> | (Negative) |
| Revenues | \$ 1,320,000 | 1,320,000 | 677,505 | (642,495) |
| Expenditures - | | | | |
| Project costs | <u>3,000,000</u> | <u>3,000,000</u> | <u>761,570</u> | <u>2,238,430</u> |
| Net change in fund balances | \$ <u>(1,680,000)</u> | <u>(1,680,000)</u> | (84,065) | <u>1,595,935</u> |
| Fund balances, October 1, 2015 | | | <u>1,012,292</u> | |
| Fund balances, September 30, 2016 | | | \$ <u>928,227</u> | |

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

CITY OF MERIDIAN, MISSISSIPPI
Statement of Net Position
Proprietary Funds
September 30, 2016

| | 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 | \$ 7,837,661 | 441,104 | 99,496 | 8,378,261 | 848,190 |
| Restricted cash, cash equivalents and investments: | | | | | |
| Customer deposits | 932,908 | - | - | 932,908 | - |
| Revenue bond construction funds | 1,413,177 | - | - | 1,413,177 | - |
| Other construction funds | 946,059 | - | - | 946,059 | - |
| Revenue bond debt service account | 7,957,961 | - | - | 7,957,961 | - |
| Receivables: | | | | | |
| Accounts | 2,363,415 | 221,436 | - | 2,584,851 | - |
| Less allowance for uncollectibles | (438,854) | - | - | (438,854) | - |
| Intergovernmental | 2,667,668 | - | - | 2,667,668 | - |
| Miscellaneous | - | - | 6,624 | 6,624 | 16,874 |
| Due from other funds | 2,076 | 4,436 | 271,109 | 277,621 | 419,287 |
| Inventory | 619,193 | - | 6,316 | 625,509 | 52,421 |
| Prepaid items | 67,832 | - | 2,084 | 69,916 | - |
| Total current assets | 24,369,096 | 666,976 | 385,629 | 25,421,701 | 1,336,772 |
| Noncurrent assets: | | | | | |
| Restricted cash, cash equivalents and investments: | | | | | |
| Revenue bond contingent account | 78,864 | - | - | 78,864 | - |
| Revenue bond depreciation account | 78,864 | - | - | 78,864 | - |
| Total restricted cash, cash equivalents and investments | 157,728 | - | - | 157,728 | - |
| Capital assets: | | | | | |
| Land | 324,320 | - | - | 324,320 | - |
| Right of ways | 30,610 | - | - | 30,610 | - |
| Buildings | - | - | 126,628 | 126,628 | - |
| Water and sewer system | 104,719,031 | - | - | 104,719,031 | - |
| Improvements other than buildings | - | - | 438,053 | 438,053 | - |
| Machinery and equipment | 4,870,860 | 19,626 | 361,884 | 5,252,370 | - |
| Construction in progress | 2,505,029 | - | - | 2,505,029 | - |
| Total capital assets | 112,449,850 | 19,626 | 926,565 | 113,396,041 | - |
| Less accumulated depreciation | (79,430,229) | (17,663) | (661,894) | (80,109,786) | - |
| Capital assets (net of accumulated depreciation) | 33,019,621 | 1,963 | 264,671 | 33,286,255 | - |
| Total noncurrent assets | 33,177,349 | 1,963 | 264,671 | 33,443,983 | - |
| Total assets | 57,546,445 | 668,939 | 650,300 | 58,865,684 | 1,336,772 |

DEFERRED OUTFLOWS OF RESOURCES

| | | | | | |
|--|-----------|--------|---------|-----------|---|
| Deferred outflows related to net pension liability | 1,437,336 | 27,583 | 163,950 | 1,628,869 | - |
|--|-----------|--------|---------|-----------|---|

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
Statement of Net Position
Proprietary Funds
September 30, 2016

| | 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>Funds</u> |
| <u>LIABILITIES</u> | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 695,402 | 178,233 | 14,988 | 888,623 | 945,550 |
| Liabilities payable from restricted assets: | | | | | |
| Customer deposits | 932,908 | - | - | 932,908 | - |
| Accounts payable | 739,060 | - | - | 739,060 | - |
| Promissory loans | 1,245,596 | - | - | 1,245,596 | - |
| Interest payable | 165,601 | - | - | 165,601 | - |
| Accrued liabilities: | | | | | |
| Payroll | 83,703 | 6,560 | 25,453 | 115,716 | - |
| Compensated absences | 44,859 | - | - | 44,859 | - |
| Sales tax | 13,793 | - | 1,539 | 15,332 | - |
| Due to other funds | 73,737 | 601 | 147,451 | 221,789 | - |
| Current portion of capital leases | 26,191 | - | 86 | 26,277 | - |
| Total current liabilities | 4,020,850 | 185,394 | 189,517 | 4,395,761 | 945,550 |
| Noncurrent liabilities: | | | | | |
| Compensated absences | 91,078 | - | - | 91,078 | - |
| Promissory loans (plus unamortized premium of \$529,282) | 8,325,523 | - | - | 8,325,523 | - |
| Net pension liability | 6,949,922 | 133,005 | 781,115 | 7,864,042 | - |
| Total noncurrent liabilities | 15,366,523 | 133,005 | 781,115 | 16,280,643 | - |
| Total liabilities | 19,387,373 | 318,399 | 970,632 | 20,676,404 | 945,550 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | | |
| Deferred gain on refundings | 26,690 | - | - | 26,690 | - |
| Deferred inflows related to net pension liability | 89,003 | 1,711 | 10,270 | 100,984 | - |
| Total deferred inflows of resources | 115,693 | 1,711 | 10,270 | 127,674 | - |
| <u>NET POSITION</u> | | | | | |
| Net investment in capital assets | 25,288,346 | 1,963 | 264,585 | 25,554,894 | - |
| Restricted for: | | | | | |
| Debt service | 7,950,088 | - | - | 7,950,088 | - |
| Capital projects | 1,205,484 | - | - | 1,205,484 | - |
| Unrestricted (deficit) | 5,036,797 | 374,449 | (431,237) | 4,980,009 | 391,222 |
| Total net position | \$ 39,480,715 | 376,412 | (166,652) | 39,690,475 | 391,222 |
| Reconciliation to government-wide statement of net position: | | | | | |
| Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds | | | | 30,063 | |
| Net position of business-type activities | | | | \$ 39,720,538 | |

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 Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2016

| | 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 | \$ 6,774,282 | - | - | 6,774,282 | - |
| Sewer charges | 6,661,853 | - | - | 6,661,853 | - |
| Tap fees | 32,345 | - | - | 32,345 | - |
| Garbage collection fees | - | 1,819,116 | - | 1,819,116 | - |
| Out-of-county tonnage | - | 48,427 | - | 48,427 | - |
| Memberships | - | - | 36,975 | 36,975 | - |
| Green fees | - | - | 71,451 | 71,451 | - |
| Cart rental | - | - | 59,259 | 59,259 | - |
| Concessions | - | - | 82,563 | 82,563 | - |
| Internal service charges | - | - | - | - | 4,103,222 |
| Rental income | - | - | 44,553 | 44,553 | - |
| Miscellaneous | 524,133 | - | 659 | 524,792 | 17,545 |
| Total operating revenues | <u>13,992,613</u> | <u>1,867,543</u> | <u>295,460</u> | <u>16,155,616</u> | <u>4,120,767</u> |
| Operating expenses: | | | | | |
| Personnel services | 3,667,359 | 69,408 | 407,459 | 4,144,226 | - |
| Supplies and materials | 503,082 | 1,161 | 77,767 | 582,010 | 516,170 |
| Rent and utilities | 1,173,041 | 651 | 77,706 | 1,251,398 | - |
| Operation, maintenance, and repairs | 780,703 | 1,204 | 88,208 | 870,115 | 32,149 |
| Garbage disposal services | - | 1,815,092 | - | 1,815,092 | - |
| Depreciation and amortization | 2,536,194 | - | 18,450 | 2,554,644 | - |
| Claims paid | - | - | - | - | 3,603,467 |
| Miscellaneous | 1,951,710 | 3,863 | 105,528 | 2,061,101 | - |
| Total operating expenses | <u>10,612,089</u> | <u>1,891,379</u> | <u>775,118</u> | <u>13,278,586</u> | <u>4,151,786</u> |
| Operating income (loss) | <u>3,380,524</u> | <u>(23,836)</u> | <u>(479,658)</u> | <u>2,877,030</u> | <u>(31,019)</u> |
| Nonoperating revenues (expenses): | | | | | |
| Ad valorem taxes | - | 15,805 | - | 15,805 | - |
| Interest income | 121,032 | 1,521 | 333 | 122,886 | 3,150 |
| Interest expense | (292,167) | - | (16) | (292,183) | - |
| Loss on disposal of capital asset | (15,512) | - | - | (15,512) | - |
| Total nonoperating revenues (expenses) | <u>(186,647)</u> | <u>17,326</u> | <u>317</u> | <u>(169,004)</u> | <u>3,150</u> |
| Income (loss) before capital contributions and transfers | <u>3,193,877</u> | <u>(6,510)</u> | <u>(479,341)</u> | <u>2,708,026</u> | <u>(27,869)</u> |
| Capital contributions and transfers: | | | | | |
| Capital contributions | 1,747,869 | - | 167,659 | 1,915,528 | - |
| Transfers in | 1,386,726 | - | 526,604 | 1,913,330 | 45,000 |
| Transfers out | (601,500) | (44,000) | - | (645,500) | - |
| Total capital contributions and transfers | <u>2,533,095</u> | <u>(44,000)</u> | <u>694,263</u> | <u>3,183,358</u> | <u>45,000</u> |
| Change in net position | <u>5,726,972</u> | <u>(50,510)</u> | <u>214,922</u> | <u>5,891,384</u> | <u>17,131</u> |
| Net position, October 1, 2015 | <u>33,753,743</u> | <u>426,922</u> | <u>(381,574)</u> | | <u>374,091</u> |
| Net position, September 30, 2016 | <u>\$ 39,480,715</u> | <u>376,412</u> | <u>(166,652)</u> | | <u>391,222</u> |
| Reconciliation to government-wide statement of activities: | | | | | |
| Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds | | | | (1,022) | |
| Change in net position of business-type activities | | | | <u>\$ 5,890,362</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, 2016

| | 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> | |
| Cash flows from operating activities: | | | | | |
| Receipts from customers and users | \$ 13,966,240 | 1,844,511 | 298,989 | 16,109,740 | - |
| Receipts from internal users | - | - | - | - | 3,776,597 |
| Payments to suppliers | (4,072,809) | (1,917,528) | (297,935) | (6,288,272) | (3,744,759) |
| Payments to employees | (3,365,026) | (61,021) | (360,636) | (3,786,683) | - |
| Net cash provided by (used in) operating activities | <u>6,528,405</u> | <u>(134,038)</u> | <u>(359,582)</u> | <u>6,034,785</u> | <u>31,838</u> |
| Cash flows from noncapital financing activities: | | | | | |
| Ad valorem taxes received | - | 15,805 | - | 15,805 | - |
| Transfers to other funds | (601,500) | (44,000) | - | (645,500) | - |
| Transfers from other funds | <u>1,386,726</u> | <u>-</u> | <u>364,524</u> | <u>1,751,250</u> | <u>45,000</u> |
| Net cash provided by (used in) noncapital financing activities | <u>785,226</u> | <u>(28,195)</u> | <u>364,524</u> | <u>1,121,555</u> | <u>45,000</u> |
| Cash flows from capital and related financing activities: | | | | | |
| Acquisition and construction of capital assets | (4,812,447) | - | (19,678) | (4,832,125) | - |
| Payments on long-term debt: | | | | | |
| Promissory notes | (1,525,000) | - | - | (1,525,000) | - |
| Capital lease payments | (101,011) | - | (332) | (101,343) | - |
| Interest paid on debt | <u>(345,133)</u> | <u>-</u> | <u>(16)</u> | <u>(345,149)</u> | <u>-</u> |
| Net cash used in capital and related financing activities | <u>(6,783,591)</u> | <u>-</u> | <u>(20,026)</u> | <u>(6,803,617)</u> | <u>-</u> |
| Cash flows from investing activities - | | | | | |
| Interest received | <u>121,032</u> | <u>1,521</u> | <u>333</u> | <u>122,886</u> | <u>3,150</u> |
| Net increase (decrease) in cash and cash equivalents | 651,072 | (160,712) | (14,751) | 475,609 | 79,988 |
| Cash and cash equivalents, October 1, 2015 (including \$11,317,617 in restricted accounts) | <u>18,594,422</u> | <u>601,816</u> | <u>114,247</u> | <u>19,310,485</u> | <u>768,202</u> |
| Cash and cash equivalents, September 30, 2016 (including \$11,407,833 in restricted accounts) | \$ <u>19,245,494</u> | <u>441,104</u> | <u>99,496</u> | <u>19,786,094</u> | <u>848,190</u> |

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2016

| | 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>Funds</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Operating income (loss) | \$ <u>3,380,524</u> | <u>(23,836)</u> | <u>(479,658)</u> | <u>2,877,030</u> | <u>(31,019)</u> |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Depreciation and amortization | 2,536,194 | - | 18,450 | 2,554,644 | - |
| Changes in assets and liabilities: | | | | | |
| Accounts receivable | (66,607) | (23,594) | 3,529 | (86,672) | - |
| Receivables - miscellaneous | - | - | - | - | (16,874) |
| Due from other funds | (2,076) | 562 | - | (1,514) | (327,296) |
| Inventory | (10,751) | - | 11,433 | 682 | 2,026 |
| Prepaid items | 5,046 | - | (48) | 4,998 | - |
| Deferred outflows related to net pension liability | (504,968) | (9,690) | (57,571) | (572,229) | - |
| Accounts payable | 289,025 | (96,158) | (42,815) | 150,052 | 405,001 |
| Accrued liabilities | (75,681) | 990 | 232 | (74,459) | - |
| Customer deposits | 42,310 | - | - | 42,310 | - |
| Due to other funds | 50,663 | 601 | 82,446 | 133,710 | - |
| Deferred inflows related to net pension liability | (26,375) | (508) | 107,463 | 80,580 | - |
| Net pension liability | 911,101 | 17,595 | (3,043) | 925,653 | - |
| Total adjustments | <u>3,147,881</u> | <u>(110,202)</u> | <u>120,076</u> | <u>3,157,755</u> | <u>62,857</u> |
| Net cash provided by (used in) operating activities | \$ <u>6,528,405</u> | <u>(134,038)</u> | <u>(359,582)</u> | <u>6,034,785</u> | <u>31,838</u> |
| Noncash investing, capital, and financing activities: | | | | | |
| Amortization of debt premium/discount | \$ <u>(63,514)</u> | <u>-</u> | <u>-</u> | <u>(63,514)</u> | <u>-</u> |
| Amortization of gain/loss on debt refunding | \$ <u>(2,859)</u> | <u>-</u> | <u>-</u> | <u>(2,859)</u> | <u>-</u> |
| Capital assets transferred from the general fund | \$ <u>-</u> | <u>-</u> | <u>167,659</u> | <u>167,659</u> | <u>-</u> |
| Capital assets contributed by developers | \$ <u>81,086</u> | <u>-</u> | <u>-</u> | <u>81,086</u> | <u>-</u> |

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

CITY OF MERIDIAN, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
September 30, 2016

| | <u>Agency Funds</u> |
|---|--------------------------------|
| <u>ASSETS</u> | |
| Cash and cash equivalents | \$ 1,365,363 |
| Intergovernmental receivables - County | <u>193,885</u> |
| Total assets | \$ <u>1,559,248</u> |
| <u>LIABILITIES</u> | |
| Intergovernmental payables: | |
| Schools | \$ 1,324,238 |
| PERS | 195,880 |
| State | <u>39,130</u> |
| Total liabilities | \$ <u>1,559,248</u> |

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

CITY OF MERIDIAN, MISSISSIPPI

Statement of Net Position

Component Units

September 30, 2016

| | <u>Meridian Airport Authority</u> | <u>Nonmajor Component Units</u> | <u>Total Component Units</u> |
|--|---|---|--------------------------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 1,321,574 | 69,037 | 1,390,611 |
| Receivables: | | | |
| Accounts | 985,845 | - | 985,845 |
| Intergovernmental: | | | |
| Federal | 9,364 | - | 9,364 |
| State | 3,905 | - | 3,905 |
| Interest | - | 48,721 | 48,721 |
| Contribution | - | 7,863 | 7,863 |
| Inventory | 418,269 | - | 418,269 |
| Prepaid items | 49,669 | - | 49,669 |
| Restricted assets - cash | 116,801 | - | 116,801 |
| MLEC leverage loans receivable | - | 5,691,198 | 5,691,198 |
| Capital assets not being depreciated: | | | |
| Land | 2,468,621 | - | 2,468,621 |
| Construction in progress | 376,874 | - | 376,874 |
| Capital assets (net of accumulated depreciation): | | | |
| Buildings | 13,641,972 | - | 13,641,972 |
| Improvements other than buildings | 15,145,487 | - | 15,145,487 |
| Machinery and equipment | 243,398 | - | 243,398 |
| Total assets | 34,781,779 | 5,816,819 | 40,598,598 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Deferred outflows related to net pension liability | 892,905 | - | 892,905 |
| <u>LIABILITIES</u> | | | |
| Accounts payable | 641,705 | 33,504 | 675,209 |
| Accrued liabilities | - | 28,397 | 28,397 |
| Unearned revenue | 3,319 | - | 3,319 |
| Noncurrent liabilities: | | | |
| Due within one year - | | | |
| Note payable | 87,916 | 82,989 | 170,905 |
| Compensated absences | 25,379 | - | 25,379 |
| Due in more than one year: | | | |
| Note payable | 912,084 | 1,982,011 | 2,894,095 |
| Compensated absences | 166,452 | - | 166,452 |
| Net pension liability | 5,358,749 | - | 5,358,749 |
| Total liabilities | 7,195,604 | 2,126,901 | 9,322,505 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Deferred inflows related to net pension liability | 14,240 | - | 14,240 |
| <u>NET POSITION</u> | | | |
| Invested in capital assets, net of related debt | 30,876,352 | - | 30,876,352 |
| Restricted for capital projects | 116,801 | - | 116,801 |
| Unrestricted (deficit) | (2,528,313) | 3,689,918 | 1,161,605 |
| Total net position | \$ 28,464,840 | 3,689,918 | 32,154,758 |

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, 2016

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|----------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Meridian Airport Authority | Nonmajor Component Units | Total |
| Component units: | | | | | | | |
| Meridian Airport Authority | \$ 10,363,775 | 9,784,524 | 65,777 | 378,655 | (134,819) | - | (134,819) |
| Nonmajor component units | <u>139,897</u> | <u>194,866</u> | <u>7,871</u> | <u>-</u> | <u>-</u> | <u>62,840</u> | <u>62,840</u> |
| Total component units | \$ <u>10,503,672</u> | <u>9,979,390</u> | <u>73,648</u> | <u>378,655</u> | (134,819) | 62,840 | (71,979) |
| General revenues - | | | | | | | |
| Interest income | | | | | <u>2,911</u> | <u>41</u> | <u>2,952</u> |
| Change in net position | | | | | (131,908) | 62,881 | (69,027) |
| Net position, October 1, 2015 | | | | | <u>28,596,748</u> | <u>3,627,037</u> | <u>32,223,785</u> |
| Net position, September 30, 2016 | | | | | \$ 28,464,840 | 3,689,918 | 32,154,758 |

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(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.

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

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2016

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

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

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 Urban Renewal Authority

Meridian Urban Renewal Authority ("MURA") was established by resolution of the City on April 17, 2012, pursuant to Title 43, Chapter 35, Article 1 of the Mississippi Code of 1972 to undertake and carry out urban renewal projects in accordance with an urban renewal plan adopted by the City. MURA 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 has reserved the right to unilaterally abolish MURA at its discretion.

The Meridian Transportation Commission

The Meridian Transportation Commission ("MTC") was created by the City on November 7, 1972, in accordance with Title 21, Chapter 27, Article 13 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. Effective February 29, 2012, MTC's board elected to discontinue all transportation services. All vehicles were transferred to the Mississippi Department of Transportation.

Meridian and Bonita Lakes Development Authority

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

(a) Reporting Entity (Continued)

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

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

Meridian Airport Authority
2811A U.S. Highway 11 South
Meridian, Mississippi

Meridian Urban Renewal
Authority
723 23rd Avenue
Meridian, Mississippi

The Meridian Transportation Commission
P.O. Box 1430
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 or Repair of Unsafe Buildings
- Civil Service Commission
- Election Commission
- Electrical Examining Board
- Historic Preservation Commission

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

(a) Reporting Entity (Continued)

- 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

(b) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) 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.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2016

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(1) Summary of Significant Accounting Policies (Continued)

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 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. General capital asset acquisitions are reported as expenditures in governmental funds. 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.

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CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2016

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

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

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

The **special revenue fund** accounts for specific revenue sources that are legally restricted to expenditures for public safety, culture and recreation, and economic development. Revenue sources for this fund are provided mainly from grants and contributions and from narcotic related forfeitures.

The **2016 General Obligation Bonds capital project fund** accounts for the proceeds and disbursements of the 2016 general obligation bonds to be used for acquisition and construction of major capital facilities and improvements.

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 **capital projects funds** account for the acquisition and construction of the City's major capital facilities and improvements, other than those financed by proprietary funds.

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; and state fines and fees collected by the City Municipal Court for the State of

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

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

Mississippi. 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 and fines and fees) to individuals, organizations, or other governments.

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 position 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.

(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.

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 represented by certificates of deposits and are stated at cost, plus accrued interest.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2016

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

(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.

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

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

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

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

The tax rate of the City is expressed in terms of mills (ten mills equal one cent). For the year ended September 30, 2016, the City's 2016 combined tax rate for general governmental services and other municipal purposes was 120.66 or \$120.66 per \$1,000 of assessed valuation, expressed as follows:

| <u>Description</u> | <u>Mills</u> | | <u>Increase (Decrease)</u> |
|--|---------------|---------------|--------------------------------|
| | <u>2016</u> | <u>2015</u> | |
| General | 29.75 | 29.51 | .24 |
| Solid waste fund | .18 | .18 | - |
| Fire and police disability retirement fund (closed) | 5.67 | 5.67 | - |
| General municipal retirement fund (closed) | 2.12 | 2.12 | - |
| Debt service (general bonds and interest) | 13.12 | 13.36 | (.24) |
| Meridian Separate School District | 62.82 | 62.82 | - |
| Meridian Community College | <u>7.00</u> | <u>7.00</u> | <u>-</u> |
| Total mills | <u>120.66</u> | <u>120.66</u> | <u>-</u> |

(g) **Inventories and Prepaid Items**

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

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

(h) **Assets Held for Resale**

Property acquired through tax forfeitures 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.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

(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 statement of net position 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 contingent" account is used to report resources set aside to pay for unforeseen contingencies arising from the operation and maintenance of the system, including the construction of reasonable and proper improvements, betterments and extensions, upon written certification of the engineers. The "revenue bond depreciation" account is used to report resources set aside to pay for replacing such parts of the system as may need replacement in order to keep the system operating in an economical and efficient manner, upon written certification of the engineers. Any surplus remaining after all deposits and transfers required and allowed by the bond resolution are to be used solely for purposes pertaining to the system. As of September 30, 2016, 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.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

(j) Capital Assets (Continued)

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 costs.

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 \$317,931. Of this amount, \$24,748 was included as part of the cost of capital assets under construction.

Capital assets of the component units are generally reported using the same policies as the City.

Capital assets 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 |

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2016

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

(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 |

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/Unamortized Premiums and Discounts**

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 position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

(l) Long-term Obligations/Unamortized Premiums and Discounts (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

(m) Other Post-Employment Benefits

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

(n) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category:

Deferred loss on refunding reported in the government-wide statement of net position – a deferred loss on refunding results from the difference in the reacquisition price of refunded debt and its carrying value. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred outflows related to net pension liability reported in the government-wide statement of net position and the proprietary funds statement of net position – the City has four pension related items that qualify for reporting in this category – see note 10 for further details.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

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CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

(n) Deferred Outflows/Inflows of Resources (Continued)

Deferred gain on refunding reported in the government-wide statement of net position and the proprietary funds statement of net position – a deferred gain on refunding results from the difference in the reacquisition price of refunded debt and its carrying value. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred inflows related to net pension liability reported in the government-wide statement of net position and the proprietary funds statement of net position – the City's change in proportionate share of the net pension liability is reported in this category – see note 10 for further details.

Unavailable revenue - special assessments arising under the modified accrual basis of accounting and reported only in the governmental funds balance sheet – unavailable revenues from special assessments are deferred and recognized as an inflow of resources in the period that the amount becomes available.

(o) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources relating to pensions and pension expense/expenditures, information about the fiduciary net position of the City's pension plans with the Public Employees' Retirement System of Mississippi ("PERS") and the Mississippi Municipal Retirement Systems ("MMRS") and the additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by PERS and MMRS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(p) Fund Balances/Net Position

On the government-wide and proprietary fund statement of net position, the City reports net position in the following three categories:

Net investment in capital assets – 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, 2016

(1) Summary of Significant Accounting Policies (Continued)

(p) Fund Balances/Net Position (Continued)

Restricted – consists of assets, less any related liabilities, restricted externally by creditors, grantors, contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – consists of net position that is not classified as net investment in capital assets or restricted.

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

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 the adoption of a formal action by the City Council. The City Council is the highest level of decision making authority and issues equally binding orders, ordinances, and resolutions. City Council orders establish a fund balance commitment by authorizing contracts or allocating funds to specific projects. Committed amounts cannot be modified or uncommitted except by removing the constraints through the same formal action by City Council.

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 authorized by the City Clerk and Chief Administrative Officer through the purchase order process. Unlike commitments, assignments generally only exist temporarily and do not require additional action to be taken for the removal of the assignment.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2016

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

(p) **Fund Balances/Net Position (Continued)**

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.

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 balance first in the following order: restricted, committed, assigned, and then unassigned as needed.

(q) **New Accounting Pronouncements**

Effective for fiscal year 2016, the City implemented the following new standards issued by GASB:

GASB Statement No. 72, *Fair Value Measurement and Application*, effective for financial statement periods beginning after June 15, 2015 – this statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, effective for financial statement periods beginning after June 15, 2015 – this statement establishes requirements for defined benefit pensions and defined contribution pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*. It also amends certain provisions and clarifies the applications of certain provisions of Statement 67, *Financial Reporting for Pension Plans* and Statement 68. The implementation of this statement did not have a significant impact on the City's basic financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for financial statement periods beginning after June 15, 2015 – the objective of this statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

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

(q) **New Accounting Pronouncements (Continued)**

The City is currently analyzing its accounting practices to determine the potential impact on the basic financial statements for the following GASB Statements becoming effective in future periods:

GASB Statement No. 77, *Tax Abatement Disclosures*, effective for financial statement periods beginning after December 15, 2015 – The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for financial statement periods beginning after June 15, 2016 – The requirements of this Statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues.

(r) **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 2015 financial statement amounts have been reclassified to conform with the 2016 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.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

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

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

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

| <u>Description</u> | <u>Amount</u> |
|--|-------------------------------|
| Bonds payable | \$ (40,505,000) |
| Premium on refunded debt issue | (423,595) |
| Promissory loans payable | (2,076,889) |
| Accrued interest payable | (457,726) |
| Capital leases payable | (94,432) |
| Compensated absences | (1,022,615) |
| Claims and judgments | (389,722) |
| Net pension liability | (51,131,326) |
| Deferred inflows/outflows related to net pension liability | 9,433,697 |
| Deferred loss on refunding | 358,531 |
| Prepaid insurance on bond issue | <u>33,359</u> |
| Net adjustment to reduce fund balances – total governmental funds to arrive at net position – governmental activities | \$ <u>(86,275,718)</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 assets and liabilities of the internal service funds are included in governmental activities in the statement of net position”. The details of this difference are as follows:

| <u>Description</u> | <u>Amount</u> |
|--|--------------------------|
| Net position of the internal service funds | \$ 391,222 |
| Less internal payable representing charges in excess of cost to business-type activities | <u>(30,063)</u> |
| Net adjustment to increase fund balances – total governmental funds to arrive at net position – governmental activities | \$ <u>361,159</u> |

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

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

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

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

| <u>Description</u> | <u>Amount</u> |
|---|----------------------------|
| Capital outlay | \$ 4,586,728 |
| Depreciation expense | <u>(4,912,134)</u> |
| Net adjustment to reduce net change in fund balances – total governmental funds to arrive at change in net position of governmental activities | \$ <u>(325,406)</u> |

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> |
|---|--------------------------|
| Infrastructure contributed by developers | \$ 118,379 |
| Forfeited vehicles | <u>17,213</u> |
| Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net position of governmental activities | \$ <u>135,592</u> |

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

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

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

Another element of that reconciliation explains that "The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of 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> |
|---|------------------------------|
| Principal retirement of long-term debt | \$ 3,243,268 |
| Amortization of bond premiums, prepaid insurance, and deferred loss on refunding | 9,271 |
| Issuance of general obligation bonds | (7,500,000) |
| Proceeds from promissory loans | <u>(2,016,515)</u> |
| Net adjustment to reduce net change in fund balances – total governmental funds to arrive at change in net position of governmental activities | \$ <u>(6,263,976)</u> |

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> |
|---|----------------------------|
| Compensated absences | \$ (73) |
| Accrued interest expense | 40,771 |
| Claims and judgments | <u>(376,338)</u> |
| Net adjustment to reduce net change in fund balances – total governmental funds to arrive at change in net position of governmental activities | \$ <u>(335,640)</u> |

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(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 "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 position of the internal service funds | \$ 17,131 |
| Loss from charges to business-type activities | <u>1,022</u> |
| Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net position of governmental activities | \$ <u>18,153</u> |

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

The proprietary fund statement of net position includes a reconciliation between net position – total enterprise funds and the net position of business-type activities as reported in the government-wide statement of net position. 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 | \$ 31,085 |
| Current year activities | <u>(1,022)</u> |
| Net adjustment to increase net position – total enterprise funds to arrive at net position – business-type activities | \$ <u>30,063</u> |

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2016

(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 2016, the original total budgeted expenditures were \$97,209,091 and were increased by amendments to \$104,921,742.

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 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

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2016

(3) Stewardship, Compliance and Accountability (Continued)

(a) Budgetary Information (Continued)

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.

(b) Budget/GAAP Reconciliation

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

| <u>Description</u> | <u>General Fund</u> | <u>Special Revenue Fund</u> |
|---|------------------------------|-------------------------------------|
| Net change in fund balances – budgetary basis | \$ (2,635,461) | (84,065) |
| Basis differences: | | |
| Net accrued revenues and related receivables | (954,004) | 76,155 |
| Net accrued expenditures and related liabilities | <u>1,295,126</u> | <u>20,016</u> |
| Net change in fund balances – GAAP basis | \$ <u>(2,294,339)</u> | <u>12,106</u> |

(c) Deficit Net Position

The Golf Course fund (nonmajor enterprise fund) had a deficit net position at September 30, 2016, of \$226,504. This deficit is largely due to the inclusion of the net pension liability as a result of the implementation of GASB 68 and 71 in fiscal year 2015. The City will work to develop a plan to reduce this deficit.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2016

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

(c) **Deficit Net Position (Continued)**

The Meridian Transportation Commission (a nonmajor component unit) had a deficit net position of \$14,261 as of September 30, 2016. This deficit will be provided for from future contributions.

(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 \$45,696,078 and the bank balance was \$46,298,723. The entire bank balance was covered by federal depository insurance or collateralized in accordance with state law. The collateral for public entities' deposits in financial institutions are held in the name of the Mississippi State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of deposits for discretely presented component units was \$1,507,412 and the bank balance was \$1,618,582. 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> |
|---------------------------------------|----------------------------|---|
| Unrestricted certificates of deposit: | | |
| Citizens National Bank | \$ 675,000 | 12/25/2016 |
| Community Bank | <u>675,000</u> | 12/29/2016 |
| Total unrestricted | 1,350,000 | |
| Restricted certificates of deposit - | | |
| Citizens National Bank | <u>400,000</u> | 3/10/2017 |
| Total investments | \$ <u>1,750,000</u> | |

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(4) Deposits and Investments (Continued)

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 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.

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

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 position for the primary government follows:

| <u>Description</u> | <u>Amount</u> |
|---|-----------------------------|
| Cash on hand | \$ 3,940 |
| Cash with trustee | 1,912,149 |
| Carrying amount of deposits (including certificates of deposits) | <u>45,696,078</u> |
| Total cash and investments | \$ <u>47,612,167</u> |
| Cash and cash equivalents | \$ 16,204,811 |
| Cash and investments – restricted | 28,691,993 |
| Investments | <u>1,350,000</u> |
| Total reported on the government-wide statement of net position | 46,246,804 |
| Cash and cash equivalents reported on the statement of fiduciary assets and liabilities not included on the government-wide statement of net position | <u>1,365,363</u> |
| Total reported | \$ <u>47,612,167</u> |

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(5) Capital Assets

Primary government:

Capital asset activity for the year ended September 30, 2016, was as follows:

| | Balance October 1, <u>2015</u> | <u>Increases</u> | <u>Decreases</u> | Balance September 30, <u>2016</u> |
|--|--------------------------------------|--------------------|------------------|---|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 7,997,605 | 210,400 | 5,300 | 8,202,705 |
| Right of ways | 2,600 | - | - | 2,600 |
| Collections - historical treasures | 141,250 | - | - | 141,250 |
| Construction-in-progress | <u>279,516</u> | <u>1,168,973</u> | <u>361,752</u> | <u>1,086,737</u> |
| Total capital assets, not being depreciated | <u>8,420,971</u> | <u>1,379,373</u> | <u>367,052</u> | <u>9,433,292</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 42,966,626 | 6,400 | - | 42,973,026 |
| Improvements other than buildings | 5,200,537 | 259,787 | 162,852 | 5,297,472 |
| Machinery and equipment | 17,136,807 | 2,855,077 | 414,385 | 19,577,499 |
| Infrastructure | <u>110,748,994</u> | <u>583,435</u> | <u>-</u> | <u>111,332,429</u> |
| Total capital assets, being depreciated | <u>176,052,964</u> | <u>3,704,699</u> | <u>577,237</u> | <u>179,180,426</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 10,169,825 | 809,881 | - | 10,979,706 |
| Improvements other than buildings | 2,722,794 | 193,180 | - | 2,915,974 |
| Machinery and equipment | 13,043,223 | 811,525 | 371,619 | 13,483,129 |
| Infrastructure | <u>64,879,584</u> | <u>3,097,548</u> | <u>-</u> | <u>67,977,132</u> |
| Total accumulated depreciation | <u>90,815,426</u> | <u>4,912,134</u> | <u>371,619</u> | <u>95,355,941</u> |
| Total capital assets, being depreciated, net | <u>85,237,538</u> | <u>(1,207,435)</u> | <u>205,618</u> | <u>83,824,485</u> |
| Total governmental activities | | | | |
| capital assets, net | \$ <u>93,658,509</u> | <u>171,938</u> | <u>572,670</u> | <u>93,257,777</u> |

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(5) Capital Assets (Continued)

| | Balance October 1, <u>2015</u> | <u>Increases</u> | <u>Decreases</u> | Balance September 30, <u>2016</u> |
|---|--------------------------------------|-------------------------|-------------------------|---|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 249,787 | 74,533 | - | 324,320 |
| Right of ways | 30,610 | - | - | 30,610 |
| Construction-in-progress | <u>2,244,826</u> | <u>3,806,048</u> | <u>3,545,845</u> | <u>2,505,029</u> |
| Total capital assets, not being depreciated | <u>2,525,223</u> | <u>3,880,581</u> | <u>3,545,845</u> | <u>2,859,959</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 126,628 | - | - | 126,628 |
| Water and sewer system | 100,646,298 | 4,072,733 | - | 104,719,031 |
| Improvements other than buildings | 275,201 | 162,852 | - | 438,053 |
| Machinery and equipment | <u>4,830,371</u> | <u>529,191</u> | <u>107,192</u> | <u>5,252,370</u> |
| Total capital assets, being depreciated | <u>105,878,498</u> | <u>4,764,776</u> | <u>107,192</u> | <u>110,536,082</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 125,678 | 950 | - | 126,628 |
| Water and sewer system | 73,778,463 | 2,244,622 | - | 76,023,085 |
| Improvements other than buildings | 243,926 | 3,258 | - | 247,184 |
| Machinery and equipment | <u>3,480,113</u> | <u>324,456</u> | <u>91,680</u> | <u>3,712,889</u> |
| Total accumulated depreciation | <u>77,628,180</u> | <u>2,573,286</u> | <u>91,680</u> | <u>80,109,786</u> |
| Total capital assets, being depreciated, net | <u>28,250,318</u> | <u>2,191,490</u> | <u>15,512</u> | <u>30,426,296</u> |
| Total business-type activities capital assets, net | \$ <u>30,775,541</u> | <u>6,072,071</u> | <u>3,561,357</u> | <u>33,286,255</u> |

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(5) Capital Assets (Continued)

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

| | <u>Amount</u> |
|--|----------------------------|
| Governmental activities: | |
| General government | \$ 773,417 |
| Public safety | 640,746 |
| Public works | 3,412,303 |
| Culture and recreation | <u>85,668</u> |
| Total depreciation expense - governmental activities | \$ <u>4,912,134</u> |
| Business-type activities: | |
| Water and sewer department | \$ 2,536,194 |
| Golf course | 16,234 |
| Union Station | <u>2,216</u> |
| Total depreciation expense - business-type activities | \$ <u>2,554,644</u> |

Construction-in-progress is composed of:

| | |
|---|----------------------------|
| Governmental activities: | |
| Velma Young Community Center | \$ 500,497 |
| 5th Street pedestrian enhancement | 317,064 |
| Access drive at Fairfield Inn | 251,176 |
| Work order and asset management assessment | <u>18,000</u> |
| Total governmental activities | <u>1,086,737</u> |
| Business-type activities: | |
| Drainage structure collapse evaluation | 1,411,165 |
| Wastewater treatment plant air blowers and electrical upgrade | 1,018,322 |
| Water treatment plant upgrades at B Street and North Plant | <u>75,542</u> |
| Total business-type activities | <u>2,505,029</u> |
| Total construction-in-progress | \$ <u>3,591,766</u> |

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016



(5) Capital Assets (Continued)

Discretely presented component units:

Capital asset activity for the year ended September 30, 2016, was as follows:

| | Balance October 1, 2015 | Increases | Decreases | Balance September 30, 2016 |
|--|--|------------------|------------------|---|
| Meridian Airport Authority: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,427,975 | 40,646 | - | 2,468,621 |
| Construction-in-progress | <u>1,590,630</u> | <u>1,463,911</u> | <u>2,677,667</u> | <u>376,874</u> |
| Total capital assets, not being depreciated | <u>4,018,605</u> | <u>1,504,557</u> | <u>2,677,667</u> | <u>2,845,495</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 15,899,951 | 1,207,925 | - | 17,107,876 |
| Improvements other than buildings | 30,440,459 | 1,429,139 | - | 31,869,598 |
| Machinery and equipment | <u>2,219,118</u> | <u>461,839</u> | <u>-</u> | <u>2,680,957</u> |
| Total capital assets, being depreciated | <u>48,559,528</u> | <u>3,098,903</u> | <u>-</u> | <u>51,658,431</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 2,860,158 | 605,746 | - | 3,465,904 |
| Improvements other than buildings | 15,303,456 | 1,420,655 | - | 16,724,111 |
| Machinery and equipment | <u>2,177,407</u> | <u>260,152</u> | <u>-</u> | <u>2,437,559</u> |
| Total accumulated depreciation | <u>20,341,021</u> | <u>2,286,553</u> | <u>-</u> | <u>22,627,574</u> |
| Total capital assets, being depreciated, net | <u>28,218,507</u> | <u>812,350</u> | <u>-</u> | <u>29,030,857</u> |
| Total Meridian Airport Authority | \$ <u>32,237,112</u> | <u>2,316,907</u> | <u>2,677,667</u> | <u>31,876,352</u> |
| Nonmajor component units: | | | | |
| Capital assets, being depreciated: | | | | |
| Machinery and equipment | \$ 57,217 | - | - | 57,217 |
| Less accumulated depreciation | <u>57,217</u> | <u>-</u> | <u>-</u> | <u>57,217</u> |
| Total nonmajor component units | \$ <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(6) Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2016, is as follows:

Due to/from other funds:

| <u>Receivable fund</u> | <u>Payable fund</u> | <u>Amount</u> |
|----------------------------------|----------------------------------|---------------------|
| General Fund | Special Revenue Fund | \$ 22,063 |
| | Nonmajor Governmental Funds | 97,106 |
| | Nonmajor Enterprise Funds | 147,451 |
| Special Revenue Funds | General Fund | 52,678 |
| Water & Sewer Fund | Special Revenue Fund | 2,076 |
| Waste Collection & Disposal Fund | General Fund | 4,436 |
| Nonmajor Enterprise Funds | General Fund | 271,109 |
| Internal Service Funds | General Fund | 344,949 |
| | Water & Sewer Fund | 73,737 |
| | Waste Collection & Disposal Fund | <u>601</u> |
| Total due to/from other funds | | \$ <u>1,016,206</u> |

Due to primary government

Due from component units

| | | |
|--------------|------------------------------------|-----------------|
| General Fund | Meridian Airport Authority | \$ <u>3,905</u> |
| | Meridian Transportation Commission | \$ <u>665</u> |

These balances represent temporary timing differences related to (1) routine advances to provide funds for operations and grant projects that require expenditures prior to reimbursement and (2) routine charges due to internal service funds from various City departments for service and maintenance of City vehicles, office supplies, health and life insurance claims and unemployment insurance and claims.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

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

Interfund transfers:

| | Transfers in: | | | | | | | |
|-------------------------------------|-------------------|----------------|----------------|---------------------|-------------------|-------------------|----------------|---------------------|
| | General | Debt | Special | Nonmajor | Water & | Nonmajor | Internal | Total |
| <u>Transfers out:</u> | <u>Fund</u> | <u>Service</u> | <u>Revenue</u> | <u>Governmental</u> | <u>Sewer</u> | <u>Enterprise</u> | <u>Service</u> | <u>transfers</u> |
| | | | | | | | | <u>out</u> |
| General Fund | \$ - | 437,600 | 5,000 | 414,745 | - | 526,604 | 45,000 | 1,428,949 |
| Nonmajor | | | | | | | | |
| Governmental Funds | - | - | - | 1,538,081 | 1,386,726 | - | - | 2,924,807 |
| Water & Sewer Fund | 601,500 | - | - | - | - | - | - | 601,500 |
| Waste Collection & Disposal Fund | <u>44,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>44,000</u> |
| Total transfers in | \$ <u>645,500</u> | <u>437,600</u> | <u>5,000</u> | <u>1,952,826</u> | <u>1,386,726</u> | <u>526,604</u> | <u>45,000</u> | 4,999,256 |
| General Fund* | | | | | \$ <u>167,659</u> | | | <u>167,659</u> |
| | | | | | | | | \$ <u>5,166,915</u> |

* The general fund transferred capital assets to a nonmajor enterprise fund. This transfer was recorded in the governmental activities on the government-wide statement of activities. This transfer was recorded in the nonmajor enterprise fund statement of revenues, expenses and changes in net position 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. A summary of the transfer follows:

| <u>Description</u> | <u>Amount</u> |
|--|-------------------|
| Cost of assets transferred | \$ 186,300 |
| Accumulated depreciation | <u>(18,641)</u> |
| Net carrying value of assets transferred | \$ <u>167,659</u> |

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(7) 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, 2016, follows:

| <u>Description</u> | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|---|------------------------------------|-------------------------------------|
| Machinery and equipment | \$ 829,453 | 1,056,641 |
| Less accumulated depreciation | <u>(817,635)</u> | <u>(628,347)</u> |
| Total leased equipment capitalized | \$ <u>11,818</u> | <u>428,294</u> |

The future minimum lease obligations and the net present value of minimum lease commitments at September 30, 2016, follows:

| <u>Year Ending September 30,</u> | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|--|------------------------------------|-------------------------------------|
| 2017 | \$ 44,974 | 26,535 |
| 2018 | 25,925 | - |
| 2019 | <u>25,925</u> | <u>-</u> |
| Total minimum lease commitments | 96,824 | 26,535 |
| Less amount representing imputed interest | <u>(2,392)</u> | <u>(258)</u> |
| Present value of minimum lease payments | 94,432 | 26,277 |
| Current portion of obligations under capital leases | <u>(45,422)</u> | <u>(26,277)</u> |
| Obligations under capital leases, less current installments | \$ <u>49,010</u> | <u>-</u> |

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2016

(7) Leases (Continued)

Operating Leases

The City leases premises for use as a law enforcement center. This lease term expires in May, 2033. The City also leases golf carts for the public golf course. This lease term expires in October, 2019. Costs for these leases totaled \$327,800 for the year ended September 30, 2016.

Meridian Airport Authority (a discretely presented component unit) leases refueling trucks for use in the operations of Meridian Aviation with monthly lease payments beginning May, 2015. This lease term expires in May, 2018. Costs for this lease totaled \$46,041 for the year ended September 30, 2016.

The future minimum lease payments for the operating leases at September 30, 2016, are as follows:

| <u>Year Ending September 30,</u> | <u>City of Meridian</u> | <u>Meridian Airport Authority</u> |
|--|------------------------------------|--|
| 2017 | \$ 327,800 | 45,000 |
| 2018 | 327,800 | 26,250 |
| 2019 | 327,800 | - |
| 2020 | 306,900 | - |
| 2021 | 305,000 | - |
| 2022-2026 | 1,525,000 | - |
| 2027-2031 | 1,525,000 | - |
| 2032-2036 | <u>508,333</u> | <u>-</u> |
| Total future minimum lease payments | \$ <u>5,153,633</u> | <u>71,250</u> |

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2016

(8) Long-Term Liabilities

A summary of long-term liabilities at September 30, 2016, follows:

| | <u>Interest Rates</u> | <u>Amount</u> |
|--|----------------------------------|-----------------------------|
| Governmental activities: | | |
| Outstanding bonds: | | |
| General government | 1.2 - 5.5% | \$ 36,105,000 |
| Special obligation bonds – parking facilities | 3.3 - 5.375% | 730,000 |
| Limited obligation bonds – tax increment financing | 5.0 - 8.75% | 3,155,000 |
| Special assessment debt with City commitment | 4.8 - 6.0% | 515,000 |
| Plus unamortized premium on debt refunding | | 423,595 |
| Other debt: | | |
| Promissory loans | .25 – 1.42% | 2,076,889 |
| Capital leases | 3.77 - 5.87% | 94,432 |
| Compensated absences | | 1,022,615 |
| Claims and judgments | | 389,722 |
| Net pension liability | | <u>51,131,326</u> |
| Total governmental activities | | 95,643,579 |
| Less current portion payable | | <u>(4,906,786)</u> |
| Governmental activities, net | | \$ <u>90,736,793</u> |
| Business-type activities: | | |
| Water & sewer promissory loans | .5 - 4.0% | \$ 8,978,323 |
| Plus unamortized premium on debt refunding | | <u>592,796</u> |
| Total promissory loans | | 9,571,119 |
| Capital leases | 5.87% | 26,277 |
| Compensated absences | | 135,937 |
| Net pension liability | | <u>7,864,042</u> |
| Total business-type activities | | 17,597,375 |
| Less current portion payable | | <u>(1,316,732)</u> |
| Business activities, net | | \$ <u>16,280,643</u> |
| Discretely presented component units: | | |
| Promissory loans | 2.83% - 5.5% | \$ 3,065,000 |
| Compensated absences | | 191,831 |
| Net pension liability | | <u>5,358,749</u> |
| Total discretely presented component units | | 8,615,580 |
| Less current portion payable | | <u>(196,284)</u> |
| Discretely presented component units, net | | \$ <u>8,419,296</u> |

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(8) Long-Term Liabilities (Continued)

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

| Year Ending September 30, | Governmental Activities | | | | | Total |
|--|--------------------------------|--------------------------------|---------------------------------|-------------------------------|---------------------|-------------------|
| | General Obligation Bonds | Special Obligation Bonds | Limited Obligations Bonds | Special Assessment Debt | Promissory Loans | |
| 2017 | \$ 4,444,637 | 124,238 | 514,625 | 137,875 | 267,654 | 5,489,029 |
| 2018 | 4,449,744 | 124,669 | 512,375 | 137,645 | 463,686 | 5,688,119 |
| 2019 | 3,947,044 | 129,831 | 513,375 | 136,255 | 430,323 | 5,156,828 |
| 2020 | 3,979,708 | 129,456 | 512,156 | 139,490 | 427,281 | 5,188,091 |
| 2021 | 4,014,184 | 128,813 | 513,531 | 42,040 | 375,389 | 5,073,957 |
| 2022-2026 | 17,550,086 | 259,619 | 1,945,094 | - | 199,095 | 19,953,894 |
| 2027-2031 | 4,237,314 | - | - | - | - | 4,237,314 |
| Total | \$ 42,622,717 | 896,626 | 4,511,156 | 593,305 | 2,163,428 | 50,787,232 |
| Interest included in above totals | \$ 6,517,717 | 166,626 | 1,356,156 | 78,305 | 86,539 | 8,205,343 |

| Year Ending September 30, | Business-type Activities | Discretely Presented Component Units |
|------------------------------|-----------------------------|---|
| | Promissory Loans | Promissory Loans |
| 2017 | \$ 1,424,944 | 311,101 |
| 2018 | 1,510,625 | 311,101 |
| 2019 | 1,101,625 | 311,100 |
| 2020 | 1,105,675 | 311,100 |
| 2021 | 988,825 | 311,099 |
| 2022-2026 | 3,033,201 | 1,555,498 |
| 2027-2031 | 481,875 | 974,423 |
| 2032-2036 | 481,875 | 195,714 |
| 2037-2041 | 48,187 | - |
| Total | \$ 10,176,832 | 4,281,136 |

| | | |
|--|---------------------|------------------|
| Interest included in above totals | \$ 1,198,509 | 1,216,136 |
|--|---------------------|------------------|

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(8) Long-Term Liabilities (Continued)

A summary of changes in the long-term liabilities during the year ended September 30, 2016, follows:

| <u>Description</u> | <u>October 1, 2015</u> | <u>Additions</u> | <u>Deletions</u> | <u>September 30, 2016</u> | <u>Due Within One Year</u> |
|---|----------------------------|-------------------|------------------|-------------------------------|--------------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation debt | \$ 31,090,000 | 7,500,000 | 2,485,000 | 36,105,000 | 3,390,000 |
| Special obligation bonds | 810,000 | - | 80,000 | 730,000 | 85,000 |
| Limited obligation bonds | 3,390,000 | - | 235,000 | 3,155,000 | 255,000 |
| Special assessment with | | | | | |
| City commitment | 785,000 | - | 270,000 | 515,000 | 110,000 |
| Unamortized premiums/discounts | 474,689 | - | 51,094 | 423,595 | 51,094 |
| Total bonds payable | 36,549,689 | 7,500,000 | 3,121,094 | 40,928,595 | 3,891,094 |
| Promissory loans | 143,337 | 2,016,515 | 82,963 | 2,076,889 | 239,676 |
| Capital leases | 184,737 | - | 90,305 | 94,432 | 45,422 |
| Compensated absences | 1,022,542 | 1,102,633 | 1,102,560 | 1,022,615 | 340,872 |
| Claims and judgments | 13,384 | 1,065,193 | 688,855 | 389,722 | 389,722 |
| Net pension liability | 45,905,399 | 5,225,927 | - | 51,131,326 | - |
| Governmental activities long-term liabilities | \$ 83,819,088 | 16,910,268 | 5,085,777 | 95,643,579 | 4,906,786 |
| Business-type activities: | | | | | |
| Promissory loans | \$ 10,503,323 | - | 1,525,000 | 8,978,323 | 1,182,082 |
| Unamortized premiums/discounts | 656,310 | - | 63,514 | 592,796 | 63,514 |
| Capital leases | 127,620 | - | 101,343 | 26,277 | 26,277 |
| Compensated absences | 155,840 | 48,793 | 68,696 | 135,937 | 44,859 |
| Net pension liability | 6,827,883 | 1,036,159 | - | 7,864,042 | - |
| Business-type activities long-term liabilities | \$ 18,270,976 | 1,084,952 | 1,758,553 | 17,597,375 | 1,316,732 |
| Discretely presented component units: | | | | | |
| Meridian Airport Authority: | | | | | |
| Promissory loans | \$ 1,000,219 | - | 219 | 1,000,000 | 87,916 |
| Compensated absences | 165,194 | 36,392 | 9,755 | 191,831 | 25,379 |
| Net pension liability | 4,637,408 | 721,341 | - | 5,358,749 | - |
| Meridian Urban Renewal Authority - | | | | | |
| Promissory loans | 2,143,576 | - | 78,576 | 2,065,000 | 82,989 |
| Discretely presented component units | \$ 7,946,397 | 757,733 | 88,550 | 8,615,580 | 196,284 |

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, 2016

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(8) 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 outstanding general obligation bonds issued in prior years is \$47,170,000.

During fiscal year 2016, the City issued general obligation bonds in the amount of \$7,500,000. The proceeds from this bond issue will be used for the purchase of paving equipment and for the paving of various City streets.

Special Obligation Bonds

During fiscal year 2003, the City issued \$1,500,000 in special obligation bonds to provide funds for the costs of constructing the performing arts and educational/conference center parking facilities. These bonds are special obligations of the City payable from revenues raised from operations of the parking facility and annual appropriations of general funds by the City for that purpose. As of fiscal year 2012, the City no longer charges fees for the parking facilities; the bonds are paid solely from general fund appropriations.

Limited Obligation Bonds

The original amount of outstanding tax increment limited obligation bonds issued by the City in prior years to provide funds for the costs of constructing certain infrastructure improvements is \$4,300,000. These bonds are payable from and secured by a pledge of taxes levied on the incremental increase in the assessed value of the project and certain sales tax revenues. The City entered into an interlocal agreement with Lauderdale County, whereby the County has also pledged additional ad valorem tax revenues generated by the project to provide a pro rata portion of annual debt service on the bonds. As a result, the bonds are not a general obligation of the City.

Special Assessment Debt

The City issues special assessment bonds to provide financing for certain capital street improvements to benefit specific taxpayers. Special assessment bonds are direct obligations and pledge the full faith and credit of the City. Annual debt service is provided through collection of special assessments on benefited property and ad valorem taxes levied for debt service. The original amount of outstanding special assessment bonds issued in prior years is \$3,625,000.

Promissory Loans

In fiscal year 2001, the City entered into a \$1,000,000 capital improvements 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, 2016

(8) Long-Term Liabilities (Continued)

In fiscal year 2013, the City entered into a loan agreement whereby the Mississippi Development Bank issued Mississippi Development Bank Special Obligation Refunding Bonds and loaned the proceeds in the amount of \$12,415,000 to the City for the refunding of the Series 1995, 1997, and 2000 Water and Sewer Revenue Bonds and the Series 1998, 2001B and 2004 Water and Sewer Promissory Loans. As a result of this refunding, all of the refunded bonds/loans were fully redeemed in fiscal year 2013, with the exception of the 2004 Water and Sewer Promissory Loan. The Mississippi Development Bank bonds underlying this loan were considered fully defeased in substance, and the liability was removed from the City's financial statements. The outstanding balance on the defeased bonds were fully redeemed in July, 2014. This refunding resulted in a decrease in future debt service payments of \$407,116 and resulted in an economic gain of \$401,991.

In fiscal year 2011, the City entered into a \$210,000 energy conservation loan agreement with the Mississippi Development Authority to provide for the installation of various energy conservation measures during the renovation of the City Hall.

During fiscal year 2012, the City entered into an \$8,411,225 (subsequently amended to \$8,955,225) loan agreement with the Mississippi Department of Environmental Quality through the EPA Clean Water State Revolving Fund Program. The proceeds from this note are to be used for the rehabilitation of the South Wastewater Treatment Plant. The City has drawn \$1,608,323 against these loan funds as of September 30, 2016.

In April, 2016, the City entered into a \$1,000,000 promissory loan with Citizens National Bank of which the City has drawn down \$938,177 to provide funds for the purchase of twenty standard fleet vehicles and a sewer vacuum truck.

In August, 2016, the City entered into a \$1,078,338 promissory loan with Citizens National Bank to provide funds for the purchase of a fire truck with a 100 foot aerial ladder apparatus.

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 \$6,075 in favor of Travelers Indemnity Company for support of the City's deductible for workers compensation claims. This letter of credit expires August 1, 2017, with an automatic extension for one year. As of September 30, 2016, the City had no outstanding balance on this letter of credit. The interest rate is set at one-quarter of 1.0 percent quarterly plus \$75.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2016

(8) Long-Term Liabilities (Continued)

Pledged Revenues

The City has formally committed to secure certain debt issued by the City with specific future revenues. A summary of these debt issues as of September 30, 2016, and the related revenues pledged follows:

| <u>Debt Issue</u> | <u>Current Year Revenue Received</u> | <u>Current Year Principal and Interest</u> | <u>Debt Service as a % of Pledged Revenue</u> |
|--|---|---|--|
| Limited obligation bonds: | | | |
| Crossroads improvements | \$ 480,731 | 480,375 | 99.93% |
| Riverbirch improvements | 35,125 | 34,750 | 98.93% |
| Special assessment debt – paving projects | 314,094 | 313,555 | 99.83% |

Interlocal Cooperation Agreement

During fiscal year 2014, the City entered into an Interlocal Cooperation Agreement with Lauderdale County, Mississippi (“County”) for joint and cooperative action relating to the financing for construction of infrastructure improvements and facilities as an inducement to CertainTeed, Inc. for locating industrial facilities in the City and County which will increase employment opportunities in the area. The agreement includes the City and County jointly funding the debt service of the \$700,000 capital improvement loan granted to Lauderdale County from the Mississippi Development Authority. The City’s share totals \$405,555, including principal and interest. The City remits to the County \$40,556 annually through May, 2025.

Discretely Presented Component Units:

During fiscal year 2015, the Meridian Airport Authority (“MAA”) entered into a 2.83 percent promissory loan agreement in the amount of \$1,000,219 for the purchase of property adjacent to MAA. In the event that the City abolishes MAA, the title to this real property of MAA, as well as the promissory note, would revert to the City. This loan was converted to a tax-exempt bond in November, 2015. The tax-exempt bond is payable from resources derived from operations, but is supported by the full faith and credit of the Meridian Airport Authority.

In October 2013, the Meridian Urban Renewal Authority entered issued senior taxable urban renewal revenue bonds in the amount of \$2,355,000 to fund a portion of leveraged loans made to fund the construction of the law enforcement center. This bond issue is secured by and payable solely out of revenues derived from payments received on the leveraged loans.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2016

(9) Lessor Operating Leases

The City of Meridian and Meridian Airport Authority (a discretely presented component unit) lease space to others under various lease agreements. A summary of minimum future rental income on these leases as of September 30, 2016, 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> |
|--------------------------------------|-----------------------------|---|
| 2017 | \$ 65,659 | 168,449 |
| 2018 | 60,404 | 86,074 |
| 2019 | 25,990 | 73,207 |
| 2020 | 23,672 | 65,227 |
| 2021 | 17,784 | 57,247 |
| 2022-2026 | 14,900 | 133,932 |
| 2027-2031 | 500 | 33,293 |
| 2032-2036 | 500 | 17,860 |
| 2037-2041 | 500 | 17,860 |
| 2042-2046 | 500 | 17,860 |
| 2047-2051 | 500 | 6,422 |
| 2052-2056 | 500 | - |
| 2057-2061 | 500 | - |
| 2062-2066 | <u>100</u> | <u>-</u> |
| Total minimum future rentals | \$ <u>212,009</u> | <u>677,431</u> |

(10) Defined Benefit Pension Plans

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan - Public Employees Retirement System

General information about the Plan

Plan Description

The City and its component unit, the Meridian Airport Authority ("MAA") 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq. (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(10) Defined Benefit Pension Plans (Continued)

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan - Public Employees Retirement System (Continued)

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

Benefits Provided

Membership in PERS is a condition of employment granted upon hiring for qualifying City and MAA employees. Participating members 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 2.0 percent of their average compensation for each year of creditable 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 creditable 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 creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment ("COLA") payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions

PERS members are required to contribute 9.00% of their annual covered salary and the employers are required to contribute at an actuarially determined rate. The employers' rate as of September 30, 2016, was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(10) Defined Benefit Pension Plans (Continued)

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan - Public Employees Retirement System (Continued)

A summary of the City's and MAA's contributions to PERS for the fiscal year ended September 30, 2016, follows:

| <u>Description</u> | <u>City of Meridian</u> | <u>Meridian Airport Authority</u> |
|------------------------|-----------------------------|---|
| Employer contributions | \$ <u>2,742,339</u> | <u>358,128</u> |
| Contribution rate | <u>15.75%</u> | <u>15.75%</u> |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2016, the City and MAA reported a liability for their proportionate share of the net pension liability of the plan as follows:

| <u>Description</u> | <u>City of Meridian</u> | <u>Meridian Airport Authority</u> |
|-----------------------|-----------------------------|---|
| Net pension liability | \$ <u>46,442,492</u> | <u>5,358,749</u> |

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's and MAA's proportion of the net pension liability were based on the ratio of their actual contributions to the pension plan relative to the total actual contributions of all participating entities for the fiscal year.

The City's and MAA's proportionate share of the plan's net pension liability at June 30, 2016 and 2015 were as follows:

| <u>Description</u> | <u>City of Meridian</u> | <u>Meridian Airport Authority</u> |
|-------------------------------------|-----------------------------|---|
| Proportionate share – June 30, 2016 | 0.26% | 0.03% |
| Proportionate share – June 30, 2015 | <u>0.25%</u> | <u>0.03%</u> |
| Increase (decrease) | <u>0.01%</u> | <u>-%</u> |

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2016



(10) Defined Benefit Pension Plans (Continued)

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan - Public Employees Retirement System (Continued)

For the year ended September 30, 2016, the City and MAA recognized pension expense of \$6,720,019 and \$551,700, respectively. At September 30, 2016, the City and MAA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City of Meridian

| <u>Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|--|---|
| Differences between expected and actual experience | \$ 1,142,230 | - |
| Net difference between projected and actual earnings on plan investments | 5,365,789 | - |
| Changes of assumptions | 2,105,192 | 123,413 |
| Changes in proportion | 1,101,607 | 561,226 |
| City contributions subsequent to the measurement date | <u>702,127</u> | <u>-</u> |
| Totals | <u>\$ 10,416,945</u> | <u>684,639</u> |

Meridian Airport Authority

| <u>Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|--|---|
| Differences between expected and actual experience | \$ 149,470 | - |
| Net difference between projected and actual earnings on plan investments | 363,029 | - |
| Changes of assumptions | 252,623 | 14,240 |
| MAA contributions subsequent to the measurement date | <u>127,783</u> | <u>-</u> |
| Totals | <u>\$ 892,905</u> | <u>14,240</u> |

The above deferred outflows of resources and deferred inflows of resources represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2016

(10) Defined Benefit Pension Plans (Continued)

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan - Public Employees Retirement System (Continued)

The amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending September 30,</u> | <u>City of Meridian</u> | <u>Meridian Airport Authority</u> |
|----------------------------------|-----------------------------|---|
| 2017 | \$ 3,302,439 | 260,688 |
| 2018 | 2,989,875 | 196,279 |
| 2019 | 1,820,384 | 188,052 |
| 2020 | <u>917,481</u> | <u>105,863</u> |
| Total | \$ <u>9,030,179</u> | <u>750,882</u> |

Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| <u>Description</u> | <u>Assumptions</u> |
|---------------------------|--|
| Inflation | 3.00% |
| Salary increases | 3.75 - 19.00%, including inflation |
| Investment rate of return | 7.75%, net of pension plan investment expense, including inflation |

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(10) Defined Benefit Pension Plans (Continued)

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan - Public Employees Retirement System (Continued)

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|-------------------------|--------------------------|---|
| U.S. Broad | 34.00% | 5.20% |
| International equity | 19.00 | 5.00 |
| Emerging markets equity | 8.00 | 5.45 |
| Fixed income | 20.00 | 0.25 |
| Real assets | 10.00 | 4.00 |
| Private equity | 8.00 | 6.15 |
| Cash | 1.00 | (0.50) |
| Total | <u>100.00%</u> | |

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00 percent) and that employer contributions will be made at the current employer contribution rate (15.75 percent). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2016

(10) Defined Benefit Pension Plans (Continued)

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan - Public Employees Retirement System (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's and MAA's proportionate share of the plan's net pension liability calculated using the discount rate of 7.75 percent, as well as what their proportionate share of the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

| <u>Description</u> | <u>1% Decrease (6.75%)</u> | <u>Current Discount Rate (7.75%)</u> | <u>1% Increase (8.75%)</u> |
|---|---|---|---|
| City's proportionate share of the net pension liability | \$ <u>59,549,688</u> | <u>46,442,492</u> | <u>35,567,769</u> |
| MAA's proportionate share of the net pension liability | \$ <u>6,871,118</u> | <u>5,358,749</u> | <u>4,103,973</u> |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Agent Multiple-Employer Defined Benefit Pension Plan – Mississippi Municipal Retirement Systems

General information about the Plan

Plan Description

The City also participates in the Mississippi Municipal Retirement Systems ("MMRS") Meridian General Plan and Meridian Fire and Police Plan which have been closed to new participants since July 1, 1976. MMRS is an agent multiple-employer defined benefit plan administered by PERS. MMRS 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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(10) Defined Benefit Pension Plans (Continued)

Agent Multiple-Employer Defined Benefit Pension Plan - Mississippi Municipal Retirement Systems (Continued)

seventeen cities providing retirement benefits to firefighters and police officers. Plan provisions are established by Miss. Code Ann. §21-29-1 et seq. (1972, as amended) and annual local and private legislation. Statutes may be amended only by the Mississippi Legislature. PERS issues a publicly available report entitled the Report on the Annual Valuation of the Mississippi Municipal Retirement Systems. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS, 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits Provided

Membership in the MMRS 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. MMRS provides retirement, disability, and death benefits to plan members and their beneficiaries.

A retirement allowance is payable to any member who retires and has completed at least 20 years of creditable service, regardless of age. Any general employee member who has attained age 70 and any firefighter or police officer who has attained age 65 shall be retired forthwith. The annual retirement allowance payable to a retired member is equal to (1) 50.0 percent of average compensation, plus (2) 1.7 percent of average compensation for each year of credited service over 20. The aggregate amount of (1) and (2) shall not exceed 66.6 percent of average compensation, regardless of service.

A disability retirement allowance is payable to any member who is not eligible for a service retirement benefit, but who becomes totally and permanently disabled regardless of creditable service, if the disability is due to causes in the performance of duty. If the disability is not due to causes in the performance of duty, the member must have completed at least five years of creditable service to be eligible for disability retirement. The annual disability retirement allowance payable is equal to 50.0 percent of the member's salary at the time of retirement, if the disability is due to causes in the performance of duty. If the disability is not due to causes in the performance of duty, the allowance is equal to 2.5 percent times credited service, not in excess of 20 years, times the member's salary at the time of retirement for firefighters and police officers, and average compensation for general employees.

A death benefit is payable upon the death of a member under the following conditions: (a) the member has retired; (b) the member is eligible to retire; (c) the death is in the line of duty; or (d) the death is not in the line of duty, but occurs after the member has five

CITY OF MERIDIAN, MISSISSIPPI
Notes to Financial Statements
September 30, 2016

(10) Defined Benefit Pension Plans (Continued)

Agent Multiple-Employer Defined Benefit Pension Plan – Mississippi Municipal Retirement Systems (Continued)

years of credited service. The death benefit is payable to the surviving spouse and to children under age 18, to dependent children through age 23 when full-time students, and to dependent children of any age if handicapped. The annual benefit payable, under all conditions in the case of firefighters and police officers and under other than condition (c) in the case of general employees is equal to 2.5 percent of average compensation for each year of credited service up to 20 and 1.7 percent of average compensation for each year over 20, with a maximum benefit of 66.67 percent of average compensation. For general members under condition (c), the annual benefit payable is equal to 50.0 percent of salary at the time of death.

Upon a member's termination of employment for any reason before retirement, the member's accumulated contributions are refunded. Upon the death of a member who is not eligible for any other death benefit, the member's accumulated contributions are paid to the member's beneficiary.

The minimum monthly allowance paid to members for all retirement and death benefits is \$600.

The allowances of certain retired members are adjusted annually by a Cost-of-Living Adjustment ("COLA") on the basis of the annual percentage change in each fiscal year of the Consumer Price Index. All retirees and beneficiaries who were receiving a retirement allowance as of June 30, 1999, were granted a 3.9 percent ad-hoc benefit increase.

At June 30, 2016 (measurement date), the following employees were covered by the plans:

| <u>Description</u> | <u>Meridian General</u> | <u>Meridian Fire & Police</u> |
|---|-----------------------------|---|
| Active employees | 1 | - |
| Inactive members or their beneficiaries currently receiving benefits | 42 | 138 |
| Inactive members entitled to but not yet receiving benefits | - | - |
| Total | <u>43</u> | <u>138</u> |

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(10) Defined Benefit Pension Plans (Continued)

Agent Multiple-Employer Defined Benefit Pension Plan – Mississippi Municipal Retirement Systems (Continued)

Contributions

Funding policies for MMRS are established by Mississippi statutes. Employer contributions are paid through an annual millage rate on the assessed property values of the City. For the year ended September 30, 2016, the City levied 7.79 mills to help fund MMRS. These millage rates are determined through review of each plan's benefit structure during the MMRS annual actuarial valuation and certification by the actuary as to the funding level required of the City.

During fiscal year 2016, the Meridian Fire and Police employees' contribution rate was ten percent of covered payroll and Meridian General employees' contribution rate was seven percent of covered payroll. The City's contributions to the Meridian General Plan and the Meridian Fire and Police Plan for the fiscal year ended September 30, 2016, were \$713,276 and \$1,907,593, respectively.

Net Pension Liability

The City's net pension liability for each plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the plans was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liabilities in the June 30, 2016, actuarial valuations were determined using the following actuarial information and assumptions:

| <u>Description</u> | <u>Assumptions</u> |
|-------------------------------|---------------------------|
| Valuation date | June 30, 2016 |
| Actuarial cost method | Entry age |
| Amortization method | Level dollar closed |
| Remaining amortization period | 18 years |
| Asset valuation method | 5-year smoothed market |
| Actuarial assumptions: | |
| Investment rate of return* | 7.75% |
| Projected salary increases# | 4.00% - 5.50% |
| *Includes price inflation at | 3.00% |
| #Includes wage inflation at | 3.75% |
| Cost of living adjustments | None |

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(10) Defined Benefit Pension Plans (Continued)

Agent Multiple-Employer Defined Benefit Pension Plan – Mississippi Municipal Retirement Systems (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were adopted by the PERS Board of Trustees when the Experience Investigation for the Four-Year Period Ending June 30, 2014, was adopted on April 21, 2015. Further details can be found on the PERS website (www.pers.ms.gov).

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (7.0 percent for Meridian General Employees) and that employer contributions will be made at the current employer contribution rate (7.79 mills). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Changes in the City's net pension liability for each plan for the year ended September 30, 2016 were as follows:

| | <u>Meridian General Plan</u> | | |
|---|--------------------------------|------------------------------------|------------------------------|
| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability</u> |
| Balance at September 30, 2015 | \$ <u>6,753,803</u> | <u>2,994,686</u> | <u>3,759,117</u> |
| Changes for the year: | | | |
| Interest | 495,938 | - | 495,938 |
| Difference between expected and actual experience | (108,041) | - | (108,041) |
| Contributions – employer | - | 722,557 | (722,557) |
| Contributions – employee | - | 5,581 | (5,581) |
| Net investment income | - | 44,792 | (44,792) |
| Benefit payments, including refunds of employee contributions | (709,204) | (709,204) | - |
| Administrative expense | - | (14,451) | 14,451 |
| Other changes | - | 9,284 | (9,284) |
| Net changes | <u>(321,307)</u> | <u>58,559</u> | <u>(379,866)</u> |
| Balance at September 30, 2016 | \$ <u>6,432,496</u> | <u>3,053,245</u> | <u>3,379,251</u> |

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(10) Defined Benefit Pension Plans (Continued)

Agent Multiple-Employer Defined Benefit Pension Plan – Mississippi Municipal Retirement Systems (Continued)

| | Meridian Fire & Police Plan | | |
|---|--|---|-------------------------------------|
| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability</u> |
| Balance at September 30, 2015 | \$ <u>18,469,686</u> | <u>8,140,591</u> | <u>10,329,095</u> |
| Changes for the year: | | | |
| Interest | 1,356,255 | - | 1,356,255 |
| Difference between expected and actual experience | (577,858) | - | (577,858) |
| Contributions – employer | - | 1,937,647 | (1,937,647) |
| Net investment income | - | 11,593 | (11,593) |
| Benefit payments, including refunds of employee contributions | (1,939,245) | (1,939,245) | - |
| Administrative expense | - | (38,753) | 38,753 |
| Other changes | - | 23,380 | (23,380) |
| Net changes | <u>(1,160,848)</u> | <u>(5,378)</u> | <u>(1,155,470)</u> |
| Balance at September 30, 2016 | \$ <u>17,308,838</u> | <u>8,135,213</u> | <u>9,173,625</u> |

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the each plan's net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

| <u>Description</u> | <u>1% Decrease (6.75%)</u> | <u>Current Discount Rate (7.75%)</u> | <u>1% Increase (8.75%)</u> |
|---------------------------|-----------------------------------|---|-----------------------------------|
| Meridian General | \$ <u>3,855,812</u> | <u>3,379,251</u> | <u>2,962,646</u> |
| Meridian Fire and Police | \$ <u>10,532,000</u> | <u>9,173,625</u> | <u>7,994,202</u> |

Pension Plan Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the separately issued PERS and MMRS financial reports.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(10) Defined Benefit Pension Plans (Continued)

Agent Multiple-Employer Defined Benefit Pension Plan – Mississippi Municipal Retirement Systems (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, each plan recognized pension expense as follows:

| <u>Description</u> | <u>Meridian General</u> | <u>Meridian Fire & Police</u> |
|--------------------|-----------------------------|---|
| Pension expense | \$ <u>220,746</u> | <u>364,556</u> |

At September 30, 2016, the plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| <i>Meridian General:</i> | | |
| Net difference between projected and actual earnings on plan investments | \$ 234,069 | - |
| City contributions subsequent to the measurement date | <u>73,835</u> | - |
| Total Meridian General | \$ <u>307,904</u> | <u>-</u> |
| <i>Meridian Fire and Police:</i> | | |
| Net difference between projected and actual earnings on plan investments | \$ 723,899 | - |
| City contributions subsequent to the measurement date | <u>197,473</u> | - |
| Total Meridian Fire and Police | \$ <u>921,372</u> | <u>-</u> |

The above deferred outflows of resources and deferred inflows of resources represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

The amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(10) Defined Benefit Pension Plans (Continued)

Agent Multiple-Employer Defined Benefit Pension Plan – Mississippi Municipal Retirement Systems (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending September 30,</u> | <u>Meridian General</u> | <u>Meridian Fire & Police</u> |
|----------------------------------|-----------------------------|---|
| 2017 | \$ 65,525 | 200,118 |
| 2018 | 65,525 | 200,118 |
| 2019 | 65,525 | 200,116 |
| 2020 | <u>37,494</u> | <u>123,547</u> |
| Total | \$ <u>234,069</u> | <u>723,899</u> |

Payable to Pension Plan

As of September 30, 2016, the City reported a payable of \$475,803 for the outstanding amount of contributions to the pension plans required for the year ended September 30, 2016.

Summary of Pension Plan Balances

The City's pension related balances presented on the Statement of Net Position as of September 30, 2016, by individual plan are as follows:

| | <u>PERS</u> | <u>Meridian General</u> | <u>Meridian Fire & Police</u> | <u>Totals</u> |
|--|----------------------|-----------------------------|---|-------------------|
| Deferred outflows related to net pension liability | \$ <u>10,416,945</u> | <u>307,904</u> | <u>921,372</u> | <u>11,646,221</u> |
| Net pension liability | \$ <u>46,442,492</u> | <u>3,379,251</u> | <u>9,173,625</u> | <u>58,995,368</u> |
| Deferred inflows related to net pension liability | \$ <u>684,639</u> | <u>-</u> | <u>-</u> | <u>684,639</u> |
| Pension expense | \$ <u>6,720,019</u> | <u>364,556</u> | <u>220,746</u> | <u>7,305,321</u> |

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(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 2016, from the prior year. Settled claims have not exceeded commercial coverage in any of the past several years.

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

Changes in the balances of claims liabilities during the fiscal years ended September 30, 2016 and 2015, follows:

| <u>Description</u> | <u>2016</u> | <u>2015</u> |
|------------------------------------|-------------------|------------------|
| Unpaid claims, beginning of year | \$ 13,384 | 220,029 |
| Incurred claims (including IBNR's) | 1,065,193 | 473,080 |
| Claim payments | <u>(688,855)</u> | <u>(679,725)</u> |
| Unpaid claims, end of year | \$ <u>389,722</u> | <u>13,384</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.

CITY OF MERIDIAN, MISSISSIPPINotes to Financial Statements
September 30, 2016

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(11) Risk Management (Continued)

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

Changes in the balances of claims liabilities during the fiscal years ended September 30, 2016 and 2015, follows:

| <u>Description</u> | <u>2016</u> | <u>2015</u> |
|------------------------------------|--------------------|--------------------|
| Unpaid claims, beginning of year | \$ 490,405 | 486,361 |
| Incurred claims (including IBNR's) | 2,357,357 | 1,511,028 |
| Claim payments | <u>(1,971,071)</u> | <u>(1,506,984)</u> |
| Unpaid claims, end of year | \$ <u>876,691</u> | <u>490,405</u> |

(12) Pollution Remediation

In May, 2014, the United States Environmental Protection Agency ("EPA") notified the City that it has violated the Clean Water Act ("CWA") due in large part to Sewer System Overflows ("SSOs") from the City's sanitary wastewater collection and treatment system during wet weather. The City is responding to EPA's claims. Capital expenditures and increased operational expenditures related to the sewer system may be required as part of that response. Such expenditures may require significant increases in rates for sewer system services. The final outcome of this matter cannot be determined at this time.

(13) Contingent Liabilities**Litigation**

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

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(13) Contingent Liabilities (Continued)

Federally Assisted Programs – Compliance Audits

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

(14) Construction and Other Significant Commitments

The City has approved projects at the South Waste Water Treatment Plant, including (1) 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 (2) electrical upgrades, including the replacement of 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 \$8,955,225 and is being funded by a Water Pollution Control Revolving Loan Fund agreement through the Mississippi Department of Environmental Quality.

The City has committed to a contract to replace sidewalks, curb cuts, and pedestrian crossings and to install decorative lighting and landscaping along 5th Street, approximately between 23rd Avenue and 26th Avenue, as well as portions of 25th Avenue. The estimated construction cost of this project is \$1,415,000 and will be funded \$415,000 from local funds and \$1,000,000 from grant funds provided through the Mississippi Department of Transportation.

The City has committed to invest up to \$400,000 in public street improvements and construction of an access drive to the newly constructed Fairfield Inn just off Highway 80. The project includes clearing and grubbing, placing of gravel and lighting, and a traffic study required by the Mississippi Department of Transportation.

The City has committed to a contract for construction of a new community center at Velma Young Park. The estimated cost of this project is \$1,845,000 and will be funded \$895,000 from local funds, \$300,000 from Lauderdale County, \$50,000 from the Meridian Housing Authority and \$600,000 from a Community Development Block Grant provided through the Mississippi Development Authority.

The City has committed to an emergency repair contract totaling \$1,031,675 and emergency professional services contracts totaling \$197,254, due to the unexpected collapse of a drainage structure located on North Frontage Road. The collapsed structure is located within a City drainage easement and created a risk of significant flood to a large area of commercial development. The City has applied for grants for the funding of these repairs.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(14) Construction and Other Significant Commitments (Continued)

The City has executed a lease agreement for a new law enforcement center. The lease term began in May, 2013, upon occupancy of the premises and will continue for twenty years with an option to purchase (at fair market value) the premises upon expiration of the primary lease term. The base rental is \$305,000 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").

The City has pledged to contribute \$1,000,000 over a ten-year period beginning in fiscal year 2015, towards the START Campaign for the Mississippi Arts and Entertainment Center ("Center"). The second contribution of \$100,000 was made during fiscal year 2016. The Center was approved by the Mississippi State Legislature and is scheduled to open in the spring of 2018, as the Mississippi Arts and Entertainment Experience in downtown Meridian, Mississippi. The Center's purpose is to capture the essence of Mississippi's legacy in the arts and to celebrate the richness and depth of that legacy and the Mississippians who created it.

In August, 2016, the citizens of the City of Meridian approved a special two percent (2%) prepared food and beverage tax that will be levied within the City and pledged to pay up to \$20,000,000 in bonds issued for the construction and operation of the Mississippi Arts and Entertainment Center ("Center"). The special tax will be levied beginning November, 2016, and will be rescinded once the bonds are paid in full. Any funds remaining shall be used for the operation, support, repair, maintenance and improvement of the Center.

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

| <u>Description</u> | <u>Encumbrance Amount</u> |
|---|-------------------------------|
| General fund assigned for various governmental services | \$ <u>1,937,421</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.

CITY OF MERIDIAN, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

(16) Subsequent Events

Events that occur after the statement of net position 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 position date require recognition in the financial statements. Subsequent events that provide evidence about conditions that existed after the statement of net position date require disclosure in the notes to the financial statements. Management evaluated the activity of the City through April 27, 2017, (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 November, 2016, the special two percent (2%) prepared food and beverage tax approved by the citizens of the City of Meridian was levied within the City. Proceeds from the special tax are pledged to pay up to \$20,000,000 in bonds issued for the construction and operation of the Mississippi Arts and Entertainment Center. The tax levy will be rescinded once the bonds are paid in full.

In February, 2017, the City directed the sale and award of \$20,000,000 in General Obligation Bonds, Series 2017. The purpose of this bond issue is to provide funds for the construction of the Mississippi Arts and Entertainment Experience. The bonds will be paid from a special two percent (2%) prepared food and beverage tax collected by the City.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1

CITY OF MERIDIAN, MISSISSIPPI
Required Supplementary Information
Public Employees' Retirement System of Mississippi
Schedule of the City's Proportionate Share of Net Pension Liability
Last Ten Fiscal Years¹

| | <u>2016</u> | <u>2015</u> |
|--|---------------|-------------|
| City's proportion of the net pension liability | 0.260207% | 0.253100% |
| City's proportionate share of the net pension liability | \$ 46,442,492 | 38,645,070 |
| City's covered-employee payroll | \$ 16,646,173 | 15,812,876 |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 279.00% | 244.39% |
| Plan fiduciary net position as a percentage of the total pension liability | 57.47% | 61.70% |

¹GASB 68 was implemented in fiscal year 2015, information is not available to present a full ten years.
The City has presented information for the years in which it is available.

²The amounts presented were determined as of the measurement date of June 30 of the fiscal year presented.

SCHEDULE 2

CITY OF MERIDIAN, MISSISSIPPI
Required Supplementary Information
Public Employees' Retirement System of Mississippi
Schedule of the City's Contributions
Last Ten Fiscal Years¹

| | <u>2016</u> | <u>2015</u> |
|--|----------------------|-------------------|
| Statutorily required contribution | \$ 2,742,339 | 2,508,000 |
| Contributions in relation to the statutorily required contribution | <u>2,742,339</u> | <u>2,508,000</u> |
| Annual contribution deficiency (excess) | \$ <u>-</u> | <u>-</u> |
| City's covered-employee payroll | \$ <u>17,411,778</u> | <u>15,923,801</u> |
| Contributions as a percentage of covered-employee payroll | <u>15.75%</u> | <u>15.75%</u> |

¹GASB 68 was implemented in fiscal year 2015, information is not available to present a full ten years
The City has presented information for the years in which it is available.

Notes to schedule

Changes of benefit terms: Effective July 1, 2016, the interest rate on employer contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

Changes of assumptions: In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

SCHEDULE 3

CITY OF MERIDIAN, MISSISSIPPI
Required Supplementary Information
Mississippi Municipal Retirement Systems -
Meridian General Plan
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Fiscal Years¹

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|------------------|
| Measurement period fiscal year end ² | 6/30/2016 | 6/30/2015 |
| Total pension liability: | | |
| Interest | \$ 495,938 | 517,472 |
| Difference between expected and actual experience | (108,041) | (79,725) |
| Changes of assumptions | - | 212,270 |
| Benefit payments, including refunds of employee contributions | <u>(709,204)</u> | <u>(729,218)</u> |
| Net change in total pension liability | (321,307) | (79,201) |
| Total pension liability, beginning | <u>6,753,803</u> | <u>6,833,004</u> |
| Total pension liability, ending (a) | <u>\$ 6,432,496</u> | <u>6,753,803</u> |
| Plan fiduciary net position: | | |
| Contributions - employer | \$ 722,557 | 729,047 |
| Contributions - employee | 5,581 | 4,767 |
| Net investment income | 44,792 | 92,425 |
| Benefit payments, including refunds of employee contributions | (709,204) | (729,218) |
| Administrative expense | (14,451) | (14,581) |
| Other | <u>9,284</u> | <u>-</u> |
| Net change in plan fiduciary net position | 58,559 | 82,440 |
| Plan fiduciary net position, beginning | <u>2,994,686</u> | <u>2,912,246</u> |
| Plan fiduciary net position, ending (b) | <u>\$ 3,053,245</u> | <u>2,994,686</u> |
| Plan net pension liability - ending (a-b) | <u>\$ 3,379,251</u> | <u>3,759,117</u> |
| Plan fiduciary net position as a percentage of total pension liability | <u>47.47%</u> | <u>44.34%</u> |
| Covered employee payroll ³ | <u>N/A</u> | <u>N/A</u> |
| Net pension liability as a percentage of covered employee payroll ³ | <u>N/A</u> | <u>N/A</u> |

¹GASB 68 was implemented in fiscal year 2015, information is not available to present a full ten years. The City has presented information for the years in which it is available.

²The amounts presented were determined as of the measurement date of June 30 of the fiscal year presented.

³Payroll related information is not provided because this plan is closed to new entrants and there is only one remaining active member in the Meridian General plan.

Notes to schedule

Changes of benefit terms: There were no changes to benefit provisions since the last valuation.

Changes of assumptions: There were no changes in actuarial assumptions since the last valuation.

SCHEDULE 4

CITY OF MERIDIAN, MISSISSIPPI
Required Supplementary Information
Mississippi Municipal Retirement Systems -
Meridian General Plan
Schedule of the City's Contributions
Last Ten Fiscal Years¹

| | <u>2016</u> | <u>2015</u> |
|--|----------------|----------------|
| Actuarially determined contribution ² | \$ 722,557 | 729,047 |
| Contributions in relation to the actuarially required contribution ² | <u>722,557</u> | <u>729,047</u> |
| Contribution deficiency (excess) | \$ <u>-</u> | <u>-</u> |
| City's covered-employee payroll ³ | \$ <u>N/A</u> | <u>N/A</u> |
| Contributions as a percentage of covered-employee payroll ³ | <u>N/A</u> | <u>N/A</u> |

¹GASB 68 was implemented in fiscal year 2015, information is not available to present a full ten years. The City has presented information for the years in which it is available.

²The amounts presented were determined as of the measurement date of June 30 of the fiscal year presented.

³Payroll related information is not provided because this plan is closed to new entrants and there is only one remaining active member in the Meridian General plan.

Notes to schedule

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year ended September, 30, 2016 were based on the June 30, 2014 actuarial valuation.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial cost method | Ultimate Asset Reserve |
| Amortization method | N/A |
| Remaining amortization period | N/A |
| Asset valuation method | Five year smoothed market |
| Inflation | 3.50% |
| Salary increases | 4.50 - 6.00%, including inflation |
| Investment rate of return | 8.00%, net of pension plan investment expense, including inflation |

SCHEDULE 5

CITY OF MERIDIAN, MISSISSIPPI
Required Supplementary Information
Mississippi Municipal Retirement Systems -
Meridian Fire & Police Plan
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Fiscal Years¹

| | <u>2016</u> | <u>2015</u> |
|--|-----------------------------|--------------------------|
| Measurement period fiscal year end ² | 6/30/2016 | 6/30/2015 |
| Total pension liability: | | |
| Interest | \$ 1,356,255 | 1,404,037 |
| Difference between expected and actual experience | (577,858) | (8,930) |
| Changes of assumptions | - | 525,288 |
| Benefit payments, including refunds of employee contributions | <u>(1,939,245)</u> | <u>(2,002,352)</u> |
| Net change in total pension liability | (1,160,848) | (81,957) |
| Total pension liability, beginning | <u>18,469,686</u> | <u>18,551,643</u> |
| Total pension liability, ending (a) | \$ <u>17,308,838</u> | <u>18,469,686</u> |
| Plan fiduciary net position: | | |
| Contributions - employer | \$ 1,937,647 | 1,809,952 |
| Net investment income | 11,593 | 256,985 |
| Benefit payments, including refunds of employee contributions | (1,939,245) | (2,002,352) |
| Administrative expense | (38,753) | (36,199) |
| Other | <u>23,380</u> | <u>-</u> |
| Net change in plan fiduciary net position | (5,378) | 28,386 |
| Plan fiduciary net position, beginning | <u>8,140,591</u> | <u>8,112,205</u> |
| Plan fiduciary net position, ending (b) | \$ <u>8,135,213</u> | <u>8,140,591</u> |
| Plan net pension liability - ending (a-b) | \$ <u>9,173,625</u> | <u>10,329,095</u> |
| Plan fiduciary net position as a percentage of total pension liability | <u>47.00%</u> | <u>44.08%</u> |
| Covered employee payroll ³ | <u>N/A</u> | <u>N/A</u> |
| Net pension liability as a percentage of covered employee payroll ³ | <u>N/A</u> | <u>N/A</u> |

¹GASB 68 was implemented in fiscal year 2015, information is not available to present a full ten years. The City has presented information for the years in which it is available.

²The amounts presented were determined as of the measurement date of June 30 of the fiscal year presented.

³Payroll related information is not provided because this plan is closed to new entrants and there are no active members in the Meridian Fire and Police plan.

Notes to schedule

Changes of benefit terms: There were no changes to benefit provisions since the last valuation.

Changes of assumptions: There were no changes in actuarial assumptions since the last valuation.

SCHEDULE 6

CITY OF MERIDIAN, MISSISSIPPI
Required Supplementary Information
Mississippi Municipal Retirement Systems -
Meridian Fire & Police Plan
Schedule of the City's Contributions
Last Ten Fiscal Years¹

| | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|
| Actuarially determined contribution ² | \$ 1,937,647 | 1,809,952 |
| Contributions in relation to the actuarially required contribution ² | <u>1,937,647</u> | <u>1,809,952</u> |
| Contribution deficiency (excess) | \$ <u>-</u> | <u>-</u> |
| City's covered-employee payroll ³ | \$ <u>N/A</u> | <u>N/A</u> |
| Contributions as a percentage of covered-employee payroll ³ | <u>N/A</u> | <u>N/A</u> |

¹GASB 68 was implemented in fiscal year 2015, information is not available to present a full ten years. The City has presented information for the years in which it is available.

²The amounts presented were determined as of the measurement date of June 30 of the fiscal year presented.

³Payroll related information is not provided because this plan is closed to new entrants and there are no active members in the Meridian Fire and Police plan.

Notes to schedule

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year ended September, 30, 2016 were based on the June 30, 2014 actuarial valuation.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial cost method | Ultimate Asset Reserve |
| Amortization method | N/A |
| Remaining amortization period | N/A |
| Asset valuation method | Five year smoothed market |
| Inflation | 3.50% |
| Salary increases | 4.50 - 6.00%, including inflation |
| Investment rate of return | 8.00%, net of pension plan investment expense, including inflation |

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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.

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.

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

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.

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

35th Avenue and 40th Street Bridge Replacement – This fund is used to account for the local and grant revenues used for replacement of bridges on 35th Avenue and on 40th Street over Gallagher Creek.

2012 General Obligation Bonds – This fund is used to account for the proceeds and disbursements from the 2012 general obligation bonds.

Downtown Streetscape – This fund is used to account for the local and grant revenues used to replace sidewalks, curb cuts, pedestrian crossings and install decorative lighting and landscaping along 5th Street approximately between 23rd Avenue and 26th Avenue, as well as portions of 25th Avenue.

Highway 39 Signalization – This fund is used to account for the local and grant revenues used to upgrade traffic signals along Highway 39 at its intersection with Old Country Club Road and its intersection with Windmill Drive.

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Funds (Continued)

Velma Young Community Center – This fund is used to account for the local and grant revenues used to construct a new community center at Velma Young Park.

Drainage Structure Collapse Emergency – This fund is used to account for bond proceeds used for emergency repairs and professional services due to the unexpected collapse of a drainage structure located on North Frontage Road.

2016 Vehicle Loan – This fund is used to account for the proceeds and disbursements from the fiscal year 2016 vehicle loan. The loan proceeds were used to purchase standard fleet vehicles and specialty vehicles for public works and the fire department.

CITY OF MERIDIAN, MISSISSIPPI

Combining Balance Sheet

Nonmajor Governmental Funds

Nonmajor Capital Projects Funds

September 30, 2016

| | <u>Sowashee Project</u> | <u>2003 General Obligation Bonds</u> | <u>2003 Flood Damage</u> | <u>City Hall Improvements</u> | <u>Safe Routes to School Project</u> | <u>2011 General Obligation Bonds</u> |
|--|-----------------------------|--|----------------------------------|-----------------------------------|--|--|
| <u>ASSETS</u> | | | | | | |
| Restricted assets: | | | | | | |
| Cash and cash equivalents | \$ 295,442 | - | 77,397 | 138,154 | - | 1,206 |
| Intergovernmental receivables | - | - | - | - | 94,365 | - |
| Total assets | \$ 295,442 | - | 77,397 | 138,154 | 94,365 | 1,206 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | | |
| Liabilities: | | | | | | |
| Due to other funds | \$ - | - | - | - | 87,540 | - |
| Liabilities payable from restricted assets - Accounts payable | 2,900 | - | - | - | 6,753 | - |
| Total liabilities | 2,900 | - | - | - | 94,293 | - |
| Fund balances: | | | | | | |
| Restricted for: | | | | | | |
| Sowashee Creek maintenance | 292,542 | - | - | - | - | - |
| Construction/acquisition of capital assets | - | - | - | 138,154 | - | 1,206 |
| Damage repairs | - | - | 77,397 | - | - | - |
| Paving and sidewalk projects | - | - | - | - | 72 | - |
| Total fund balances | 292,542 | - | 77,397 | 138,154 | 72 | 1,206 |
| Total liabilities and fund balances | \$ 295,442 | - | 77,397 | 138,154 | 94,365 | 1,206 |

SCHEDULE 7

| <u>35th Avenue & 40th Street Bridge Replacement</u> | <u>2012 General Obligation Bonds</u> | <u>Downtown Streetscape</u> | <u>Highway 39 Signalization</u> | <u>Velma Young Community Center</u> | <u>Drainage Structure Collapse Emergency</u> | <u>2016 Vehicle Loan</u> | <u>Total Nonmajor Capital Projects Funds</u> |
|--|---|--|--|--|---|---|---|
| 42,742 | 1,128,657 | 172,646 | 34,744 | 852,078 | 194,988 | 491,106 | 3,429,160 |
| - | - | 150,774 | 2,198 | 170,963 | - | - | 418,300 |
| <u>42,742</u> | <u>1,128,657</u> | <u>323,420</u> | <u>36,942</u> | <u>1,023,041</u> | <u>194,988</u> | <u>491,106</u> | <u>3,847,460</u> |
| - | - | - | 9,566 | - | - | - | 97,106 |
| - | 70,900 | 188,986 | - | 174,425 | 42,909 | 79,611 | 566,484 |
| - | 70,900 | 188,986 | 9,566 | 174,425 | 42,909 | 79,611 | 663,590 |
| - | - | - | - | - | - | - | 292,542 |
| 42,742 | - | - | 27,376 | 848,616 | - | 411,495 | 1,469,589 |
| - | - | - | - | - | 152,079 | - | 229,476 |
| - | 1,057,757 | 134,434 | - | - | - | - | 1,192,263 |
| <u>42,742</u> | <u>1,057,757</u> | <u>134,434</u> | <u>27,376</u> | <u>848,616</u> | <u>152,079</u> | <u>411,495</u> | <u>3,183,870</u> |
| <u>42,742</u> | <u>1,128,657</u> | <u>323,420</u> | <u>36,942</u> | <u>1,023,041</u> | <u>194,988</u> | <u>491,106</u> | <u>3,847,460</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, 2016

| | <u>Sowashee Project</u> | <u>2003 General Obligation Bonds</u> | <u>2003 Flood Damage</u> | <u>City Hall Improvements</u> | <u>Safe Routes to School Project</u> | <u>2011 General Obligation Bonds</u> |
|--|-----------------------------|--|----------------------------------|-----------------------------------|--|--|
| Revenues: | | | | | | |
| Intergovernmental - | | | | | | |
| Federal | \$ - | - | - | - | 26,726 | - |
| Interest on investments | 878 | 195 | 217 | 387 | - | 1,243 |
| Total revenues | <u>878</u> | <u>195</u> | <u>217</u> | <u>387</u> | <u>26,726</u> | <u>1,243</u> |
| Expenditures: | | | | | | |
| Construction contracts | - | - | - | - | - | - |
| Engineering and other | 35,460 | - | - | - | 26,726 | - |
| Total expenditures | <u>35,460</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>26,726</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(34,582)</u> | <u>195</u> | <u>217</u> | <u>387</u> | <u>-</u> | <u>1,243</u> |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | (208,898) | - | - | - | (1,329,183) |
| Loan proceeds | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>(208,898)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,329,183)</u> |
| Net change in fund balances | <u>(34,582)</u> | <u>(208,703)</u> | <u>217</u> | <u>387</u> | <u>-</u> | <u>(1,327,940)</u> |
| Fund Balances, October 1, 2015 | <u>327,124</u> | <u>208,703</u> | <u>77,180</u> | <u>137,767</u> | <u>72</u> | <u>1,329,146</u> |
| Fund balances, September 30, 2016 | \$ <u>292,542</u> | <u>-</u> | <u>77,397</u> | <u>138,154</u> | <u>72</u> | <u>1,206</u> |

SCHEDULE 8

| <u>35th Avenue & 40th Street Bridge Replacement</u> | <u>2012 General Obligation Bonds</u> | <u>Downtown Streetscape</u> | <u>Highway 39 Signalization</u> | <u>Velma Young Community Center</u> | <u>Drainage Structure Collapse Emergency</u> | <u>2016 Vehicle Loan</u> | <u>Total Nonmajor Capital Projects Funds</u> |
|---|--|---------------------------------|-------------------------------------|---|--|----------------------------------|--|
| - | - | 150,774 | 245,679 | 420,514 | - | - | 843,693 |
| 119 | 3,161 | 490 | 46 | 2,044 | 724 | - | 9,504 |
| 119 | 3,161 | 151,264 | 245,725 | 422,558 | 724 | - | 853,197 |
| - | 70,900 | 154,640 | 255,384 | 410,514 | - | 526,682 | 1,418,120 |
| - | - | 37,755 | 25,086 | 108,428 | - | - | 233,455 |
| - | 70,900 | 192,395 | 280,470 | 518,942 | - | 526,682 | 1,651,575 |
| 119 | (67,739) | (41,131) | (34,745) | (96,384) | 724 | (526,682) | (798,378) |
| - | - | - | 34,745 | 380,000 | 1,538,081 | - | 1,952,826 |
| - | - | - | - | - | (1,386,726) | - | (2,924,807) |
| - | - | - | - | - | - | 938,177 | 938,177 |
| - | - | - | 34,745 | 380,000 | 151,355 | 938,177 | (33,804) |
| 119 | (67,739) | (41,131) | - | 283,616 | 152,079 | 411,495 | (832,182) |
| 42,623 | 1,125,496 | 175,565 | 27,376 | 565,000 | - | - | 4,016,052 |
| 42,742 | 1,057,757 | 134,434 | 27,376 | 848,616 | 152,079 | 411,495 | 3,183,870 |

SCHEDULE 9**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, 2016**

| | Budgeted Amounts | | Actual (Budgetary Basis) Amounts | Variance with Final Budget - Positive (Negative) |
|---|-------------------------|---------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | \$ 4,700,000 | 4,800,000 | 5,116,606 | 316,606 |
| Expenditures - debt service | <u>4,700,000</u> | <u>4,800,000</u> | <u>4,524,425</u> | <u>275,575</u> |
| Net change in fund balances | \$ <u>-</u> | <u>-</u> | 592,181 | <u>592,181</u> |
| Fund Balance, October 1, 2015 | | | <u>3,354,739</u> | |
| Fund Balance, September 30, 2016 | | | \$ <u>3,946,920</u> | |

SCHEDULE 10**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, 2016**

| | Budgeted Amounts | | Actual (Budgetary Basis) Amounts | Variance with Final Budget - Positive (Negative) |
|---|-------------------------|---------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | \$ 1,112,000 | 7,112,000 | 9,331,033 | 2,219,033 |
| Expenditures - capital outlay | <u>3,000,000</u> | <u>9,000,000</u> | <u>6,227,773</u> | <u>2,772,227</u> |
| Net change in fund balances | \$ <u>(1,888,000)</u> | <u>(1,888,000)</u> | 3,103,260 | <u>4,991,260</u> |
| Fund balance, October 1, 2015 | | | <u>4,687,803</u> | |
| Fund balance, September 30, 2016 | | | \$ <u>7,791,063</u> | |

CITY OF MERIDIAN, MISSISSIPPI
Schedule of General Fund Expenditures
By Departments and Divisions
For the Fiscal Year Ended September 30, 2016
(With Comparative Totals for the Fiscal Year Ended September 30, 2015)

| | <u>Executive, Legislative and Judicial</u> | <u>Finance and Records</u> | <u>Community Development</u> | <u>Fire Department</u> | <u>Police Department</u> | <u>Public Safety & Training Facility</u> |
|---|--|------------------------------------|----------------------------------|----------------------------|------------------------------|--|
| Personnel services: | | | | | | |
| Salaries - regular | \$ 849,801 | 838,282 | 814,788 | 3,701,682 | 3,737,451 | 146,357 |
| Salaries - overtime | 878 | 3,288 | 63 | 830,123 | 430,420 | - |
| Salaries - temporaries | 37,809 | 9,258 | 127,031 | 13,606 | 40,094 | 10,948 |
| Fringe benefits | <u>349,725</u> | <u>336,599</u> | <u>361,064</u> | <u>1,760,279</u> | <u>1,642,939</u> | <u>58,093</u> |
| Total personnel services | <u>1,238,213</u> | <u>1,187,427</u> | <u>1,302,946</u> | <u>6,305,690</u> | <u>5,850,904</u> | <u>215,398</u> |
| Contractual services and supplies: | | | | | | |
| Supplies - office | 6,555 | 8,667 | 3,128 | 2,389 | 4,396 | 698 |
| Supplies - operating | 591 | 3,872 | 3,713 | 4,578 | 52,361 | 42,649 |
| Supplies - household | - | 6,175 | 1,701 | 13,523 | 4,556 | 1,000 |
| Supplies - uniforms and clothing | 1,168 | - | 5,964 | 28,206 | 65,228 | 778 |
| Supplies - materials direct | - | - | - | - | - | - |
| Materials - small tools and workorders | 338 | 124 | 1,970 | 1,384 | 984 | 959 |
| Professional services | 575,365 | 169,786 | 3,945 | 765 | 433,785 | 2,223 |
| Telephone | 4,953 | 96,167 | 14,172 | 8,616 | 22,410 | 3,630 |
| Postage | 182 | 774 | 3,503 | 61 | 1,874 | - |
| Travel | 14,576 | 16,110 | 12,617 | 26,548 | 28,553 | - |
| Freight | - | - | - | 221 | - | - |
| Advertising and publishing | 7,378 | 5,237 | 1,869 | - | 42 | - |
| Printing and binding | 1,462 | 2,231 | 275 | 356 | 3,022 | - |
| Insurance | 116,585 | 37,500 | 37,592 | 182,687 | 318,340 | 18,333 |
| Utilities | 2,601 | 1,137,103 | 11,493 | 96,279 | 47,427 | 35,700 |
| Operating and maintenance - buildings | 5,188 | 35,386 | 3,670 | 47,703 | 18,258 | 10,026 |
| Operating and maintenance - grounds | 2,401 | 250 | 408 | - | - | 174 |
| Operating and maintenance - equipment | 2,917 | 12,554 | 1,572 | 15,506 | 5,478 | 1,406 |
| Operating and maintenance - vehicles | 636 | 76,663 | 31,828 | 76,561 | 390,150 | 8,061 |
| Operating and maintenance - computer services | 10,497 | 79,438 | 34,492 | 61,826 | 85,400 | 24,173 |
| Rentals | 3,130 | 9,444 | 2,318 | 1,227 | - | - |
| Judgments and claims | 9,791 | - | 4,616 | 105,030 | 220,134 | 313 |
| Dues and subscriptions | 24,676 | 2,425 | 4,419 | 1,347 | 2,744 | - |
| Public relations | 40,947 | - | 1,803 | 3,355 | 2,567 | - |
| Refunds | - | 1,010 | 800 | - | - | - |
| Job training | 3,384 | 6,137 | 6,484 | 36,358 | 26,920 | 5,416 |
| Safety | - | - | - | 39,972 | - | 1,118 |
| Hospital and medical | <u>9,375</u> | <u>-</u> | <u>-</u> | <u>22,861</u> | <u>17,083</u> | <u>-</u> |
| Total contractual services & supplies | <u>844,696</u> | <u>1,707,053</u> | <u>194,352</u> | <u>777,359</u> | <u>1,751,712</u> | <u>156,657</u> |
| Capital outlay: | | | | | | |
| Land | - | - | - | 205,000 | - | - |
| Buildings | - | - | - | 25,930 | 305,000 | - |
| Machinery and equipment | 10,000 | 74,170 | (194) | 33,310 | 64,016 | 6,523 |
| Improvement other than buildings | - | - | - | - | - | - |
| Vehicles | - | - | 35,989 | 1,097,379 | 56,236 | - |
| Total capital outlay | <u>10,000</u> | <u>74,170</u> | <u>35,795</u> | <u>1,361,619</u> | <u>425,252</u> | <u>6,523</u> |
| Debt service: | | | | | | |
| Principal | - | 68,007 | - | - | 22,298 | - |
| Interest | - | 3,219 | - | - | 3,628 | - |
| Total debt service | <u>-</u> | <u>71,226</u> | <u>-</u> | <u>-</u> | <u>25,926</u> | <u>-</u> |
| Transfers and other charges: | | | | | | |
| Transfer to other funds | 532,345 | - | 371,604 | - | 5,000 | - |
| Special projects | 5,580 | 54,701 | 363,048 | 12,500 | 12,500 | - |
| Miscellaneous contributions | 553,000 | - | - | - | 6,000 | - |
| Loss on disposal of assets | - | - | - | - | - | - |
| Other projects and charges | - | - | - | - | - | - |
| Total transfers and other charges | <u>1,090,925</u> | <u>54,701</u> | <u>734,652</u> | <u>12,500</u> | <u>23,500</u> | <u>-</u> |
| Total General Fund expenditures - 2016 | 3,183,834 | 3,094,577 | 2,267,745 | 8,457,168 | 8,077,294 | 378,578 |
| Total General Fund expenditures - 2015 | 4,948,707 | 2,905,666 | 1,662,946 | 6,920,358 | 7,586,202 | 334,233 |
| Increase (decrease) | \$ (1,764,873) | 188,911 | 604,799 | 1,536,810 | 491,092 | 44,345 |

SCHEDULE 11

| Public Works | Parks, Recreation & Cultural Affairs | Arts District Parking Garage | Totals | | Increase (Decrease) |
|-------------------------|---|---|-------------------|-------------------|--------------------------------|
| | | | 2016 | 2015 | |
| 2,010,099 | 753,667 | - | 12,852,127 | 11,915,571 | 936,556 |
| 50,617 | 21,977 | - | 1,337,366 | 1,206,523 | 130,843 |
| 168,692 | 492,884 | - | 900,322 | 997,279 | (96,957) |
| 903,462 | 431,837 | - | 5,843,998 | 4,934,152 | 909,846 |
| <u>3,132,870</u> | <u>1,700,365</u> | <u>-</u> | <u>20,933,813</u> | <u>19,053,525</u> | <u>1,880,288</u> |
| 1,950 | 1,102 | - | 28,885 | 26,148 | 2,737 |
| 86,596 | 80,135 | 318 | 274,813 | 269,734 | 5,079 |
| 3,639 | 14,911 | - | 45,505 | 50,877 | (5,372) |
| 6,385 | 4,627 | - | 112,356 | 116,436 | (4,080) |
| 245,403 | 15,008 | - | 260,411 | 201,977 | 58,434 |
| 11,093 | 6,833 | - | 23,685 | 19,096 | 4,589 |
| 137,781 | 89,379 | - | 1,413,029 | 1,507,139 | (94,110) |
| 6,935 | 6,284 | 702 | 163,869 | 149,910 | 13,959 |
| 810 | 2,090 | 35 | 9,329 | 1,507 | 7,822 |
| 6,443 | 4,532 | - | 109,379 | 64,054 | 45,325 |
| (327) | - | - | (106) | 1,156 | (1,262) |
| 1,174 | 501 | - | 16,201 | 13,626 | 2,575 |
| - | 2,301 | - | 9,647 | 16,924 | (7,277) |
| 268,825 | 77,385 | 11,061 | 1,068,308 | 1,052,964 | 15,344 |
| 76,737 | 205,000 | 22,886 | 1,635,226 | 1,769,181 | (133,955) |
| 27,772 | 54,587 | 20,082 | 222,672 | 199,381 | 23,291 |
| 4,855 | 110,602 | 649 | 119,339 | 61,473 | 57,866 |
| 52,092 | 87,856 | 2,573 | 181,954 | 153,898 | 28,056 |
| 263,299 | 36,499 | - | 883,697 | 924,168 | (40,471) |
| 31,533 | 16,897 | - | 344,256 | 344,148 | 108 |
| 32,907 | 2,963 | - | 51,989 | 47,784 | 4,205 |
| (12,762) | 63,402 | - | 390,524 | 646,886 | (256,362) |
| 2,775 | 475 | - | 38,861 | 50,258 | (11,397) |
| - | - | - | 48,672 | 154,003 | (105,331) |
| - | - | - | 1,810 | 4,632 | (2,822) |
| 1,869 | 1,915 | - | 88,483 | 65,204 | 23,279 |
| 17,446 | 3,797 | - | 62,333 | 38,915 | 23,418 |
| 200 | - | - | 49,519 | 39,383 | 10,136 |
| <u>1,275,430</u> | <u>889,081</u> | <u>58,306</u> | <u>7,654,646</u> | <u>7,990,862</u> | <u>(336,216)</u> |
| - | - | - | 205,000 | - | 205,000 |
| 16,642 | - | - | 347,572 | 305,000 | 42,572 |
| 359,225 | 51,762 | - | 598,812 | 572,769 | 26,043 |
| - | 212,802 | - | 212,802 | 12,281 | 200,521 |
| <u>35,681</u> | <u>-</u> | <u>-</u> | <u>1,225,285</u> | <u>-</u> | <u>1,225,285</u> |
| <u>411,548</u> | <u>264,564</u> | <u>-</u> | <u>2,589,471</u> | <u>890,050</u> | <u>1,699,421</u> |
| - | - | - | 90,305 | 250,806 | (160,501) |
| - | - | - | 6,847 | 10,997 | (4,150) |
| - | - | - | 97,152 | 261,803 | (164,651) |
| - | 520,000 | - | 1,428,949 | 1,372,039 | 56,910 |
| 134,730 | 48,185 | - | 631,244 | 202,327 | 428,917 |
| - | - | - | 559,000 | 380,828 | 178,172 |
| - | - | - | - | 1,290,380 | (1,290,380) |
| <u>22,689</u> | <u>-</u> | <u>-</u> | <u>22,689</u> | <u>24,811</u> | <u>(2,122)</u> |
| <u>157,419</u> | <u>568,185</u> | <u>-</u> | <u>2,641,882</u> | <u>3,270,385</u> | <u>(628,503)</u> |
| 4,977,267 | 3,422,195 | 58,306 | 33,916,964 | 31,466,625 | 2,450,339 |
| <u>4,571,955</u> | <u>2,486,038</u> | <u>50,520</u> | <u>31,466,625</u> | | |
| <u>405,312</u> | <u>936,157</u> | <u>7,786</u> | <u>2,450,339</u> | | |

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NONMAJOR ENTERPRISE FUNDS

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

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

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

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

SCHEDULE 12

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Net Position
Nonmajor Enterprise Funds
September 30, 2016

| | <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 | \$ 4,687 | 1,116 | 93,693 | 99,496 |
| Receivables - miscellaneous | - | 6,624 | - | 6,624 |
| Due from general fund | - | 271,109 | - | 271,109 |
| Inventory | 5,104 | - | 1,212 | 6,316 |
| Prepaid items | 676 | 1,408 | - | 2,084 |
| Total current assets | <u>10,467</u> | <u>280,257</u> | <u>94,905</u> | <u>385,629</u> |
| Capital assets: | | | | |
| Buildings | 126,628 | - | - | 126,628 |
| Improvements other than buildings | 431,753 | 6,300 | - | 438,053 |
| Machinery and equipment | 301,110 | 60,774 | - | 361,884 |
| Total capital assets | 859,491 | 67,074 | - | 926,565 |
| Less accumulated depreciation | (603,949) | (57,945) | - | (661,894) |
| Capital assets (net of accumulated depreciation) | <u>255,542</u> | <u>9,129</u> | <u>-</u> | <u>264,671</u> |
| Total assets | <u>266,009</u> | <u>289,386</u> | <u>94,905</u> | <u>650,300</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | | |
| Deferred outflows related to net pension liability | <u>110,942</u> | <u>41,975</u> | <u>11,033</u> | <u>163,950</u> |
| <u>LIABILITIES</u> | | | | |
| Current liabilities: | | | | |
| Accounts payable | 4,853 | 9,620 | 515 | 14,988 |
| Accrued liabilities: | | | | |
| Payroll | 19,515 | 5,529 | 409 | 25,453 |
| Sales tax | 1,310 | - | 229 | 1,539 |
| Due to other funds | 32,077 | 115,374 | - | 147,451 |
| Current portion of capital leases | 86 | - | - | 86 |
| Total current liabilities | <u>57,841</u> | <u>130,523</u> | <u>1,153</u> | <u>189,517</u> |
| Noncurrent liabilities - | | | | |
| Net pension liability | <u>538,768</u> | <u>189,148</u> | <u>53,199</u> | <u>781,115</u> |
| Total liabilities | <u>596,609</u> | <u>319,671</u> | <u>54,352</u> | <u>970,632</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | |
| Deferred inflows related to net pension liability | <u>6,846</u> | <u>2,739</u> | <u>685</u> | <u>10,270</u> |
| <u>NET POSITION</u> | | | | |
| Net investment in capital assets | 255,456 | 9,129 | - | 264,585 |
| Unrestricted (deficit) | (481,960) | (178) | 50,901 | (431,237) |
| Total net position | <u>\$ (226,504)</u> | <u>8,951</u> | <u>50,901</u> | <u>(166,652)</u> |

SCHEDULE 13**CITY OF MERIDIAN, MISSISSIPPI**

Combining Statement of Revenues, Expenses, and Changes in Net Position

Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2016

| | <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 | \$ 36,975 | - | - | 36,975 |
| Green fees | 71,451 | - | - | 71,451 |
| Cart rental | 59,259 | - | - | 59,259 |
| Concessions | 56,409 | - | 26,154 | 82,563 |
| Rental income | - | 44,553 | - | 44,553 |
| Miscellaneous | 75 | - | 584 | 659 |
| Total operating revenues | <u>224,169</u> | <u>44,553</u> | <u>26,738</u> | <u>295,460</u> |
| Operating expenses: | | | | |
| Personnel services | 270,420 | 115,212 | 21,827 | 407,459 |
| Supplies and materials | 58,539 | 6,658 | 12,570 | 77,767 |
| Rent and utilities | 16,857 | 60,849 | - | 77,706 |
| Operation, maintenance, and repairs | 53,402 | 34,806 | - | 88,208 |
| Depreciation | 16,234 | 2,216 | - | 18,450 |
| Miscellaneous | 7,798 | 96,917 | 813 | 105,528 |
| Total operating expenses | <u>423,250</u> | <u>316,658</u> | <u>35,210</u> | <u>775,118</u> |
| Operating loss | <u>(199,081)</u> | <u>(272,105)</u> | <u>(8,472)</u> | <u>(479,658)</u> |
| Nonoperating revenues (expenses): | | | | |
| Interest income | 61 | - | 272 | 333 |
| Interest expense | (16) | - | - | (16) |
| Total nonoperating revenues (expenses) | <u>45</u> | <u>-</u> | <u>272</u> | <u>317</u> |
| Loss before capital contributions and transfers | <u>(199,036)</u> | <u>(272,105)</u> | <u>(8,200)</u> | <u>(479,341)</u> |
| Capital contributions and transfers: | | | | |
| Capital contributions | 167,659 | - | - | 167,659 |
| Transfers in | 160,000 | 366,604 | - | 526,604 |
| Total capital contributions and transfers | <u>327,659</u> | <u>366,604</u> | <u>-</u> | <u>694,263</u> |
| Change in net position | 128,623 | 94,499 | (8,200) | 214,922 |
| Net position, October 1, 2015 | <u>(355,127)</u> | <u>(85,548)</u> | <u>59,101</u> | <u>(381,574)</u> |
| Net position, September 30, 2016 | \$ <u>(226,504)</u> | <u>8,951</u> | <u>50,901</u> | <u>(166,652)</u> |

SCHEDULE 14

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended September 30, 2016

| | <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 | \$ 224,169 | 48,082 | 26,738 | 298,989 |
| Payments to suppliers | (133,346) | (150,786) | (13,803) | (297,935) |
| Payments to employees | (240,536) | (100,987) | (19,113) | (360,636) |
| Net cash used in operating activities | <u>(149,713)</u> | <u>(203,691)</u> | <u>(6,178)</u> | <u>(359,582)</u> |
| Cash flows from noncapital financing activities - | | | | |
| Transfers from other funds | 160,000 | 204,524 | - | 364,524 |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition of capital assets | (19,678) | - | - | (19,678) |
| Principal payments - capital lease | (332) | - | - | (332) |
| Interest payments - capital lease | (16) | - | - | (16) |
| Net cash used in capital and related financing activities | <u>(20,026)</u> | <u>-</u> | <u>-</u> | <u>(20,026)</u> |
| Cash flows from investing activities - | | | | |
| Interest received | 61 | - | 272 | 333 |
| Net increase (decrease) in cash and cash equivalents | (9,678) | 833 | (5,906) | (14,751) |
| Cash and cash equivalents, October 1, 2015 | <u>14,365</u> | <u>283</u> | <u>99,599</u> | <u>114,247</u> |
| Cash and cash equivalents, September 30, 2016 | <u>\$ 4,687</u> | <u>1,116</u> | <u>93,693</u> | <u>99,496</u> |
| Reconciliation of operating loss to net cash used in operating activities: | | | | |
| Operating loss | \$ (199,081) | (272,105) | (8,472) | (479,658) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | | | |
| Depreciation | 16,234 | 2,216 | - | 18,450 |
| Changes in assets and liabilities: | | | | |
| Accounts receivable | - | 3,529 | - | 3,529 |
| Inventory | 11,135 | - | 298 | 11,433 |
| Prepaid items | (27) | (21) | - | (48) |
| Deferred outflows related to net pension liability | (38,982) | (14,714) | (3,875) | (57,571) |
| Accounts payable | (40,142) | (1,915) | (758) | (42,815) |
| Accrued liabilities | 1,496 | (1,059) | (205) | 232 |
| Due to other funds | 32,066 | 50,380 | - | 82,446 |
| Net pension liability | 69,617 | 30,809 | 7,037 | 107,463 |
| Deferred inflows related to net pension liability | (2,029) | (811) | (203) | (3,043) |
| Total adjustments | <u>49,368</u> | <u>68,414</u> | <u>2,294</u> | <u>120,076</u> |
| Net cash used in operating activities | <u>\$ (149,713)</u> | <u>(203,691)</u> | <u>(6,178)</u> | <u>(359,582)</u> |
| Noncash investing, capital, and financing activities - | | | | |
| Noncash capital contributions - | | | | |
| Capital assets transferred from the general fund | \$ 167,659 | - | - | 167,659 |

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, insurance premiums, 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 15**CITY OF MERIDIAN, MISSISSIPPI**

Combining Statement of Net Position

Internal Service Funds

September 30, 2016

| | <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 | \$ 153,095 | 47,372 | 616,347 | 31,376 | 848,190 |
| Receivables - miscellaneous | | | 16,874 | - | 16,874 |
| Due from other funds: | | | | | |
| General fund | 58,101 | - | 286,848 | - | 344,949 |
| Water and sewer fund | 23,165 | - | 50,572 | - | 73,737 |
| Waste collection & disposal fund | 601 | - | - | - | 601 |
| Inventory | <u>50,129</u> | <u>2,292</u> | <u>-</u> | <u>-</u> | <u>52,421</u> |
| Total current assets | <u>285,091</u> | <u>49,664</u> | <u>970,641</u> | <u>31,376</u> | <u>1,336,772</u> |
| <u>LIABILITIES</u> | | | | | |
| Current liabilities - | | | | | |
| Accounts payable | <u>68,859</u> | <u>-</u> | <u>876,691</u> | <u>-</u> | <u>945,550</u> |
| Total current liabilities | <u>68,859</u> | <u>-</u> | <u>876,691</u> | <u>-</u> | <u>945,550</u> |
| <u>NET POSITION</u> | | | | | |
| Unrestricted | \$ <u>216,232</u> | <u>49,664</u> | <u>93,950</u> | <u>31,376</u> | <u>391,222</u> |

SCHEDULE 16**CITY OF MERIDIAN, MISSISSIPPI**

Combining Statement of Revenues, Expenses and Changes in Net Position

Internal Service Funds

For the Fiscal Year Ended September 30, 2016

| | <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 | \$ 508,946 | 2,730 | - | - | 511,676 |
| Premiums | - | - | 3,591,546 | - | 3,591,546 |
| Reinsurance reimbursement | - | - | 17,545 | - | 17,545 |
| Total operating revenues | <u>508,946</u> | <u>2,730</u> | <u>3,609,091</u> | <u>-</u> | <u>4,120,767</u> |
| Operating expenses: | | | | | |
| Administration fees | - | - | 32,149 | - | 32,149 |
| Costs of sales and services | 516,342 | (172) | - | - | 516,170 |
| Claims paid | - | - | 3,579,520 | 23,947 | 3,603,467 |
| Total operating expenses | <u>516,342</u> | <u>(172)</u> | <u>3,611,669</u> | <u>23,947</u> | <u>4,151,786</u> |
| Operating income (loss) | <u>(7,396)</u> | <u>2,902</u> | <u>(2,578)</u> | <u>(23,947)</u> | <u>(31,019)</u> |
| Nonoperating revenues - | | | | | |
| Interest income | <u>369</u> | <u>132</u> | <u>2,578</u> | <u>71</u> | <u>3,150</u> |
| Income (loss) before transfers in | <u>(7,027)</u> | <u>3,034</u> | <u>-</u> | <u>(23,876)</u> | <u>(27,869)</u> |
| Transfers in | <u>-</u> | <u>-</u> | <u>-</u> | <u>45,000</u> | <u>45,000</u> |
| Change in net position | <u>(7,027)</u> | <u>3,034</u> | <u>-</u> | <u>21,124</u> | <u>17,131</u> |
| Net position, October 1, 2015 | <u>223,259</u> | <u>46,630</u> | <u>93,950</u> | <u>10,252</u> | <u>374,091</u> |
| Net position, September 30, 2016 | <u>\$ 216,232</u> | <u>49,664</u> | <u>93,950</u> | <u>31,376</u> | <u>391,222</u> |

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SCHEDULE 17

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended September 30, 2016

| | <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 internal users | \$ 519,070 | 2,730 | 3,254,797 | - | 3,776,597 |
| Payments to suppliers | <u>(490,867)</u> | <u>(4,561)</u> | <u>(3,225,384)</u> | <u>(23,947)</u> | <u>(3,744,759)</u> |
| Net cash provided by (used in) operating activities | 28,203 | (1,831) | 29,413 | (23,947) | 31,838 |
| Cash flows from noncapital financing activities - | | | | | |
| Transfers from other funds | - | - | - | 45,000 | 45,000 |
| Cash flows from investing activities - | | | | | |
| Interest received | <u>369</u> | <u>132</u> | <u>2,578</u> | <u>71</u> | <u>3,150</u> |
| Net increase (decrease) in cash and cash equivalents | 28,572 | (1,699) | 31,991 | 21,124 | 79,988 |
| Cash and cash equivalents, October 1, 2015 | <u>124,523</u> | <u>49,071</u> | <u>584,356</u> | <u>10,252</u> | <u>768,202</u> |
| Cash and cash equivalents, September 30, 2016 | \$ <u>153,095</u> | <u>47,372</u> | <u>616,347</u> | <u>31,376</u> | <u>848,190</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Operating income (loss) | \$ <u>(7,396)</u> | <u>2,902</u> | <u>(2,578)</u> | <u>(23,947)</u> | <u>(31,019)</u> |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Changes in assets and liabilities: | | | | | |
| Receivables - miscellaneous | - | - | (16,874) | - | (16,874) |
| Due from other funds | 10,124 | - | (337,420) | - | (327,296) |
| Inventory | 2,073 | (47) | - | - | 2,026 |
| Accounts payable | <u>23,402</u> | <u>(4,686)</u> | <u>386,285</u> | - | <u>405,001</u> |
| Total adjustments | <u>35,599</u> | <u>(4,733)</u> | <u>31,991</u> | - | <u>62,857</u> |
| Net cash provided by (used in) operating activities | \$ <u>28,203</u> | <u>(1,831)</u> | <u>29,413</u> | <u>(23,947)</u> | <u>31,838</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.

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 18

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2016

| | Firemen & Policemen Disability & Relief | General Retirement | Meridian Community College | Meridian Separate School District | State Police Fines & Fees | Meridian Separate School District Bonds & Interest | Total Agency Funds |
|---|--|-------------------------------|---|--|--|---|-----------------------------------|
| <u>ASSETS</u> | | | | | | | |
| Cash and cash equivalents | \$ 127,814 | 47,789 | 108,643 | 918,134 | 39,130 | 123,853 | 1,365,363 |
| Intergovernmental receivables - County | <u>14,759</u> | <u>5,518</u> | <u>17,004</u> | <u>137,220</u> | <u>-</u> | <u>19,384</u> | <u>193,885</u> |
| Total assets | \$ <u>142,573</u> | <u>53,307</u> | <u>125,647</u> | <u>1,055,354</u> | <u>39,130</u> | <u>143,237</u> | <u>1,559,248</u> |
| <u>LIABILITIES</u> | | | | | | | |
| Intergovernmental payables: | | | | | | | |
| Schools | \$ - | - | 125,647 | 1,055,354 | - | 143,237 | 1,324,238 |
| PERS | 142,573 | 53,307 | - | - | - | - | 195,880 |
| State | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>39,130</u> | <u>-</u> | <u>39,130</u> |
| Total liabilities | \$ <u>142,573</u> | <u>53,307</u> | <u>125,647</u> | <u>1,055,354</u> | <u>39,130</u> | <u>143,237</u> | <u>1,559,248</u> |

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended September 30, 2016

| | Balance October 1, 2015 | Additions | Deletions | Balance September 30, 2016 |
|----------------------------|--|------------------|------------------|---|
| | <hr/> Firemen & Policemen Disability & Relief <hr/> | | | |
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 124,142 | 1,907,593 | 1,903,921 | 127,814 |
| Intergovernmental - county | <u>12,896</u> | <u>14,759</u> | <u>12,896</u> | <u>14,759</u> |
| Total assets | \$ <u>137,038</u> | <u>1,922,352</u> | <u>1,916,817</u> | <u>142,573</u> |

| | | | | |
|---------------------------|-------------------|------------------|------------------|----------------|
| <u>LIABILITIES</u> | | | | |
| Intergovernmental - PERS | \$ <u>137,038</u> | <u>1,922,352</u> | <u>1,916,817</u> | <u>142,573</u> |

| | | | | |
|----------------------------|---------------------------------------|----------------|----------------|---------------|
| | <hr/> General Retirement <hr/> | | | |
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 44,202 | 713,276 | 709,689 | 47,789 |
| Intergovernmental - county | <u>4,853</u> | <u>5,518</u> | <u>4,853</u> | <u>5,518</u> |
| Total assets | \$ <u>49,055</u> | <u>718,794</u> | <u>714,542</u> | <u>53,307</u> |

| | | | | |
|---------------------------|------------------|----------------|----------------|---------------|
| <u>LIABILITIES</u> | | | | |
| Intergovernmental - PERS | \$ <u>49,055</u> | <u>718,794</u> | <u>714,542</u> | <u>53,307</u> |

| | | | | |
|----------------------------|---|------------------|------------------|----------------|
| | <hr/> Meridian Community College <hr/> | | | |
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 102,556 | 2,272,070 | 2,265,983 | 108,643 |
| Intergovernmental - county | <u>15,101</u> | <u>17,004</u> | <u>15,101</u> | <u>17,004</u> |
| Total assets | \$ <u>117,657</u> | <u>2,289,074</u> | <u>2,281,084</u> | <u>125,647</u> |

| | | | | |
|-----------------------------|-------------------|------------------|------------------|----------------|
| <u>LIABILITIES</u> | | | | |
| Intergovernmental - schools | \$ <u>117,657</u> | <u>2,289,074</u> | <u>2,281,084</u> | <u>125,647</u> |

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended September 30, 2016

| | Balance October 1, <u>2015</u> | <u>Additions</u> | <u>Deletions</u> | Balance September 30, <u>2016</u> |
|---|--------------------------------------|--------------------------|--------------------------|---|
| <u>Meridian Separate School District</u> | | | | |
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 877,187 | 17,948,302 | 17,907,355 | 918,134 |
| Intergovernmental - county | <u>118,327</u> | <u>137,220</u> | <u>118,327</u> | <u>137,220</u> |
| Total assets | \$ <u>995,514</u> | <u>18,085,522</u> | <u>18,025,682</u> | <u>1,055,354</u> |

| | | | | |
|-----------------------------|-------------------|-------------------|-------------------|------------------|
| <u>LIABILITIES</u> | | | | |
| Intergovernmental - schools | \$ <u>995,514</u> | <u>18,085,522</u> | <u>18,025,682</u> | <u>1,055,354</u> |

| | | | | |
|---|------------------|----------------|----------------|---------------|
| <u>State Police Fines & Fees</u> | | | | |
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ <u>71,976</u> | <u>722,242</u> | <u>755,088</u> | <u>39,130</u> |

| | | | | |
|---------------------------|------------------|----------------|----------------|---------------|
| <u>LIABILITIES</u> | | | | |
| Intergovernmental - state | \$ <u>71,976</u> | <u>722,242</u> | <u>755,088</u> | <u>39,130</u> |

| | | | | |
|--|--------------------------|-------------------------|-------------------------|-----------------------|
| <u>Meridian Separate School District Bonds & Interest</u> | | | | |
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 116,914 | 2,590,160 | 2,583,221 | 123,853 |
| Intergovernmental - county | <u>17,215</u> | <u>19,384</u> | <u>17,215</u> | <u>19,384</u> |
| Total assets | \$ <u>134,129</u> | <u>2,609,544</u> | <u>2,600,436</u> | <u>143,237</u> |

| | | | | |
|-----------------------------|-------------------|------------------|------------------|----------------|
| <u>LIABILITIES</u> | | | | |
| Intergovernmental - schools | \$ <u>134,129</u> | <u>2,609,544</u> | <u>2,600,436</u> | <u>143,237</u> |

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended September 30, 2016

| | Balance October 1, <u>2015</u> | <u>Additions</u> | <u>Deletions</u> | Balance September 30, <u>2016</u> |
|-------------------------------|--------------------------------------|-------------------|-------------------|---|
| | <u>Total Agency Funds</u> | | | |
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 1,336,977 | 26,153,643 | 26,125,257 | 1,365,363 |
| Intergovernmental receivables | <u>168,392</u> | <u>193,885</u> | <u>168,392</u> | <u>193,885</u> |
| Total assets | \$ <u>1,505,369</u> | <u>26,347,528</u> | <u>26,293,649</u> | <u>1,559,248</u> |
| <u>LIABILITIES</u> | | | | |
| Intergovernmental payables | \$ <u>1,505,369</u> | <u>26,347,528</u> | <u>26,293,649</u> | <u>1,559,248</u> |

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NONMAJOR COMPONENT UNITS

Meridian Urban Renewal Authority – Meridian Urban Renewal Authority (“MURA”) (a discretely presented component unit) is a legally separate entity established by resolution of the City Council of the City of Meridian. MURA was established to undertake and carry out urban renewal projects within an urban renewal area which the City Council of the City of Meridian has determined to be a slum area, or a blighted area, or a combination thereof and has designated as appropriate for an urban renewal project, in accordance with an urban renewal plan adopted by the City of Meridian.

The 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 – 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 20**CITY OF MERIDIAN, MISSISSIPPI****Combining Statement of Net Position****Nonmajor Component Units****September 30, 2016**

| | <u>Meridian Urban Renewal Authority</u> | <u>The 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 | \$ 60,287 | - | 8,750 | 69,037 |
| Receivables: | | | | |
| Interest | 48,721 | - | - | 48,721 |
| Contribution | <u>-</u> | <u>7,863</u> | <u>-</u> | <u>7,863</u> |
| Total current assets | 109,008 | 7,863 | 8,750 | 125,621 |
| MLEC leverage loans receivable | <u>5,691,198</u> | <u>-</u> | <u>-</u> | <u>5,691,198</u> |
| Total assets | <u>5,800,206</u> | <u>7,863</u> | <u>8,750</u> | <u>5,816,819</u> |
| <u>LIABILITIES</u> | | | | |
| Current liabilities: | | | | |
| Current portion of note payable | 82,989 | - | - | 82,989 |
| Accounts payable | 9,212 | 22,124 | 2,168 | 33,504 |
| Accrued interest | <u>28,397</u> | <u>-</u> | <u>-</u> | <u>28,397</u> |
| Total current liabilities | <u>120,598</u> | <u>22,124</u> | <u>2,168</u> | <u>144,890</u> |
| Noncurrent liabilities - | | | | |
| Note payable, less current portion | <u>1,982,011</u> | <u>-</u> | <u>-</u> | <u>1,982,011</u> |
| Total liabilities | <u>2,102,609</u> | <u>22,124</u> | <u>2,168</u> | <u>2,126,901</u> |
| <u>NET POSITION</u> | | | | |
| Unrestricted (deficit) | <u>3,697,597</u> | <u>(14,261)</u> | <u>6,582</u> | <u>3,689,918</u> |
| Total net position | \$ <u>3,697,597</u> | <u>(14,261)</u> | <u>6,582</u> | <u>3,689,918</u> |

SCHEDULE 21

CITY OF MERIDIAN, MISSISSIPPI
Combining Statement of Activities
Nonmajor Component Units
For the Fiscal Year Ended September 30, 2016

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Changes in Net Position</u> | | | |
|---|-------------------|-----------------------------|---|---|--|---|--|---------------------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Meridian Urban Renewal Authority</u> | <u>The Meridian Transportation Commission</u> | <u>Meridian and Bonita Lakes Development Authority</u> | <u>Total Nonmajor Component Units</u> |
| Nonmajor component units: | | | | | | | | |
| Meridian Urban Renewal Authority | \$ 129,866 | 194,866 | 8 | - | 65,008 | - | - | 65,008 |
| The Meridian Transportation Commission | 7,863 | - | 7,863 | - | - | - | - | - |
| Meridian and Bonita Lakes Development Authority | 2,168 | - | - | - | - | - | (2,168) | (2,168) |
| Total nonmajor component units | \$ 139,897 | 194,866 | 7,871 | - | 65,008 | - | (2,168) | 62,840 |
| General revenues - | | | | | | | | |
| Interest income | | | | | 40 | - | 1 | 41 |
| Change in net position | | | | | 65,048 | - | (2,167) | 62,881 |
| Net position (deficit), October 1, 2015 | | | | | 3,632,549 | (14,261) | 8,749 | 3,627,037 |
| Net position (deficit), September 30, 2016 | | | | | \$ 3,697,597 | (14,261) | 6,582 | 3,689,918 |

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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, 2016

| | <u>Assessed Value</u> | <u>Millage</u> | <u>Ad Valorem Taxes</u> |
|---|---------------------------|-----------------|-----------------------------|
| City of Meridian: | | | |
| Realty | \$ 224,025,539 | 50.84 | \$ 11,389,458 |
| Personal property - other than auto | 53,052,864 | 50.84 | 2,697,208 |
| Public utilities | 32,616,615 | 50.84 | 1,658,229 |
| Personal autos - 2014 rates | 818,041 | 50.84 | 41,589 |
| Personal autos - 2015 rates | 4,993,758 | 50.84 | 253,883 |
| Personal autos - 2016 rates | <u>28,840,889</u> | 50.84 | <u>1,466,271</u> |
| Total City of Meridian valuation | \$ <u>344,347,706</u> | | 17,506,638 |
| Less homestead exemption allowed | | | <u>(960,967)</u> |
| Total City ad valorem taxes | | | 16,545,671 |
| Adjustments to original tax roll: | | | |
| Lauderdale County tax collector refund | | \$ (25,066) | |
| Realty | | (13,210) | |
| Personal | | (16,931) | |
| Homestead exemption | | <u>(10,206)</u> | (65,413) |
| Add (deduct): | | | |
| Actual homestead reimbursement | | 584,230 | |
| Motor vehicle rent tax | | 87,094 | |
| Payments in lieu of taxes | | 124,857 | |
| Prior year tax collections | | 87,094 | |
| Mobile homes | | 6,114 | |
| Aircraft | | <u>9,213</u> | 898,602 |
| Total City to account for | | | <u>17,378,860</u> |
| Separate School District: | | | |
| Realty | \$ 216,809,577 | 69.82 | 15,137,645 |
| Personal property - other than auto | 56,621,827 | 69.82 | 3,953,336 |
| Public utilities | 46,055,761 | 69.82 | 3,215,613 |
| Personal autos - 2014 rates | 766,591 | 69.82 | 53,523 |
| Personal autos - 2015 rates | 4,669,720 | 69.82 | 326,040 |
| Personal autos - 2016 rates | <u>27,259,368</u> | 69.82 | <u>1,903,249</u> |
| Total Separate School District valuation | \$ <u>352,182,844</u> | | 24,589,406 |
| Less homestead exemption allowed | | | <u>(1,790,794)</u> |
| Total Separate School District ad valorem taxes | | | 22,798,612 |
| Adjustments to original tax roll: | | | |
| Lauderdale County tax collector refund | | (32,218) | |
| Realty | | (14,730) | |
| Personal | | (6,379) | |
| Homestead exemption | | <u>(9,448)</u> | (62,775) |
| Add (deduct): | | | |
| Prior year tax collections | | 113,345 | |
| Mobile homes | | <u>20,495</u> | 133,840 |
| Total Separate School District to account for | | | <u>22,869,677</u> |
| Total City of Meridian and Separate School District to account for | | | \$ <u>40,248,537</u> |

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
Schedule Reconciling Original Ad Valorem
Tax Rolls to Fund Collections
For the Fiscal Year Ended September 30, 2016

| | <u>Taxes</u> | <u>Homestead Reimbursement</u> | <u>Total</u> |
|----------------------------------|-----------------------------|------------------------------------|--------------------------|
| Accounted for as follows: | | | |
| General Fund | \$ 9,724,453 | 343,942 | 10,068,395 |
| General Fund - Pilot | 124,856 | - | 124,856 |
| General Bond and Interest | 4,264,589 | 150,769 | 4,415,358 |
| School Bond and Interest | 2,590,160 | - | 2,590,160 |
| Police and Fire Disability | 1,842,436 | 65,157 | 1,907,593 |
| General Retirement | 688,914 | 24,362 | 713,276 |
| School Fund | <u>20,072,115</u> | <u>-</u> | <u>20,072,115</u> |
| Total accounted for | \$ <u>39,307,523</u> | <u>584,230</u> | 39,891,753 |
| Balance represented by: | | | |
| Real property held from tax sale | | | 4,651 |
| Unpaid personal property | | | 91,720 |
| Sold to state | | | 43,826 |
| Tax collector's commission | | | 202,228 |
| Held by tax collector | | | <u>14,359</u> |
| Total ad valorem taxes | | \$ | <u>40,248,537</u> |

SCHEDULE 23**CITY OF MERIDIAN, MISSISSIPPI**
Schedule of Investments
September 30, 2016

| | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Amount</u> |
|--|------------------------------|---------------------------------|---------------------------------|----------------------------|
| General fund - unrestricted: | | | | |
| Certificate of deposit | 06/28/16 | 12/25/16 | 0.15% | \$ 675,000 |
| Certificate of deposit | 06/29/16 | 12/29/16 | 0.35% | <u>675,000</u> |
| Total general fund investments - unrestricted | | | | \$ <u>1,350,000</u> |
| Debt service fund - restricted - | | | | |
| Certificate of deposit | 11/10/15 | 03/10/17 | 1.06% | \$ <u>400,000</u> |

SCHEDULE 24

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2016

| <u>Name</u> | <u>Position</u> | <u>Insurance Company</u> | <u>Bond</u> |
|-------------------|--|--------------------------|--------------|
| Percy Bland, III | Mayor | Travelers | \$ 100,000 * |
| George M Thomas | Councilman | Western Surety Company | 100,000 |
| K. Dustin Markham | Councilman | Western Surety Company | 100,000 |
| Barbara Henson | Councilwoman | Western Surety Company | 100,000 |
| Kim Houston | Councilwoman | Western Surety Company | 100,000 |
| Randy Hammon | Councilman | Western Surety Company | 100,000 |
| Richie McAlister | Chief Administrative Officer | Western Surety Company | 50,000 |
| David Whitaker | City Clerk/CFO | Western Surety Company | 50,000 |
| Brandye Latimer | Assistant Director, Finance & Record/Deputy Clerk | Western Surety Company | 50,000 |
| Benny Dubose | Police Chief | Western Surety Company | 50,000 |
| Hugh Smith | Public Works Director | Western Surety Company | 50,000 |
| Blanket Policy | All city employees | Travelers | 100,000 |

* Bond coverage for the City's Mayor represents coverage under the blanket bond for all City employees.

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SCHEDULE 25

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Changes in Long-Term Debt
For the Fiscal Year Ended September 30, 2016

| | <u>Date of Issue</u> | <u>Interest Rate</u> | <u>Amount of Original Issue</u> | <u>Balance October 1, 2015</u> | <u>Principal Payments</u> | <u>New Issues</u> | <u>Balance September 30, 2016</u> |
|---|--------------------------|--------------------------|---|--|-------------------------------|-----------------------|---|
| <u>Governmental activities:</u> | | | | | | | |
| Public Improvement of 2006 | 06/01/2006 | 4.00-5.50% | \$ 10,000,000 | 1,485,000 | 475,000 | - | 1,010,000 |
| Water and Sewer Improvement of 2007 | 04/01/2007 | 3.75-5.25% | 3,600,000 | 2,525,000 | 165,000 | - | 2,360,000 |
| Public Improvement of 2008 | 04/22/2008 | 2.90-3.65% | 1,000,000 | 605,000 | 65,000 | - | 540,000 |
| Public Improvement of 2009 | 06/01/2009 | 3.50-4.00% | 10,000,000 | 7,895,000 | 410,000 | - | 7,485,000 |
| Refunding Bonds of 2011 | 06/30/2011 | 2.00-2.50% | 3,960,000 | 1,510,000 | 490,000 | - | 1,020,000 |
| Public Improvement of 2011 | 03/01/2011 | 3.10-4.40% | 4,500,000 | 3,875,000 | 175,000 | - | 3,700,000 |
| Public Improvement of 2012 | 04/12/2012 | 1.90-2.70% | 4,500,000 | 3,800,000 | 365,000 | - | 3,435,000 |
| Water and Sewer Improvement of 2013 | 03/05/2014 | 2.20% | 1,200,000 | 985,000 | 110,000 | - | 875,000 |
| Refunding Bonds of 2014 | 08/14/2014 | 2.0-3.0% | 8,410,000 | 8,410,000 | 230,000 | - | 8,180,000 |
| Public Improvement of 2016 | 03/24/2016 | 1.2-1.625% | 7,500,000 | - | - | 7,500,000 | 7,500,000 |
| Total general obligations bonds | | | 54,670,000 | 31,090,000 | 2,485,000 | 7,500,000 | 36,105,000 |
| Special Obligation Bonds 2003B | 07/01/2003 | 3.30-5.375% | 1,500,000 | 810,000 | 80,000 | - | 730,000 |
| Total special obligation bonds | | | 1,500,000 | 810,000 | 80,000 | - | 730,000 |
| Limited Obligation Tax Increment Bonds | 12/17/2009 | 8.75% | 4,000,000 | 3,195,000 | 210,000 | - | 2,985,000 |
| Limited Obligation Tax Increment Bonds | 03/01/2010 | 5.00% | 300,000 | 195,000 | 25,000 | - | 170,000 |
| Total tax increment bonds | | | 4,300,000 | 3,390,000 | 235,000 | - | 3,155,000 |
| Capital improvements loan | 06/01/2001 | 3.00% | 1,000,000 | 52,888 | 52,888 | - | - |
| Energy Conservation Loan | 03/01/2011 | 0.25% | 210,000 | 90,449 | 30,075 | - | 60,374 |
| Vehicle loan | 04/28/2016 | 1.42% | 938,177 | - | - | 938,177 | 938,177 |
| Fire truck loan | 08/18/2016 | 1.42% | 1,078,338 | - | - | 1,078,338 | 1,078,338 |
| Total promissory loans | | | 3,226,515 | 143,337 | 82,963 | 2,016,515 | 2,076,889 |
| Special Assessment Public Improvement | 06/01/1996 | 5.60% | 2,000,000 | 165,000 | 165,000 | - | - |
| Special Assessment Public Improvement | 06/01/2000 | 5.50-6.00% | 1,125,000 | 415,000 | 75,000 | - | 340,000 |
| Special Assessment Public Imp 2001 | 08/01/2001 | 4.80-5.10% | 500,000 | 205,000 | 30,000 | - | 175,000 |
| Total special assessment | | | 3,625,000 | 785,000 | 270,000 | - | 515,000 |
| CitiCapital lease - energy saving equipment | 05/21/2002 | 5.87% | 709,066 | 90,275 | 68,007 | - | 22,268 |
| Municipal Asset Management - tasers | 06/22/2015 | 3.77% | 120,387 | 94,462 | 22,298 | - | 72,164 |
| Total capital leases | | | 829,453 | 184,737 | 90,305 | - | 94,432 |
| Total governmental activities | | | \$ 68,150,968 | 36,403,074 | 3,243,268 | 9,516,515 | 42,676,321 |
| <u>Business-type activities:</u> | | | | | | | |
| Water and sewer promissory loan | 01/31/2013 | 0.50-4.0% | \$ 12,415,000 | 8,895,000 | 1,525,000 | - | 7,370,000 |
| EPA Clean Water State Revolving Fund Loan | 10/01/2010 | 1.75% | 8,955,225 | 1,608,323 | - | - | 1,608,323 |
| Total promissory loans | | | 21,370,225 | 10,503,323 | 1,525,000 | - | 8,978,323 |
| CitiCapital lease - energy saving equipment | 05/21/2002 | 5.87% | 1,053,181 | 127,202 | 101,011 | - | 26,191 |
| CitiCapital lease - energy saving equipment | 05/21/2002 | 5.87% | 3,460 | 418 | 332 | - | 86 |
| Total capital leases | | | 1,056,641 | 127,620 | 101,343 | - | 26,277 |
| Total business-type activities | | | \$ 22,426,866 | 10,630,943 | 1,626,343 | - | 9,004,600 |

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Long-Term Debt Maturities
September 30, 2016

| | <u>Date of Issue</u> | <u>Interest Rate</u> | <u>Amount of Original Issue</u> | <u>Balance September 30, 2016</u> | <u>2017</u> |
|---|--------------------------|--------------------------|---|---|-------------------------|
| <u>Governmental activities:</u> | | | | | |
| Public Improvement of 2006 | 06/01/2006 | 4.00-5.50% | \$ 10,000,000 | 1,010,000 | 495,000 |
| Water and Sewer Improvement of 2007 | 04/01/2007 | 3.75-5.25% | 3,600,000 | 2,360,000 | 170,000 |
| Public Improvement of 2008 | 04/22/2008 | 2.90-3.65% | 1,000,000 | 540,000 | 70,000 |
| Public Improvement of 2009 | 06/01/2009 | 3.50-4.00% | 10,000,000 | 7,485,000 | 425,000 |
| Refunding Bonds of 2011 | 06/30/2011 | 2.00-2.50% | 3,960,000 | 1,020,000 | 500,000 |
| Public Improvement of 2011 | 03/01/2011 | 3.10-4.40% | 4,500,000 | 3,700,000 | 180,000 |
| Public Improvement of 2012 | 04/12/2012 | 1.90-2.70% | 4,500,000 | 3,435,000 | 380,000 |
| Water and Sewer Improvement of 2013 | 03/05/2014 | 2.20% | 1,200,000 | 875,000 | 115,000 |
| Refunding Bonds of 2014 | 08/14/2014 | 2.0-3.0% | 8,410,000 | 8,180,000 | 400,000 |
| Public Improvement of 2016 | 03/24/2016 | 1.2-1.625% | 7,500,000 | 7,500,000 | 655,000 |
| Total general obligations bonds | | | <u>54,670,000</u> | <u>36,105,000</u> | <u>3,390,000</u> |
| Special Obligation Bonds 2003B | 07/01/2003 | 3.30-5.375% | 1,500,000 | 730,000 | 85,000 |
| Total special obligation bonds | | | <u>1,500,000</u> | <u>730,000</u> | <u>85,000</u> |
| Limited Obligation Tax Increment Bonds | 12/17/2009 | 8.75% | 4,000,000 | 2,985,000 | 230,000 |
| Limited Obligation Tax Increment Bonds | 03/01/2010 | 5.00% | 300,000 | 170,000 | 25,000 |
| Total tax increment bonds | | | <u>4,300,000</u> | <u>3,155,000</u> | <u>255,000</u> |
| Energy Conservation Loan | 03/01/2011 | 0.25% | 210,000 | 60,374 | 30,150 |
| Vehicle loan | 04/28/2016 | 1.42% | 938,177 | 938,177 | 191,555 |
| Fire truck loan | 08/18/2016 | 1.42% | 1,078,338 | 1,078,338 | 17,972 |
| Total promissory loans | | | <u>2,226,515</u> | <u>2,076,889</u> | <u>239,677</u> |
| Special Assessment Public Improvement | 06/01/2000 | 5.50-6.00% | 1,125,000 | 340,000 | 80,000 |
| Special Assessment Public Imp 2001 | 08/01/2001 | 4.80-5.10% | 500,000 | 175,000 | 30,000 |
| Total special assessment | | | <u>1,625,000</u> | <u>515,000</u> | <u>110,000</u> |
| CitiCapital Lease - energy saving equipment | 05/21/2002 | 5.87% | 709,066 | 22,268 | 22,268 |
| Municipal Asset Management - tasers | 06/22/2015 | 3.77% | 120,387 | 72,164 | 23,154 |
| Total capital leases | | | <u>829,453</u> | <u>94,432</u> | <u>45,422</u> |
| Total governmental activities | | | \$ <u>65,150,968</u> | <u>42,676,321</u> | <u>4,125,099</u> |
| <u>Business-type activities:</u> | | | | | |
| Water and sewer promissory loan | 01/31/2013 | 0.50-4.0% | \$ 12,415,000 | 7,370,000 | 1,165,000 |
| EPA Clean Water State Revolving Fund Loan | 10/01/2010 | 1.75% | 8,955,225 | 1,608,323 | 17,082 |
| Total promissory loans | | | <u>21,370,225</u> | <u>8,978,323</u> | <u>1,182,082</u> |
| CitiCapital lease - energy saving equipment | 05/21/2002 | 5.87% | 1,053,181 | 26,191 | 26,191 |
| CitiCapital lease - energy saving equipment | 05/21/2002 | 5.87% | 3,460 | 86 | 86 |
| Total capital leases | | | <u>1,056,641</u> | <u>26,277</u> | <u>26,277</u> |
| Total business-type activities | | | \$ <u>22,426,866</u> | <u>9,004,600</u> | <u>1,208,359</u> |

SCHEDULE 26

Maturities for the Years Ending September 30,

| <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022- 2026</u> | <u>2027- 2031</u> | <u>2032- 2036</u> | <u>2037- 2041</u> |
|------------------|------------------|------------------|------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 515,000 | - | - | - | - | - | - | - |
| 180,000 | 185,000 | 195,000 | 205,000 | 1,160,000 | 265,000 | - | - |
| 70,000 | 75,000 | 75,000 | 80,000 | 170,000 | - | - | - |
| 445,000 | 470,000 | 495,000 | 515,000 | 2,985,000 | 2,150,000 | - | - |
| 520,000 | - | - | - | - | - | - | - |
| 190,000 | 195,000 | 205,000 | 215,000 | 1,220,000 | 1,495,000 | - | - |
| 395,000 | 405,000 | 420,000 | 435,000 | 1,400,000 | - | - | - |
| 120,000 | 120,000 | 125,000 | 130,000 | 265,000 | - | - | - |
| 410,000 | 970,000 | 1,000,000 | 1,035,000 | 4,365,000 | - | - | - |
| 675,000 | 695,000 | 715,000 | 735,000 | 4,025,000 | - | - | - |
| <u>3,520,000</u> | <u>3,115,000</u> | <u>3,230,000</u> | <u>3,350,000</u> | <u>15,590,000</u> | <u>3,910,000</u> | - | - |
| 90,000 | 100,000 | 105,000 | 110,000 | 240,000 | - | - | - |
| 90,000 | 100,000 | 105,000 | 110,000 | 240,000 | - | - | - |
| 250,000 | 270,000 | 295,000 | 325,000 | 1,615,000 | - | - | - |
| 25,000 | 30,000 | 30,000 | 30,000 | 30,000 | - | - | - |
| <u>275,000</u> | <u>300,000</u> | <u>325,000</u> | <u>355,000</u> | <u>1,645,000</u> | - | - | - |
| 30,224 | - | - | - | - | - | - | - |
| 194,603 | 197,423 | 200,274 | 154,322 | - | - | - | - |
| 215,668 | 215,668 | 215,668 | 215,668 | 197,694 | - | - | - |
| 440,495 | 413,091 | 415,942 | 369,990 | 197,694 | - | - | - |
| 80,000 | 85,000 | 95,000 | - | - | - | - | - |
| 35,000 | 35,000 | 35,000 | 40,000 | - | - | - | - |
| <u>115,000</u> | <u>120,000</u> | <u>130,000</u> | <u>40,000</u> | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 24,043 | 24,967 | - | - | - | - | - | - |
| 24,043 | 24,967 | - | - | - | - | - | - |
| <u>4,464,538</u> | <u>4,073,058</u> | <u>4,205,942</u> | <u>4,224,990</u> | <u>17,672,694</u> | <u>3,910,000</u> | - | - |
| 1,225,000 | 865,000 | 895,000 | 805,000 | 2,415,000 | - | - | - |
| 69,080 | 70,299 | 71,539 | 72,801 | 383,728 | 418,792 | 457,059 | 47,943 |
| <u>1,294,080</u> | <u>935,299</u> | <u>966,539</u> | <u>877,801</u> | <u>2,798,728</u> | <u>418,792</u> | <u>457,059</u> | <u>47,943</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>1,294,080</u> | <u>935,299</u> | <u>966,539</u> | <u>877,801</u> | <u>2,798,728</u> | <u>418,792</u> | <u>457,059</u> | <u>47,943</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 | 159 - 166 |
| <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 | 167 - 170 |
| <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..... | 171 - 175 |
| <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..... | 176 - 177 |
| <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..... | 178 - 180 |
| <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i> | |

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SCHEDULE 27

CITY OF MERIDIAN, MISSISSIPPI
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 48,799 | \$ 50,692 | \$ 75,492 | \$ 72,823 | \$ 74,694 | \$ 75,049 | \$ 69,358 | \$ 68,410 | \$ 66,592 | \$ 65,945 |
| Restricted | 6,881 | 5,810 | 6,429 | 6,985 | 6,519 | 5,755 | 3,538 | 3,572 | 4,783 | 5,329 |
| Unrestricted | <u>3,920</u> | <u>4,076</u> | <u>3,700</u> | <u>4,198</u> | <u>2,324</u> | <u>3,721</u> | <u>5,118</u> | <u>4,398</u> | <u>(35,407)</u> | <u>(39,404)</u> |
| Total governmental activities net position | <u>\$ 59,600</u> | <u>\$ 60,578</u> | <u>\$ 85,621</u> | <u>\$ 84,006</u> | <u>\$ 83,537</u> | <u>\$ 84,525</u> | <u>\$ 78,014</u> | <u>\$ 76,380</u> | <u>\$ 35,968</u> | <u>\$ 31,870</u> |
| Business-type activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 18,938 | \$ 17,684 | \$ 19,326 | \$ 19,767 | \$ 19,795 | \$ 20,841 | \$ 18,824 | \$ 20,214 | \$ 21,704 | \$ 25,555 |
| Restricted | 7,509 | 7,717 | 5,441 | 4,354 | 5,151 | 5,657 | 6,619 | 7,076 | 7,647 | 9,156 |
| Unrestricted | <u>3,354</u> | <u>3,167</u> | <u>2,253</u> | <u>2,682</u> | <u>3,825</u> | <u>4,179</u> | <u>6,528</u> | <u>8,350</u> | <u>4,479</u> | <u>5,010</u> |
| Total business-type activities net position | <u>\$ 29,801</u> | <u>\$ 28,568</u> | <u>\$ 27,020</u> | <u>\$ 26,803</u> | <u>\$ 28,771</u> | <u>\$ 30,677</u> | <u>\$ 31,971</u> | <u>\$ 35,640</u> | <u>\$ 33,830</u> | <u>\$ 39,721</u> |
| Primary government: | | | | | | | | | | |
| Net investment in capital assets | \$ 67,737 | \$ 68,376 | \$ 94,818 | \$ 92,590 | \$ 94,489 | \$ 95,890 | \$ 88,182 | \$ 88,624 | \$ 88,296 | \$ 91,500 |
| Restricted | 14,390 | 13,527 | 11,870 | 11,339 | 11,670 | 11,412 | 10,157 | 10,648 | 12,430 | 14,485 |
| Unrestricted | <u>7,274</u> | <u>7,243</u> | <u>5,953</u> | <u>6,880</u> | <u>6,149</u> | <u>7,900</u> | <u>11,646</u> | <u>12,748</u> | <u>(30,928)</u> | <u>(34,394)</u> |
| Total primary government net position | <u>\$ 89,401</u> | <u>\$ 89,146</u> | <u>\$ 112,641</u> | <u>\$ 110,809</u> | <u>\$ 112,308</u> | <u>\$ 115,202</u> | <u>\$ 109,985</u> | <u>\$ 112,020</u> | <u>\$ 69,798</u> | <u>\$ 71,591</u> |

Source: Audit Reports - Statement of Net Position

Note: Fiscal year 2012 was restated for the effects of the GASB Statement 65 early implementation in fiscal year 2013.

CITY OF MERIDIAN, MISSISSIPPI
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 6,526 | \$ 7,211 | \$ 7,017 | \$ 8,825 | \$ 6,907 | \$ 6,852 | \$ 7,385 | \$ 7,899 | \$ 9,234 | \$ 9,120 |
| Public safety | 15,037 | 15,017 | 16,010 | 16,238 | 15,528 | 15,584 | 16,486 | 16,394 | 16,054 | 16,855 |
| Public works | 6,896 | 6,573 | 7,482 | 8,198 | 7,896 | 7,695 | 12,022 | 7,864 | 7,934 | 8,459 |
| Culture and recreation | 2,156 | 2,390 | 2,307 | 2,284 | 3,223 | 2,051 | 2,250 | 2,509 | 2,500 | 3,122 |
| Economic development | 98 | 134 | 22 | 2,976 | 124 | 169 | 2,115 | 21 | 1 | 1 |
| Interest on long-term debt | 1,918 | 1,772 | 1,615 | 2,071 | 2,061 | 1,908 | 1,835 | 1,706 | 1,565 | 1,334 |
| Total governmental activities expenses | 32,631 | 33,097 | 34,453 | 40,592 | 35,739 | 34,259 | 42,093 | 36,393 | 37,288 | 38,891 |
| Business-type activities: | | | | | | | | | | |
| Water and sewer | 12,218 | 12,078 | 12,557 | 12,161 | 11,742 | 11,765 | 11,788 | 10,625 | 10,449 | 10,921 |
| Waste collection and disposal | 2,380 | 2,401 | 2,526 | 2,466 | 1,825 | 1,876 | 1,905 | 1,881 | 1,849 | 1,891 |
| Golf course | 400 | 419 | 418 | 397 | 446 | 466 | 423 | 435 | 379 | 423 |
| Union Station | 323 | 331 | 388 | 352 | 364 | 353 | 366 | 235 | 295 | 317 |
| Concessions | 26 | 32 | 29 | 29 | 28 | 27 | 27 | 28 | 34 | 35 |
| Total business-type activities expenses | 15,347 | 15,261 | 15,918 | 15,405 | 14,405 | 14,487 | 14,509 | 13,204 | 13,006 | 13,587 |
| Total primary government expenses | \$ 47,978 | \$ 48,358 | \$ 50,371 | \$ 55,997 | \$ 50,144 | \$ 48,746 | \$ 56,602 | \$ 49,597 | \$ 50,294 | \$ 52,478 |
| Program revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 587 | \$ 640 | \$ 581 | \$ 355 | \$ 501 | \$ 412 | \$ 705 | \$ 336 | \$ 577 | \$ 402 |
| Public safety | 2,856 | 1,730 | 1,590 | 1,220 | 1,037 | 1,039 | 950 | 860 | 988 | 1,049 |
| Culture and recreation | 164 | 180 | 173 | 376 | 182 | 327 | 136 | 166 | 179 | 225 |
| Operating grants and contributions | 2,194 | 1,379 | 1,572 | 1,645 | 608 | 515 | 1,261 | 992 | 733 | 586 |
| Capital grants and contributions | 250 | 500 | 1,497 | 3,699 | 1,654 | 1,786 | 265 | 314 | 378 | 1,156 |
| Total governmental activities program revenues | 6,051 | 4,429 | 5,413 | 7,295 | 3,982 | 4,079 | 3,317 | 2,668 | 2,855 | 3,418 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water and sewer | 10,907 | 11,125 | 11,715 | 12,145 | 12,404 | 13,187 | 13,553 | 13,699 | 13,284 | 13,993 |
| Waste collection and disposal | 1,560 | 1,570 | 1,611 | 1,870 | 1,828 | 1,871 | 1,838 | 1,887 | 1,850 | 1,868 |
| Golf course | 324 | 318 | 284 | 271 | 249 | 296 | 271 | 244 | 179 | 224 |
| Union Station | 114 | 103 | 80 | 84 | 81 | 64 | 42 | 41 | 47 | 44 |
| Concessions | 35 | 43 | 44 | 46 | 42 | 35 | 38 | 27 | 31 | 27 |
| Capital grants and contributions | 740 | 87 | 65 | - | 328 | 1,314 | 148 | 47 | 1,611 | 1,748 |
| Total business-type activities program revenues | 13,680 | 13,246 | 13,799 | 14,416 | 14,932 | 16,767 | 15,890 | 15,945 | 17,002 | 17,904 |
| Total primary government program revenues | \$ 19,731 | \$ 17,675 | \$ 19,212 | \$ 21,711 | \$ 18,914 | \$ 20,846 | \$ 19,207 | \$ 18,613 | \$ 19,857 | \$ 21,322 |

(Continued)

CITY OF MERIDIAN, MISSISSIPPI
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Net (expense)/revenue | | | | | | | | | | |
| Governmental activities | \$ (26,580) | \$ (28,668) | \$ (29,040) | \$ (33,297) | \$ (31,757) | \$ (30,180) | \$ (38,776) | \$ (33,725) | \$ (34,433) | \$ (35,473) |
| Business-type activities | (1,667) | (2,015) | (2,119) | (989) | 527 | 2,280 | 1,381 | 2,741 | 3,996 | 4,317 |
| Total primary government net (expense)/revenue | \$ (28,247) | \$ (30,683) | \$ (31,159) | \$ (34,286) | \$ (31,230) | \$ (27,900) | \$ (37,395) | \$ (30,984) | \$ (30,437) | \$ (31,156) |
| General revenues and other changes in net position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | \$ 10,098 | \$ 10,826 | \$ 12,085 | \$ 14,173 | \$ 14,722 | \$ 14,439 | \$ 13,767 | \$ 14,232 | \$ 14,466 | \$ 14,932 |
| Sales taxes | 13,574 | 14,166 | 13,744 | 13,502 | 13,708 | 14,082 | 14,682 | 14,901 | 14,845 | 14,431 |
| Franchise taxes | 2,587 | 2,568 | 2,744 | 2,647 | 2,529 | 2,462 | 2,643 | 2,955 | 2,922 | 2,555 |
| County road taxes | 1,040 | 1,042 | 1,194 | 1,224 | 982 | 781 | 752 | 678 | 692 | 714 |
| Motor fuel taxes | 19 | 19 | 19 | 19 | 19 | 20 | 20 | 20 | 31 | 30 |
| Unrestricted grants and contributions | 65 | 70 | 74 | 73 | 70 | 75 | 77 | 78 | 80 | 70 |
| Unrestricted investment earnings | 1,131 | 628 | 146 | 196 | 194 | 123 | 79 | 63 | 60 | 78 |
| Special item - annexed property | - | - | 23,549 | - | - | - | - | - | - | - |
| Transfers | (3,182) | 327 | 528 | (152) | (936) | 66 | 245 | (836) | 266 | (1,435) |
| Total governmental activities general revenues and other changes in net position | 25,332 | 29,646 | 54,083 | 31,682 | 31,288 | 32,048 | 32,265 | 32,091 | 33,362 | 31,375 |
| Business-type activities: | | | | | | | | | | |
| Property taxes | 811 | 810 | 999 | 506 | 400 | 40 | 71 | 49 | 57 | 16 |
| Unrestricted investment earnings | 480 | 299 | 100 | 114 | 105 | 103 | 86 | 43 | 116 | 123 |
| Transfers | 3,182 | (327) | (528) | 152 | 936 | (66) | (245) | 836 | (266) | 1,435 |
| Total business-type activities general revenues and other changes in net position | 4,473 | 782 | 571 | 772 | 1,441 | 77 | (88) | 928 | (93) | 1,574 |
| Total primary government general revenues and other changes in net position | \$ 29,805 | \$ 30,428 | \$ 54,654 | \$ 32,454 | \$ 32,729 | \$ 32,125 | \$ 32,177 | \$ 33,019 | \$ 33,269 | \$ 32,949 |
| Change in net position | | | | | | | | | | |
| Governmental activities | \$ (1,248) | \$ 978 | \$ 25,043 | \$ (1,615) | \$ (469) | \$ 1,868 | \$ (6,511) | \$ (1,634) | \$ (1,071) | \$ (4,098) |
| Business-type activities | 2,806 | (1,233) | (1,548) | (217) | 1,968 | 2,357 | 1,293 | 3,669 | 3,903 | 5,891 |
| Total primary government change in net position | \$ 1,558 | \$ (255) | \$ 23,495 | \$ (1,832) | \$ 1,499 | \$ 4,225 | \$ (5,218) | \$ 2,035 | \$ 2,832 | \$ 1,793 |

Source: Audit Reports - Statement of Activities

Note: Fiscal year 2012 was restated for the effects of the GASB Statement 65 early implementation in fiscal year 2013.

SCHEDULE 29

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> |
|-------------------------------|--------------------------------|-----------------------------|---------------------------------|---------------------------------------|--------------------------------------|---------------------|
| 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 |
| 2012 | 14,439 | 14,082 | 2,462 | 781 | 20 | 31,784 |
| 2013 | 13,767 | 14,682 | 2,643 | 752 | 20 | 31,864 |
| 2014 | 14,232 | 14,901 | 2,955 | 678 | 20 | 32,786 |
| 2015 | 14,466 | 14,845 | 2,922 | 692 | 31 | 32,956 |
| 2016 | 14,932 | 14,431 | 2,555 | 714 | 30 | 32,662 |

Source: Audit Reports - Statement of Activities

SCHEDULE 30

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

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|-------------------------|
| General fund: | | | | | | | | | | |
| Nonspendable | \$ 1,297 | \$ 1,297 | \$ 1,469 | \$ 1,454 | \$ 1,571 | \$ 1,594 | \$ 1,678 | \$ 1,597 | \$ 321 | \$ 319 |
| Committed | 486 | 515 | 339 | 220 | 151 | 2 | 12 | - | 71 | 96 |
| Assigned | 141 | 742 | 677 | 1,011 | 1,204 | 1,931 | 1,889 | 1,799 | 1,917 | 1,938 |
| Unassigned | <u>6,753</u> | <u>5,618</u> | <u>4,275</u> | <u>5,684</u> | <u>6,433</u> | <u>7,582</u> | <u>8,341</u> | <u>8,371</u> | <u>8,966</u> | <u>6,628</u> |
| Total general fund | <u>\$ 8,677</u> | <u>\$ 8,172</u> | <u>\$ 6,760</u> | <u>\$ 8,369</u> | <u>\$ 9,359</u> | <u>\$11,109</u> | <u>\$11,920</u> | <u>\$11,767</u> | <u>\$ 11,275</u> | <u>\$ 8,981</u> |
| All other governmental funds: | | | | | | | | | | |
| Restricted | \$ 14,947 | \$ 11,544 | \$ 16,857 | \$ 12,992 | \$ 11,194 | \$ 13,457 | \$ 6,875 | \$ 6,788 | \$ 7,999 | \$ 14,744 |
| Committed | - | - | - | 347 | 344 | 345 | 345 | 345 | 345 | 346 |
| Assigned | <u>17</u> | <u>16</u> | <u>12</u> | <u>24</u> | <u>16</u> | <u>30</u> | <u>21</u> | <u>30</u> | <u>18</u> | <u>15</u> |
| Total all other governmental funds | <u>\$14,964</u> | <u>\$11,560</u> | <u>\$16,869</u> | <u>\$13,363</u> | <u>\$11,554</u> | <u>\$13,832</u> | <u>\$ 7,241</u> | <u>\$ 7,163</u> | <u>\$ 8,362</u> | <u>\$ 15,105</u> |

Source: Audit Reports - Governmental Funds Balance Sheet

Note: Fiscal years 2007 through 2010 have been reclassified with the implementation of GASB Statement 54 in fiscal year 2011.

Fiscal year 2012 was restated for the effects of the GASB Statement 65 early implementation in fiscal year 2013.

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

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--|----------------|----------------|----------------|----------------|----------------|---------------|----------------|---------------|---------------|----------------|
| Revenues: | | | | | | | | | | |
| Taxes | \$ 24,562 | \$ 25,889 | \$ 26,859 | \$ 28,716 | \$ 29,113 | \$ 29,196 | \$ 28,999 | \$ 29,579 | \$ 29,746 | \$ 29,929 |
| Franchise | 2,587 | 2,568 | 2,744 | 2,647 | 2,529 | 2,462 | 2,644 | 2,955 | 2,922 | 2,555 |
| Licenses and permits | 373 | 386 | 256 | 301 | 271 | 251 | 251 | 296 | 277 | 299 |
| Intergovernmental | 2,203 | 1,514 | 1,951 | 3,888 | 2,257 | 1,513 | 1,588 | 1,354 | 1,177 | 1,593 |
| Charges for services | 164 | 180 | 173 | 375 | 182 | 157 | 136 | 166 | 179 | 225 |
| Fines and forfeitures | 2,855 | 1,730 | 1,580 | 1,219 | 1,037 | 1,039 | 950 | 860 | 988 | 1,049 |
| Special assessments | 75 | 86 | 67 | 74 | 72 | 74 | 69 | 72 | 73 | 74 |
| Payments in lieu of taxes | 77 | 66 | 67 | 68 | 152 | 156 | 100 | 150 | 93 | 137 |
| Local contributions | 307 | 434 | 98 | 461 | 55 | - | 7 | 12 | 14 | 83 |
| Investment earnings | 1,131 | 628 | 146 | 196 | 193 | 123 | 79 | 63 | 60 | 78 |
| Interest costs and damages | 92 | 99 | 117 | 132 | 169 | 141 | 126 | 104 | 197 | 59 |
| Miscellaneous | <u>234</u> | <u>302</u> | <u>389</u> | <u>85</u> | <u>268</u> | <u>301</u> | <u>573</u> | <u>63</u> | <u>299</u> | <u>149</u> |
| Total revenues | <u>34,660</u> | <u>33,882</u> | <u>34,447</u> | <u>38,162</u> | <u>36,298</u> | <u>35,413</u> | <u>35,522</u> | <u>35,674</u> | <u>36,025</u> | <u>36,230</u> |
| Expenditures: | | | | | | | | | | |
| General government | 6,033 | 6,760 | 6,836 | 7,634 | 6,711 | 6,200 | 6,407 | 6,617 | 7,034 | 7,630 |
| Public safety | 15,684 | 14,731 | 16,117 | 14,732 | 15,144 | 15,352 | 16,811 | 16,008 | 15,083 | 17,627 |
| Public works | 4,425 | 4,146 | 4,671 | 4,441 | 4,422 | 4,195 | 4,206 | 4,933 | 4,572 | 4,977 |
| Culture and recreation | 2,065 | 2,484 | 2,639 | 3,406 | 2,673 | 2,186 | 2,175 | 2,492 | 2,341 | 2,925 |
| Economic development | 98 | 134 | 118 | 3,201 | 158 | 231 | 2,127 | 230 | 1 | 1 |
| Other | 150 | 56 | 42 | 11 | 19 | 23 | 23 | - | - | - |
| Capital outlay | 2,772 | 5,868 | 5,860 | 6,071 | 5,657 | 2,221 | 4,357 | 470 | 415 | 2,042 |
| Debt service: | | | | | | | | | | |
| Principal | 3,019 | 3,467 | 3,062 | 3,498 | 3,687 | 3,682 | 4,020 | 3,675 | 3,466 | 3,243 |
| Interest | 1,736 | 1,790 | 1,555 | 1,982 | 2,043 | 1,995 | 1,885 | 1,773 | 1,471 | 1,392 |
| Bond issuance costs | <u>86</u> | <u>36</u> | <u>165</u> | <u>304</u> | <u>240</u> | <u>110</u> | <u>-</u> | <u>328</u> | <u>-</u> | <u>147</u> |
| Total expenditures | <u>36,068</u> | <u>39,472</u> | <u>41,065</u> | <u>45,280</u> | <u>40,754</u> | <u>36,195</u> | <u>42,011</u> | <u>36,526</u> | <u>34,383</u> | <u>39,984</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,408)</u> | <u>(5,590)</u> | <u>(6,618)</u> | <u>(7,118)</u> | <u>(4,456)</u> | <u>(782)</u> | <u>(6,489)</u> | <u>(852)</u> | <u>1,642</u> | <u>(3,754)</u> |

(Continued)

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

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--|-----------------|-------------------|-----------------|-------------------|-----------------|-----------------|-------------------|-----------------|---------------|-----------------|
| Other financing sources (uses): | | | | | | | | | | |
| Transfers in | \$ 4,531 | \$ 9,599 | \$ 10,304 | \$ 6,017 | \$ 2,448 | \$ 2,236 | \$ 3,583 | \$ 2,182 | \$ 1,622 | \$ 3,041 |
| Transfers out | (7,733) | (9,283) | (9,789) | (6,197) | (3,447) | (2,234) | (3,350) | (3,034) | (1,387) | (4,354) |
| Bonds issued | 3,600 | 1,000 | 10,000 | 4,300 | 8,460 | 4,500 | - | 9,610 | - | 7,500 |
| Negotiable notes and loans issued | - | - | - | 1,100 | - | 210 | - | - | - | 2,016 |
| Capital leases | 690 | 365 | - | - | - | - | 476 | - | 120 | - |
| Premium on refunding bonds issued | - | - | - | - | 71 | - | - | 491 | - | - |
| Principal retirement from refunding bond proceeds | - | - | - | - | (3,895) | - | - | (3,110) | - | - |
| Payment to bond escrow agent | - | - | - | - | - | - | - | (5,518) | - | - |
| Loss on disposal of asset | - | - | - | - | - | - | - | - | (1,290) | - |
| Total other financing source (uses) | <u>1,088</u> | <u>1,681</u> | <u>10,515</u> | <u>5,220</u> | <u>3,637</u> | <u>4,712</u> | <u>709</u> | <u>621</u> | <u>(935)</u> | <u>8,203</u> |
| Net change in fund balance | <u>\$ (320)</u> | <u>\$ (3,909)</u> | <u>\$ 3,897</u> | <u>\$ (1,898)</u> | <u>\$ (819)</u> | <u>\$ 3,930</u> | <u>\$ (5,780)</u> | <u>\$ (231)</u> | <u>\$ 707</u> | <u>\$ 4,449</u> |
| Debt service as a percentage of noncapital expenditures | <u>15.0%</u> | <u>16.0%</u> | <u>13.7%</u> | <u>14.5%</u> | <u>16.5%</u> | <u>17.2%</u> | <u>14.4%</u> | <u>15.6%</u> | <u>14.7%</u> | <u>13.1%</u> |

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

Note: Fiscal year 2012 was restated for the effects of the GASB Statement 65 early implementation in fiscal year 2013.

SCHEDULE 32

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

| <u>Fiscal</u> <u>Year</u> | <u>Property</u> <u>Tax</u> | <u>Sales</u> <u>Tax</u>¹ | <u>Franchise</u> <u>Tax</u> | <u>County</u> <u>Road</u> <u>Tax</u> | <u>Motor</u> <u>Fuel</u> <u>Tax</u> | <u>Total</u> |
|--------------------------------------|---------------------------------------|--|--|---|--|---------------------|
| 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 |
| 2012 | 14,313 | 14,082 | 2,462 | 781 | 20 | 31,658 |
| 2013 | 13,545 | 14,682 | 2,644 | 752 | 20 | 31,643 |
| 2014 | 13,980 | 14,901 | 2,955 | 678 | 20 | 32,534 |
| 2015 | 14,178 | 14,845 | 2,922 | 692 | 31 | 32,668 |
| 2016 | 14,753 | 14,431 | 2,555 | 714 | 31 | 32,484 |

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 33

CITY OF MERIDIAN, MISSISSIPPI
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

| Fiscal Year Ended September 30, | Real Property | | Personal Property | | Less: Tax Exempt Real Property | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value | Assessed Value as a Percentage of Actual Value |
|--|---------------------------------|--------------------------------|---------------------------|--------------|---|---|--|---|---|
| | Residential Property | Commercial Property | Motor Vehicles | Other | | | | | |
| 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% |
| 2012 | 86,209 | 171,700 | 31,118 | 53,388 | 6,845 | 335,570 | 50.84 | 2,195,722 | 15.28% |
| 2013 | 83,798 | 169,181 | 31,818 | 52,750 | 6,725 | 330,822 | 50.84 | 2,161,650 | 15.30% |
| 2014 | 84,862 | 171,468 | 33,023 | 51,816 | 8,101 | 333,068 | 50.84 | 2,177,062 | 15.30% |
| 2015 | 84,100 | 168,020 | 33,316 | 53,182 | 4,052 | 334,566 | 50.84 | 2,212,754 | 15.12% |
| 2016 | 85,130 | 175,714 | 34,653 | 53,053 | 4,202 | 344,348 | 50.84 | 2,250,804 | 15.30% |

Source: Lauderdale County real and personal property tax rolls.

Note: During 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.

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 | | | | | | | |
|----------------|----------------------|----------------------------|--|---------------------------|--------------------------|----------------------|----------------------------|----------------------------|-----------------------------------|----------------------------|--|----------------------------------|------------------|
| | | | | | | Lauderdale County | | | Meridian Separate School District | | | | |
| | Operating Millage | Debt Service Millage | Special Revenue Pension Millage | Solid Waste Millage | Total City Millage | Operating Millage | Debt Service Millage | Total County Millage | Operating Millage | Debt Service Millage | Total School District Millage | Meridian Community College | Total Millage |
| 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 |
| 2012 | 28.72 | 13.24 | 7.93 | 0.95 | 50.84 | 41.66 | 9.12 | 50.78 | 54.84 | 5.47 | 60.31 | 7.00 | 168.93 |
| 2013 | 29.34 | 13.12 | 7.92 | 0.46 | 50.84 | 41.66 | 9.12 | 50.78 | 54.84 | 6.31 | 61.15 | 7.00 | 169.77 |
| 2014 | 29.72 | 13.17 | 7.77 | 0.18 | 50.84 | 41.66 | 9.12 | 50.78 | 54.84 | 7.98 | 62.82 | 7.00 | 171.44 |
| 2015 | 29.51 | 13.36 | 7.79 | 0.18 | 50.84 | 41.66 | 9.12 | 50.78 | 54.84 | 7.98 | 62.82 | 7.00 | 171.44 |
| 2016 | 29.75 | 13.12 | 7.79 | 0.18 | 50.84 | 41.66 | 9.12 | 50.78 | 54.84 | 7.98 | 62.82 | 7.00 | 171.44 |

Source: Office of the City Clerk.

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

SCHEDULE 35**CITY OF MERIDIAN, MISSISSIPPI**

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

| <u>Taxpayer</u> | <u>2016</u> | | | <u>2007</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 | \$ 22,071 | 1 | 6.40% | \$ 10,514 | 1 | 4.06% |
| Wal-Mart Supercenters | 8,129 | 2 | 2.36% | 5,513 | 4 | 2.13% |
| Bonita Lakes Mall/Bonita Properties, Inc./CBL | 7,066 | 3 | 2.05% | 7,473 | 2 | 2.89% |
| Avery Dennison Corporation | 4,669 | 4 | 1.35% | --- | --- | --- |
| Anderson Regional Medical Center | 4,473 | 5 | 1.30% | 3,048 | 6 | 1.18% |
| Meridian Crossroads | 3,289 | 6 | 0.96% | --- | --- | --- |
| AT&T | 2,996 | 7 | 0.87% | 7,341 | 3 | 2.84% |
| Mississippi Valley Gas Company | 2,779 | 8 | 0.81% | --- | --- | --- |
| Norfolk Southern Railway Company | 2,700 | 9 | 0.78% | 1,903 | 8 | 0.74% |
| Rush Health Systems | 1,923 | 10 | 0.56% | 1,507 | 10 | 0.58% |
| Meridian HMA/Riley Hospital | --- | --- | --- | 4,346 | 5 | 1.68% |
| Peavey Electronics Corporation | --- | --- | --- | 2,713 | 7 | 1.05% |
| Atmos Energy Corporation | --- | --- | --- | 1,841 | 9 | 0.71% |
| Totals | <u>\$ 60,095</u> | | <u>17.44%</u> | <u>\$ 46,199</u> | | <u>17.86%</u> |

Source: Lauderdale County real and personal property tax rolls.

SCHEDULE 36

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

| Fiscal Year Ended September 30, | Total Tax Levy for Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections (Refunds) in Subsequent Years | Total Collections to Date | |
|--|---|---|-------------------------------|--|----------------------------------|-------------------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2007 | \$ 12,850 | \$ 12,745 | 99.18% | \$ 30 | \$ 12,775 | 99.42% |
| 2008 | 13,570 | 13,505 | 99.52% | 54 | 13,559 | 99.92% |
| 2009 | 15,634 | 15,462 | 98.90% | 76 | 15,538 | 99.39% |
| 2010 | 16,960 | 16,824 | 99.20% | 43 | 16,867 | 99.45% |
| 2011 | 16,956 | 16,766 | 98.88% | 71 | 16,837 | 99.30% |
| 2012 | 16,938 | 16,540 | 97.65% | (46) | 16,494 | 97.38% |
| 2013 | 16,111 | 15,971 | 99.13% | 17 | 15,988 | 99.24% |
| 2014 | 16,704 | 16,424 | 98.32% | (30) | 16,394 | 98.14% |
| 2015 | 16,961 | 16,832 | 99.24% | 64 | 16,896 | 99.62% |
| 2016 | 17,379 | 17,315 | 99.63% | - | 17,315 | 99.63% |

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

SCHEDULE 37

CITY OF MERIDIAN, MISSISSIPPI
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

| Fiscal Year | Governmental Activities | | | | | | | | Business-Type Activities | | | | Total Primary Government | Percentage of Personal Income ² | Per Capita ¹ |
|-------------|--------------------------|--------------------------|--------------------------|--------------------------|---|------------------|--------------------------|----------------|-----------------------------|--------------------------------|---|----------------|--------------------------|--|-------------------------|
| | General Obligation Bonds | Special Obligation Bonds | Limited Obligation Bonds | Special Assessment Bonds | Unamortized Premiums (Discounts) ¹ | Promissory Loans | Taxable Negotiable Notes | Capital Leases | Water & Sewer Revenue Bonds | Water & Sewer Promissory Loans | Unamortized Premiums (Discounts) ¹ | Capital Leases | | | |
| 2007 | \$ 21,415 | \$ 6,085 | \$ 2,960 | \$ 3,520 | \$ - | \$ 632 | \$ 1,005 | \$ 1,309 | \$ 11,260 | \$ 15,051 | \$ (587) | \$ 896 | \$ 63,546 | 5.65% | \$ 1,605 |
| 2008 | 20,985 | 5,835 | 2,135 | 3,245 | - | 566 | 774 | 1,283 | 9,955 | 13,973 | (507) | 785 | 59,029 | 4.93% | 1,492 |
| 2009 | 29,555 | 5,565 | 1,770 | 2,955 | - | 500 | 529 | 887 | 8,575 | 12,858 | (426) | 673 | 63,441 | 5.41% | 1,598 |
| 2010 | 27,750 | 5,280 | 5,680 | 2,650 | - | 431 | 1,372 | 500 | 6,090 | 11,697 | (345) | 554 | 61,659 | 5.03% | 1,498 |
| 2011 | 31,170 | 4,985 | 5,100 | 1,720 | (140) | 359 | 880 | 326 | 5,420 | 10,520 | (266) | 479 | 60,553 | 4.77% | 1,472 |
| 2012 | 33,520 | 4,670 | 4,475 | 1,505 | (63) | 467 | 660 | 272 | 4,705 | 10,913 | (19) | 398 | 61,503 | 4.49% | 1,504 |
| 2013 | 31,270 | 4,340 | 3,800 | 1,280 | (59) | 361 | 440 | 533 | - | 14,163 | 666 | 313 | 57,107 | 3.98% | 1,396 |
| 2014 | 33,430 | 885 | 3,605 | 1,040 | 525 | 254 | 220 | 315 | - | 11,968 | 720 | 223 | 53,185 | 3.86% | 1,323 |
| 2015 | 31,090 | 810 | 3,390 | 785 | 475 | 143 | - | 185 | - | 10,503 | 656 | 128 | 48,165 | 3.53% | 1,214 |
| 2016 | 36,105 | 730 | 3,155 | 515 | 424 | 2,077 | - | 94 | - | 8,978 | 593 | 26 | 52,697 | 3.86% | 1,329 |

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

Fiscal year 2012 was restated for the effects of the GASB Statement 65 early implementation in fiscal year 2013.

¹For fiscal years 2007 to 2011, prior to implementation of GASB 65 unamortized bond issuance costs on refunding debt are included in this amount.

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

SCHEDULE 38

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 | | Total | Percentage of Estimated Actual Taxable Value¹ of Property | Per Capita² |
|------------------------|---|---|---|--------------|---|-----------------------------------|
| | | Unamortized Premiums (Discounts) | Available in Debt Service Fund | | | |
| 2007 | \$ 21,415 | \$ - | \$ 554 | \$ 20,861 | 1.25% | \$ 527 |
| 2008 | 20,985 | - | 589 | 20,396 | 1.23% | 515 |
| 2009 | 29,555 | - | 720 | 28,835 | 1.44% | 726 |
| 2010 | 27,750 | - | 695 | 27,055 | 1.21% | 658 |
| 2011 | 31,170 | 69 | 855 | 30,384 | 1.37% | 738 |
| 2012 | 33,520 | 58 | 899 | 32,679 | 1.49% | 799 |
| 2013 | 31,270 | 48 | 852 | 30,466 | 1.41% | 745 |
| 2014 | 33,430 | 526 | 701 | 33,255 | 1.53% | 827 |
| 2015 | 31,090 | 475 | 918 | 30,647 | 1.39% | 773 |
| 2016 | 36,105 | 424 | 1,442 | 35,087 | 1.56% | 885 |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Fiscal year 2012 was restated for the effects of the GASB Statement 65 early implementation in fiscal year 2013.

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 39

CITY OF MERIDIAN, MISSISSIPPI
Direct and Overlapping Governmental Activities Debt
As of September 30, 2016
(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 | \$ 42,275 | 46.96% | \$ 19,852 |
| Debt repaid with property taxes: School | <u>18,845</u> | 87.92% | <u>16,569</u> |
| Subtotal, overlapping debt | 61,120 | | 36,421 |
| City of Meridian direct debt | <u>43,100</u> | 100.00% | <u>43,100</u> |
| Total direct and overlapping debt | <u>\$ 104,220</u> | | <u>\$ 79,521</u> |

Source: Office of the 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 40

CITY OF MERIDIAN, MISSISSIPPI

Legal Debt Margin Information

Last Ten Fiscal Years

(amounts expressed in thousands)

| | Fiscal year | | | | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
| Debt Limit | \$ 39,208 | \$ 39,125 | \$ 46,899 | \$ 51,948 | \$ 51,445 | \$ 51,362 | \$ 50,632 | \$ 51,175 | \$ 50,793 | \$ 52,283 |
| Total net debt applicable to limit | <u>20,861</u> | <u>20,396</u> | <u>28,835</u> | <u>27,055</u> | <u>30,315</u> | <u>32,621</u> | <u>30,418</u> | <u>32,729</u> | <u>30,172</u> | <u>34,663</u> |
| Legal debt margin | <u>\$ 18,347</u> | <u>\$ 18,729</u> | <u>\$ 18,064</u> | <u>\$ 24,893</u> | <u>\$ 21,130</u> | <u>\$ 18,741</u> | <u>\$ 20,214</u> | <u>\$ 18,446</u> | <u>\$ 20,621</u> | <u>\$ 17,620</u> |
| Total net debt applicable to the limit as a percentage of debt limit | <u>53.21%</u> | <u>52.13%</u> | <u>61.48%</u> | <u>52.08%</u> | <u>58.93%</u> | <u>63.51%</u> | <u>60.08%</u> | <u>63.96%</u> | <u>59.40%</u> | <u>66.30%</u> |

Legal Debt Margin Calculation for Fiscal Year 2016:

| | |
|--|--------------------------|
| Assessed value | \$ 344,348 |
| Add back: exempt real property | <u>4,202</u> |
| Total assessed value | <u>\$ 348,550</u> |
| Debt limit (15% of total assessed value) | <u>\$ 52,283</u> |
| Debt applicable to limit: | |
| General obligation bonds | 36,105 |
| Less: Amount set aside for repayment of general obligation debt | <u>(1,442)</u> |
| Total net debt applicable to limit | <u>34,663</u> |
| Legal debt margin | <u>\$ 17,620</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 41

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

| Fiscal Year | Water & Sewer Charges and Other | Less: Operating Expenses¹ | Net Available Revenue | Debt Service | | | Coverage |
|------------------------|--|---|--------------------------------------|---------------------|-----------------|--------------|-----------------|
| | | | | Principal | Interest | Total | |
| 2007 | \$ 10,907 | \$ 7,016 | \$ 3,891 | \$ 2,230 | \$ 1,298 | \$ 3,528 | 110.29% |
| 2008 | 11,125 | 6,976 | 4,149 | 2,345 | 1,193 | 3,538 | 117.27% |
| 2009 | 11,715 | 7,510 | 4,205 | 2,455 | 1,072 | 3,527 | 119.22% |
| 2010 | 12,145 | 7,239 | 4,906 | 3,605 | 963 | 4,568 | 107.40% |
| 2011 | 12,404 | 7,017 | 5,387 | 1,840 | 789 | 2,629 | 204.91% |
| 2012 | 13,187 | 7,544 | 5,643 | 1,930 | 706 | 2,636 | 214.07% |
| 2013 | 13,553 | 7,569 | 5,984 | 2,042 | 652 | 2,694 | 222.12% |
| 2014 | 13,699 | 7,647 | 6,052 | 2,195 | 437 | 2,632 | 229.94% |
| 2015 | 13,284 | 7,511 | 5,773 | 1,465 | 355 | 1,820 | 317.20% |
| 2016 | 13,993 | 8,076 | 5,917 | 1,525 | 297 | 1,822 | 324.75% |

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

Note: 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 42**CITY OF MERIDIAN, MISSISSIPPI**
Demographic and Economic Statistics
Last Ten Fiscal Years

| Fiscal Year | <u>Population</u>¹ | <u>Personal Income (amounts expressed in thousands)</u>² | <u>Per Capita Personal Income</u>² | <u>Median Age</u>³ | <u>School Enrollment</u>⁴ | <u>Unemployment Rate</u>⁵ |
|------------------------|--------------------------------------|--|--|--|---|---|
| 2007 | 39,596 | \$ 3,015,930 | \$ 28,415 | 36.5 | 6,630 | 8.6% |
| 2008 | 39,572 | 3,233,755 | 30,270 | 36.6 | 6,612 | 9.1% |
| 2009 | 39,695 | 3,172,001 | 29,515 | 36.2 | 6,461 | 12.7% |
| 2010 | 41,148 | 3,200,882 | 29,764 | 35.7 | 6,418 | 14.8% |
| 2011 | 41,146 | 3,319,247 | 30,873 | 34.9 | 6,250 | 14.6% |
| 2012 | 40,894 | 3,591,963 | 33,515 | 34.8 | 6,209 | 12.6% |
| 2013 | 40,921 | 3,747,649 | 35,037 | 33.9 | 6,168 | 11.9% |
| 2014 | 40,196 | 3,638,085 | 34,257 | 35.0 | 5,880 | 10.0% |
| 2015 | 39,661 | 3,593,079 | 34,384 | 34.8 | 5,664 | 8.5% |
| 2016 | 39,661 | 3,593,079 | 34,384 | 34.8 | 5,555 | 7.3% |

Sources: ¹U.S. Census Bureau, 2010-2015 Estimates of the Resident Population for Incorporated Places at www.census.gov.

²U.S. Department of Commerce, Bureau of Economic Analysis website at www.bea.gov.

Per capita personal income estimates reflect population estimates available as of January, 2016.

³U.S. Census Bureau, 2010-2015 American Community Survey 5-Year Estimates at www.census.gov.

⁴Mississippi Assessment and Accountability Reporting System of the Mississippi Department of Education's website:
<http://reports.mde.k12.ms.us/data/>; and Office of the Superintendent, Meridian Public School District; November 2016.

⁵Mississippi 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.

CITY OF MERIDIAN, MISSISSIPPI
Principal Employers
Current and Nine Years Ago

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| <u>Taxpayer</u> | 2016 | | | 2007 | | |
|----------------------------------|------------------|-------------|--|------------------|-------------|--|
| | <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 | 2,465 | 1 | 16.81% | 2,500 | 1 | 16.91% |
| Anderson Regional Medical Center | 1,343 | 2 | 9.16% | 1,475 | 2 | 9.98% |
| Mississippi Air National Guard | 1,200 | 3 | 8.19% | 1,180 | 4 | 7.98% |
| Meridian Public Schools | 1,000 | 4 | 6.82% | 1,350 | 3 | 9.13% |
| East Mississippi State Hospital | 943 | 5 | 6.43% | 1,100 | 5 | 7.44% |
| Walmart Supercenters | 695 | 6 | 4.74% | 745 | 7 | 5.04% |
| City of Meridian | 530 | 7 | 3.62% | 540 | 8 | 3.65% |
| Alliance Health Center | 350 | 8 | 2.39% | --- | --- | --- |
| Meridian Community College | 325 | 9 | 2.22% | 515 | 9 | 3.48% |
| Avery Dennison Corporation | 250 | 10 | 1.71% | --- | --- | --- |
| Peavey Electronics Corporation | --- | --- | --- | 1,000 | 6 | 6.76% |
| Riley Memorial Hospital | --- | --- | --- | 460 | 10 | 3.11% |
| Totals | <u>9,101</u> | | <u>62.09%</u> | <u>10,865</u> | | <u>73.48%</u> |

Source: East Mississippi Business Development Corporation

SCHEDULE 44

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>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
| General government | 49 | 54 | 49 | 50 | 46 | 59 | 47 | 48 | 49 | 59 |
| Public safety: | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Officers | 112 | 105 | 111 | 108 | 109 | 108 | 100 | 92 | 90 | 77 |
| Civilians | 14 | 18 | 19 | 15 | 15 | 19 | 17 | 13 | 18 | 24 |
| Fire: | | | | | | | | | | |
| Firefighters and officers | 106 | 98 | 101 | 108 | 112 | 114 | 106 | 103 | 97 | 110 |
| Civilians | 8 | 9 | 9 | 11 | 10 | 11 | 9 | 7 | 9 | 9 |
| Highways and streets | 70 | 72 | 72 | 60 | 65 | 57 | 56 | 55 | 67 | 65 |
| Sanitation | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Culture and recreation | 49 | 49 | 49 | 56 | 42 | 42 | 40 | 39 | 32 | 30 |
| Water | 44 | 50 | 48 | 47 | 48 | 48 | 45 | 39 | 39 | 31 |
| Sewer | 45 | 45 | 46 | 44 | 42 | 39 | 36 | 31 | 31 | 37 |
| Golf course | 3 | 3 | 3 | 5 | 7 | 8 | 8 | 10 | 8 | 9 |
| Union Station | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Municipal Garage | 11 | 14 | 14 | 13 | 11 | 11 | 11 | 10 | 10 | 10 |
| Homeland Security | 6 | 5 | 5 | 5 | 4 | 5 | 4 | 4 | 3 | 3 |
| Community Development | 20 | 19 | 19 | 19 | 16 | 16 | 18 | 18 | 22 | 23 |
| Totals | <u>540</u> | <u>544</u> | <u>548</u> | <u>544</u> | <u>530</u> | <u>540</u> | <u>500</u> | <u>472</u> | <u>478</u> | <u>490</u> |

Source: City's payroll department.

SCHEDULE 45**CITY OF MERIDIAN, MISSISSIPPI**

Operating Indicators by Function

Last Ten Fiscal Years

| <u>Function</u> | <u>Fiscal Year</u> | | | | | | | | | |
|---|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
| Police: | | | | | | | | | | |
| Physical arrests | 4,289 | 4,785 | 4,967 | 4,952 | 5,089 | 6,254 | 5,847 | 3,917 | 4,012 | 3,838 |
| Parking violations | 6,481 | 5,565 | 6,088 | 5,329 | 4,347 | 3,699 | 3,186 | 2,027 | 1,960 | 1,972 |
| Traffic violations | 10,763 | 12,663 | 10,816 | 8,676 | 12,089 | 9,533 | 9,163 | 8,801 | 8,366 | 6,719 |
| Fire: | | | | | | | | | | |
| Number calls answered | 3,209 | 3,357 | 1,666 | 1,636 | 2,070 | 1,550 | 1,621 | 1,596 | 1,456 | 1,625 |
| Inspections | 3,673 | 2,907 | 2,814 | 1,375 | 1,810 | 2,053 | 1,414 | 2,365 | 2,573 | 2,002 |
| Highways and streets: | | | | | | | | | | |
| Street resurfacing (miles) | 1 | - | - | - | - | 4 | 19 | 19 | - | 22 |
| Potholes repaired ¹ | 277 | 351 | 352 | 271 | 394 | 1,003 | 936 | 1,191 | 364 | 803 |
| Culture and recreation: | | | | | | | | | | |
| Meridian Activity Center/Velma | | | | | | | | | | |
| Young Park/Highland Park classes | 1,175 | 1,194 | 1,215 | 1,290 | 1,255 | 1,248 | 1,594 | 1,624 | 1,652 | 1,978 |
| Water: | | | | | | | | | | |
| New connections | 93 | 88 | 45 | 30 | 50 | 28 | 46 | 88 | 46 | 28 |
| Water leak repairs | 1,130 | 823 | 1,190 | 1,291 | 1,344 | 1,196 | 644 | 640 | 564 | 595 |
| Average daily consumption (millions of gallons) | 5.079 | 5.221 | 4.447 | 4.211 | 5.033 | 5.066 | 5.236 | 5.453 | 5.640 | 5.722 |
| Wastewater: | | | | | | | | | | |
| Average daily sewerage treatment (millions of gallons) | 6.350 | 9.230 | 5.730 | 7.100 | 6.390 | 7.060 | 8.380 | 6.130 | 6.490 | 7.140 |

Source: Various City departments.

¹For fiscal years 2012 through 2016, the City calculated the number of potholes repaired based on an average number of potholes repaired in a week. The number of potholes repaired for fiscal years 2007 through 2011 is based on the number of service orders issued for pothole repair.

SCHEDULE 46

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

| <u>Function</u> | <u>Fiscal Year</u> | | | | | | | | | |
|--|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
| Public safety: | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol Units | 67 | 77 | 73 | 84 | 84 | 88 | 86 | 93 | 90 | 84 |
| Fire stations | 7 | 8 | 8 | 8 | 7 | 8 | 8 | 8 | 8 | 8 |
| Highways and streets: | | | | | | | | | | |
| Streets (miles) | 306.83 | 307.50 | 330.35 | 330.35 | 330.35 | 330.35 | 330.35 | 330.35 | 330.35 | 330.35 |
| Streetlights | 6,400 | 6,411 | 6,570 | 6,589 | 6,603 | 6,639 | 6,693 | 6,729 | 6,735 | 6,752 |
| Traffic signals | 121 | 120 | 120 | 120 | 117 | 117 | 117 | 117 | 117 | 120 |
| Culture and recreation: | | | | | | | | | | |
| Parks acreage | 443 | 443 | 443 | 443 | 443 | 443 | 443 | 443 | 443 | 443 |
| Parks | 17 | 17 | 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 | 16 | 16 | 16 | 16 | 16 |
| Community centers | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Softball/Baseball fields | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 19 | 19 |
| Soccer fields | 12 | 12 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| Golf course | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Splash pad | - | - | - | - | - | - | - | - | - | 1 |
| Water: | | | | | | | | | | |
| Water mains (miles) | 428 | 428 | 429 | 429 | 430 | 430 | 430 | 430 | 431 | 432 |
| Fire hydrants | 2,105 | 2,113 | 2,131 | 2,136 | 2,141 | 2,180 | 2,180 | 2,181 | 2,183 | 2,186 |
| Maximum daily capacity (thousands of gallons) | 14,500 | 14,500 | 14,500 | 14,500 | 14,500 | 13,952 | 13,952 | 13,952 | 13,952 | 13,952 |
| Sewer: | | | | | | | | | | |
| Sanitary sewers (miles) | 444 | 444 | 445 | 445 | 445 | 445 | 445 | 445 | 445 | 445 |
| Storm sewers (miles) | 200 | 225 | 225 | 225 | 225 | 225 | 225 | 225 | 225 | 225 |
| Maximum daily treatment capacity (thousands of gallons) | 14,000 | 14,000 | 14,000 | 14,000 | 14,000 | 14,000 | 14,000 | 14,000 | 14,000 | 14,000 |

Source: Various City departments.

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 Office of Management and Budget Uniform Guidance. 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, 2016

| Federal Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | Pass-through Grantor's Number/ Federal Contract | Program or Award Amount | Accrued (Unearned) Revenue 9/30/2015 | Federal Receipts | Federal Share Disbursements/ Expenditures | Accrued (Unearned) Revenue 9/30/2016 | Cumulative Federal Receipts | Cumulative Federal Share Disbursements/ Expenditures | Fund Type |
|---|---------------------------|---|-------------------------------|---|---------------------|---|---|-----------------------------------|---|-----------------|
| <u>U. S. Department of Housing & Urban Development</u> | | | | | | | | | | |
| Pass-through Mississippi Development Authority: | | | | | | | | | | |
| Katrina CDBG Downtown Drainage Improvements | 14.228 | R-110-258-02-GZ | \$ 3,500,000 | \$ 1,000,886 | \$ - | \$ 1,666,782 | \$ 2,667,668 | \$ 804,601 | \$ 3,472,269 | Enterprise fund |
| Velma Young Community Center Improvements | 14.228 | 1131-14-258-PF-01 | 600,000 | - | 249,551 | 420,514 | 170,963 | 254,551 | 425,514 | Capital project |
| Total U.S. Department of Housing & Urban Development | | | | <u>1,000,886</u> | <u>249,551</u> | <u>2,087,296</u> | <u>2,838,631</u> | <u>1,059,152</u> | <u>3,897,783</u> | |
| <u>U. S. Department of Justice</u> | | | | | | | | | | |
| Pass-through Mississippi Department of Public Safety: | | | | | | | | | | |
| MS Stop Violence Against Women Program | 16.013 | 14SL2221 | 31,961 | 6,593 | 24,053 | 17,460 | - | 24,053 | 24,053 | Special revenue |
| MS Stop Violence Against Women Program | 16.013 | 15SL2221 | 34,845 | - | - | - | - | - | - | Special revenue |
| Bulletproof Vests Partnership | 16.607 | 2013BUBX13068660 | 7,235 | (5,631) | - | 5,631 | - | 5,631 | 5,631 | Special revenue |
| Bulletproof Vests Partnership | 16.607 | 2014BUBX14074534 | 8,685 | - | 3,360 | 8,213 | 4,853 | 3,360 | 8,213 | Special revenue |
| Bulletproof Vests Partnership | 16.607 | 2015BUBX15078506 | 5,126 | - | - | 57 | 57 | - | 57 | Special revenue |
| Total U.S. Department of Justice | | | | <u>962</u> | <u>27,413</u> | <u>31,361</u> | <u>4,910</u> | <u>33,044</u> | <u>37,954</u> | |
| <u>U. S. Department of Transportation</u> | | | | | | | | | | |
| Pass-through Mississippi Department of Public Safety: | | | | | | | | | | |
| Police Traffic Services | 20.600 | 15-PT-222-1 | 34,340 | 21,717 | 22,239 | 522 | - | 22,239 | 22,239 | Special revenue |
| Police Traffic Services | 20.600 | 16-PT-222-1 | 15,419 | - | 1,343 | 1,839 | 496 | 1,343 | 1,839 | Special revenue |
| DUI Enforcement | 20.607 | 15-ST-222-1 | 84,305 | 25,651 | 25,651 | - | - | 44,506 | 44,506 | Special revenue |
| NHTSA Impaired Driving | 20.600 | 154AL-2016-ST-22-21 | 51,289 | - | 32,863 | 35,496 | 2,633 | 32,863 | 35,496 | Special revenue |
| Pass-through Mississippi Department of Transportation: | | | | | | | | | | |
| Safe Routes to School Project | 20.205 | SRSP-0320-00(023) & (024) | 800,626 | 67,639 | - | 26,726 | 94,365 | 645,114 | 739,479 | Capital project |
| Downtown (5th Street) Streetscape | 20.205 | STP-7234-00(001) | 1,000,000 | - | - | 150,774 | 150,774 | - | 150,774 | Capital project |
| Old Highway 80 Pedestrian Improvements | 20.205 | STP-7243-00(002) | 700,000 | - | - | - | - | - | - | Capital project |
| Highway 39 Signals | 20.205 | STP-0074-00(020) | 350,000 | - | 243,481 | 245,679 | 2,198 | 243,481 | 245,679 | Capital project |
| Total U.S. Department of Transportation | | | | <u>115,007</u> | <u>325,577</u> | <u>461,036</u> | <u>250,466</u> | <u>989,546</u> | <u>1,240,012</u> | |
| <u>U. S. Department of Health and Human Services</u> | | | | | | | | | | |
| Pass-through Mississippi State Department of Health - | | | | | | | | | | |
| Fire Academy for Kids | 93.758 | 2B010T009032-14 | 500 | 500 | 500 | - | - | 500 | 500 | Special revenue |
| Mayor's Health Council | 93.758 | 2B010T009032-15 | 3,000 | - | - | 775 | 775 | - | 775 | Special revenue |
| Total U.S. Department of Health and Human Services | | | | <u>500</u> | <u>500</u> | <u>775</u> | <u>775</u> | <u>500</u> | <u>1,275</u> | |

(continued)

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2016

| <u>Federal Grantor/Pass-through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-through Grantor's Number/ Federal Contract</u> | <u>Program or Award Amount</u> | <u>Accrued (Unearned) Revenue 9/30/2015</u> | <u>Federal Receipts</u> | <u>Federal Share Disbursements/ Expenditures</u> | <u>Accrued (Unearned) Revenue 9/30/2016</u> | <u>Cumulative Federal Receipts</u> | <u>Cumulative Federal Share Disbursements/ Expenditures</u> | <u>Fund Type</u> |
|---|------------------------------------|--|--|---|-----------------------------|--|---|--|---|----------------------|
| <u>U. S. Department of Homeland Security</u> | | | | | | | | | | |
| Pass-through Mississippi Department of Public Safety: | | | | | | | | | | |
| Hurricane Ivan Clean Up | 97.036 | FEMA-1550-MS-DR | \$ 661,805 | \$ 157,631 | \$ - | \$ - | \$ 157,631 | \$ 504,174 | \$ 661,805 | Special revenue |
| Homeland Security - Training | 97.073 | 13HS258 | 75,000 | 75,000 | 75,000 | - | - | 75,000 | 75,000 | Special revenue |
| Homeland Security - Equipment | 97.073 | 13HS258T | 8,000 | 8,000 | 8,000 | - | - | 8,000 | 8,000 | Special revenue |
| Homeland Security - Training | 97.073 | 14HS258 | 75,000 | 19,524 | 75,000 | 33,758 | (21,718) | 75,000 | 53,282 | Special revenue |
| Homeland Security - Training | 97.073 | 14HS258T | 37,000 | - | 37,000 | 37,000 | - | 37,000 | 37,000 | Special revenue |
| Homeland Security - Training | 97.073 | 15HS258 | 75,000 | - | - | 44,873 | 44,873 | - | 44,873 | Special revenue |
| Homeland Security - Training | 97.073 | 15HS258T | 16,000 | - | - | - | - | - | - | Special revenue |
| Total U.S. Department of Homeland Security | | | | <u>260,155</u> | <u>195,000</u> | <u>115,631</u> | <u>180,786</u> | <u>699,174</u> | <u>879,960</u> | |
| Total federal financial assistance | | | | <u>\$ 1,377,510</u> | <u>\$ 798,041</u> | <u>\$ 2,696,099</u> | <u>\$ 3,275,568</u> | <u>\$ 2,781,416</u> | <u>\$ 6,056,984</u> | |

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

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, 2016

(1) **Basis of Presentation**

The accompanying schedule of expenditures of federal awards ("schedule") includes the federal award activity of the City of Meridian, Mississippi ("City") under programs of the federal government for the year ended September 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the schedule presents only a selected portion of the operations of the City, it is not intended to, and does not present, the financial position, changes in net position, or cash flows of the City.

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

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**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 Percy Bland, III and
Honorable Members of the City Council
City of Meridian, Mississippi:**

We have audited 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, 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 27, 2017. Our report includes a reference to other auditors who audited the financial statements of the Meridian Airport Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**The Honorable Mayor Percy Bland, III 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jackson, Mississippi
April 27, 2017

Brigade, Sanders & O'Neil, P.C.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**The Honorable Mayor Percy Bland, III and
Honorable Members of the City Council
City of Meridian, Mississippi:**

Report on Compliance for Each Major Federal Program

We have audited City of Meridian, Mississippi's ("City") compliance with the types of compliance requirements described in *OMB 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, 2016. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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.

**The Honorable Mayor Percy Bland, III and
Honorable Members of the City Council
City of Meridian, Mississippi
Page two**

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance 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, 2016.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 a 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention of those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Honorable Mayor Percy Bland, III and
Honorable Members of the City Council
City of Meridian, Mississippi
Page three

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Breyer, Sandra : O'Neil, Dd.

Jackson, Mississippi
April 27, 2017

CITY OF MERIDIAN, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2016

Section I - Summary of Auditors' Results***Financial Statements***

| | |
|---|----------------------|
| Type of auditors' report issued: | Unmodified |
| 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: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | No |
| Identification of major program tested: | |
| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
| 14.228 | Community Development Block Grants |
| Dollar threshold used to distinguish between type A and type B programs: | \$ 750,000 |
| 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, 2016

Section II - Findings - Financial Statements Audit

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

Section III - Findings and Questioned Costs – Major Federal Award Programs Audit

No audit findings required to be reported in accordance with 2 CFR section 200.516(a) were reported.

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BREAZEALE, SAUNDERS & O'NEIL, LTD.CERTIFIED PUBLIC ACCOUNTANTS

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

**The Honorable Mayor Percy Bland, III and
Honorable Members of the City Council
City of Meridian, Mississippi:**

We have audited 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, 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 27, 2017. Our report includes a reference to other auditors who audited the financial statements of the Meridian Airport Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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.



Jackson, Mississippi
April 27, 2017

