

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the year ended December 31, 2013



Bear sculpture and fountains at Merriam Historic Plaza & Visitors Bureau

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year ended December 31, 2013

MERRIAM, KANSAS

Prepared by:

**Cynthia Ehart
Finance Director**

**Trish Wertz
Accountant**

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CITY OF MERRIAM, KANSAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Year Ended December 31, 2013

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May 1, 2014

To The Honorable Mayor, City Council, and Citizens of the City of Merriam:

The Finance Department is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Merriam, Kansas for the fiscal year ended December 31, 2013. This report is submitted to you in compliance with the provisions of Kansas statutes which require an annual audit.

Responsibility to report financial data that is complete and accurate rests with the management of the City. It is our belief that the information reported in this document fairly presents the financial position of the City in all material aspects on a Government-wide and a Fund basis. To enhance the reader's understanding of these financial statements, note disclosures have been included as an integral part of this document.

Management of the City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP) in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

The independent auditing firm of Allen, Gibbs & Houlik, L.C. has audited the City of Merriam's financial statements. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended December 31, 2013, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the Government-wide and Fund Financial Statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The City management's narrative on the financial activities of the City for the fiscal year is in the Management's Discussion and Analysis (MD&A), immediately following the Independent Auditor's Report. This letter of transmittal is written to complement the MD&A and the financial statements, and should be read from that perspective and in conjunction with all other sections of the CAFR.

Profile of the City

General Information: The City of Merriam is located in northeast Johnson County, approximately eight miles from downtown Kansas City, Missouri, and is part of the metropolitan Kansas City area. The City of Merriam is built at the former location of Merriam Park, a major amusement park in the late 1800's that stood at the site of what is now Shawnee Mission Parkway and Interstate-35. The area was originally settled after the Civil War and now encompasses 4.5 square miles and has a population of 11,174. Merriam was incorporated as a third class city on October 23, 1950 and became a second-class city on January 18, 1957.

The City operates under a non-partisan Mayor/Council form of government with the addition of a City Administrator. More information about elections and appointments may be found in Note I of the Notes to the Financial Statements.

The City of Merriam provides its citizens with a wide variety of services, including: police and fire protection, cultural and recreational activities, construction and maintenance of the City's facilities, parks, street network

and drainage systems, snow removal, building and residential code enforcement, city planning and zoning, and court services.

Component Units: In evaluating the City as a reporting entity, management has considered all potential component units. Such component units would include organizations for which the primary government is financially accountable, and other organizations whose relationships with the primary government are such that the City's financial statements would be misleading or incomplete if excluded. The definition of the reporting entity is based primarily on financial accountability as distinct from strictly legal relationships. Based on the evaluation criteria, there are no organizations related to the City that should be accounted for in the financial statements

Budgetary Control: In addition to accounting and internal controls, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the governing body. Kansas statutes require that an annual operating budget be legally adopted for the General Fund, Special Revenue Funds (unless specifically exempted by statute), and the General Obligation Bond Debt Service Fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. See Note II, A, Budgetary Information, in the Notes to the Financial Statements for additional information.

Factors Affecting Financial Condition

Local economy: City sales tax collections increased a robust 21% in 2013 due to an improved economy and the mid-year opening of two new auto dealerships. Merriam's auto dealers increased their share of total sales and use tax to 49%, an increase of \$1.04 million over the prior year. Auto industry experts report the average age of vehicles on U.S roads is eleven-plus years. Combined with an improved economy and low interest rates, the demand for cars is strong. On a national level, auto sales were at a six-year high last year and the trend is expected to continue into 2015. Another popular auto dealership, Kia, will relocate to Merriam in the last quarter of 2014.

The City expects to strengthen and diversify the sales tax base with the opening of IKEA Merriam in fall 2014. The 360,000 square foot home furnishings store is located in the Merriam Village project area. The store will add approximately 350 local jobs and will bring visitors to Merriam hotels, restaurants, and auto dealerships.

Also in the Merriam Village project area, Hobby Lobby has announced plans to build a 55,000 square foot craft and home décor store. Site work is underway and application for the building permit has been received. McDonald's has filed plans to build a new restaurant in an adjacent parcel and a "fast-casual" restaurant is expected to occupy another.

Shawnee Mission Medical Center recently opened a new cancer care facility on their 54-acre campus at 75th Street and Interstate-35. The hospital also plans to spend \$50 million for improvements to the wound care unit and the original hospital tower.

Progress on the Timber Ridge subdivision of single family homes continues. The developers indicate the subdivision, with thirty seven new homes, will be completed by first half of 2015.

Recent property valuations increased for the first time since 2008 with overall values up by 2.9%. Commercial values rose by 8.6% due chiefly to new construction while residential values dropped by 1.4%. Preliminary valuations for 2014 reflect additional increases.

Total employment in Merriam is estimated at 14,100 jobs. The County unemployment rate for 2013 is 4.7%, with an average of approximately 4.95% over the last 10 years. Two of the County's major employers are located in the City: Shawnee Mission Medical Center and GE Capital Credit.

Long-term financial planning: Staff prepares five-year financial projections of its capital improvement program (CIP). The proposed CIP includes stormwater drainage improvements for Antioch Park Creek, design engineering for the Shawnee Mission Parkway Bridge over BNSF railroad, street overlay for Antioch Rd., and four streetlight projects. The 2015-2019 CIP includes an estimated \$51 million for projects — a significant amount for a city of Merriam's size. The City Council receives staff and citizen input on the prioritization of capital improvement needs which is used to set priorities in preparing the CIP.

The CIP is funded by sales tax transfers from the General Fund in accordance with Council policy, a dedicated city sales tax of ¼ cent, available tax increment, and supplemental grants from federal, state and county sources. The current CIP plan anticipates that all projects will be completed on a “pay-as-you-go” basis.

Staff also prepares five-year forecasts of General Fund balances using current information and trends for revenues and expenditures. The forecasts are used to assess areas of concern for current and future operating budgets. Recent forecasts indicate the City can maintain a General Fund balance of approximately 30% of estimated current revenues through 2019 which exceeds minimum requirements per the Reserve and Fund Balance Policy (described below).

Reserves and Contingencies: The City maintains a Reserve and Fund Balance Policy that requires General Fund reserves to equal or exceed the greater of 15% of budgeted revenues or 2 months of budgeted operating expenditures. As of December 31, 2013, General Fund reserves exceed requirements with 39.36% of budgeted revenues (excluding reserves assigned for risk management). The policy also requires that the risk management reserves equal or exceed 7.5% of General Fund budgeted revenues. Reserves assigned to risk management ended the year at 6.26% of budgeted revenues

Relevant financial policies: There were no significant effects in the current year from the application of relevant financial policies.

Awards and Acknowledgments

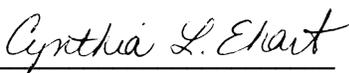
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Merriam for its comprehensive annual financial report for the fiscal year ended December 31, 2012. This was the twentieth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report 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 City is also the recipient of the GFOA’s Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning January 1, 2014. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communication device. The Distinguished Budget Award is valid for a period of one year only. We believe that our current budget continues to conform to program requirements and we are submitting it to the GFOA to determine its eligibility for another award.

We offer special thanks to all City staff who contributed to preparing this report on a timely basis, particularly Trish Wertz, Accountant, and Christy Playter, Communications Coordinator.

We wish to acknowledge the support given by the Mayor and City Council for their interest in maintaining the highest standard of financial reporting. They have given particular emphasis to the planning and operations of the financial function of the City, resulting in a very responsible and progressive financial operation.



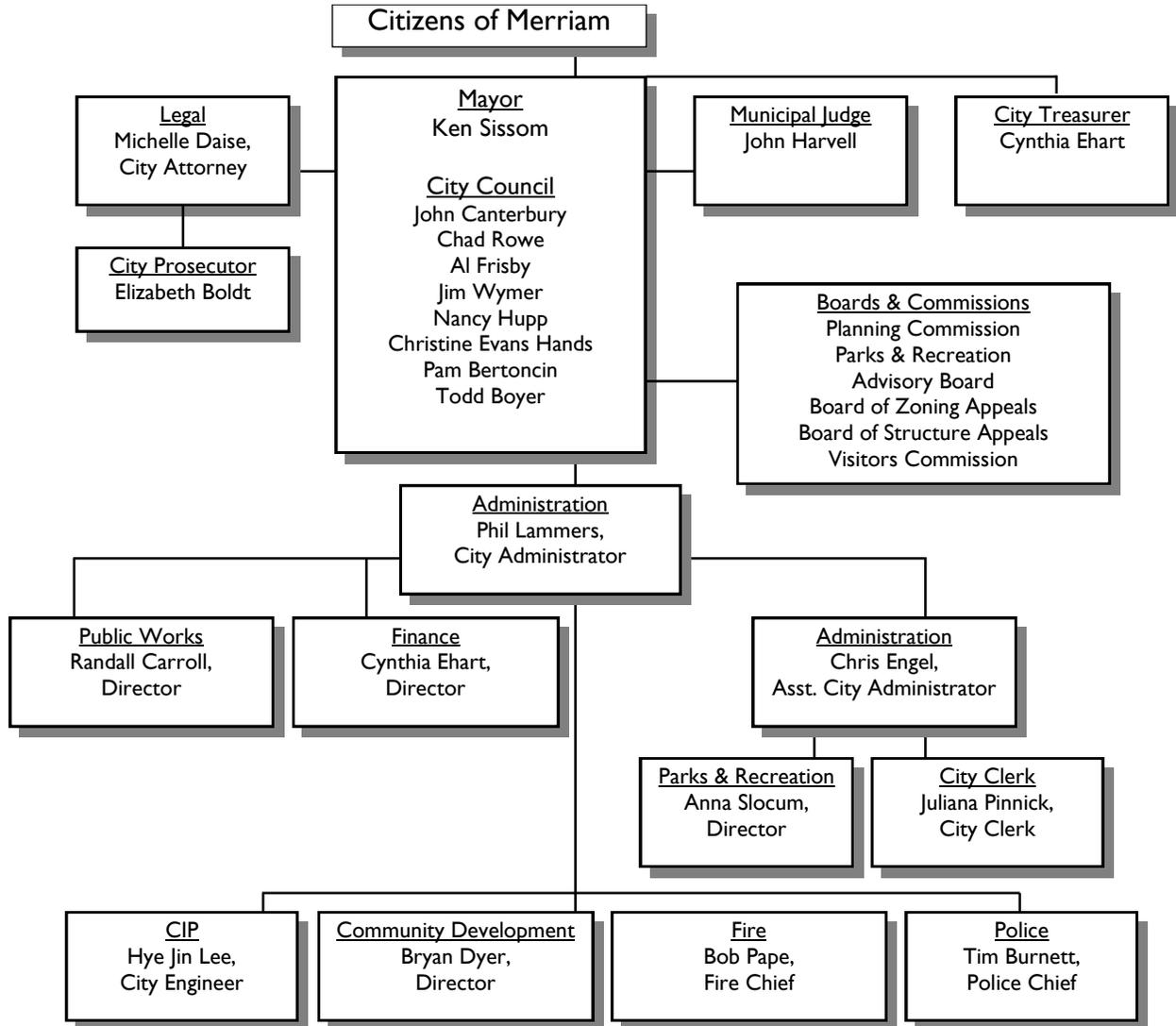
Cynthia Ehart
Finance Director



Phil Lammers
City Administrator



City Organizational Chart



PRINCIPAL OFFICIALS

MAYOR AND CITY COUNCIL	LENGTH OF SERVICE	TERM EXPIRES	POSITION
Ken Sissom	5 Years	2017	Mayor
John Canterbury	3 Years	2015	Ward 1
Chad Rowe	9 Years	2017	Ward 1
Al Frisby	3 Years	2015	Ward 2
Jim Wymer	5 Years	2017	Ward 2
Nancy Hupp	11 Years	2015	Ward 3
Christine Evans Hands	9 Years	2017	Ward 3
Pam Bertocin	6 Years	2015	Ward 4
Todd Boyer	1 Year	2017	Ward 4

APPOINTED OFFICIALS	POSITION	LENGTH OF SERVICE TO CITY	GOVERNMENT SERVICE
Phil Lammers	City Administrator	6	34
Chris Engel	Assistant City Administrator	1	8
Bob Pape	Fire Chief	37	37
Tim Burnett	Police Chief	32	32
Randy Carroll	Public Works Director	32	32
Michelle Daise	City Attorney	14	17
Juli Pinnick	City Clerk	10	16
Cynthia Ehart	Finance Director / City Treasurer	10	10
Bryan Dyer	Community Development Director	6	14
Hye Jin Lee	City Engineer	5	13
Anna Slocum	Parks & Recreation Director	1	12



Government Finance Officers Association

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

Presented to

**City of Merriam
Kansas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council Members
City of Merriam, Kansas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Merriam, Kansas (City) as of and for the year ended December 31, 2013, 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

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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 auditor considers 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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Merriam, Kansas, as of December 31, 2013, and the respective changes in financial position 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 and required supplementary information listed on the table of contents 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.

Supplementary and 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 combining and individual nonmajor fund financial statements and schedules and the introductory and statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules 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. In our opinion, such 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.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

May 1, 2014
Wichita, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Merriam's (the City) financial statements provides a narrative overview and analysis of the City's financial activities for the fiscal year ended December 31, 2013. This discussion follows guidelines prescribed by the Governmental Accounting Standards Board (GASB) Statement 34, which enhances comparability between governments. The information presented here should be read in conjunction with the accompanying basic financial statements and the notes to those basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$101,755,485 (net position).
- The City's total net position increased during the fiscal year by \$6,005,956. Repayment of general obligation bonds increased net position in associated capital assets. Repayment of tax increment revenue bonds (non-capital) increased unrestricted net position. Sales tax collections from new retailers increased both restricted and unrestricted net position.
- At the close of 2013, the City's governmental funds reported combined ending fund balances of \$21,024,737, an increase of \$3,268,548 over the prior year. Sales tax and transient guest tax collections were greater than expected. Capital improvement expenditures were less than expected due to project timing. Debt service expenditures for general obligation and tax increment financing bonds have declined.
- At the close of 2013, unassigned fund balance for the General Fund was \$5,984,254, or 39.05% of revenues for the fund. An additional \$959,350, or 6.26% of revenue, was assigned for Risk Management purposes.
- The City's total general obligation debt decreased by \$2,915,000 (27.7%) during 2013 due to repayment of outstanding debt.
- The City's tax increment revenue bonds decreased by \$629,536 (26.2%) during 2013 due to repayment of outstanding debt
- In 2013, the City implemented GASB No. 65 Items Previously Reported as Assets and Liabilities, as explained in Note I. 8.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements, which include three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic 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. These statements use the accrual

basis of accounting, which means that the current year's revenues and expenses are recorded as they are earned or incurred, regardless of when cash is received or paid. The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. These statements include infrastructure assets as well as all known liabilities, including long-term debt. 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* provides information detailing *how* the City's net position changed during 2013.

Fund Financial Statements

A fund is a fiscal entity with a set of self-balancing accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to demonstrate compliance with legal requirements, such as state statutes or bond covenants. There are three types of funds: governmental, proprietary, and fiduciary. All of the City's funds are classified as governmental funds. Fund accounting focuses on 1) cash flow and how financial assets can readily be converted to available resources, and 2) the balances left at the end of the fiscal year for future spending. The focus is on the budgetary, short-term financial picture of the reported operations rather than on the longer term economic picture of the City as a whole.

Governmental funds are reported using the *modified accrual* basis of accounting, which measures cash and other financial assets that can readily be converted to cash. Under this basis of accounting, revenues are recognized when they become measurable and available, and expenditures are generally recognized when the related fund liability is incurred. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Therefore, both the government-wide and fund financial statements present different useful aspects of the City's financial picture. They are designed to be compared and interpreted together. The reconciliations at the end of the fund financial statements detail the relationship and differences between the two types of financial statements.

Notes to the Basic Financial Statements

The notes to the basic financial statements are an integral part of the basic financial statements. They provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Supplementary Information

Required budgetary data related to the General Fund, combining statements for non-major governmental funds and fund budgetary schedules are presented immediately following the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Position		
	Governmental Activities	
	2013	2012
Current and other assets	\$ 31,019,841	\$ 27,227,881
Capital assets	88,984,211	89,381,905
Total assets	<u>120,004,052</u>	<u>116,609,786</u>
Deferred outflows		
Deferred refunding	28,453	35,906
Total deferred outflows	<u>28,453</u>	<u>35,906</u>
Long-term liabilities	10,235,614	13,751,952
Other liabilities	1,395,370	1,049,280
Total liabilities	<u>11,630,984</u>	<u>14,801,232</u>
Deferred inflows		
Deferred revenues	6,646,036	6,094,931
Total deferred inflows	<u>6,646,036</u>	<u>6,094,931</u>
Net position:		
Invested in capital assets, net of related debt	81,566,047	79,354,128
Restricted	9,108,394	7,878,514
Unrestricted	11,081,044	8,516,887
Total net position	<u>\$ 101,755,485</u>	<u>\$ 95,749,529</u>

Analysis of Net Position

As previously mentioned, net position may serve as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$101,755,485 at the close of 2013.

The largest component of the City's net position is \$81,566,047 invested in capital assets (e.g. land, buildings, equipment and infrastructure) less any related outstanding debt used to acquire those assets. These assets are used on an ongoing basis to provide services to citizens, and are thus not available for future spending. The City's investment in its capital assets is reported net of related debt; however, the resources needed to repay this debt must come from other sources. The capital assets themselves cannot be liquidated to satisfy these liabilities.

An additional \$9,108,394 of the City's net position represents resources that are subject to external restrictions on how they may be used. Net position includes \$4,111,409 restricted for capital projects using the City's special ¼-cent sales taxes; \$3,232,806 restricted for community development per state statutes governing tax increment and transient guest taxes; and \$1,713,067 restricted for debt service.

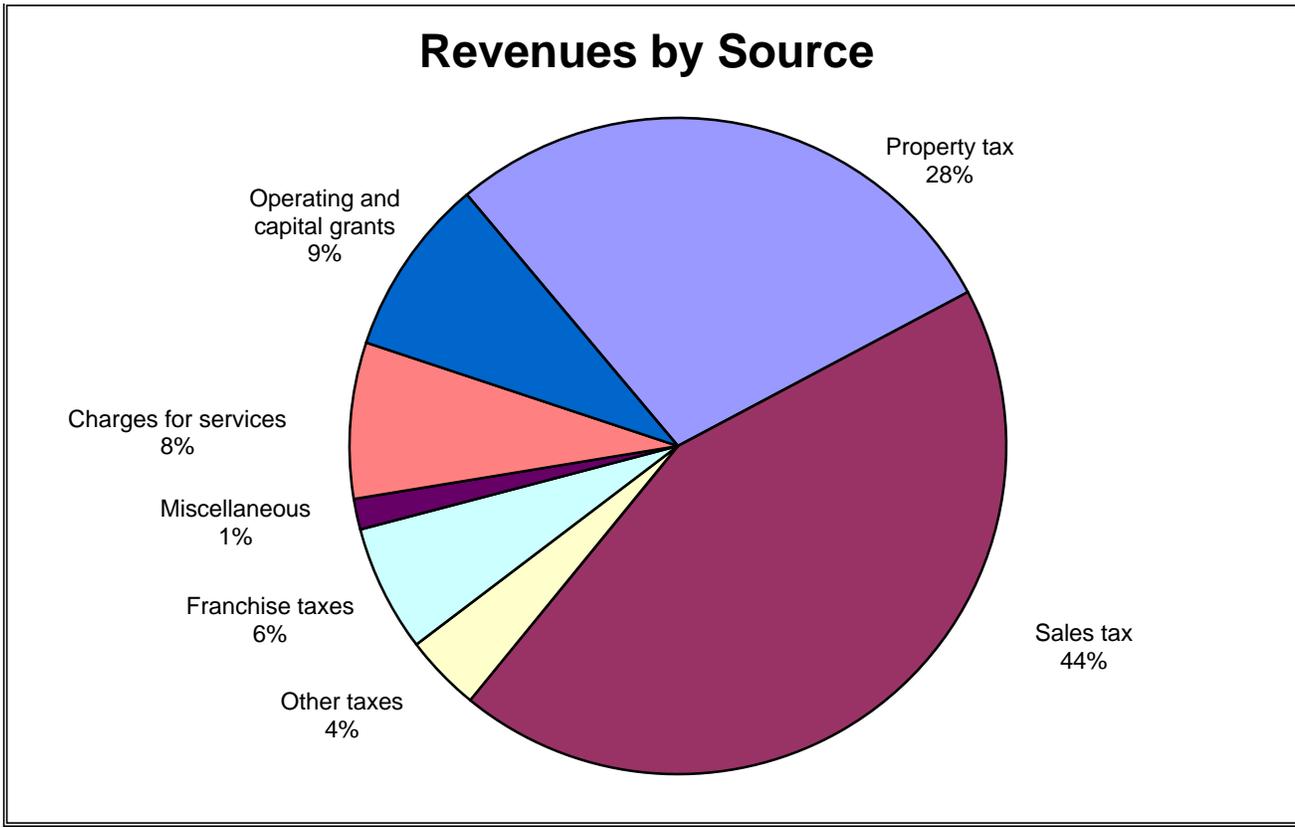
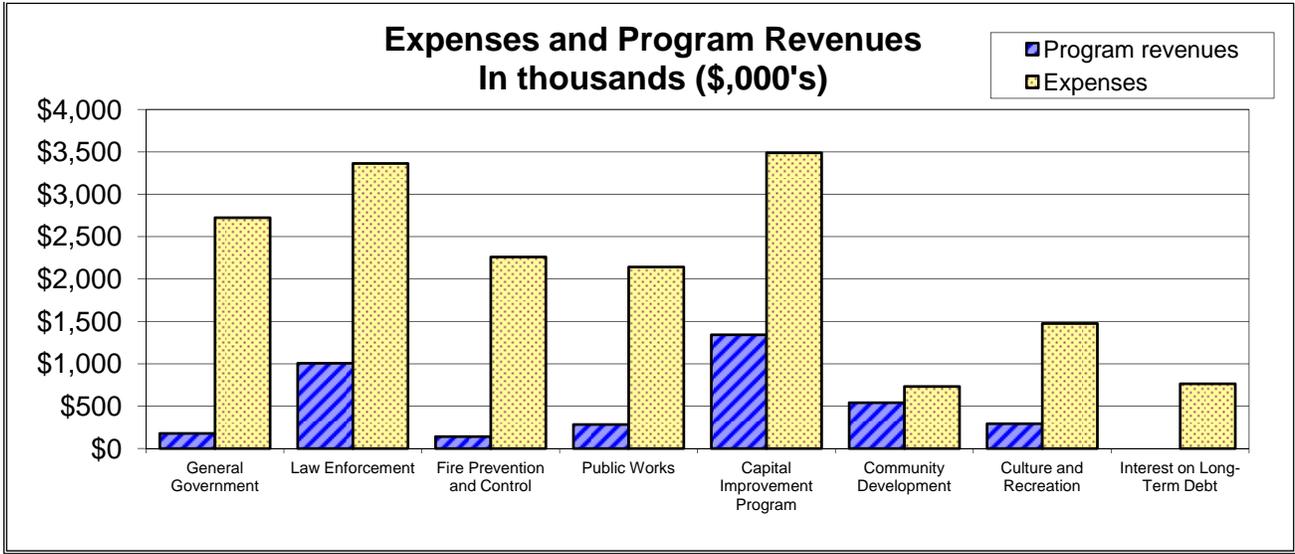
Unrestricted net position totals \$11,081,044.

Condensed Statement of Changes in Net Position		
	Governmental Activities	
	2013	2012
Revenues:		
Program revenues:		
Charges for services	\$ 1,767,325	\$ 1,685,945
Operating grants and contributions	410,247	336,134
Capital grants and contributions	1,610,418	1,445,139
General revenues:		
Property taxes	6,516,871	6,363,963
Sales taxes	10,041,517	8,489,250
Other taxes	888,456	774,227
Franchise taxes	1,436,254	1,331,702
Miscellaneous	324,623	612,495
Total revenues	22,995,711	21,038,855
Expenses:		
General government	2,725,181	2,290,748
Law enforcement	3,365,198	3,263,923
Fire prevention and control	2,261,457	2,201,176
Public works	2,142,851	1,937,502
Capital improvement program	3,489,564	4,174,359
Community development	732,348	846,621
Health and welfare	32,917	24,698
Culture and recreation	1,476,476	1,530,436
Interest on long-term debt	763,763	1,233,443
Total expenses	16,989,755	17,502,906
Increase in net position	6,005,956	3,535,949
Net position - beginning of year	95,749,529	92,213,580
Net position - end of year	\$ 101,755,485	\$ 95,749,529

Analysis of Changes in Net Position

The City's net position increased during the fiscal year by a total of \$6,005,956 including these changes:

- Net investment in capital assets increased by \$2,211,919 primarily due to reduction in general obligation debt associated with capital assets.
- Net position restricted for capital projects increased by \$1,019,118 due to increased collections of the ¼ City sales tax restricted for construction of street and stormwater projects and lower than expected project costs. Delays in commencement of Shawnee Creek drainage improvement and 75th Street (west) pushed costs into 2014.
- Unrestricted net position increased by \$1,265,017 due to the reduction of non-capital related TIF revenue bonds for the Merriam Town Center project.
- Unrestricted net position also increased due to the improved collections of the City's general sales and use taxes, \$1,235,575 more than the prior year.



The preceding charts illustrate Merriam’s governmental expenses and program revenues by function, and revenues by source. The Capital Improvement Program represents the largest portion of 2013 expenses, followed closely by Law Enforcement. Capital grants and contributions in 2013 were for largely for county revenues and cost sharing contributions received on street and stormwater projects. Capital improvement program expenses decreased due to the full depreciation of pre-1972 streets in the prior year. Interest on long-term debt increased due to declining long-term debt balances.

For governmental activities overall, sales taxes are the largest source of revenue (44%) followed by property taxes (28%). Sales tax revenues increased due to an improved economy and the opening of new retailers in the City. Other revenues and expense functions fall within anticipated ranges.

ANALYSIS OF THE FUND FINANCIAL STATEMENTS

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

At the end of 2013, the City's governmental funds reported combined ending fund balances of \$21,024,737 including \$729,000 in nonspendable form (prepaid assets), \$8,728,324 restricted by external requirements and laws, \$1,074,015 committed to future capital equipment purchases, \$4,509,144 assigned to capital projects, risk management or other uses, and \$5,984,254 unassigned funds available for use at the City's discretion.

The General Fund is the primary operating fund for the City. At the end of 2013, total fund balance of the General Fund was \$6,991,291. The fund balance increased by \$520,840 during the fiscal year due to higher than expected sales tax revenues offset by higher than expected transfers to the Capital Improvement Fund. The transfers were made in accordance with City Council policy.

Capital Improvement Fund had an increase in fund balance of \$1,823,681 due to higher than expected sales tax collections and lower than expected project costs. Delays in commencement of Shawnee Creek drainage improvement and 75th Street (west) pushed costs into 2014.

General Obligation Fund increased by \$51,983 due to lower than expected miscellaneous expenditures.

The I-35 TIF District Fund increased by \$60,141 due to increased ad valorem tax collections offset by increased capital outlay (Slater Street overlay and streetlight project) and increased debt service obligations associated with TIF redevelopment projects.

Merriam Town Center TIF Fund increased by \$635,481 due to reduced debt service obligations on the tax increment revenue bonds.

Other Governmental Funds increased overall by \$176,422. Transient Guest Tax Fund increased \$86,686 due to greater than expected tax collections, offset by increased community development expenditures and transfers out to the Capital Improvement Fund. Equipment Reserve Fund increased \$92,532 because transfers in from the General Fund exceeded replacements per the 10-year equipment schedule.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's budget was not amended during 2013; therefore, the original budget and the final budget are the same.

Variances between the final budget and actual amounts are not expected to impact either liquidity or future services. Sales and transient guest tax collections were significantly better than budgeted for 2013. Transfers out from General Fund (to the Capital Improvement Fund) exceeded budget and were related to the increased sales tax collections. Some under budget expenditure variances occur due to staff vacancies and the use of estimates for employee benefit rates such as medical insurance and

workers compensation. Additionally, the City budgets for reserves and contingency, but does not expect to expend more than a small amount of these funds, creating positive budget variances in general government expenditures each year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets include land, buildings, improvements, equipment, drainage improvements, streets, bridges, streetlights, and traffic signals. As of December 31, 2013, the City’s investment in capital assets was \$88,984,211. This total declined by \$397,694 because depreciation exceeded additions for 2013.

Capital Assets (net of depreciation)		
	Governmental Activities	
	2013	2012
Land	\$ 13,200,482	\$ 13,012,081
Artwork	24,000	24,000
Construction in progress	1,427,131	332,356
Buildings	8,117,116	8,468,440
Improvements other than buildings	2,731,975	2,399,789
Equipment	3,357,854	3,192,673
Infrastructure	60,125,653	61,952,566
Total	<u>\$ 88,984,211</u>	<u>\$ 89,381,905</u>

Construction in progress for 2013 includes costs for on-going Shawnee Creek and Meyer Creek drainage improvements. Infrastructure additions for 2013 include Merriam Drive Bridge over Turkey Creek improvements, Slater Street overlay and streetlight installation, and Shawnee Mission Parkway median replacements. Additional information about the City’s capital assets may be found in Note III. B. to the financial statements.

Long-Term Debt

At December 31, 2013 the City had total long-term bonds outstanding of \$9,379,859. This amount included \$7,610,000 of general obligation bonds backed by the full faith and credit of the City plus \$1,769,859 in special obligation tax increment revenue bonds. The special obligation revenue bonds are repaid solely with property tax increment generated in the project area and do not constitute a general obligation of the City.

Total long-term bonds payable decreased by \$3,544,536 during the fiscal year due to scheduled principal reductions on outstanding bond issues.

Moody’s Investor Services rated the City’s most recent bond issue Aa2 and affirmed this rating for all existing debt.

Kansas statutes limit the amount of general obligation debt of a governmental entity to 30% of its total assessed valuation. The current debt limitation for the City is \$48,569,185.

Additional information on the City's long-term debt can be found in Note III. C. of the financial statements.

Outstanding Bonds		
General Obligation and Revenue Bonds		
	Governmental Activities	
	2013	2012
General obligation bonds	\$ 7,610,000	\$ 10,525,000
Subordinate special obligation tax increment revenue bonds	1,769,859	2,399,395
Total	<u>\$ 9,379,859</u>	<u>\$ 12,924,395</u>

Economic Factors

Merriam's location along the highly visible Interstate-35 corridor in Kansas City contributes to strong sales per square mile. City businesses have averaged \$541 million in annual sales over the last five years. This translates into approximately \$120 million in sales per square mile and is due largely to the success of several large auto dealerships and the Merriam Town Center retail area. City sales taxes rose by 21% in 2013.

The City is working with developers on the following projects along the Interstate-35 corridor:

- **IKEA Merriam:** Construction is underway on a 360,000 square foot IKEA home furnishing store at I-35 and Johnson Drive. The City has committed \$19.9 million in future sales and property tax increments to IKEA Property, Inc., a "destination-retailer", who attracts shoppers from throughout the region. Store opening is scheduled for fall 2014.
- **Merriam Village:** Initiated in March 2005, the 17 acre site is located near Johnson Drive and I-35. Hobby Lobby has applied for a building permit to construct a 55,000 square foot craft and home décor store on the site. McDonald's fast food has also submitted plans for a new store. The City has committed to provide future property tax increments to Developers' Diversified Realty, Inc.
- **Merriam Pointe:** Initiated in September 2004, this development is nearly complete. The 35 acre project located at the southwest corner of 67th Street and I-35 includes four major auto dealerships. One parcel remains undeveloped. The City has committed to provide future property tax increments to developers, Merriam Investors, LLC and Hendrick Automotive Group.

REQUESTS FOR INFORMATION

This financial report is designed to provide an overview of the City's finances for all interested parties. Questions concerning any of the information provided in the report or requests for additional information should be directed to the Finance Director, City of Merriam, 9001 W. 62nd Street, Merriam, KS 66202.

BASIC
FINANCIAL STATEMENTS

City of Merriam, Kansas
Statement of Net Position
December 31, 2013

	Governmental Activities
Assets	
Cash, including investments	\$ 18,370,967
Receivables (net of allowance for uncollectibles):	
Property taxes	6,646,036
Sales and other taxes	2,218,317
Intergovernmental	1,039,256
Special assessments - current	355,000
Interest and other	106,265
Special assessments - noncurrent	1,555,000
Prepaid items	729,000
Capital assets:	
Land and construction in progress	14,651,613
Other capital assets, net of depreciation	74,332,598
Total assets	120,004,052
 Deferred Outflows of Resources	
Deferred refunding	28,453
Total deferred outflows of resources	28,453
 Liabilities	
Accounts payable	1,167,045
Accrued payroll	191,463
Interest payable	36,862
Long-term liabilities:	
Due within one year	2,690,350
Due in more than one year	7,545,264
Total liabilities	11,630,984
 Deferred Inflows of Resources	
Deferred property tax receivable	6,646,036
Total deferred inflows of resources	6,646,036
 Net Position	
Net investment in capital assets	81,566,047
Restricted for:	
Capital projects	4,111,409
Community development	3,232,806
Debt service	1,713,067
Other purposes	51,112
Unrestricted	11,081,044
Total net position	\$ 101,755,485

The accompanying notes are an integral part of the basic financial statements.

City of Merriam, Kansas
Statement of Activities
For the Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Total Governmental Activities
Governmental activities:					
General government	\$ 2,725,181	\$ 178,856	\$ -	\$ -	\$ (2,546,325)
Law enforcement	3,365,198	902,639	103,677	-	(2,358,882)
Fire prevention and control	2,261,457	484	-	141,430	(2,119,543)
Public works	2,142,851	-	283,899	-	(1,858,952)
Capital improvement program	3,489,564	-	-	1,341,988	(2,147,576)
Community development	732,348	415,044	-	127,000	(190,304)
Health and welfare	32,917	-	-	-	(32,917)
Culture and recreation	1,476,476	270,302	22,671	-	(1,183,503)
Interest on long-term debt	763,763	-	-	-	(763,763)
Total primary government	<u>\$ 16,989,755</u>	<u>\$ 1,767,325</u>	<u>\$ 410,247</u>	<u>\$ 1,610,418</u>	<u>(13,201,765)</u>
General revenues:					
Taxes:					
Property taxes levied for:					
General purposes					3,413,911
Debt service					322,695
Tax increment financing					2,780,265
Sales taxes					10,041,517
Transient guest taxes					507,652
Franchise taxes					1,436,254
Tax increment financing replacement taxes					358,133
Intergovernmental not restricted to a specific program					22,671
Investment earnings					123,470
Miscellaneous					201,153
Total general revenues					<u>19,207,721</u>
Change in net position					6,005,956
Net position-beginning					95,749,529
Net position-ending					<u>\$ 101,755,485</u>

The accompanying notes are an integral part of the basic financial statements.

City of Merriam, Kansas
Balance Sheet
Governmental Funds
December 31, 2013

	General	Capital Improvement	General Obligation Bonds	Merriam Town Center TIF	I-35 District TIF	Nonmajor Governmental Funds	Total Governmental Funds
Assets:							
Cash, including investments	\$ 5,780,970	\$ 6,760,801	\$ 162,407	\$ 1,189,401	\$ 2,898,919	\$ 1,578,469	\$ 18,370,967
Receivables (net of allowance for uncollectibles)							
Property taxes	3,046,500	-	287,906	1,035,954	2,275,676	-	6,646,036
Sales and other taxes	1,805,737	287,717	-	-	-	124,863	2,218,317
Intergovernmental	-	943,805	-	-	-	95,451	1,039,256
Interest and other	69,723	1,365	-	-	1,172	305	72,565
Special assessments	-	-	1,910,000	-	-	-	1,910,000
Due from other funds	-	235,255	-	-	-	-	235,255
Prepaid items	-	729,000	-	-	-	-	729,000
Total Assets	<u>\$ 10,702,930</u>	<u>\$ 8,957,943</u>	<u>\$ 2,360,313</u>	<u>\$ 2,225,355</u>	<u>\$ 5,175,767</u>	<u>\$ 1,799,088</u>	<u>\$ 31,221,396</u>
Liabilities:							
Accounts and retainage payable	\$ 233,663	\$ 790,878	\$ -	\$ -	\$ 107,403	\$ 35,101	\$ 1,167,045
Accrued payroll and related liabilities	183,761	4,589	-	-	-	3,113	191,463
Due to other funds	235,255	-	-	-	-	-	235,255
Total Liabilities	<u>652,679</u>	<u>795,467</u>	<u>-</u>	<u>-</u>	<u>107,403</u>	<u>38,214</u>	<u>1,593,763</u>
Deferred Inflows of Resources:							
Deferred property tax receivable	3,046,500	-	287,906	1,035,954	2,275,676	-	6,646,036
Unavailable revenue - accounts receivable	12,460	-	-	-	-	-	12,460
Unavailable revenue - special assessments	-	-	1,910,000	-	-	-	1,910,000
Unavailable revenue - property forfeiture	-	-	-	-	-	34,400	34,400
Total deferred inflows of resources	<u>3,058,960</u>	<u>-</u>	<u>2,197,906</u>	<u>1,035,954</u>	<u>2,275,676</u>	<u>34,400</u>	<u>8,602,896</u>
Fund Balances:							
Nonspendable	-	729,000	-	-	-	-	729,000
Restricted	-	3,931,369	162,407	1,189,401	2,792,688	652,459	8,728,324
Committed	-	-	-	-	-	1,074,015	1,074,015
Assigned	1,007,037	3,502,107	-	-	-	-	4,509,144
Unassigned	5,984,254	-	-	-	-	-	5,984,254
Total fund balances	<u>6,991,291</u>	<u>8,162,476</u>	<u>162,407</u>	<u>1,189,401</u>	<u>2,792,688</u>	<u>1,726,474</u>	<u>21,024,737</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,702,930</u>	<u>\$ 8,957,943</u>	<u>\$ 2,360,313</u>	<u>\$ 2,225,355</u>	<u>\$ 5,175,767</u>	<u>\$ 1,799,088</u>	<u>\$ 31,221,396</u>

The accompanying notes are an integral part of the basic financial statements.

City of Merriam, Kansas
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 December 31, 2013

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

Total fund balance -- governmental funds		\$ 21,024,737
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	\$ 150,489,459	
Accumulated Depreciation	<u>(61,505,248)</u>	88,984,211
Long-term assets are not available to pay for current period expenditures and are therefore deferred in the fund statements		
		1,943,700
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
General Obligation Bonds Payable	(7,255,000)	
Premium on Bonds Payable	(192,796)	
Deferred Refunding on Bonds Payable	28,453	
Accrued Interest Payable on the Bonds	(36,862)	
Special Assessments	(355,000)	
Tax Increment Revenue Bond	(1,769,859)	
Compensated Absences	(628,505)	
Other Post Employment Obligations	(29,454)	
Claims and Judgments	<u>(5,000)</u>	(10,244,023)
Certain accounts receivable resulting from charges for services and forfeiture are not considered available to liquidate liabilities of the current period, and are therefore deferred in the funds. However, they are recognized as revenue in the entity-wide statements as soon as the related service has been provided or the property is available.		
		<u>46,860</u>
Total net position -- governmental activities		<u>\$ 101,755,485</u>

The accompanying notes are an integral part of the basic financial statements.

City of Merriam, Kansas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General	Capital Improvement	General Obligation Bonds	Merriam Town Center TIF	I-35 District TIF	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Ad valorem taxes	\$ 3,413,911	\$ -	\$ 322,695	\$ 1,019,722	\$ 1,760,543	\$ -	\$ 6,516,871
Tax increment financing replacement taxes	-	-	-	129,085	229,048	-	358,133
Special assessments	-	-	419,300	-	-	-	419,300
Sales tax	8,519,026	1,522,491	-	-	-	-	10,041,517
Transient guest tax	-	-	-	-	-	507,652	507,652
Intergovernmental	103,677	1,344,783	-	-	-	470,671	1,919,131
Licenses, permits and fees	593,900	-	-	-	-	-	593,900
Franchise taxes	1,436,254	-	-	-	-	-	1,436,254
Charges for services	224,629	-	-	-	-	45,673	270,302
Fines, forfeitures and penalties	897,925	-	-	-	-	4,714	902,639
Earnings on investments	10,213	19,505	6,081	-	6,516	1,855	44,170
Other	124,576	49	-	-	593	600	125,818
Total revenues	15,324,111	2,886,828	748,076	1,148,807	1,996,700	1,031,165	23,135,687
Expenditures:							
Current:							
General government	2,276,017	34,297	-	2,243	7,252	180,079	2,499,888
Law enforcement	3,201,400	-	-	-	-	80,232	3,281,632
Fire prevention and control	2,130,119	-	-	-	-	19,163	2,149,282
Public works	1,941,423	-	-	-	-	628,935	2,570,358
Capital improvement program	-	406,226	-	-	-	-	406,226
Community development	512,669	-	-	-	-	197,156	709,825
Health and welfare	22,917	-	-	-	-	-	22,917
Culture and recreation	957,324	-	-	-	-	246,666	1,203,990
Capital outlay	-	2,477,554	-	-	367,327	-	2,844,881
Debt service:							
Principal retirement	-	-	2,915,000	507,583	-	-	3,422,583
Interest and other	-	-	220,298	3,500	579,247	-	803,045
Total expenditures	11,041,869	2,918,077	3,135,298	513,326	953,826	1,352,231	19,914,627
Excess (deficiency) of revenues over (under) expenditures	4,282,242	(31,249)	(2,387,222)	635,481	1,042,874	(321,066)	3,221,060
Other financing sources (uses):							
Sale of property	-	-	-	-	-	47,488	47,488
Transfers in	90,000	4,294,135	2,439,205	-	-	550,000	7,373,340
Transfers out	(3,851,402)	(2,439,205)	-	-	(982,733)	(100,000)	(7,373,340)
Total other financing sources (uses)	(3,761,402)	1,854,930	2,439,205	-	(982,733)	497,488	47,488
Net change in fund balances	520,840	1,823,681	51,983	635,481	60,141	176,422	3,268,548
Fund balances at beginning of year	6,470,451	6,338,795	110,424	553,920	2,732,547	1,550,052	17,756,189
Fund balances at end of year	\$ 6,991,291	\$ 8,162,476	\$ 162,407	\$ 1,189,401	\$ 2,792,688	\$ 1,726,474	\$ 21,024,737

The accompanying notes are an integral part of the basic financial statements.

City of Merriam, Kansas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2013

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

Net change in fund balances -- total governmental funds	\$	3,268,548
<p>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 the amount of assets capitalized in the current period.</p>		
Depreciation expense	(4,090,923)	
Capital assets capitalized	3,587,553	(503,370)
<p>Contributions of capital assets are reported as capital contributions in statement of activities.</p>		
		124,205
<p>In the statement of activities, the gain or loss from the sale of capital assets is reported, whereas in the governmental funds, only any proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of capital assets sold.</p>		
		(18,529)
<p>Payments received on certain receivables are recognized as revenue when received in the fund. However, in the statement of net position, revenue is recognized as earned.</p>		
		(299,090)
<p>Deferred refunding on bonds payable decrease the current financial resources to governmental funds but result in a deferred outflow of resources in the statement of net position.</p>		
		(7,453)
<p>The amortization of bond premiums and discounts decrease the long term liabilities in the statement of net position but do not provide current financial resources to the governmental funds.</p>		
		43,636
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
General obligation bonds	2,575,000	
Special assessment bonds	340,000	
Tax increment revenue bonds	629,536	3,544,536
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.</p>		
		18,212
<p>In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item is measured by the amount of financial resources used (essentially, the amounts actually paid). This year, the following difference was noted:</p>		
Compensated absences earned were more than benefits paid		(62,067)
<p>Cost of issuance was reported as an expense in the statement of activities whereas in governmental funds, the cost of bond issuance expenditure was reported when paid.</p>		
		(92,905)
<p>In the statement of activities, a liability is accrued for other post employment benefits, whereas in governmental funds, other post employment benefits expenditure is reported when paid.</p>		
		(9,767)
Change in net position of governmental activities	\$	6,005,956

The accompanying notes are an integral part of the basic financial statements.

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**NOTES TO THE
BASIC
FINANCIAL STATEMENTS**

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Merriam, Kansas (the City), was incorporated as a third class city on October 28, 1950 and was made a second class city on January 18, 1957. The City, with a population of 11,174, is located in northeast Johnson County and covers 4.5 square miles.

The City operates under a non-partisan Mayor-Council form of government with the addition of a City Administrator. The Mayor is elected on an at-large basis and serves a four year term. The eight Council Members are elected by ward (two represent each of four wards) and serve four year terms of office. The City Administrator is appointed by the Mayor and City Council as the chief administrative officer of the City and is charged with the efficient and effective administration of the City.

The City provides a host of services including general government, law enforcement, fire prevention and control, public works, community development, health and welfare, and cultural and recreation.

The accounting and reporting policies of the City of Merriam, Kansas conform to accounting principles generally accepted in the United States of America. The more significant accounting and reporting policies and practices employed by the City are as follows:

A. Reporting Entity

Generally accepted accounting principles require that the basic financial statements present the City (the primary government) and its component units. Component units are required to be included in the City's reporting entity because of the significance of their operational or financial relationships with the City. Based on the evaluation criteria, there are no component units related to the City which should be accounted for in the basic financial statements.

B. Basis of Presentation

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds).

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Eliminations of interfund charges and balances have been made in these statements to minimize the double-counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each program of the governmental activities. Direct expenses are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the City.

The City's net position is reported in three parts— net investment in capital assets; restricted net position; and unrestricted net position. The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities. The statement of net position and the statement of activities report information on all of the nonfiduciary activities of the primary government.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The major governmental funds of the City are described below:

General Fund is the main operating fund of the City. The fund accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Improvement Fund is used to account for the construction of street, stormwater, and other improvements financed with the special ¼-cent City sales tax, General Fund sales tax transfers, and grants and contributions from outside agencies.

General Obligation Bond Fund is used to account for resources to be used for the payment of principal, interest and related costs of the general obligation bonds and certain other long-term obligations of the City.

Merriam Town Center (MTC) District Tax Increment Financing (TIF) Fund is used to account for ad valorem tax revenues received from the property tax increments in this redevelopment district. The fund accounts for the payment of eligible public and private project costs, including principal and interest on special revenue bonds. This fund is considered a special revenue fund.

I-35 District Tax Increment Financing (TIF) Fund is used to account for ad valorem tax revenues received from the property tax increments in this redevelopment district. The fund accounts for the payment of eligible public and private project costs, including the principal and interest on developer contractual obligations. This fund is considered a special revenue fund.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the City are included on the statement of net position. 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 budget 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.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. 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.

Property taxes are budgeted to finance the subsequent year's operations and, consequently, are not susceptible to accrual. Sales taxes collected and held by merchants and/or the State at year-end on behalf of the City are recognized as revenue. Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Unrestricted aid is reported as revenue in the fiscal year during which the entitlement is received.

D. Assets, Liabilities, and Equity

1. Deposits and Investments

K.S.A. 12-1667 authorizes the City to invest moneys not regulated by other statutes in time deposits, repurchase agreements consisting of obligations insured by the U.S. government or any agency thereof, U.S. Treasury bills or notes with maturities not exceeding two years, and the Kansas Municipal Investment Pool. As permitted by GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the City reflect investments with a maturity of one year or longer at the time of purchase at fair value and those maturing in less than one year at the time of purchase at amortized cost, which approximates fair value. Investments carried at amortized cost consist of \$1,169,959 of United States Treasury Bills. Other investments are reported at fair value based on quoted market prices.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The investments of proceeds of long-term debt are governed by specific statutes and authorize the City to invest in the following:

Investments authorized by K.S.A. 12-1675

Direct obligations of the U.S. government or any other agency thereof

Money market funds comprised entirely of obligations of the U.S. Treasury and agencies thereof

Obligations of any municipality of Kansas

Investment agreements with a financial institution rated in the three highest rating categories by Moody's or Standard and Poor's.

The City pools temporarily idle cash from all funds for investments purposes. Each fund's portion of the pool is shown on the Statement of Net Position as deposits and investments. Deposits during the year included cash in interest bearing and demand bank accounts. Interest is allocated to each fund based on the respective invested balance.

2. *Receivables*

Property tax receivable - In accordance with governing state statutes, property taxes levied during the current year are revenue sources to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and are levied and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31, such taxes are recorded as taxes receivable with a corresponding amount recorded as a deferred inflow of resources on the balance sheets of the appropriate funds. It is not practical to apportion delinquent taxes held by the County Treasurer as of December 31, 2013. Estimated delinquencies are insignificant and have not been recorded.

Special assessment receivable - As required by state statutes, projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the General Obligation Bond Fund. Further, state statutes require levying additional general ad valorem property taxes in the General Obligation Bond Fund to finance delinquent special assessments. The City's special assessment taxes are levied over the ten year term of the bonds and the annual installments are due and payable with annual ad valorem property taxes. Liens may be foreclosed against the property benefited by the special assessments when delinquent assessments are two years in arrears. At December 31, 2013, the special assessment taxes levied are a lien on the property and are recorded as special assessments receivable in the General Obligation Bond Fund with a corresponding amount recorded as a deferred inflow of resources in the fund financial statements.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (i.e. roads, street lights, storm sewers, etc.), are reported in the applicable governmental activities column in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair value as of the date of the donation.

Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more (\$100,000 for streets and bridges, \$25,000 for sidewalks, parking lots, jogging trails, and drainage structures) and a useful life greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Assets, which have been acquired with funds received through grants, must be used in accordance with the terms of the grant.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position and is provided on the straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Improvements other than buildings	5-20 years
Equipment	3-20 years
Infrastructure	20-50 years

5. Compensated Absences

The City's policies allow up to 240 hours of vacation leave to be carried over into the next year for full-time employees and 336 hours for firefighters. This carryforward is payable upon separation from service. The liability of \$438,144 for vacation leave at December 31, 2013 is reported in the government-wide financial statements, but not in the governmental fund financial statements as it is not estimated to be payable from expendable available resources.

Sick leave is earned at the rate of one day per month for full-time employees and one-half shift day per month for firefighters, with a maximum accumulation of 520 hours for full-time employees and 720 hours for fire department shift personnel. Upon separation from service after 10 years retirement, employees are compensated up to 30% of the accumulated balance.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The liability of \$190,361 for sick leave at December 31, 2013 is reported in the government-wide financial statements, but not in the governmental fund financial statements as it is not estimated to be payable from expendable available resources.

6. *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Fund Equity*

As prescribed by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

In the governmental funds, equity is shown as fund balance and classified into five components:

- (1) **Nonspendable** - Nonspendable consists of amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained.
- (2) **Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions or enabling legislation.
- (3) **Committed** - This classification consists of amounts that can be used only for the specific purposes imposed by an ordinance made by the City Council and cannot be used for any other purpose unless removed or changed by taking the same type of action that previously committed those amounts.
- (4) **Assigned** - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the City Council or a City official delegated that authority. The City Council has designated authority to the City Administrator to assign amounts to be used for specific purposes as prescribed by the City's Fund Balance and Expenditure Authorization policies. Encumbrances are considered as assigned unless they specifically meet the requirements to be restricted or committed.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (5) Unassigned - This consists of the residual balance for the general fund not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from expenditures exceeding amounts that had been restricted, committed or assigned.

The City applies restricted resources first to finance qualifying expenditures, when either restricted or unrestricted amounts are available. For unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts.

It is the policy of the City to maintain a minimum fund balance in the general fund equal to 15% of current year budgeted revenues, with a target of 25%.

8. *Deferred Inflows of Resources and Deferred Outflows of Resources*

Effective January 1, 2013, the City implemented the provisions of GASB No. 65 Items Previously Reported as Assets and Liabilities. GASB 65 provides additional guidance on reclassifying, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. A deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position applicable to a future reporting period. The City identified certain financial statement balances that met the definition of deferred inflows of resources and deferred outflows of resources. These items were reclassified as deferred inflows of resources and deferred outflows of resources

9. *Net Position*

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. *Net investment in capital assets*, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as *restricted* when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriations.

10. *Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect: (1) the reported amounts of assets and liabilities, (2) disclosures such as contingencies, and (3) the reported amounts of revenues and expenses included in such financial statements. Actual results could differ from those estimates.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Kansas statutes require budgets be adopted for all funds, unless exempted by a specific statute. The statutes provide for the following sequence and timetable in the adoption of the legal budget.

1. Preparation of the budget for the current fiscal year on or before August 1.
2. Publication in local newspaper of the proposed budget and notice of hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least 10 days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at any time. There were no budget amendments in 2013.

The statutes establish the overall budget level of control at the fund level by prohibiting expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. City Council approval is required for over expenditures or transfers of personal services line items. The City Administrator is authorized to approve over expenditures or transfers of budgeted appropriations of all other individual departmental line items. Also, management may not amend a fund's budgeted expenditures without Council approval. Spending in funds that are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the City.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the City for future payments such as purchase orders or contracts.

A legal operating budget is not required for the following funds: Capital Improvement Fund, Special Law Enforcement, Merriam Town Center TIF and I-35 District TIF.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial Credit Risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For deposits, the City's policy follows state statutes which require pledged collateral with a fair value equal to 100% of the funds on deposit, less insured amounts, and that the collateral be held in safekeeping in the City's name at other than the depository financial institution. To comply with the statutes, the City requires the issuance of joint custody receipts as evidence of the pledged collateral. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held by the City's agent.

At December 31, 2013, the City's deposits were covered by Federal depository insurance or were fully collateralized by securities held by the City's agent in the City's name.

At December 31, 2013, the U.S. Treasury Bills and U.S. Government agency securities were held by the City's financial institution in the City's name.

Credit Risk. The City's policy on credit risk follows the statutory limitations on the allowable investments, which inherently reduces its credit risk. Credit risk is the risk that the issuer or other counterparty to an investment will be unable to fulfill its obligations to the holder of the investment. This risk can be measured by the assignment of a rating by a nationally recognized statistical rating organization. The ratings shown below are by Standard & Poor's as of year-end for each investment. A rating is not required for the treasury bills.

Concentration of Credit Risk. The City's investment policies limit the amounts that can be invested in certain investment types and include having no more than 25% invested in Kansas municipal securities and 50% in certificates of deposit. Investments that represent more than 5% of the City's investments consist of the Federal Home Loan Bank – 10%, Federal National Mortgage Association - 10%, Federal Home Loan Mortgage Corporation – 19%, and Federal Farm Credit Bank - 45%.

Interest Rate Risk. As a means of managing its exposure to fair value losses arising from increasing interest rates, the City's investment policy follows state statutes which generally limit investment maturities to two years. To minimize the risk of loss, the City matches investments to anticipated cash flows and diversifies the investment types to the extent practicable. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

As of December 31, 2013, the District had the following investments and maturities:

Investment Type	Investment maturities (in Years)			Rating
	Fair Value	Less than 1	1-5	
U.S. Treasury Bills	\$ 1,169,959	\$ 1,169,959	\$ --	-
U.S. Government agencies	5,956,655	1,514,127	4,442,528	AA+
Total	\$ 7,126,614	\$ 2,684,086	\$ 4,442,528	

Deposits and investments at December 31, 2013 appear in the financial statements as summarized below:

Carrying amount of deposits	\$ 11,244,353
Carrying amount of investments	<u>7,126,614</u>
Total	<u>\$ 18,370,967</u>

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance January 1, 2013	Increases	Decreases	Balance December 31, 2013
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 13,012,081	\$ 188,401	\$ --	\$ 13,200,482
Artwork	24,000	--	--	24,000
Construction in progress	332,356	3,029,185	1,934,410	1,427,131
Total capital assets, not being depreciated	<u>13,368,437</u>	<u>3,217,586</u>	<u>1,934,410</u>	<u>14,651,613</u>
Capital assets, being depreciated:				
Buildings	12,989,976	--	--	12,989,976
Improvements other than buildings	4,702,190	528,585	--	5,230,775
Equipment	6,628,725	653,693	204,690	7,077,728
Infrastructure	109,301,948	1,246,304	8,885	110,539,367
Total capital assets being depreciated	<u>133,622,839</u>	<u>2,428,582</u>	<u>213,575</u>	<u>135,837,846</u>
Less accumulated depreciation for:				
Buildings	4,521,536	351,324	--	4,872,860
Improvements other than buildings	2,302,401	196,399	--	2,498,800
Equipment	3,436,052	469,983	186,161	3,719,874
Infrastructure	47,349,382	3,073,217	8,885	50,413,714
Total accumulated depreciation	<u>57,609,371</u>	<u>4,090,923</u>	<u>195,046</u>	<u>61,505,248</u>
Total capital assets, being depreciated, net	<u>76,013,468</u>			<u>74,332,598</u>
Governmental activities capital assets, net	<u>\$ 89,381,905</u>	<u>\$ 1,555,245</u>	<u>\$ 1,952,939</u>	<u>\$ 88,984,211</u>

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

Governmental activities:	
General government	\$ 161,829
Law enforcement	172,584
Fire prevention and control	127,394
Public works	173,453
Capital improvement program	3,083,338
Community development	75,313
Culture and recreation	297,012
Total depreciation expense	<u>\$ 4,090,923</u>

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Long-Term Debt

Long-term liability activity for the year ended December 31, 2013 was as follows:

	Balance December 31, 2012	Additions	Reductions	Balance December 31, 2013	Due within one year
General obligation bonds	\$ 9,830,000	\$ --	\$ 2,575,000	\$ 7,255,000	\$ 1,325,000
Special assessment debt with government commitment	695,000	--	340,000	355,000	355,000
Subordinate special obligation tax increment revenue bond	2,399,395	--	629,536	1,769,859	517,986
Premium on bonds	236,432	--	43,636	192,796	20,664
Claims and judgments	5,000	10,687	10,687	5,000	5,000
Compensated absences	566,438	447,482	385,415	628,505	466,700
Net OPEB obligation	19,687	9,767	--	29,454	--
Total	\$ 13,751,952	\$ 467,936	\$ 3,984,274	\$ 10,235,614	\$ 2,690,350

Compensated absences and OPEB are liquidated in the General Fund.

The general obligation bonds to be paid with tax levies were issued to construct or acquire capital assets.

General obligation bonds outstanding at December 31, 2013 are as follows:

	Date issued	Interest Rates	Original Amount	Maturity Date	Outstanding December 31, 2013
Internal improvements:					
Series 2005	11/15/05	3.55-5.0%	\$ 5,900,000	10/01/23	\$ 320,000
Series 2008	09/15/08	3.25-3.75%	3,500,000	10/01/18	355,000
Series 2012	03/01/12	1.25-2.00%	7,300,000	10/01/23	6,935,000
			<u>\$ 16,700,000</u>		<u>\$ 7,610,000</u>

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Long-Term Debt (Continued)

The annual debt service requirements to amortize the general obligation bonds outstanding as of December 31, 2013 are as follows:

Year	Governmental		Special Assessment		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,325,000	\$ 135,910	\$ 355,000	\$ 11,538	\$ 1,680,000	\$ 147,448
2015	765,000	104,450	--	--	765,000	104,450
2016	795,000	89,150	--	--	795,000	89,150
2017	830,000	73,250	--	--	830,000	73,250
2018	860,000	56,650	--	--	860,000	56,650
2019 – 2023	2,680,000	149,100	--	--	2,680,000	149,100
Total	<u>\$ 7,255,000</u>	<u>\$ 608,510</u>	<u>\$ 355,000</u>	<u>\$ 11,538</u>	<u>\$ 7,610,000</u>	<u>\$ 620,048</u>

On September 15, 2008, the City issued \$3,500,000 General Obligation Bonds, Series 2008 to retire temporary notes issued to finance the cost of improvements in the West Frontage Road Benefit District, which is located in the I-35 Redevelopment District. The notes were issued as part of a redevelopment agreement dated September 15, 2004. In connection with this agreement, the benefit district was established to levy special assessments in order to provide for the repayment of the notes.

These bonds are to be retired from the special assessments levied on the property that benefited from the improvements. As provided for by state statute, if the assessments are not sufficient due to delinquencies, the deficiency is payable from ad valorem property taxes.

Subordinate Special Obligation Tax Increment Revenue Bond

On February 26, 1996 the City entered into an agreement with Developers Diversified Realty Corporation (the Developer) for the redevelopment of certain property into a commercial and retail shopping center. On April 1, 1996, the City issued \$9,675,450 in Tax Increment Revenue Bonds Series 1996 (the Bonds) in connection with the establishment of the redevelopment district. The Developer purchased the Bonds. The Bonds are special obligations of the City and are payable solely from the real property tax increment received by the City from properties located in the redevelopment district.

Through December 2001, the annual property tax increment received by the City was sufficient only to pay a portion of the interest on the Bonds. On December 14, 2001 the Bonds were restructured and reissued pursuant to a supplemental trust indenture agreement between the City and J. P. Morgan Trust Company, National Association (a successor Trustee). The restructure lowered the interest rate from 10.35% to 6.9%, eliminated the compounding of accrued and unpaid interest on the Bonds as principal, and reduced the principal amount of the Bonds to the original principal amount of \$9,675,450. The restructured Bonds were paid in full on March 1, 2012.

Prior to the restructuring and reissuance, the amount outstanding on the Bonds was \$14,788,972, including the original principal amount of \$9,675,450 plus accrued and unpaid

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Long-Term Debt (Continued)

interest of \$5,113,522, which was compounded as principal. The compounded interest was restructured and reissued as a separate bond designated as the Subordinate Special Obligation Tax Increment Revenue Bond, III. Series 1996 A (the Subordinate Bond). The Subordinate Bond matures February 1, 2016 and is a non-interest bearing obligation payable solely from excess tax increment finance revenues as defined in the supplemental indenture, following payment in full of the Bonds. Since the principal and interest amounts are based on future tax collections, it is not practical to present the debt service requirements to maturity for this issue.

Real property tax increment received by the City is required to be deposited in a Subordinate Bond Fund maintained by The Bank of New York Mellon Trust Company, N.A. (the successor trustee). Principal payments on the Subordinate Bond are due on March 1 and September 1 of each year, until maturity. If the Subordinate Bond has not been paid and redeemed in full prior to February 1, 2016, the final maturity date, then the Subordinate Bond will be deemed to be paid in full upon payment to the registered owners by the successor trustee of the amount then on deposit in the Subordinate Bond Fund

The Subordinate Bond does not constitute a general obligation of the City and is excluded from its statutory debt limitation. The City's only obligation is to remit the excess property tax increment received to the successor Trustee through February 1, 2016. For 2013, principal paid and incremental tax revenues were \$629,536 and \$1,019,722.

Tax Increment Contractual Obligations

On August 22, 1994 the City established the I-35 Redevelopment District (the District) pursuant to Kansas Statute Annotated 12-1771. Real property taxes produced from that portion of the current assessed valuation of real property within the District in excess of the base year assessed valuation (the tax increment) are reported as ad valorem taxes in the I-35 District Tax Increment Financing Fund. These ad valorem taxes can be used to pay for the redevelopment project costs, including the payment of principal and interest on any special obligation bonds or full faith and credit tax increment bonds. The City has entered into contractual agreements with several private entities for redevelopment projects since the District was established.

Merriam Village Project - Eligible costs as allowed by state statute were previously certified to the City under the terms of the redevelopment agreement which was entered into on March 28, 2005. Under the terms of an April 9, 2012 agreement, the developer agreed to relinquish rights and obligations for certain portions of the project area upon transfer of title to a new property owner (IKEA). The City will reimburse eligible costs from the project's future tax increments over the remaining thirteen-year term of the agreement. This obligation does not bear interest and is payable solely from future increments generated over the remaining term of the agreement.

IKEA Project - On November 12, 2012, the City entered into a redevelopment agreement with IKEA Property, Inc. (IKEA) to provide tax incentives for construction of a 349,000 square foot home furnishings store. The IKEA project area was formerly part of the Merriam Village Project area until the purchase by IKEA. Under the terms of the agreement, the City shall reimburse up to \$19,900,000 in property and sales tax increment over twenty years. No reimbursable project costs have been certified as of December 31, 2013.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Long-Term Debt (Continued)

Merriam Pointe Project - Under the terms of a March 28, 2011 redevelopment agreement, the City has agreed to reimburse up to \$6,750,000 of eligible costs over the remaining twelve-year term of the agreement. The City may terminate the agreement if the developers' ad valorem or special assessment taxes become delinquent. This obligation does not bear interest and is payable solely from future increments generated over the remaining term of the agreement.

Others - The City entered into contractual agreements with four private entities to reimburse them for certain eligible land and land improvement costs, plus interest, fixed at the prime rate at the time the agreements were executed. The agreements limit the total reimbursement to \$3,384,279, plus interest, at fixed rates from 6.00% to 8.25%. The reimbursements are made solely from the property tax increment derived from each property over the seventeen to twenty year terms of the agreements. In accordance with these agreements, interest accrued and unpaid when due is added to the principal amount of the contractual obligation. For the year ended December 31, 2013, \$44,161 of unpaid interest has been added to the principal amount on these obligations. If the increments are not sufficient to fully reimburse the costs and interest, the City will have no further obligation to the entities.

The portion of the tax increments used to reimburse these private entities in 2013 is recorded as interest and other expenditures in the I-35 District Tax Increment Financing Fund.

Summary - The City has pledged 75% to 100% of the incremental increase in ad valorem tax revenues less an administrative fee retained by the City to repay the eligible developer's costs for each of the above individual projects. These obligations represent redeveloper costs that have been certified as eligible for reimbursement from the incremental taxes attributable to each project. The City is only obligated for the amounts of incremental taxes received attributable to the projects. Any deficiencies are the responsibility of the developer. The following is a summary of the remaining certified project costs to be repaid as of December 31, 2013:

Merriam Village Project	\$ 3,181,770
Merriam Pointe Project	6,049,127
Others	<u>2,335,116</u>
Total	<u>\$ 11,566,013</u>

Legal Debt Margin

The City is subject to state statutes, which limit the amount of bonded debt (exclusive of revenue bonds, bonds issued for storm drainage and sanitary sewer improvements, and refunding bonds) that the City may issue to 30% of assessed valuation. Currently the City has a debt limit of \$48,569,185, leaving a debt margin of \$47,894,185.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund Balances and Transfers

The interfund balances between the General Fund and Capital Improvement Fund are due to the nature and timing of governmental receipts and will be repaid from subsequent years' resources. A summary of interfund transfers by fund type for the year ended December 31, 2013 is as follows:

Transfer from:	Transfer to:				
	General	Capital Improvement	General Obligation Bond	Nonmajor Governmental	Total
General fund	\$ --	\$ 3,301,402	\$ --	\$ 550,000	\$ 3,851,402
Capital Improvement fund	--	--	2,439,205	--	2,439,205
I-35 District TIF fund	90,000	892,733	--	--	982,733
Nonmajor Governmental fund	--	100,000	--	--	100,000
Total	\$ 90,000	\$ 4,294,135	\$ 2,439,205	\$ 550,000	\$ 7,373,340

Transfers are used to (1) move revenues from the fund that a statute or the budget requires to collect them to the fund that a statute or the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Any transfers within the governmental funds have been eliminated in the government-wide Statement of Activities.

E. Fund Balances

A summary of the components of fund balance, by purpose, is as follows:

	General	Capital Improvement	General Obligation Bond	I-35 District TIF	Merriam Town Center TIF	Nonmajor Governmental	Total
Nonspendable:	\$ --	\$ 729,000	\$ --	\$ --	\$ --	\$ --	\$ 729,000
Restricted for:							
Debt service	--	--	162,407	--	--	--	162,407
Public safety	--	--	--	--	--	42,116	42,116
Capital projects	--	3,931,369	--	--	--	161,229	4,092,598
Community development	--	--	--	1,189,401	2,792,688	440,118	4,422,207
Parks and recreation	--	--	--	--	--	8,996	8,996
Committed to:							
Capital equipment	--	--	--	--	--	1,074,015	1,074,015
Assigned to:							
Capital projects	--	3,502,107	--	--	--	--	3,502,107
General government	47,688	--	--	--	--	--	47,688
Risk management	959,349	--	--	--	--	--	959,349
Unassigned	5,984,254	--	--	--	--	--	5,984,254
Total	\$ 6,991,291	\$ 8,162,476	\$ 162,407	\$ 1,189,401	\$ 2,792,688	\$ 1,726,474	\$ 21,024,737

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts, loss and damage to property, errors and omissions and injuries to employees. The City currently purchases commercial insurance coverage for these risks. Settled claims have not exceeded the commercial insurance coverage in any of the past three years.

The City's current coverages include deductibles of \$1,000 for both automobile and employee benefits liability, \$5,000 for large vehicles, public officials' and law enforcement liability, \$15,000 for employment practices liability, and \$25,000 for property. Based on outstanding claims at December 31, 2013, a \$5,000 deductible liability has been recorded in the financial statements. The City reports its risk management activities in the General Fund with the deductible claim liability reported as long-term debt, as it is not expected to be liquidated with expendable available financial resources.

Changes in the claims liability are as follows:

	<u>2013</u>	<u>2012</u>
Beginning liability	\$ 5,000	\$ 5,000
Claims and changed in estimates	10,687	18,299
Claim payments	<u>(10,687)</u>	<u>(18,299)</u>
Ending liability	<u>\$ 5,000</u>	<u>\$ 5,000</u>

The City obtains workers' compensation insurance through its membership in the Kansas Eastern Region Insurance Trust (KERIT), whose members consist of local cities and counties. KERIT is a risk-sharing pool organized under the insurance laws of the State of Kansas, which self-insures workers' compensation and other related expenses up to certain limits and reinsures additional excess amounts up to certain limits. The City pays annual premiums to the Trust based upon historical experience and legal requirements mandated by the State of Kansas. The trust agreement allows for member assessments in the event claims and expenses exceed the Trust's self-insured retention limit. The City does not anticipate any additional assessments in excess of premiums paid as a result of their participation in the Trust.

B. Contingent Liabilities

Various legal actions and claims against the City are currently pending. The ultimate liability that might result from their resolution is not presently determinable; however, in the opinion of management and counsel, the probability of material aggregate liabilities resulting from these claims is remote.

C. Construction Commitments

As of December 31, 2013, the City has outstanding construction commitments for street, bridge and stormwater engineering which are authorized for \$3,950,620 of which \$1,678,552 has been expended.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

IV. OTHER INFORMATION (CONTINUED)

D. Pension Plans

Defined Benefit Plans

Plan Description. The City contributes to the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Fireman's Retirement System (KP&F). Both of these are cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 law establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for 2013 was 8.94%. The City's contributions to KPERS for the years ending December 31, 2013, 2012, and 2011 were \$232,197, \$200,709, and \$182,835 respectively, equal to the statutory required contributions for each year. The KP&F uniform participating employer rate established for fiscal years beginning in 2013 is 17.26%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The City's contributions to KP&F for the years ending December 31, 2013, 2012, and 2011 were \$551,100, \$530,352, and \$473,414 respectively, equal to the statutory required contributions for each year.

Defined Contribution Plan

In 1998, the City established a defined contribution plan for those full-time employees eligible for the KPERS program. The plan is administered by the ICMA Retirement Corporation, and any changes to the plan's provisions or the contribution requirements are determined by the governing body of the City. The contribution percentages are determined annually and for 2013 were 0% to 3% for employees, with a City matching range of 0.92% to 8.32%. In 2013, covered payroll was \$2,579,976. The contributions by the City and employees for 2013 were \$194,510 and \$69,120, respectively.

E. Postemployment Healthcare Plan

Plan Description – The City sponsors a single-employer, defined benefit healthcare plan that provides healthcare benefits to retirees and their dependents to age 65, including medical and dental coverage. Retiree health coverage is provided for under Kansas Statute 12-5040. Retirees who retire with at least 10 years of cumulative service with the City and commence retirement or disability benefits under the Kansas Public Employee Retirement System (KPERS) are eligible for benefits. There is no stand alone financial report for the plan.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

IV. OTHER INFORMATION (CONTINUED)

E. Postemployment Healthcare Plan (Continued)

The City requires retirees to pay the same premiums charged to active participants. The rates being paid by retirees for benefits are typically lower than those for individual health insurance policies. The difference between these amounts is the implicit rate subsidy, which is considered other postemployment benefits (OPEB) under Governmental Accounting Standards Board Statement No. 45 (GASB Statement 45).

Retirees and spouses have the same benefits as active employees. Coverage terminates either when the retiree or spouse becomes covered under another employer health plan, or when they reach age 65.

Funding Policy - GASB Statement 45 does not require funding of the OPEB liability, and the City has chosen not to fund it. City policy dictates the payment of retiree claims as they become due.

Annual OPEB Cost and Net OPEB Obligation - The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize the unfunded actuarial liability over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 11,835
Interest on net OPEB obligation	1,181
Adjustment to annual required contribution	<u>(1,349)</u>
Annual OPEB cost (expense)	11,667
Contributions made	<u>(1,900)</u>
Increase in net OPEB obligation	9,767
Net OPEB obligation – beginning of year	<u>19,687</u>
Net OPEB obligation – end of year	<u><u>\$ 29,454</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

Fiscal Year	Annual	Percentage of Annual	Net OPEB
<u>Ended</u>	<u>OPEB Cost</u>	<u>Cost Contributed</u>	<u>Obligation</u>
12/31/13	\$ 11,667	16.3%	\$ 29,454
12/31/12	\$ 11,083	9.0%	\$ 19,687
12/31/11	\$ 10,497	48.2%	\$ 9,604

Funded Status and Funding Progress - As of January 1, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$85,998, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$85,998. The covered payroll (annual payroll of active employees covered by the plan) was \$8,912,122, and the ratio of the UAAL to the covered payroll was 1.25%.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

IV. OTHER INFORMATION (CONTINUED)

E. Postemployment Healthcare Plan (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2011, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 6% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, an annual healthcare cost trend of 8% initially, reduced by decrements to an ultimate rate of 5% after six years and inflation rate of 2% embedded in the healthcare trend rates. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized on a level dollar, open basis over a period of 30 years.

F. Pending Governmental Accounting Standards

The effect on the City's financial statements of the following statements issued, but not yet adopted, has not yet been determined.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, was issued in June 2012. This statement establishes accounting and financial reporting by state and local governments for pensions, including entities that participate in cost-sharing multiple-employer plans. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. Also, this statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For example, cost-sharing employers participating in KPERS, such as the City, will be required to record their proportionate share, as defined in Statement No. 68, of the KPERS unfunded pension liability. While management of the City has not yet estimated their share of the KPERS liability, it is presumed that the amount will be material to the City's financial statements. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2015.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

IV. OTHER INFORMATION (CONTINUED)

F. Pending Governmental Accounting Standards (Continued)

GASB Statement No. 69, Government Combinations and Disposals of Government Operations, was issued in January 2013. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2016 with earlier application encouraged.

GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, was issued in April 2013. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The provisions of this statement are effective for financial statements for City's fiscal year ending December 31, 2014 with earlier application encouraged.

GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, was issued November 2013. The objective of this statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Under Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances of deferred outflows and inflows of resources not be reported. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this statement should be applied simultaneously with the provision of Statement 68.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

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City of Merriam, Kansas

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budget Basis

General Fund

For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
			Budgetary	Over/
			Basis	Over/
				(Under)
Revenues:				
Ad valorem taxes	\$ 3,431,011	\$ 3,431,011	\$ 3,413,911	\$ (17,100)
Sales tax	6,937,009	6,937,009	8,519,026	1,582,017
Intergovernmental	21,333	21,333	103,677	82,344
Licenses, permits and fees	371,000	371,000	593,900	222,900
Franchise taxes	1,367,300	1,367,300	1,436,254	68,954
Charges for services	250,236	250,236	224,629	(25,607)
Fines, forfeitures and penalties	1,028,000	1,028,000	897,925	(130,075)
Use of money and property	21,998	21,998	8,431	(13,567)
Miscellaneous	79,800	79,800	124,576	44,776
Total revenue	<u>13,507,687</u>	<u>13,507,687</u>	<u>15,322,329</u>	<u>1,814,642</u>
Expenditures:				
Current:				
General government	4,583,198	4,583,198	2,247,452	(2,335,746)
Law enforcement	3,578,221	3,578,221	3,201,400	(376,821)
Fire prevention and control	2,282,724	2,282,724	2,130,119	(152,605)
Public works	2,095,480	2,095,480	1,941,423	(154,057)
Community development	574,067	574,067	512,669	(61,398)
Health and welfare	23,750	23,750	22,917	(833)
Culture and recreation	1,097,072	1,097,072	957,324	(139,748)
Total expenditures	<u>14,234,512</u>	<u>14,234,512</u>	<u>11,013,304</u>	<u>(3,221,208)</u>
Revenue over expenditures	<u>(726,825)</u>	<u>(726,825)</u>	<u>4,309,025</u>	<u>5,035,850</u>
Other financing sources (uses):				
Transfer in	90,000	90,000	90,000	-
Transfer out	(3,266,169)	(3,266,169)	(3,851,402)	585,233
Total other financing sources (uses)	<u>(3,176,169)</u>	<u>(3,176,169)</u>	<u>(3,761,402)</u>	<u>585,233</u>
Net change in fund balance	<u>\$ (3,902,994)</u>	<u>\$ (3,902,994)</u>	<u>547,623</u>	<u>\$ 4,450,617</u>
Fund balance at beginning of year			<u>5,484,318</u>	
Fund balance at end of year			<u>\$ 6,031,941</u>	
Explanation of difference between budgetary and GAAP fund balances:				
Separately budgeted general fund subfunds:				
Risk Management Reserve			<u>959,350</u>	
GAAP fund balance at end of year			<u>\$ 6,991,291</u>	

CITY OF MERRIAM, KANSAS

SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS
December 31, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
01/01/11	\$ --	\$ 85,998	\$ 85,998	0%	\$ 8,912,122	1.25%
01/01/08	\$ --	\$ 76,943	\$ 76,943	0%	\$ 6,171,000	0.96%

CITY OF MERRIAM, KANSAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2013

Required supplementary information includes financial information and disclosures that are required by GASB but are not considered a part of the basic financial statements.

For the City, this information includes:

- A budgetary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund
- The Schedule of Funding Progress - Other Postemployment Benefits

Budgetary Comparison Schedule

- A. The City utilizes encumbrances for budgetary reporting purposes. Encumbrances relating to certain contractual agreements, supplies and equipment that have been ordered but not received are reported in the year the commitment arises for budgetary reporting purposes. However, for financial reporting purposes, the goods or services are reported when they are received. Also see Note 1 to the financial statements for additional budgetary information.
- B. For financial reporting purposes, the City's Risk Management Reserve Fund, which has its own legally adopted budget, is reported with the General Fund.

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**COMBINING
AND
INDIVIDUAL FUND**

**STATEMENTS
AND
SCHEDULES**

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City of Merriam, Kansas
Other Governmental Funds
December 31, 2013

Fund Descriptions

Nonmajor Special Revenue Funds

Special Highway

To account for monies levied by the State of Kansas (Motor Fuel Tax) producing revenues to be used to defray in whole or in part the cost of constructing, altering, reconstructing, maintaining and repairing streets and highways pursuant to K.S.A. 79-3425C.

Special Alcohol

To account for monies provided by a state liquor taxation on private clubs, and expended for the purchase, establishment, maintenance or expansion of services or programs for alcoholism prevention and education.

Special Parks and Recreation

To account for monies provided by a state liquor taxation on private clubs, and expended for the purchase, establishment, maintenance or expansion of park and recreational services, programs and facilities.

Transient Guest Tax

To account for monies derived from a tax levied upon the gross rental receipts paid by guests for lodging to be used for promotion of tourism, conventions and economic development.

Special Law Enforcement Fund

This fund derives monies from property seizures related to drug arrests and prosecution.

Nonmajor Capital Projects

Equipment Reserve

To account for monies pursuant to a City Ordinance established under K.S.A. 12-1,117 for the purpose of financing the acquisition of equipment.

Other Funds

Risk Management Reserve

For financial reporting purposes, this fund is included with the General Fund, and is used to account for amounts transferred from the General Fund pursuant to K.S.A. 12-2615 for the purpose of having reserves on hand for paying claims and related costs arising from legal actions and settlements not covered by commercial insurance.

City of Merriam, Kansas
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2013

	<u>Special Revenue Funds</u>				<u>Capital Project Funds</u>		Total Nonmajor Governmental Funds
	Special Highway	Special Alcohol	Special Parks and Recreation	Transient Guest Tax	Special Law Enforcement	Equipment Reserve	
Assets:							
Cash, including investments	\$ 89,203	\$ 8,613	\$ 9,532	\$ 322,854	\$ 96,503	\$ 1,051,764	\$ 1,578,469
Receivables, net:							
Sales and other taxes	-	-	-	124,863	-	-	124,863
Intergovernmental	72,026	-	-	-	-	23,425	95,451
Interest and other	-	-	-	-	-	305	305
Total assets	<u>\$ 161,229</u>	<u>\$ 8,613</u>	<u>\$ 9,532</u>	<u>\$ 447,717</u>	<u>\$ 96,503</u>	<u>\$ 1,075,494</u>	<u>\$ 1,799,088</u>
Liabilities:							
Accounts and retainage payable	\$ -	\$ -	\$ 536	\$ 4,486	\$ 28,600	\$ 1,479	\$ 35,101
Accrued payroll and related liabilities	-	-	-	3,113	-	-	3,113
Total liabilities	<u>-</u>	<u>-</u>	<u>536</u>	<u>7,599</u>	<u>28,600</u>	<u>1,479</u>	<u>38,214</u>
Deferred Inflows of Resources:							
Unavailable revenue - property forfeiture	-	-	-	-	34,400	-	34,400
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,400</u>	<u>-</u>	<u>34,400</u>
Fund Balances:							
Restricted	161,229	8,613	8,996	440,118	33,503	-	652,459
Committed	-	-	-	-	-	1,074,015	1,074,015
Total fund balances	<u>161,229</u>	<u>8,613</u>	<u>8,996</u>	<u>440,118</u>	<u>33,503</u>	<u>1,074,015</u>	<u>1,726,474</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 161,229</u>	<u>\$ 8,613</u>	<u>\$ 9,532</u>	<u>\$ 447,717</u>	<u>\$ 96,503</u>	<u>\$ 1,075,494</u>	<u>\$ 1,799,088</u>

City of Merriam, Kansas
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended December 31, 2013

	Special Revenue Funds				Capital Project Funds		Total Nonmajor Governmental Funds
	Special Highway	Special Alcohol	Special Parks and Recreation	Transient Guest Tax	Special Law Enforcement	Equipment Reserve	
Revenues:							
Transient guest tax	\$ -	\$ -	\$ -	\$ 507,652	\$ -	\$ -	\$ 507,652
Intergovernmental	283,899	22,671	22,671	-	-	141,430	470,671
Charges for services	-	-	-	45,673	-	-	45,673
Fines, forfeitures and penalties	-	-	-	-	4,714	-	4,714
Use of money and property	-	-	-	-	114	1,741	1,855
Miscellaneous	-	-	-	600	-	-	600
Total revenues	283,899	22,671	22,671	553,925	4,828	143,171	1,031,165
Expenditures:							
General government	-	-	-	11,820	-	168,259	180,079
Law enforcement	-	22,844	-	-	6,468	50,920	80,232
Fire prevention and control	-	-	-	-	-	19,163	19,163
Public works	284,814	-	-	-	-	344,121	628,935
Community development	-	-	-	197,156	-	-	197,156
Culture and recreation	-	-	22,739	158,263	-	65,664	246,666
Total expenditures	284,814	22,844	22,739	367,239	6,468	648,127	1,352,231
Excess of revenues over (under) expenditures	(915)	(173)	(68)	186,686	(1,640)	(504,956)	(321,066)
Other financing sources (uses):							
Proceeds from sale of capital assets	-	-	-	-	-	47,488	47,488
Transfers in	-	-	-	-	-	550,000	550,000
Transfers out	-	-	-	(100,000)	-	-	(100,000)
Total other financing sources (uses)	-	-	-	(100,000)	-	597,488	497,488
Net change in fund balances	(915)	(173)	(68)	86,686	(1,640)	92,532	176,422
Fund balances at beginning of year	162,144	8,786	9,064	353,432	35,143	981,483	1,550,052
Fund balances at end of year	\$ 161,229	\$ 8,613	\$ 8,996	\$ 440,118	\$ 33,503	\$ 1,074,015	\$ 1,726,474

City of Merriam, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
Special Highway Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 286,370	\$ 286,370	\$ 283,899	\$ (2,471)
Total revenues	<u>286,370</u>	<u>286,370</u>	<u>283,899</u>	<u>(2,471)</u>
Expenditures:				
Public works:				
Contractual services	40,000	40,000	254,450	214,450
Commodities	325,878	325,878	30,364	(295,514)
Contingency	25,000	25,000	-	(25,000)
Total expenditures	<u>390,878</u>	<u>390,878</u>	<u>284,814</u>	<u>(106,064)</u>
Net change in fund balance	<u>\$ (104,508)</u>	<u>\$ (104,508)</u>	(915)	<u>\$ 103,593</u>
Fund balance at beginning of year			<u>162,144</u>	
Fund balance at end of year			<u>\$ 161,229</u>	

City of Merriam, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
Special Alcohol Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 21,333	\$ 21,333	\$ 22,671	\$ 1,338
Total revenues	<u>21,333</u>	<u>21,333</u>	<u>22,671</u>	<u>1,338</u>
Expenditures:				
Law enforcement	22,844	22,844	22,844	-
Total expenditures	<u>22,844</u>	<u>22,844</u>	<u>22,844</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,511)</u>	<u>\$ (1,511)</u>	(173)	<u>\$ 1,338</u>
Fund balance at beginning of year			<u>8,786</u>	
Fund balance at end of year			<u>\$ 8,613</u>	

City of Merriam, Kansas
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual - Budget Basis
 Special Parks and Recreation Fund
 For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 21,333	\$ 21,333	\$ 22,671	\$ 1,338
Total revenues	21,333	21,333	22,671	1,338
Expenditures:				
Culture and recreation:				
Capital outlay	22,844	22,844	22,739	(105)
Total expenditures	22,844	22,844	22,739	(105)
Net change in fund balance	\$ (1,511)	\$ (1,511)	(68)	\$ 1,443
Fund balance at beginning of year			9,064	
Fund balance at end of year			\$ 8,996	

City of Merriam, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
Transient Guest Tax Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Transient guest tax	\$ 350,000	\$ 350,000	\$ 507,652	\$ 157,652
Charges for services	36,887	36,887	45,673	8,786
Miscellaneous	1,500	1,500	600	(900)
Total revenues	<u>388,387</u>	<u>388,387</u>	<u>553,925</u>	<u>165,538</u>
Expenditures:				
General government	94,415	94,415	11,820	(82,595)
Community development	218,178	218,178	197,156	(21,022)
Culture and recreation	156,775	156,775	158,263	1,488
Total expenditures	<u>469,368</u>	<u>469,368</u>	<u>367,239</u>	<u>(102,129)</u>
Revenue over expenditures	<u>(80,981)</u>	<u>(80,981)</u>	<u>186,686</u>	<u>267,667</u>
Other financing sources (uses):				
Transfer out	(100,000)	(100,000)	(100,000)	-
Total other financing sources (uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ (180,981)</u>	<u>\$ (180,981)</u>	<u>86,686</u>	<u>\$ 267,667</u>
Fund balance at beginning of year			<u>353,432</u>	
Fund balance at end of year			<u>\$ 440,118</u>	

City of Merriam, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
Equipment Reserve Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Use of money and property	\$ 5,000	\$ 5,000	\$ 1,741	\$ (3,259)
Intergovernmental	-	-	141,430	141,430
Total revenues	5,000	5,000	143,171	138,171
Expenditures:				
General government	915,725	915,725	168,259	(747,466)
Fire prevention	23,000	23,000	19,163	(3,837)
Law enforcement	53,000	53,000	50,920	(2,080)
Public works	348,000	348,000	344,121	(3,879)
Culture and recreation	67,245	67,245	65,664	(1,581)
Total expenditures	1,406,970	1,406,970	648,127	(758,843)
Revenue over expenditures	(1,401,970)	(1,401,970)	(504,956)	897,014
Other financing sources (uses):				
Proceeds from sale of capital assets	15,000	15,000	47,488	32,488
Transfer in	550,000	550,000	550,000	-
Total other financing sources (uses)	565,000	565,000	597,488	32,488
Net change in fund balance	\$ (836,970)	\$ (836,970)	92,532	\$ 929,502
Fund balance at beginning of year			981,483	
Fund balance at end of year			\$ 1,074,015	

City of Merriam, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
Risk Management Reserve Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Use of money and property	\$ 1,800	\$ 1,800	\$ 1,782	\$ (18)
Total revenues	<u>1,800</u>	<u>1,800</u>	<u>1,782</u>	<u>(18)</u>
Expenditures:				
General government:				
Claims	-	-	8,933	8,933
Contractual services	15,000	15,000	500	(14,500)
Contingencies and reserves	811,972	811,972	4,060	(807,912)
Total expenditures	<u>826,972</u>	<u>826,972</u>	<u>13,493</u>	<u>(813,479)</u>
Net change in fund balance	<u>\$ (825,172)</u>	<u>\$ (825,172)</u>	(11,711)	<u>\$ 813,461</u>
Fund balance at beginning of year			<u>971,061</u>	
Fund balance at end of year			<u>\$ 959,350</u>	

Debt Service Fund

Fund Description

Budgeted Funds

General Obligation Bonds

To account for resources to be used for the payment of principal, interest and related costs of the general obligation bonds and certain other long-term obligations of the City.

City of Merriam, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
General Obligation Bonds Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 324,241	\$ 324,241	\$ 322,695	\$ (1,546)
Special assessments	419,300	419,300	419,300	-
Use of money and property	3,002	3,002	7,071	4,069
Total revenues	<u>746,543</u>	<u>746,543</u>	<u>749,066</u>	<u>2,523</u>
Expenditures:				
Debt service:				
Principal	2,915,000	2,915,000	2,915,000	-
Interest	220,298	220,298	220,298	-
Miscellaneous	48,737	48,737	-	(48,737)
Total expenditures	<u>3,184,035</u>	<u>3,184,035</u>	<u>3,135,298</u>	<u>(48,737)</u>
Revenues over expenditures	(2,437,492)	(2,437,492)	(2,386,232)	51,260
Other financing sources (uses):				
Transfers in	2,439,205	2,439,205	2,439,205	-
Total other financing sources (uses)	<u>2,439,205</u>	<u>2,439,205</u>	<u>2,439,205</u>	<u>-</u>
Net change in fund balance	<u>\$ 1,713</u>	<u>\$ 1,713</u>	52,973	<u>\$ 51,260</u>
Fund balance at beginning of year			<u>109,434</u>	
Fund balance at end of year			<u>\$ 162,407</u>	

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STATISTICAL SECTION

This part of the City of Merriam'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.

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

1 - 5

Revenue Capacity

These tables contain information to help the reader assess the City's two most significant local revenue sources: sales tax and property tax.

6 - 11

Debt Capacity

These tables 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.

12 - 16

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

17 - 18

Operating Information

These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

19 - 21

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**City of Merriam, Kansas
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)**

Table 1

	Fiscal Year									
	2004	2005	2006	2007	2008 (a)	2009	2010	2011 (b)	2012	2013
Governmental activities										
Invested in capital assets, net of related debt	\$ 63,684,387	\$ 63,944,547	\$ 69,073,366	\$ 70,780,458	\$ 76,334,025	\$ 75,940,313	\$ 78,091,904	\$ 80,022,605	\$ 79,354,128	\$ 81,566,047
Restricted	8,054,119	3,855,008	2,309,606	3,224,248	3,144,552	4,471,514	5,021,411	5,545,039	7,878,514	9,108,394
Unrestricted	<u>(5,276,648)</u>	<u>(4,303,282)</u>	<u>(2,937,809)</u>	<u>(1,105,346)</u>	<u>1,246,866</u>	<u>3,366,696</u>	<u>4,870,981</u>	<u>6,645,936</u>	<u>8,516,887</u>	<u>11,081,044</u>
Total Governmental activities net position, as restated (c)	<u>\$ 66,461,858</u>	<u>\$ 63,496,273</u>	<u>\$ 68,445,163</u>	<u>\$ 72,899,360</u>	<u>\$ 80,725,443</u>	<u>\$ 83,778,523</u>	<u>\$ 87,984,296</u>	<u>\$ 92,213,580</u>	<u>\$ 95,749,529</u>	<u>\$ 101,755,485</u>

Note: The City had no business-type activities for years 2004 through 2013.

(a) During 2008, the City determined that \$3.87 million of construction in progress capitalized in 2005 did not qualify as public infrastructure.

(b) GASB 54 was implemented during FY 2011. Only 2010 was reinstated to comply with the new presentation format.

(c) In 2012, two prior period adjustments increased net position and unrestricted assets. The first was due to a change in methodology for recording tax increment liabilities. The second was due to the application of provisions of the Trust Indenture for the Subordinate Special Obligation TIF Bond. Both changes have been retroactively applied to this table. See Note III. C. to the financial statements for additional information.

**City of Merriam, Kansas
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)**

Table 2

	Fiscal Year									
	2004	2005 (a)	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
General Government	\$ 2,070,372	\$ 1,993,649	\$ 2,037,324	\$ 2,245,240	\$ 2,097,021	\$ 2,065,512	\$ 2,118,597	\$ 2,077,925	\$ 2,290,748	\$ 2,725,181
Law enforcement	2,570,839	2,944,730	2,851,255	3,077,774	3,255,207	3,107,819	3,252,442	3,343,059	3,263,923	3,365,198
Fire prevention and control	1,777,561	1,873,660	1,873,247	1,933,116	1,836,880	1,934,384	2,065,774	2,130,222	2,201,176	2,261,457
Public works	1,451,927	1,600,768	1,674,918	1,823,196	1,863,887	1,933,778	1,907,778	1,962,925	1,937,502	2,142,851
Capital improvement program	3,703,037	2,661,360	2,831,548	2,962,448	3,291,462	3,272,407	3,710,509	3,762,187	4,174,359	3,489,564
Community development	2,547,173	8,438,928	540,519	575,793	821,905	734,459	808,157	798,562	846,621	732,348
Health and welfare	23,992	47,510	49,389	31,586	19,885	27,746	23,827	24,123	24,698	32,917
Culture and recreation	1,223,648	1,292,932	1,351,841	1,333,353	1,512,621	1,402,631	1,428,918	1,461,193	1,530,436	1,476,476
Interest on long-term debt	1,074,608	1,426,197	1,624,610	1,529,140	1,500,206	1,578,120	1,495,519	968,509	1,233,443	763,763
Total expenses	\$ 16,443,157	\$ 22,279,734	\$ 14,834,651	\$ 15,511,646	\$ 16,199,074	\$ 16,056,856	\$ 16,811,521	\$ 16,528,705	\$ 17,502,906	\$ 16,989,755
Program Revenues										
Charges for services:										
General government	\$ 147,439	\$ 167,619	\$ 136,878	\$ 158,213	\$ 195,743	\$ 182,052	\$ 185,749	\$ 189,900	\$ 188,054	\$ 178,856
Law enforcement	693,690	766,380	782,567	866,708	972,469	896,337	1,075,580	982,233	957,692	902,639
Fire prevention and control	1,748	1,018	920	1,068	509	920	692	487	730	484
Community development	181,657	169,213	217,511	286,050	215,664	104,502	170,830	294,816	276,028	415,044
Culture and recreation	246,192	247,355	251,123	240,606	255,748	253,632	268,336	268,364	263,441	270,302
Operating grants and contributions	-	142,087	440,723	319,538	331,335	313,871	355,361	321,568	336,134	410,247
Capital grants and contributions	1,562,483	1,893,996	1,087,348	850,375	5,045,656	249,749	2,103,160	1,515,293	1,445,139	1,610,418
Total program revenues	\$ 2,833,209	\$ 3,387,668	\$ 2,917,070	\$ 2,722,558	\$ 7,017,124	\$ 2,001,063	\$ 4,159,708	\$ 3,572,661	\$ 3,467,218	\$ 3,787,990
Total Net Expense	\$(13,609,948)	\$(18,892,066)	\$(11,917,581)	\$(12,789,088)	\$ (9,181,950)	\$(14,055,793)	\$(12,651,813)	\$(12,956,044)	\$(14,035,688)	\$(13,201,765)
General Revenues and Other Changes in Net Position										
Taxes	\$ 14,936,174	\$ 15,355,692	\$ 15,595,272	\$ 15,970,932	\$ 16,300,105	\$ 16,633,365	\$ 16,478,890	\$ 16,617,126	\$ 16,959,142	\$ 18,860,427
Unrestricted investment earnings	286,973	506,358	818,906	875,861	492,230	277,877	248,880	211,118	168,447	123,470
Miscellaneous	28,938	64,431	437,262	382,718	200,533	180,090	111,344	338,473	419,273	201,153
Intergovernmental not restricted to a specific program	-	-	15,031	13,774	15,165	17,541	18,472	18,611	24,775	22,671
Total general revenues	\$ 15,252,085	\$ 15,926,481	\$ 16,866,471	\$ 17,243,285	\$ 17,008,033	\$ 17,108,873	\$ 16,857,586	\$ 17,185,328	\$ 17,571,637	\$ 19,207,721
Change in Net Position, as restated (b)	\$ 1,642,137	\$ (2,965,585)	\$ 4,948,890	\$ 4,454,197	\$ 7,826,083	\$ 3,053,080	\$ 4,205,773	\$ 4,229,284	\$ 3,535,949	\$ 6,005,956

(a) The City determined that \$3.87 million of construction in progress capitalized in 2005 did not qualify as public infrastructure. Community development expenses for 2005 have been increased accordingly.

(b) In 2012, two prior period adjustments reduced community development expenses and changed interest expense. The first was due to a change in methodology for recording TIF contractual liabilities. The second was due to application of provisions of the Trust Indenture for Subordinate Special Obligation Revenue Bond. Both changes have been retroactively applied to this table.

City of Merriam, Kansas
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 3

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011 (a)	2012	2013
General Fund										
Reserved	\$ 15,950	\$ 5,016	\$ 27,389	\$ 39,332	\$ 19,583	\$ 1,940	\$ 11,698	\$ -	\$ -	\$ -
Unreserved	4,002,960	4,026,794	4,077,660	4,100,651	4,500,168	4,912,154	4,965,949	-	-	-
Assigned	-	-	-	-	-	-	-	877,528	986,133	1,007,037
Unassigned	-	-	-	-	-	-	-	5,233,346	5,484,318	5,984,254
Total General Fund	\$ 4,018,910	\$ 4,031,810	\$ 4,105,049	\$ 4,139,983	\$ 4,519,751	\$ 4,914,094	\$ 4,977,647	\$ 6,110,874	\$ 6,470,451	\$ 6,991,291
All Other Governmental Funds										
Reserved	\$ 681,123	\$ 786,761	\$ 736,620	\$ 793,635	\$ 728,180	\$ 817,913	\$ 815,871	\$ -	\$ -	\$ -
Unreserved, reported in:										
Capital projects funds	16,686,658	10,105,901	8,101,019	7,107,537	6,224,893	6,685,889	7,267,772	-	-	-
Special revenue funds	1,351,337	1,589,236	1,883,550	1,982,326	2,117,071	2,311,391	2,454,833	-	-	-
Nonspendable/Restricted/ Committed/Assigned reported in:										
Debt service	-	-	-	-	-	-	-	71,423	110,424	162,407
Capital projects funds	-	-	-	-	-	-	-	6,546,417	7,320,278	9,236,491
Special revenue funds	-	-	-	-	-	-	-	3,712,031	3,855,036	4,634,548
Total All Other Governmental Funds	\$ 18,719,118	\$ 12,481,898	\$ 10,721,189	\$ 9,883,498	\$ 9,070,144	\$ 9,815,193	\$ 10,538,476	\$ 10,329,871	\$ 11,285,738	\$ 14,033,446

(a) GASB 54 was implemented during FY 2011. The City did not restate fund balances in prior years to comply with the new presentation format.

City of Merriam, Kansas
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 4

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes (see Table 5)	\$ 14,622,632	\$ 15,039,502	\$ 15,647,617	\$ 16,025,394	\$ 16,351,480	\$ 16,911,369	\$ 17,042,304	\$ 17,039,176	\$ 17,379,992	\$ 19,279,727
Intergovernmental	1,384,985	2,407,251	1,543,102	1,183,687	716,806	566,161	1,093,060	1,828,887	817,654	1,919,131
Licenses, permits and fees	329,096	336,832	354,389	444,263	411,406	286,554	356,579	484,716	464,082	593,900
Charges for services	254,835	253,148	257,739	246,332	259,252	259,163	273,969	278,741	274,469	270,302
Fines, forfeitures and penalties	686,795	761,605	776,871	862,050	969,475	891,727	1,070,639	972,343	947,394	902,639
Uses of money and property	286,973	506,358	818,906	875,861	458,733	154,630	138,694	111,868	77,596	44,170
Miscellaneous	28,938	64,431	437,262	119,885	177,388	168,996	105,249	315,109	479,208	125,818
Total revenues	17,594,254	19,369,127	19,835,886	19,757,472	19,344,540	19,238,600	20,080,494	21,030,840	20,440,395	23,135,687
Expenditures										
Current:										
General government	\$ 1,861,465	\$ 1,810,614	\$ 1,897,151	\$ 2,090,447	\$ 1,888,964	\$ 1,923,990	\$ 2,259,275	\$ 2,111,228	\$ 2,199,816	\$ 2,499,888
Law enforcement	2,505,606	2,940,455	2,776,197	3,023,002	3,118,002	3,032,358	3,103,953	3,228,754	3,227,603	3,281,632
Fire prevention and control	2,387,182	1,784,602	1,813,836	1,892,137	1,778,730	1,849,585	1,973,464	2,559,747	2,151,266	2,149,282
Public works	1,811,413	1,816,485	1,711,502	1,900,830	2,189,116	1,992,175	2,010,455	2,196,012	2,292,334	2,570,358
Capital improvement program (a)	270,348	357,993	307,482	298,207	88,509	28,558	189,541	46,238	41,277	406,226
Community development (b)	2,559,426	8,395,226	520,253	561,539	726,701	679,521	756,612	787,038	852,976	709,825
Health and welfare	23,992	47,510	49,389	31,586	19,885	27,746	23,827	24,123	24,698	22,917
Culture and recreation	1,049,526	1,076,234	1,118,463	1,137,703	1,104,239	1,150,102	1,147,610	1,236,494	1,229,785	1,203,990
Capital outlay	7,044,872	9,740,366	7,959,274	5,157,492	4,048,384	1,962,804	2,483,434	2,988,227	2,147,925	2,844,881
Debt service:										
Principal	1,957,990	2,117,735	2,506,276	3,258,409	3,489,801	4,249,149	4,444,638	4,246,595	4,076,886	3,422,583
Interest	1,416,592	1,498,333	1,604,999	1,504,402	1,405,243	1,261,781	1,045,902	712,971	1,008,771	803,045
Total expenditures, as restated (c)	22,888,412	31,585,553	22,264,822	20,855,754	19,857,574	18,157,769	19,438,711	20,137,427	19,253,337	19,914,627
Excess of revenues over (under) expenditures	(5,294,158)	(12,216,426)	(2,428,936)	(1,098,282)	(513,034)	1,080,831	641,783	893,413	1,187,058	3,221,060
Other financing sources (uses)										
Proceeds from sale of capital assets	589,467	91,662	266,466	295,525	63,742	14,615	32,207	31,209	45,280	47,488
Issuance of general obligation bonds	3,000,000	5,900,444	475,000	-	-	-	-	-	-	-
Issuance of general obligation notes	3,500,000	-	-	-	-	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	3,500,000	2,980,000	3,585,000	-	7,300,000	-
Premium on refunding bonds	-	-	-	-	15,706	63,946	97,846	-	227,343	-
Redemption of refunded bonds	-	-	-	-	(3,500,000)	(3,000,000)	(3,570,000)	-	(7,444,237)	-
Transfers in	5,953,566	5,925,029	6,816,820	7,382,087	7,476,079	8,102,479	7,201,276	6,757,963	6,494,618	7,373,340
Transfers out	(5,953,566)	(5,925,029)	(6,816,820)	(7,382,087)	(7,476,079)	(8,102,479)	(7,201,276)	(6,757,963)	(6,494,618)	(7,373,340)
Total other financing sources (uses)	7,089,467	5,992,106	741,466	295,525	79,448	58,561	145,053	31,209	128,386	47,488
Net change in fund balances, as restated (c)	\$ 1,795,309	\$ (6,224,320)	\$ (1,687,470)	\$ (802,757)	\$ (433,586)	\$ 1,139,392	\$ 786,836	\$ 924,622	\$ 1,315,444	\$ 3,268,548
Debt service as a percentage of noncapital expenditures	21.9%	16.8%	29.2%	31.4%	31.5%	34.6%	33.0%	30.4%	31.0%	25.9%

(a) Prior to 2003 and after 2007, Capital improvement program expenditures were included primarily in the general government expenditures.

(b) In 2004 and 2005, Community development expenditures included non-recurring payments for project costs related to the Merriam Pointe and Merriam Village developments.

(c) In 2008, the City restated of \$3.87 million of construction in progress capitalized in 2005 and reclassified the same amount from capital outlay to community development expenditures.

City of Merriam, Kansas
Tax by Revenue Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 5

Fiscal Year	Tax Revenues								
	Property Tax	TIF Property Taxes	City Sales Tax	County Sales Tax	Transient Guest Tax	TIF Replacement Taxes	Special Assessments	Franchise Fees	Total
2004	\$ 2,730,585	\$ 2,071,549	\$ 6,575,355	\$ 1,439,407	\$ 333,124	\$ 344,253	\$ 52,390	\$ 1,075,969	\$ 14,622,632
2005	2,764,039	2,522,742	6,377,908	1,449,336	348,014	396,625	54,978	1,125,860	15,039,502
2006	2,806,413	2,855,175	6,623,315	1,454,689	362,605	427,628	52,345	1,065,447	15,647,617
2007	3,055,871	2,947,029	6,550,788	1,473,119	379,558	412,696	54,462	1,151,871	16,025,394
2008	3,151,493	3,098,333	6,694,377	1,357,193	393,902	440,540	51,375	1,164,267	16,351,480
2009	3,952,594	3,386,514	6,040,858	1,346,215	306,165	464,223	278,004	1,136,796	16,911,369
2010	3,879,003	3,294,986	5,952,837	1,293,227	287,678	445,813	563,414	1,325,346	17,042,304
2011	3,879,875	2,779,590	6,326,148	1,469,516	407,137	373,751	422,050	1,381,109	17,039,176
2012	3,705,351	2,658,612	7,007,917	1,481,333	417,878	356,349	420,850	1,331,702	17,379,992
2013	3,736,606	2,780,265	8,502,699	1,538,818	507,652	358,133	419,300	1,436,254	19,279,727

**City of Merriam, Kansas
Total City Taxable Sales by Category
Last Ten Fiscal Years**

Table 6

Sales by Retail Category	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Restaurants/Entertainment	\$ 21,192,720	\$ 23,237,520	\$ 19,255,040	\$ 18,290,240	\$ 19,310,880	\$ 20,111,440	\$ 21,893,680	\$ 24,856,400	\$ 27,956,560	\$ 28,061,920
Auto dealerships	204,015,840	194,993,280	208,754,480	216,574,960	228,372,320	204,567,600	207,159,440	225,970,160	254,377,040	356,610,480
Auto rental, leasing, repairs gasoline	26,246,160	30,450,672	32,306,240	28,049,120	26,291,120	26,118,400	25,510,080	32,898,000	27,578,720	27,284,480
Construction, home repairs and maintenance	60,813,120	54,373,538	54,522,800	55,799,680	51,604,800	49,816,240	44,964,080	44,105,360	45,297,040	49,454,720
Grocery and drug stores	19,695,760	18,703,680	19,289,760	19,807,840	21,153,200	20,497,440	19,074,160	18,073,040	16,532,160	20,645,840
Clothing, department and shoe stores	32,684,000	31,840,080	29,505,840	26,962,400	24,762,400	25,347,680	25,040,240	26,183,680	27,923,200	22,176,160
Utilities and communications	25,665,200	27,169,440	27,074,560	29,507,040	37,167,840	30,971,920	37,145,920	32,734,800	35,462,240	55,028,320
Hotels	5,877,680	5,860,080	7,475,600	5,411,680	6,050,320	4,965,840	5,275,760	6,930,560	5,819,200	7,228,560
Medical	2,644,640	6,291,440	6,385,600	1,868,720	3,163,200	6,442,960	5,265,600	6,930,560	5,396,080	4,824,400
Specialty shops	22,156,720	21,108,160	28,460,400	25,229,520	24,647,520	18,966,080	19,297,680	18,065,120	21,931,680	18,672,800
All other outlets	105,038,538	96,206,777	96,836,938	96,563,857	93,008,086	75,441,440	65,600,320	69,826,880	92,344,080	90,205,120
Total	\$ 526,030,378	\$ 510,234,667	\$ 529,867,258	\$ 524,065,057	\$ 535,531,686	\$ 483,247,040	\$ 476,226,960	\$ 506,574,560	\$ 560,618,000	\$ 680,192,800

Source: Determined from information provided by the Kansas Department of Revenue.

Note: Kansas statutes prohibit cities from disclosing sales tax remitters and the respective amounts of sales tax revenue remitted.

Note: City sales tax rates of 1.25% are applicable to taxable sales in Merriam.

**City of Merriam, Kansas
Sales Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years**

Table 7

<u>Direct Sales Tax Rate of Merriam</u>	Fiscal Year										
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009 (a)</u>	<u>2010 (b)</u>	<u>2011</u>	<u>2012</u>	<u>2013 (c)</u>	
General	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%
Street/Stormwater Improvement	0.250%	0.250%	0.250%	0.250%	0.250%	0.250%	0.250%	0.250%	0.250%	0.250%	0.250%
Total Direct Sales Tax	<u>1.250%</u>	<u>1.250%</u>	<u>1.250%</u>	<u>1.250%</u>	<u>1.250%</u>	<u>1.250%</u>	<u>1.250%</u>	<u>1.250%</u>	<u>1.250%</u>	<u>1.250%</u>	<u>1.250%</u>
<u>Total Sales Tax Rate</u>											
State of Kansas	5.300%	5.300%	5.300%	5.300%	5.300%	5.300%	6.300%	6.300%	6.300%	6.300%	6.150%
Johnson County	1.100%	1.100%	1.100%	1.100%	1.100%	1.225%	1.225%	1.225%	1.225%	1.225%	1.225%
City of Merriam	1.250%	1.250%	1.250%	1.250%	1.250%	1.250%	1.250%	1.250%	1.250%	1.250%	1.250%
Total Direct and Overlapping Rate	<u>7.650%</u>	<u>7.650%</u>	<u>7.650%</u>	<u>7.650%</u>	<u>7.650%</u>	<u>7.775%</u>	<u>8.775%</u>	<u>8.775%</u>	<u>8.775%</u>	<u>8.775%</u>	<u>8.625%</u>

Source: Kansas Department of Revenue

(a) Rates effective as of 12/31/2009. The Johnson County rate increase to 1.225% was effective 4/1/2009.

(b) Rates effective as of 12/31/2010. The State of Kansas rate increase to 6.300% was effective 7/1/2010.

(c) Rates effective as of 12/31/2013. The State of Kansas rate decrease to 6.150% was effective 7/1/2013.

City of Merriam, Kansas
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Table 8

Fiscal Year	Assessed Valuation						Direct Tax Rate (per \$1,000)	Estimated Actual Valuation (a)	Assessed Value as a % of Actual
	Real Property			Personal Property	Railroads & Utilities	Total Assessed			
	Residential	Commercial	Vacant/Other						
2004	\$59,882,752	\$72,999,059	\$ 929,237	\$13,092,465	\$3,469,381	\$150,372,894	19.285	\$ 884,798,708	17.0%
2005	61,818,650	76,401,456	899,025	11,158,513	3,659,520	153,937,164	19.275	908,073,012	17.0%
2006	64,022,739	78,740,324	1,703,765	11,611,330	3,807,284	159,885,442	19.241	945,643,429	16.9%
2007	65,340,913	93,188,068	2,447,387	11,501,177	3,835,761	176,313,306	21.181	1,017,536,544	17.3%
2008	66,457,996	81,786,926	3,387,991	10,145,687	3,962,287	165,740,887	21.186	987,892,871	16.8%
2009	67,060,047	83,627,805	3,756,050	7,400,355	3,950,513	165,794,770	27.360	992,708,496	16.7%
2010	65,569,729	82,541,936	2,653,510	6,161,303	3,910,033	160,836,511	27.352	961,187,702	16.7%
2011	64,083,385	74,646,079	2,461,089	5,123,564	4,090,951	150,405,068	27.474	911,659,932	16.5%
2012	64,171,732	71,406,519	2,468,181	4,577,169	3,605,214	146,228,815	27.412	895,578,034	16.3%
2013	61,594,845	73,119,680	1,936,626	4,265,405	3,943,342	144,859,898	27.522	875,618,643	16.5%

Source: Johnson County Appraiser's Office and Johnson County Records & Tax Administration

(a) Estimated Actual Valuation is equal to appraised value. Residential real estate is assessed at 11.5% of appraised value; commercial real estate at 25%; all other property at rates between 12% to 33%

City of Merriam, Kansas
Property Tax Rates (Per \$1,000 of Assessed Valuation)
Direct and Overlapping Governments
Last Ten Fiscal Years

Table 9

Fiscal Year	City of Merriam			Overlapping Rates (a)						Total Direct and Overlapping
	Basic Rate	Debt Service	Total Direct	State	County (b)	Junior College	Board of Education (c)	Merriam Drainage Bd.	Total Overlapping	
2004	\$ 17.174	\$ 2.111	\$ 19.285	\$ 1.500	\$ 21.700	\$ 9.432	\$ 37.774	\$ 3.612	\$ 74.018	\$ 93.303
2005	17.161	2.114	19.275	1.500	21.364	9.438	42.655	3.749	78.706	97.981
2006	17.131	2.110	19.241	1.500	23.163	8.960	49.748	3.798	87.169	106.410
2007	18.836	2.345	21.181	1.500	23.199	8.872	51.980	4.050	89.601	110.782
2008	18.840	2.346	21.186	1.500	23.242	8.749	52.008	3.934	89.433	110.619
2009	24.999	2.361	27.360	1.500	23.165	8.768	52.094	2.488	88.015	115.375
2010	24.991	2.361	27.352	1.500	23.213	8.784	55.318	2.615	91.430	118.782
2011	25.102	2.372	27.474	1.500	23.256	8.799	57.192	2.849	93.596	121.070
2012	25.045	2.367	27.412	1.500	23.188	8.776	56.135	3.038	92.637	120.049
2013	25.146	2.376	27.522	1.500	23.210	8.785	55.766	3.091	92.352	119.874

Source: Johnson County Appraiser's Office

- (a) Overlapping rates are those of local and county governments that apply to property owners within the City of Merriam.
- (b) County rate includes Johnson County, Parks and Recreation District, and Library
- (c) Shawnee Mission School District No. 512

**City of Merriam, Kansas
Principal Property Taxpayers
Current Year and Nine Years Ago**

Table 10

<u>Taxpayer</u>	<u>2013</u>			<u>2004</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Merriam Town Center	\$ 7,151,501	1	4.94%	\$ 11,612,275	1	7.72%
Ikea	4,529,685	2	3.13%	-		-
Hendrick Automotive-Toyota	3,753,743	3	2.59%	-		-
Hendrick Automotive-Lexus	3,592,813	4	2.48%	-		-
Aristocrat Motors	3,066,418	5	2.12%	2,161,933	5	1.44%
Santa Fe Medical Building	2,931,250	6	2.02%	-		-
Car Max	2,401,343	7	1.66%	2,591,913	4	1.72%
Kansas City Infiniti	2,377,585	8	1.64%	-		-
Baron BMW	2,260,233	9	1.56%	2,090,590	7	1.39%
Hendrick Automotive-Chevrolet	2,255,781	10	1.56%	-		-
G.E. Credit	-		-	2,770,800	2	1.84%
Lee Apparel Company	-		-	2,617,475	3	1.74%
Antioch Plaza Office	-		-	2,160,300	6	1.44%
Georgetown Medical Building	-		-	2,007,700	8	1.34%
Home Depot	-		-	1,887,225	9	1.26%
Georgetown Market Place	-		-	1,688,650	10	1.12%
	<u>\$ 34,320,352</u>		<u>23.69%</u>	<u>\$ 31,588,861</u>		<u>21.01%</u>

Source: Johnson County Appraiser's Office

**City of Merriam, Kansas
Property Tax Levies and Collections
Last Ten Fiscal Years**

Table 11

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>% of Levy</u>		<u>Amount</u>	<u>% of Levy</u>
2004	\$ 2,899,944	\$ 2,833,984	97.73%	\$ 21,313	\$ 2,855,297	98.46%
2005	2,967,139	2,887,999	97.33%	10,256	2,898,255	97.68%
2006	3,076,356	2,974,459	96.69%	34,708	3,009,167	97.82%
2007	* 3,734,492	3,256,645	87.20%	49,600	3,306,245	88.53%
2008	3,511,387	3,408,974	97.08%	64,807	3,473,781	98.93%
2009	4,536,145	4,378,952	96.53%	95,878	4,474,830	98.65%
2010	4,399,200	4,256,814	96.76%	29,277	4,286,091	97.43%
2011	4,132,227	4,029,285	97.51%	16,708	4,045,993	97.91%
2012	4,008,423	3,882,278	96.85%	3,617	3,885,895	96.94%
2013	3,986,833	3,879,588	97.31%	-	3,879,588	97.31%

Note: Source Johnson County Treasurer's Office

* The assessed valuation for the 2007 budget included 3 parcels that were classified as tax-exempt prior to 2007. These parcels were being replatted at the time the county assessment was prepared, but regained their tax-exempt status after taxes were levied for 2007. Without the inclusion of these parcels, taxes levied would have been approximately \$3,403,000, with collections totaling 95.69% in the fiscal year of levy, and 97.16% for total collections to date.

City of Merriam, Kansas
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Table 12

Fiscal Year	Governmental Activities						Total	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment G.O. Bonds	Temporary Notes	TIF Revenue Bond	Subordinate Special Obligation TIF Bond (a)	Tax Increment Contractual Liabilities (b)			
2004	\$ 18,060,000	\$ -	\$ 3,500,000	\$ 8,575,450	\$ 3,661,567	\$ -	\$ 33,797,017	10.3%	3,119
2005	22,535,000	-	3,500,000	7,975,450	3,375,790	-	37,386,240	11.3%	3,465
2006	21,055,000	-	3,975,000	7,075,450	3,222,667	-	35,328,117	10.7%	3,281
2007	19,250,000	-	3,810,000	5,975,450	3,070,780	-	32,106,230	9.3%	2,980
2008	20,845,000	-	145,000	4,775,450	2,927,676	-	28,693,126	8.1%	2,659
2009	15,165,000	3,210,000	-	3,575,450	2,822,933	-	24,773,383	7.2%	2,291
2010	12,930,000	2,900,000	-	2,275,450	2,742,498	-	20,847,948	6.1%	1,895
2011	10,560,000	2,580,000	-	975,450	2,700,830	-	16,816,280	5.3%	1,528
2012	9,830,000	695,000	-	-	2,399,394	-	12,924,394	4.0%	1,175
2013	7,255,000	355,000	-	-	1,769,859	-	9,379,859	2.8%	839

Note: See Table 17 for personal income data.

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

(a) In 2012, a prior period adjustment was applied to the Subordinate Special Obligation TIF Bond. The Trust Indenture provided for the application of positive cumulative net amount payments toward the principal of the Subordinate Bond. The change has been applied retroactively only to 2010. See Note III. C. to the financial statements for additional information. The change has been applied retroactively only to 2010.

(b) In 2012, a prior period adjustment reflected a change in methodology for recording of tax increment contractual liabilities. The City now records such liabilities only when pledged revenue is recognized. Under the prior methodology, the liability was recorded when TIF project costs were certified as eligible for reimbursement. The change has been applied retroactively. See Note III. C. to the financial statements for additional information.

City of Merriam, Kansas
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 13

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Temporary Notes</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Net Bonded Debt Outstanding</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
2004	\$ 18,060,000	\$ 3,500,000	\$ 297,427	\$ 21,262,573	2.34%	\$ 1,962
2005	22,535,000	3,500,000	317,767	25,717,233	2.72%	2,383
2006	21,055,000	3,975,000	72,291	24,957,709	2.45%	2,318
2007	19,250,000	3,810,000	22,698	23,037,302	2.33%	2,138
2008	20,845,000	145,000	56,922	20,933,078	2.11%	1,940
2009	18,375,000	-	61,646	18,313,354	1.91%	1,693
2010	15,830,000	-	47,918	15,782,082	1.73%	1,434
2011	13,140,000	-	71,423	13,068,577	1.46%	1,188
2012	10,525,000	-	110,424	10,414,576	1.19%	932
2013	7,610,000	-	162,407	7,447,593	0.84%	667

Note: See Table 8 for property value data.

Note: See Table 17 for population data.

City of Merriam, Kansas
Direct and Overlapping Governmental Activities Debt
As of December 31, 2013

Table 14

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Shawnee Mission U.S. District No. 512	\$ 176,295,000	5.15%	\$ 9,077,605
Johnson County	10,219,128	1.96%	<u>199,803</u>
Subtotal, overlapping debt			\$ 9,277,408
City direct debt (see Table 12)			<u>9,379,859</u>
Total direct and overlapping debt			<u><u>\$ 18,657,267</u></u>

Source: Johnson County Office of Financial Management

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 Merriam. 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.

**City of Merriam, Kansas
Legal Debt Margin Information
Last Ten Fiscal Years**

Table 15

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt Limit	\$50,571,446	\$52,276,857	\$57,197,504	\$53,995,124	\$54,055,994	\$52,534,242	\$49,255,580	\$47,878,996	\$47,476,790	\$48,569,185
Total net debt applicable to limit	<u>17,065,625</u>	<u>21,835,625</u>	<u>20,830,625</u>	<u>20,830,625</u>	<u>19,120,625</u>	<u>13,780,625</u>	<u>10,265,000</u>	<u>9,395,000</u>	<u>1,330,000</u>	<u>675,000</u>
Legal debt margin	<u>\$33,505,821</u>	<u>\$30,441,232</u>	<u>\$36,366,879</u>	<u>\$33,164,499</u>	<u>\$34,935,369</u>	<u>\$38,753,617</u>	<u>\$38,990,580</u>	<u>\$38,483,996</u>	<u>\$46,146,790</u>	<u>\$47,894,185</u>
Total net debt applicable to the limit as a percentage of debt limit	33.75%	41.77%	36.42%	38.58%	35.37%	26.23%	20.84%	19.62%	2.80%	1.39%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed Value (a)	\$161,897,282
Debt Limit (b)	48,569,185
Debt applicable to limit:	
General Obligation bonds and notes	7,610,000
Less: Refunding issue not subject to limit (c)	<u>(6,935,000)</u>
Total net debt applicable to limit	<u>675,000</u>
Legal debt margin	<u>\$ 47,894,185</u>

(a) Combination of Motor Vehicle values and Real Property Values

(b) Debt limits for Kansas cities are established by state statutes. Based on the statutes, the debt limit for the City of Merriam is 30% of assessed value.

(c) As provided by Kansas statute K.S.A. 10-309

**City of Merriam, Kansas
Pledged Revenue Coverage
Last Ten Fiscal Years**

Table 16

Fiscal Year	Special Assessment Bonds (a)				Tax Increment Revenue Bonds (b)				Tax Increment Contractual Liabilities (c)			
	Special Assessment Collections	Debt Service		Coverage	Property Tax Increment	Debt Service		Coverage	Property Tax Increment	Debt Service (c)		Coverage
		Principal	Interest			Principal	Interest			Principal	Interest/Other	
2004	\$ 52,390	\$ -	\$ -	-	\$ 1,126,361	\$ 500,000	\$ 600,331	1.02	\$ 312,203	\$ -	\$ 281,505	1.11
2005	54,977	-	-	-	1,292,286	600,000	560,656	1.11	300,273	-	271,286	1.11
2006	52,345	-	-	-	1,592,966	900,000	503,731	1.13	361,910	-	305,571	1.18
2007	54,462	-	-	-	1,545,727	1,100,000	438,281	1.00	458,058	-	363,334	1.26
2008	51,375	-	-	-	1,506,552	1,200,000	353,706	0.97	493,686	-	456,034	1.08
2009	278,004	290,000	128,519	0.66	1,569,365	1,200,000	273,406	1.07	628,321	-	644,514	0.97
2010	563,414	310,000	112,900	1.33	1,490,211	1,300,000	182,931	1.00	846,857	-	756,737	1.12
2011	422,050	320,000	102,050	1.00	1,291,351	1,300,000	93,231	0.93	495,786	-	384,340	1.29
2012	420,850	330,000	90,850	1.00	1,150,248	1,276,886	124,906	0.82	485,952	-	430,690	1.13
2013	419,300	340,000	79,300	1.00	1,019,722	629,536	-	1.62	636,241	-	579,247	1.10

Note: Details regarding the City's outstanding debt can be found in Note 4 to the financial statements.

- (a) Special assessment bonds were refunded early in 2001 due to additional payments made in 1998. The related special assessment taxes were collected through 2008. In 2008, new general obligation bonds with special assessment backing were issued.
- (b) Tax increment revenue bonds and contractual liabilities are backed by the incremental real estate property tax revenue produced by the properties located in the redevelopment district.
- (c) In 2012, a change in methodology occurred for recording of tax increment contractual liabilities. The City now records such liabilities only when pledged revenue is recognized. Under the prior methodology, the liability was recorded when TIF project costs were certified as eligible for reimbursement. As a result, such payments will be considered interest or "other" debt service payments. The change has been retroactively applied.

**City of Merriam, Kansas
Demographic and Economic Statistics
Last Ten Fiscal Years**

Table 17

<u>Year</u>	<u>Population (a)</u>	<u>Personal Income</u>	<u>Per Capita Personal Income (b)</u>	<u>Median Age (b)</u>	<u>Unemployment Rate (c)</u>
2004	10,835	\$ 327,000,300	\$ 30,180	36.2	4.30%
2005	10,791	331,272,909	30,699	36.8	4.50%
2006	10,769	331,308,285	30,765	36.5	4.00%
2007	10,777	344,993,324	32,012	36.5	3.90%
2008	10,790	354,861,520	32,888	37.0	4.40%
2009	10,814	342,457,752	31,668	37.3	6.30%
2010	11,003	344,199,477	31,282	37.4	6.50%
2011	11,003	315,973,151	28,717	35.8	5.90%
2012	11,180	321,056,060	28,717	35.8	5.00%
2013	11,174	329,498,912	29,488	38.1	4.70%

- (a) Population data for 2004 - 2009 and 2012-2013 is based upon State of Kansas estimates. The 2010 and 2011 data is based on the 2010 Federal Census.
- (b) County Economic Research Institute, Inc., Johnson County Zip Code Demographics.
- (c) Kansas Department of Labor provides demographics by county.

**City of Merriam, Kansas
Principal Employers
Current Year and Nine Years Ago**

Table 18

<u>Employer</u>	<u>2013</u>			<u>2004</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Shawnee Mission Medical Center	2,994	1	21.23%	2,800	1	20.00%
GE Consumer Finance/GE Credit Services	540	2	3.83%	631	2	4.51%
First Student	320	3	2.27%	-		-
Hendrick Automotive-Chevrolet/Nissan	235	4	1.67%	-		-
Seaboard Allied Milling	213	5	1.51%	160	8	1.14%
Carmax	160	6	1.13%	-		-
Hendrick Automotive-Toyota	136	7	0.96%	-		-
Home Depot	140	8	0.99%	186	6	1.33%
Industrial Bearing (IBT)	142	9	1.01%	147	9	1.05%
Aristocrat Motors	136	10	0.96%	260	4	1.86%
School Services Leasing	-		-	272	3	1.94%
Superior Chevrolet/Toyota	-		-	224	5	1.60%
Lee Company	-		-	165	7	1.18%
Baron BMW/Volkswagen	-		-	138	10	0.99%
	<u>5,016</u>		<u>35.57%</u>	<u>4,983</u>		<u>35.59%</u>

Source: Employee totals provided by individual employers.

City of Merriam, Kansas
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Table 19

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General government										
Mayor/City Council	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
General Government	9.00	9.75	9.75	9.75	9.75	8.75	8.75	8.75	8.75	10.00
Information Services (a)	-	-	-	-	0.50	0.50	0.50	0.50	0.50	0.60
Municipal Court	2.95	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
Law enforcement										
Officers	26.00	28.00	28.00	29.00	28.00	28.00	28.00	28.00	29.00	29.00
Civilians	6.00	7.00	7.00	7.00	7.00	7.00	7.00	6.00	6.00	6.00
Fire prevention and control										
Firefighters	22.00	22.00	22.00	22.00	21.00	24.00	23.00	23.00	23.00	23.00
Public works	19.00	20.46	20.46	20.46	20.76	20.96	20.96	20.96	20.96	20.96
Culture and recreation										
Community Center	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36
Aquatic Center	10.33	10.66	10.66	10.66	10.66	10.66	10.66	10.66	10.66	10.66
Merriam Marketplace	0.32	0.32	0.32	0.32	0.32	0.32	0.32	0.32	0.32	0.32
Community development	6.75	6.00	6.00	8.00	8.00	8.00	8.00	8.00	8.00	6.00
Capital improvement program (b)	3.00	3.00	3.00	3.00	-	-	-	-	-	2.00
Total	123.71	128.30	128.30	131.30	127.10	129.30	128.30	127.30	128.30	129.65

Source: City of Merriam Human Resources records

(a) Previously included in General Government

(b) Capital Improvements Program employees included in Community Development from 2008 through 2012

**City of Merriam, Kansas
Operating Indicators by Function
Last Ten Fiscal Years**

Table 20

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government										
Occupational licenses issued	967	912	915	915	996	1,003	966	945	911	993
Vendor payments by check	4,384	4,475	4,225	3,632	3,552	3,327	3,184	3,371	3,158	3,201
Court filings processed	8,010	9,958	10,641	10,597	10,159	8,913	9,172	8,063	7,841	8,369
Law enforcement										
Physical arrests	1,427	1,326	1,406	1,193	1,116	1,209	1,278	1,022	949	1,200
Accidents investigated	512	637	764	688	587	499	486	486	457	532
Traffic violations issued	8,233	9,958	10,641	10,867	10,159	8,913	9,202	8,499	7,788	8,112
Animal control service calls	1,293	1,310	733	1,620	1,872	288	1,020	1,020	792	660
Fire prevention and control										
Fire inspections performed	832	865	814	954	675	781	562	572	622	587
Alarm responses	1,614	1,647	1,624	1,740	1,761	1,554	1,542	1,687	1,693	1,769
Public education attendance	13,246	6,707	14,040	18,318	5,352	5,205	3,526	4,675	3,738	6,089
Public works										
Miles of street repair/overlay	4.0	3.5	3.0	3.0	3.0	3.0	2.2	3.5	4.0	4.5
Acres mowed	60	60	60	60	66	60	66	60	60	60
Miles of curbing/sidewalk repaired	3.5	4.0	3.0	5.0	3.5	3.0	3.0	2.5	1.5	1.0
Culture and recreation										
Community Center attendance	56,805	49,993	50,090	43,586	45,434	46,543	44,946	40,266	40,273	36,769
Aquatic Center attendance	14,534	20,306	20,167	17,600	19,030	21,235	25,996	29,967	30,000	20,376
Farmers' Market ave. wkly. attend.	340	532	581	431	446	532	708	546	500	686
Community development										
Construction permits issued	236	252	311	250	351	276	274	290	326	375
Value of new commercial const.	\$1,735,000	\$15,284,365	\$8,880,987	\$11,478,003	\$17,627,005	\$67,500	\$-	\$43,109,064	\$22,160,963	\$53,858,792
Value of new residential const.	\$828,400	\$957,000	\$1,207,970	\$-	\$-	\$-	\$248,550	\$685,000	\$1,048,000	\$3,112,937
Capital improvement program										
Number of projects managed	32	29	23	19	21	19	19	17	22	26

**City of Merriam, Kansas
Capital Asset Statistics by Function
Last Ten Fiscal Years**

Table 21

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General government										
Visitors' Bureau/Historical Plaza (a)	-	-	1	1	1	1	1	1	1	1
Law enforcement										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	14	15	15	15	15	18	19	21	20	21
Animal control units	1	1	1	1	1	1	1	1	1	1
Mobile command post	1	1	1	1	-	-	-	-	-	-
Fire control and prevention										
Stations	1	1	1	1	1	1	1	1	1	1
Emergency vehicles	4	4	4	4	4	4	4	4	4	4
Non-emergency vehicles	3	2	2	2	2	1	1	1	1	1
Rescue boat	1	1	1	1	1	1	1	1	1	1
Civil defense sirens	4	4	4	4	4	4	4	4	4	4
Public works										
Streets (miles)	112	112	112	112	113	113	113	113	113	113
Streetlights	1,117	1,302	1,481	1,493	1,571	1,601	1,615	1,646	1,683	1,692
Traffic signals	102	106	106	107	107	107	107	107	107	108
Maintenance vehicles	20	23	24	24	24	23	24	24	23	23
Culture and recreation										
Acreage of city parks	63.08	63.08	64.08	64.08	79.08	79.08	79.08	79.08	79.08	79.08
Parks	8	8	9	9	9	9	9	9	9	9
Tennis courts	1	1	1	1	1	-	-	-	-	-
Community centers	1	1	1	1	1	1	1	1	1	1
Aquatic centers	1	1	1	1	1	1	1	1	1	1
Farmers' Market	1	1	1	1	1	1	1	1	1	1

Source: Capital asset records maintained by the Merriam Finance Department

(a) Merriam Visitors' Bureau opened in 2006