



April 13, 2026

To the Mayor and Members of the City Council  
City of Meridian, Idaho  
Meridian, Idaho

We have audited the financial statements of City of Meridian, Idaho (the City) as of and for the year ended September 30, 2025, and have issued our report thereon dated April 13, 2026. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards* and our Compliance Audit under the Uniform Guidance**

As communicated in our letter dated September 9, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the City complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility, as prescribed by professional standards as it relates to the audit of the City's major federal program compliance, is to express an opinion on the compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances 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, as a part of our major program compliance audit, we considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the City's internal control over compliance.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our Independent Auditor's 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* dated April 13, 2026. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated April 13, 2026.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

### **Significant Risks Identified**

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks." In addition to the significant risks communicated to you previously, we have identified the following additional significant risks:

- There is a risk that GASB Statement No. 101, *Compensated Absences*, may not have been implemented correctly due to the complexity of the standard.

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. As described in Note 1, the City changed accounting policies related to accounting for compensated absences to adopt the provisions of GASB Statement No. 101, *Compensated Absences*. Accordingly, the presentation and disclosure requirements have been applied to the financial statements for the year ended September 30, 2025. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the

methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Accounting Estimates and Related Disclosures*

Accounting estimates and related disclosures are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the net pension liability and deferred inflows/outflows of resources related to the net pension liability are based on actuarial estimates provided by Milliman to PERSI and the Schedule of Employer Allocations and Collective Pension Amounts provided by PERSI. This schedule was audited by independent auditors. We evaluated the key factors and assumptions used to develop the net pension liability and determined that it is reasonable in relation to the basic financial statements taken as a whole.

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City's financial statements relate to:

The disclosure of net pension liability, in Note 10, as this footnote supports the assumptions made and inputs used to determine the employer pension assumption.

#### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

#### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. The following misstatements that we identified as a result of our audit procedures were brought to the attention of and passed on by management.

- a. General Fund:
  - Contributed capital and capital outlay are overstated by \$386,000 due to the over recognition of contributed assets.
- b. Enterprise fund:
  - Utility accounts receivable and revenue are understated by approximately \$394,000 due to utility services earned in 2025 being recognized in 2026 when billed..
  - Accounts payable and expenditures are overstated by \$493,000 due to 2026 expenses being recognized in 2025.
- c. Governmental Activities:
  - Property and contributed capital are overstated by \$386,000 due to the over recognition of contributed assets.
  - Deferred outflows and expense in relation to the PERSI pension plan are overstated by \$451,000.
- d. Business-Type Activities:
  - Accounts payable and expenditures are overstated by \$493,000 due to 2026 expenses being recognized in 2025.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We did not identify any circumstances that affect the form and content of the auditor's report.

### **Representations Requested from Management**

We have requested certain written representations from management that are included in the management representation letter dated April 13, 2026.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

## **Other Matters**

The financial statements include the financial statements of Meridian Development Corporation (MDC), which we considered to be a significant component of the financial statements of the City. Consistent with the audit of the City's financial statements as a whole, our audit included obtaining an understanding of MDC and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements of MDC and completion of further audit procedures.

This report is intended solely for the information and use of the Mayor, City Council, and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

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*Eide Bailly LLP*

Boise, Idaho