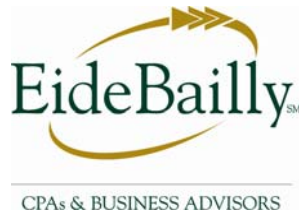


**MANAGEMENT LETTER
SEPTEMBER 30, 2006**

MERIDIAN DEVELOPMENT CORPORATION



Members of the Board of Directors
**Meridian Development Corporation, a component
unit of the City of Meridian, Idaho**
Meridian, Idaho

In planning and performing our audit of the financial statements of Meridian Development Corporation, a component unit of the City of Meridian, Idaho, for the year ended September 30, 2006, we considered Meridian Development Corporation's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously reported on Meridian Development Corporation's internal control structure in our report dated December 13, 2006. This letter does not affect our report dated December 13, 2006 on the financial statements of Meridian Development Corporation, a component unit of the City of Meridian, Idaho.

We have already discussed many of these comments and suggestions with various Meridian Development Corporation 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.

Very truly yours,

A handwritten signature in black ink that reads "Eide Bailly LLP".

Boise, Idaho
December 13, 2006

PEOPLE. PRINCIPLES. POSSIBILITIES.

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877 West Main St., Ste. 800 • Boise, Idaho 83702-5858 • Phone 208.344.7150 • Fax 208.344.7435 • EOE

OTHER CONDITIONS

Journal Entries

Condition:

During the audit it was noted that journal entries are not being reviewed.

Recommendation:

Although the board does review financial statements, we would also recommend that individual journal entries are reviewed by management or a knowledgeable board member.

Management Response:

We now have staff available to provide a second review and will do so.

Bank Reconciliations

Condition:

During the audit it was noted that the bank reconciliations were not being reviewed.

Recommendation:

Although the board does review financial statements, we would also recommend that monthly bank reconciliations are reviewed by management or a knowledgeable board member.

Management Response:

We now have staff available to provide a second review and will do so.

New Auditing Standard

Condition:

Statement on Auditing Standard No. 112 Communicating Internal Control Related Matters Identified in an Audit will change and expand the definition of a material weakness resulting in more findings being reported as a material weakness. These standards will also remove the term “reportable condition” and use “significant deficiencies”. These standards will define a significant deficiency to include more findings than what a reportable condition would have defined.

Due to these expanded definitions, clients must be able to accurately prepare their own financial statements without assistance or adjustment by the auditor. Failure to do so will result in disclosure of a material weakness or significant deficiency.

Recommendation:

Management should implement procedures to prepare complete and accurate financial statements that do not require significant assistance or adjustment by the auditor.