

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the year ended December 31, 2012



Annual Flags 4 Freedom patriotic 4th of July event.

(This page left blank intentionally)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year ended December 31, 2012

MERRIAM, KANSAS

Prepared by:

**Cynthia Ehart
Finance Director**

**Trish Wertz
Accountant**

(This page left blank intentionally)

CITY OF MERRIAM, KANSAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Year Ended December 31, 2012

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Transmittal Letter	1
City Organizational Chart	4
Principal Officials	5
Certificate of Achievement for Excellence in Financial Reporting	6
 FINANCIAL SECTION	
Report of Independent Auditors	7
Management's Discussion and Analysis	9
 Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds	19
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Notes to the Basic Financial Statements	24
 Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	48
Schedule of Funding Progress – Other Postemployment Benefits	49
Notes to Required Supplementary Information.....	50
 Combining and Individual Fund Statements and Schedules:	
Non-major Governmental Funds:	
Fund Descriptions.....	53
Combining Balance Sheet	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	55
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Special Highway Fund	56
Special Alcohol Fund	57
Special Parks and Recreation Fund	58
Transient Guest Tax Fund	59

	Page
Equipment Reserve Fund	60
Risk Management Reserve Fund	61
General Obligation Debt Service Fund:	
Fund Description.....	62
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	63
 STATISTICAL SECTION	
Statistical Section – Overview of Contents	65
Net Position by Component – Last Ten Fiscal Years	66
Changes in Net Position – Last Ten Fiscal Years	67
Fund Balances of Governmental Funds – Last Ten Fiscal Years	68
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years	69
Tax by Revenue Source, Governmental Funds – Last Ten Fiscal Years	70
Total City Taxable Sales by Category – Last Ten Fiscal Years	71
Sales Tax Rates – Last Ten Fiscal Years	72
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	73
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years	74
Principal Property Taxpayers – Current Year and Nine Years Ago	75
Property Tax Levies and Collections – Last Ten Fiscal Years	76
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	77
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years	78
Direct and Overlapping Governmental Activities Debt.....	79
Legal Debt Margin Information – Last Ten Fiscal Years	80
Pledged Revenue Coverage – Last Ten Fiscal Years	81
Demographic and Economic Statistics – Last Ten Fiscal Years	82
Principal Employers – Current Year and Nine Years Ago	83
Full-Time Equivalent City Government Employees by Function – Last Ten Fiscal Years	84
Operating Indicators by Function – Last Ten Fiscal Years	85
Capital Asset Statistics by Function – Last Ten Fiscal Years	86

June 12, 2013

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, 2012. 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, 2012, 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 11,180. 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: Merriam's location along the highly visible Interstate-35 corridor in Kansas City contributes to strong sales per square mile. City businesses have averaged \$512 million in annual sales over the last five years. This translates into approximately \$114 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 11% this year. Sales tax trends for early 2013 show continued improvement.

Assessed real property valuations have declined 14% since 2008 although preliminary valuations for 2013 indicate a slight increase. In 2012, the City issued building permits on property valued in excess of \$23 million.

Development of 35 acres in the Merriam Pointe project area is nearing completion. Located at 67th Street and Interstate-35, the project is home to Hendrick Toyota and Shawnee Mission Hyundai auto dealerships. Additionally, Hendrick Lexus and Kansas City Infiniti, will open summer 2013 at Merriam Pointe. Two more auto dealerships have recently relocated to the City. Kia Motors and Hendrick Nissan will occupy property vacated by other dealerships along Shawnee Mission Parkway.

Shawnee Mission Medical Center has tentative plans to remodel and upgrade facilities on their 54-acre campus located at 75th Street and Interstate-35. They will invest an estimated \$50 million for improvements to the wound care unit and the original hospital tower.

New single-family homes are available in the Timber Ridge subdivision, Construction has commenced or is complete on fifteen of forty-one lots.

IKEA Property Inc. will build a 360,000 square foot home furnishings store in the Merriam Village project area located at Johnson Drive and Interstate-35. IKEA stores are "destination-retail stores" attracting shoppers from throughout the region. The store will employ approximately 350 workers. Groundbreaking is expected summer 2013 with completion in fall 2014. Vacant parcels adjacent to the project should see development as a result.

Total employment in Merriam is estimated at 13,800 jobs. The County unemployment rate for 2012 is 5.0%, with an average of approximately 4.9% 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: The City of Merriam prepares five-year financial projections of its capital improvement program (CIP). The CIP includes stormwater drainage improvements for Shawnee Creek and Meyer Creek, replacement of the Johnson Dr. bridge over Turkey Creek, street improvements for Residential Group IV and 75th Street. The 2014-2018 CIP includes an estimated \$32 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.

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, 2012, General Fund reserves exceed requirements with 44.0% 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 7.7% 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

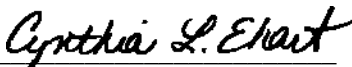
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Merriam for its comprehensive annual financial report for the fiscal year ended December 31, 2011. This was the nineteenth consecutive 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.

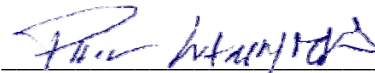
The City is also the recipient of the GFOA’s Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning January 1, 2013. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as a financial 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

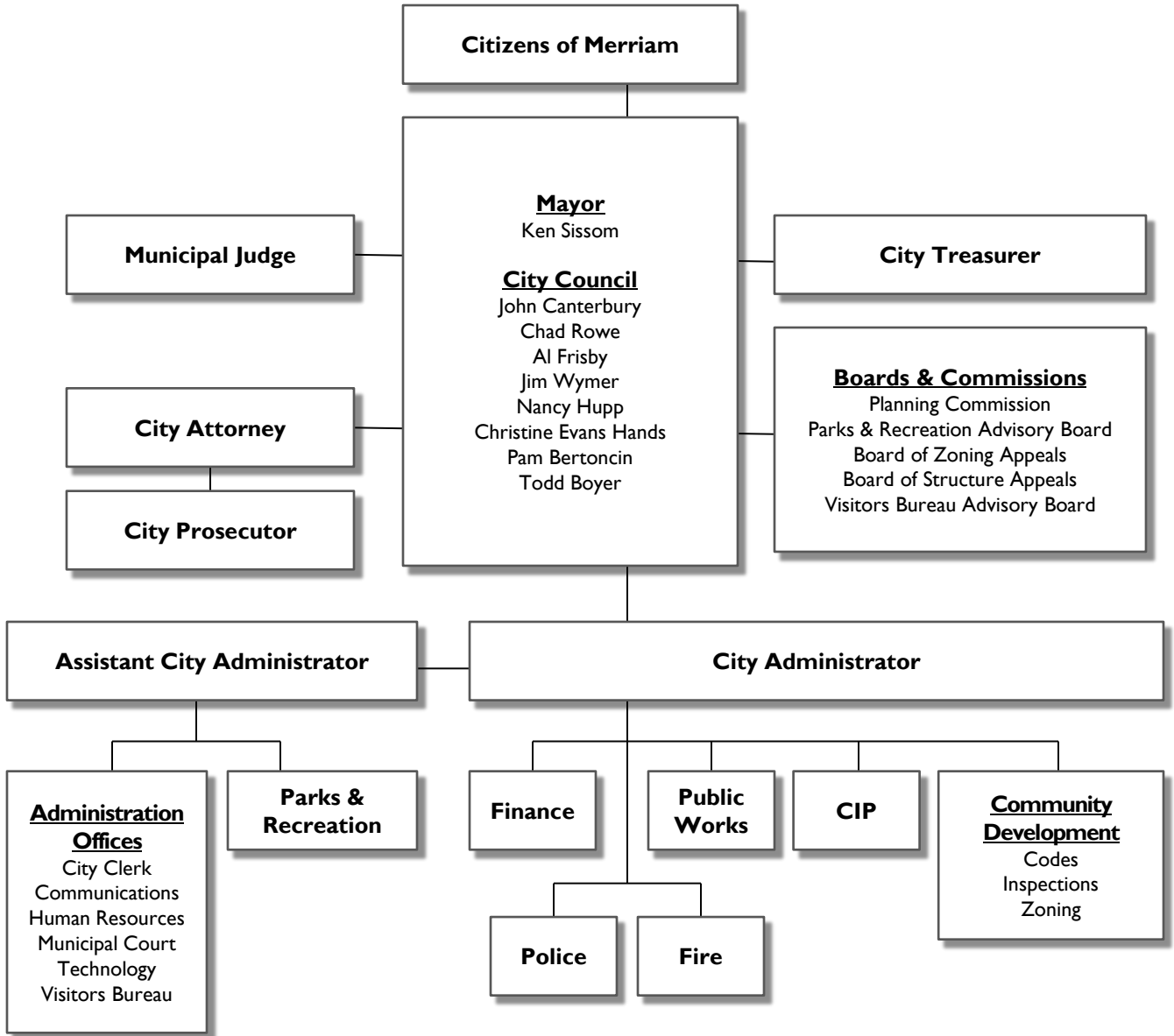


Phil Lammers
City Administrator



City Organizational Chart

"To serve the public with transparent government focused on progress."



PRINCIPAL OFFICIALS

MAYOR AND CITY COUNCIL	LENGTH OF SERVICE	TERM EXPIRES	POSITION
Ken Sissom	4 Years	2017	Mayor
John Canterbury	2 Years	2015	Ward 1
Chad Rowe	8 Years	2017	Ward 1
Al Frisby	2 Year	2015	Ward 2
Jim Wymer	4 Years	2017	Ward 2
Nancy Hupp	10 Years	2015	Ward 3
Christine Evans Hands	8 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	5	33
Chris Engel	Assistant City Administrator	<1	7
Bob Pape	Fire Chief	36	36
Tim Burnett	Police Chief	31	31
Randy Carroll	Public Works Director	31	31
Michelle Daise	City Attorney	13	16
Juli Pinnick	City Clerk	9	15
Cynthia Ehart	Finance Director / City Treasurer	9	9
Bryan Dyer	Community Development Director	5	13
Hye Jin Lee	City Engineer	4	12
Anna Slocum	Parks & Recreation Director	<1	11

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moivell
President

Jeffrey R. Emer
Executive Director

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council Members
City of Merriam, Kansas

Report on the Financial Statements

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, 2012, 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, 2012, 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.

Emphasis of Matter

As discussed in Note III. C. to the financial statements, the financial statements for governmental activities as of January 1, 2012 have been restated to correct a misstatement, and due to a change in how the City is accounting for tax increment contractual obligations. Our opinion is not modified with respect to these matters.

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

June 12, 2013
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, 2012. 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 \$95,749,529 (net position).
- Beginning net position increased by \$13,526,237 due to two prior period adjustments. The adjustments are explained in Note III. C.
- The City's total net position (after prior period adjustments) increased during this fiscal year by \$3,535,949. Special assessment accounts receivable net of related debt increased the net position restricted for debt service due to the partial refunding of the Series 2008 general obligation bond for special assessments. Additionally, reductions to non-capital related tax increment revenue bonds increased unrestricted net position.
- At the close of 2012, the City's governmental funds reported combined ending fund balances of \$17,756,189, an increase of \$1,315,444 over the prior year. This was due to greater than expected sales tax and transient guest tax collections and lower than expected costs for the Residential Street Group III project.
- At the close of 2012, unassigned fund balance for the General Fund was \$5,484,318, or 39.1% of revenues for the fund. An additional \$971,062, or 6.91% of revenue, was assigned for Risk Management purposes.
- The City's total general obligation debt decreased by \$2,615,000 (19.9%) during 2012 due to repayment of outstanding debt. During the year, the City issued \$7,300,000 in general obligations bonds to refund outstanding general obligation issues, including special assessment debt.
- The City's tax increment revenue bonds decreased by \$1,276,886 (34.7%) during 2012 due to repayment of outstanding debt
- In 2012, the City implemented GASB No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position as explained in Note I. 6.

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 2012.

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	
	2012	2011
Current and other assets	\$ 27,227,881	\$ 25,957,586
Capital assets	89,381,905	90,636,540
Total assets	116,609,786	116,594,126
Long-term liabilities	13,716,046	17,433,556
Other liabilities	7,144,211	6,946,989
Total liabilities	20,860,257	24,380,545
Net assets:		
Net investment in capital assets	79,354,128	80,022,605
Restricted	7,878,514	5,545,039
Unrestricted	8,516,887	6,645,936
Total net position	<u>\$ 95,749,529</u>	<u>\$ 92,213,580</u>

Analysis of Net Assets

As previously mentioned, net position may serve as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$95,749,529 at the close of 2012.

The largest portion of the City's net position reflects its investment of \$79,354,128 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 \$7,878,514 of the City's net position represents resources that are subject to external restrictions on how they may be used. Net position includes \$3,092,291 restricted for capital projects using the City's special ¼-cent sales taxes; \$2,732,547 restricted per state statute for community development inside the City's TIF districts; and \$1,647,251 restricted for debt service.

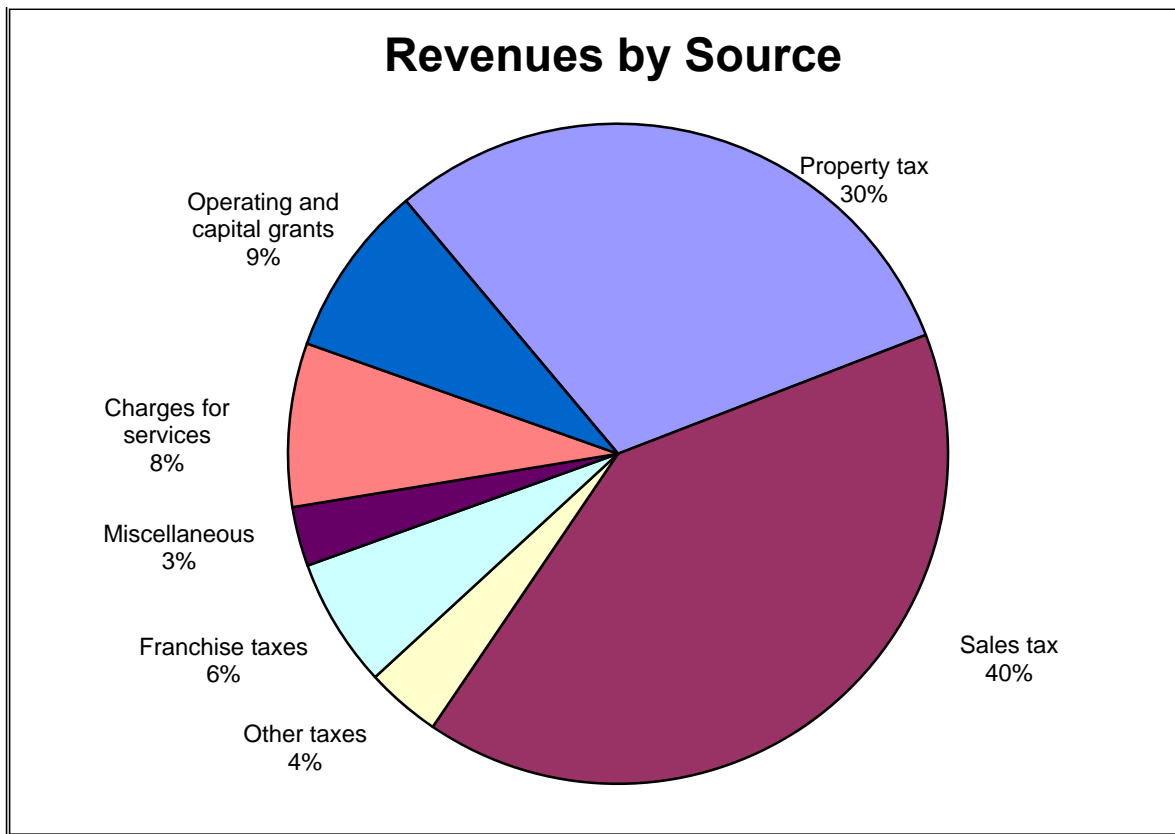
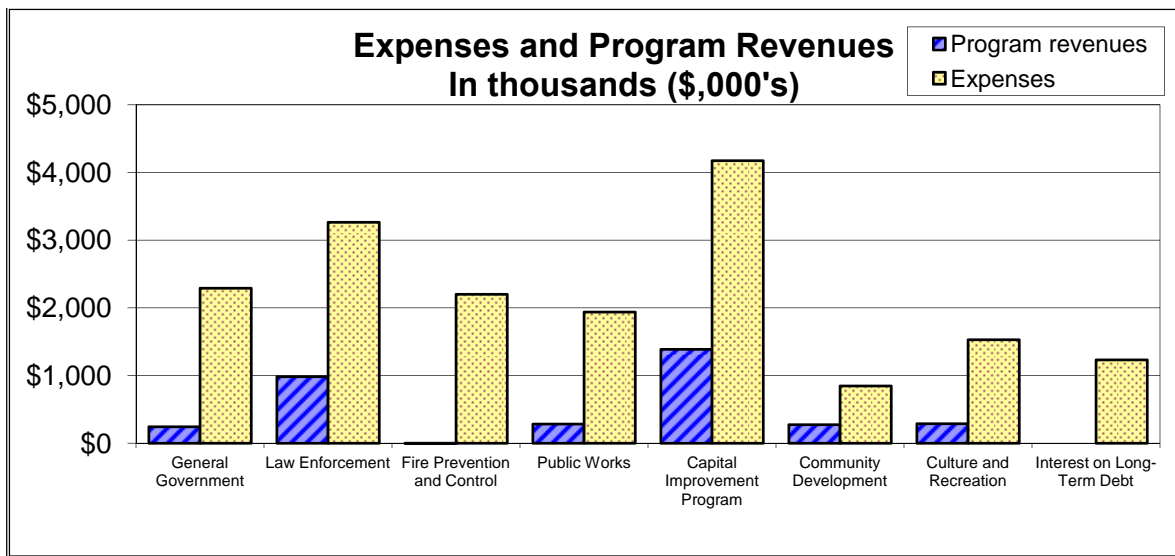
Unrestricted net position totals \$8,516,887.

Condensed Statement of Changes in Net Position		
	Governmental Activities	
	2012	2011
Revenues:		
Program revenues:		
Charges for services	\$ 1,685,945	\$ 1,735,800
Operating grants and contributions	336,134	321,568
Capital grants and contributions	1,445,139	1,515,293
General revenues:		
Property taxes	6,363,963	6,659,465
Sales taxes	8,489,250	7,795,664
Other taxes	774,227	780,888
Franchise taxes	1,331,702	1,381,109
Miscellaneous	612,495	568,202
Total revenues	<u>21,038,855</u>	<u>20,757,989</u>
Expenses:		
General government	2,290,748	2,077,925
Law enforcement	3,263,923	3,343,059
Fire prevention and control	2,201,176	2,130,222
Public works	1,937,502	1,962,925
Capital improvement program	4,174,359	3,762,187
Community development	846,621	798,562
Health and welfare	24,698	24,123
Culture and recreation	1,530,436	1,461,193
Interest on long-term debt	1,233,443	968,509
Total expenses	<u>17,502,906</u>	<u>16,528,705</u>
Increase in net position	<u>3,535,949</u>	<u>4,229,284</u>
Net position - beginning of year	92,213,580	87,984,296
Net position - end of year	<u>\$ 95,749,529</u>	<u>\$ 92,213,580</u>

Analysis of Changes in Net Position

The City's net position increased during the fiscal year by a total of \$3,535,949 including these changes:

- Unrestricted net position increased by \$1,870,952 due to the reduction of non-capital related TIF revenue bonds for the Merriam Town Center project.
- Net position restricted for debt service increased by \$1,647,251 due to refunding of special assessment debt for the Merriam Pointe project. The related special assessment account receivable is restricted for debt service.
- Net investment in capital assets decreased by \$668,476 primarily due to depreciation exceeding capital assets additions. Reduction in general obligation debt associated with capital assets offset the overall decrease.
- Net position restricted for capital projects increased by \$387,039 primarily due to increased collections of the ¼ City sales tax restricted for construction of street and stormwater projects.



The charts above page illustrate Merriam's governmental expenses and program revenues by function, and revenues by source. The Capital Improvement Program represents the largest portion of 2012 expenses, followed by Law Enforcement. Operating and capital grants and contributions for 2012 were for largely for county revenues and cost sharing contributions received for stormwater projects. Capital improvement program expenditures increased due to non-capital street and stormwater repairs. Interest on long-term debt increased due to an increase in tax increment financing payments.

For governmental activities overall, sales taxes are the largest source of revenue (40.3%) followed by property taxes (30.2%). Property taxes declined due to reductions in property assessments while

sales tax revenues increased due to significantly improved collections. 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 2012, the City's governmental funds reported combined ending fund balances of \$17,756,189 including \$6,876,797 restricted by external requirements and laws, \$981,483 committed to future capital equipment purchases, \$4,413,591 assigned to capital projects, risk management or other uses, and \$5,484,318 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 2012, total fund balance of the General Fund was \$6,470,451. The fund balance increased by \$359,577 during the fiscal year due to higher than expected sales tax collections. Transfers to the Capital Improvement Fund also increased due to higher than expected sales tax collections in accordance with City Council policy.

Capital Improvement Fund had an increase in fund balance of \$699,417 due to lower than budgeted costs for the Residential Street Group III project and higher than expected sales tax collections.

General Obligation Fund increased by \$39,001 due to reduced debt service requirements following the advance refunding for portions of three general obligation bond issues to reduce interest expense.

The I-35 TIF District Fund increased by \$143,776 due to reduced transfers to the Capital Improvement Fund supporting general obligation debt service for the District. Reduced ad valorem and TIF replacement tax collections during the year offset the overall increase.

Merriam Town Center TIF Fund decreased by \$107,137 due to reduced ad valorem and TIF replacement tax collections during the year

Other Governmental Funds increased overall by \$180,810. Transient Guest Tax Fund received better-than-expected collections of Transient Guest taxes and Equipment Reserve Fund received transfers in excess of scheduled equipment replacements resulting in increases. Special Highway Fund completed a street overlay project that reduced its fund balance.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's budget was not amended during 2012; therefore, the original budget and the final budget are the same.

Variiances between the final budget and actual amounts are not expected to impact either liquidity or future services. Sales tax collections were significantly better than budgeted for 2012. 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 each year. Some variances occur due to budgeting for a full staff but actually having vacancies in some positions during the year. The budget for personal services includes various estimates for benefit rates including medical insurance and workers compensation, which vary from actual rates.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, was \$89,381,906 as of December 31, 2012. These capital assets include land, buildings, improvements, equipment, drainage improvements, streets, bridges, streetlights, and traffic signals.

Capital Assets (net of depreciation)		
	Governmental Activities	
	2012	2011
Land	\$ 13,012,081	\$ 12,807,709
Artwork	24,000	24,000
Construction in progress	332,356	255,018
Buildings	8,468,440	8,819,764
Improvements other than buildings	2,399,789	2,486,042
Equipment	3,192,673	3,014,139
Infrastructure	61,952,566	63,229,868
Total	<u>\$ 89,381,905</u>	<u>\$ 90,636,540</u>

Infrastructure additions for 2012 include the completion of the Residential Street Group III, 56th Terrace to 54th Terrace drainage improvement, and the public works service bridge over Quail Creek. 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, 2012 the City had total long-term bonds outstanding of \$12,924,394. This amount included \$10,525,000 of general obligation bonds backed by the full faith and credit of the City plus \$2,399,394 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.

In 2012, the City issued \$7,300,000 to advance refund portions of Series 2004, 2005, and 2008 general obligation bonds. The City refunded the bonds to reduce total interest expense over the next ten years.

Total long-term bonds payable decreased by \$3,891,886 during the fiscal year due to the refunding and 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 a governmental entity to 30% of its total assessed valuation. The current debt limitation for the City is \$47,476,790.

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	
	2012	2011
General obligation bonds	\$ 10,525,000	\$ 13,140,000
Tax increment revenue bonds	-	975,450
Subordinate special obligation tax increment revenue bonds	2,399,394	2,700,830
Total	<u>\$ 12,924,394</u>	<u>\$ 16,816,280</u>

Economic Factors

City Sales Tax collections increased 11% in 2012 and the positive trend has continued into the early months of 2013. Improved sales for Merriam's auto dealerships have been an important contributor including the addition of new and expanded dealerships. With the highest sales tax pull factor in Kansas, Merriam continues to serve a customer base of over 3 times its population.

Overall real estate assessments declined again in 2012, by .9%, as adjustments in the market continued. However, construction activity was strong and commercial property values will increase as projects are completed.

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

- **IKEA Merriam:** In November 2012, the City entered into a redevelopment agreement with IKEA Property Inc. to provide \$19.9 million in sales and property tax incentives for construction of a 360,000 square foot home furnishings store. IKEA stores are "destination-retail stores" attracting shoppers from throughout the region. Currently the nearest IKEA is in Colorado. Construction is expected to commence summer 2013 with completion by fall 2014.
- **Merriam Village:** The City entered into a redevelopment agreement in March 2005 with DDR Merriam Village, LLC to redevelop 34 acres at the southeast corner of Johnson Drive and I-35. The City has committed to provide future property tax increments. DDR relinquished its rights and obligations for the portion of the project area sold to IKEA (above). DDR still owns 17 acres but plans for future development have not been announced.
- **Merriam Pointe:** In September 2004, the City entered into a redevelopment agreement with Merriam Pointe, LLC to redevelop a 35-acre parcel at the southwest corner of 67th Street and I-35. The City has committed to provide future property tax increments to developers, Merriam Investors, LLC and Hendrick Automotive Group. The development contains two completed auto dealerships with two additional dealerships expected to open summer 2013.

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, 6200 Eby Street, Merriam, KS 66202.

BASIC
FINANCIAL STATEMENTS

City of Merriam, Kansas
Statement of Net Position
December 31, 2012

	Governmental Activities
Assets	
Cash, including investments	\$ 16,627,620
Receivables (net of allowance for uncollectibles):	
Property taxes	6,094,931
Sales and other taxes	1,851,995
Intergovernmental	251,766
Special assessments - current	340,000
Interest and other	58,664
Special assessments - noncurrent	1,910,000
Cost of issuance, net of amortization	92,905
Capital assets:	
Land and construction in progress	13,368,437
Other capital assets, net of depreciation	76,013,468
Total assets	116,609,786
Liabilities	
Accounts payable	831,505
Accrued payroll	150,031
Interest payable	55,074
Unearned revenue	6,107,601
Long-term liabilities:	
Due within one year	4,009,211
Due in more than one year	9,706,835
Total liabilities	20,860,257
Net Position	
Net investment in capital assets	79,354,128
Restricted for:	
Capital projects	3,092,291
Community development	2,732,547
Culture and recreation	353,432
Debt service	1,647,251
Other purposes	52,993
Unrestricted	8,516,887
Total net position	\$ 95,749,529

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, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Total Governmental Activities
Governmental activities:					
General government	\$ 2,290,748	\$ 188,054	\$ -	\$ 55,518	\$ (2,047,176)
Law enforcement	3,263,923	957,692	26,333	-	(2,279,898)
Fire prevention and control	2,201,176	730	-	-	(2,200,446)
Public works	1,937,502	-	285,026	-	(1,652,476)
Capital improvement program	4,174,359	-	-	1,389,621	(2,784,738)
Community development	846,621	276,028	-	-	(570,593)
Health and welfare	24,698	-	-	-	(24,698)
Culture and recreation	1,530,436	263,441	24,775	-	(1,242,220)
Interest on long-term debt	1,233,443	-	-	-	(1,233,443)
Total primary government	<u>\$ 17,502,906</u>	<u>\$ 1,685,945</u>	<u>\$ 336,134</u>	<u>\$ 1,445,139</u>	<u>(14,035,688)</u>
General revenues:					
Taxes:					
Property taxes levied for:					
					3,385,307
					320,044
					2,658,612
					8,489,250
					417,878
					1,331,702
					356,349
					24,775
					168,447
					419,273
					<u>17,571,637</u>
					3,535,949
Net position-beginning					78,687,343
Prior period adjustments					13,526,237
Net position-ending					<u>\$ 95,749,529</u>

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

City of Merriam, Kansas

Balance Sheet

Governmental Funds

December 31, 2012

	General	Capital Improvement	General Obligation Bonds	Merriam Town Center TIF	I-35 District TIF	Nonmajor Governmental Funds	Total Governmental Funds
Assets:							
Cash, including investments	\$ 5,454,322	\$ 6,168,632	\$ 110,424	\$ 677,007	\$ 2,835,224	\$ 1,382,011	\$ 16,627,620
Receivables (net of allowance for uncollectibles)							
Property taxes	3,034,390	-	286,759	1,018,666	1,755,116	-	6,094,931
Sales and other taxes	1,495,417	220,615	-	-	-	135,963	1,851,995
Intergovernmental	-	173,084	-	-	-	78,682	251,766
Interest and other	11,319	4,076	-	-	2,926	693	19,014
Special assessments	-	-	2,250,000	-	-	-	2,250,000
Due from other funds	-	97,854	-	-	-	-	97,854
Total Assets	<u>\$ 9,995,448</u>	<u>\$ 6,664,261</u>	<u>\$ 2,647,183</u>	<u>\$ 1,695,673</u>	<u>\$ 4,593,266</u>	<u>\$ 1,597,349</u>	<u>\$ 27,193,180</u>
Liabilities and Fund Balances:							
Liabilities:							
Accounts and retainage payable	\$ 231,808	\$ 325,466	\$ -	\$ 123,087	\$ 105,603	\$ 45,541	\$ 831,505
Accrued payroll and related liabilities	148,275	-	-	-	-	1,756	150,031
Deferred revenue	3,047,060	-	2,536,759	1,018,666	1,755,116	-	8,357,601
Due to other funds	97,854	-	-	-	-	-	97,854
Total Liabilities	<u>3,524,997</u>	<u>325,466</u>	<u>2,536,759</u>	<u>1,141,753</u>	<u>1,860,719</u>	<u>47,297</u>	<u>9,436,991</u>
Fund Balances:							
Restricted	-	2,911,337	110,424	553,920	2,732,547	568,569	6,876,797
Committed	-	-	-	-	-	981,483	981,483
Assigned	986,133	3,427,458	-	-	-	-	4,413,591
Unassigned	5,484,318	-	-	-	-	-	5,484,318
Total fund balances	<u>6,470,451</u>	<u>6,338,795</u>	<u>110,424</u>	<u>553,920</u>	<u>2,732,547</u>	<u>1,550,052</u>	<u>17,756,189</u>
Total liabilities and fund balances	<u>\$ 9,995,448</u>	<u>\$ 6,664,261</u>	<u>\$ 2,647,183</u>	<u>\$ 1,695,673</u>	<u>\$ 4,593,266</u>	<u>\$ 1,597,349</u>	<u>\$ 27,193,180</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, 2012

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

Total fund balance -- governmental funds		\$ 17,756,189
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	\$ 146,991,276	
Accumulated Depreciation	<u>(57,609,371)</u>	89,381,905
Long-term assets are not available to pay for current period expenditures and are therefore deferred in the fund statements		
		2,289,650
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	(9,830,000)	
Premium on Bonds Payable	(236,433)	
Deferred Refunding on Bonds Payable.	35,906	
Accrued Interest Payable on the Bonds	(55,074)	
Special Assessments	(695,000)	
Tax Increment Revenue Bond	(2,399,394)	
Compensated Absences	(566,438)	
Other Post Employment Obligations	(19,687)	
Claims and Judgments	<u>(5,000)</u>	(13,771,120)
Cost of issuing debt is not a financial resource and, therefore, is not reported in the funds		
		<u>92,905</u>
Total net position -- governmental activities		<u><u>\$ 95,749,529</u></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, 2012

	General	Capital Improvement	General Obligation Bonds	Merriam Town Center TIF	I-35 District TIF	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Ad valorem taxes	\$ 3,385,307	\$ -	\$ 320,044	\$ 1,150,248	\$ 1,508,364	\$ -	\$ 6,363,963
Tax increment financing replacement taxes	-	-	-	145,541	210,808	-	356,349
Special assessments	-	-	420,850	-	-	-	420,850
Sales tax	7,225,966	1,263,284	-	-	-	-	8,489,250
Transient guest tax	-	-	-	-	-	417,878	417,878
Intergovernmental	80,293	401,227	-	-	-	336,134	817,654
Licenses, permits and fees	464,082	-	-	-	-	-	464,082
Franchise taxes	1,331,702	-	-	-	-	-	1,331,702
Charges for services	235,007	-	-	-	-	39,462	274,469
Fines, forfeitures and penalties	935,450	-	-	-	-	11,944	947,394
Earnings on investments	16,282	37,454	4,100	-	15,352	4,408	77,596
Other	362,008	327	-	-	671	116,202	479,208
Total revenues	14,036,097	1,702,292	744,994	1,295,789	1,735,195	926,028	20,440,395
Expenditures:							
Current:							
General government	2,011,725	-	-	1,134	7,628	179,329	2,199,816
Law enforcement	3,147,930	-	-	-	-	79,673	3,227,603
Fire prevention and control	2,095,096	-	-	-	-	56,170	2,151,266
Public works	1,804,220	-	-	-	-	488,114	2,292,334
Capital improvement program	-	41,277	-	-	-	-	41,277
Community development	709,967	-	-	-	-	143,009	852,976
Health and welfare	24,698	-	-	-	-	-	24,698
Culture and recreation	952,926	-	-	-	-	276,859	1,229,785
Capital outlay	-	1,988,064	-	-	159,861	-	2,147,925
Debt service:							
Principal retirement	-	-	2,800,000	1,276,886	-	-	4,076,886
Interest and other	-	-	371,059	124,906	430,690	-	926,655
Bond issuance costs	-	-	82,116	-	-	-	82,116
Total expenditures	10,746,562	2,029,341	3,253,175	1,402,926	598,179	1,223,154	19,253,337
Excess (deficiency) of revenues over (under) expenditures	3,289,535	(327,049)	(2,508,181)	(107,137)	1,137,016	(297,126)	1,187,058
Other financing sources (uses):							
Refunding bonds issued	-	-	7,300,000	-	-	-	7,300,000
Premium on refunding bonds issued	-	-	227,343	-	-	-	227,343
Payment to refunded bond escrow agent	-	-	(7,444,237)	-	-	-	(7,444,237)
Sale of property	-	-	-	-	-	45,280	45,280
Transfers in	90,000	3,490,542	2,464,076	-	-	450,000	6,494,618
Transfers out	(3,019,958)	(2,464,076)	-	-	(993,240)	(17,344)	(6,494,618)
Total other financing sources (uses)	(2,929,958)	1,026,466	2,547,182	-	(993,240)	477,936	128,386
Net change in fund balances	359,577	699,417	39,001	(107,137)	143,776	180,810	1,315,444
Fund balances at beginning of year	6,110,874	5,639,378	71,423	661,057	2,588,771	1,369,242	16,440,745
Fund balances at end of year	\$ 6,470,451	\$ 6,338,795	\$ 110,424	\$ 553,920	\$ 2,732,547	\$ 1,550,052	\$ 17,756,189

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, 2012

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

Net change in fund balances -- total governmental funds	\$	1,315,444
<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		(4,505,091)
Capital assets capitalized	2,840,475	(1,664,616)
<p>Contributions of capital assets are reported as capital contributions in statement of activities</p>		
		515,196
<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>		
		(105,215)
<p>Revenues reported in the funds that do not provide current financial resources are reported as revenues in the statement of activities</p>		
		(330,000)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.</p>		
		(7,300,000)
<p>Deferred refunding on bonds payable decrease the current financial resources to governmental funds but do not decrease long-term liabilities in the statement of net position.</p>		
		21,601
<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>		
		69,622
<p>Governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position.</p>		
		(227,343)
<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	2,470,000	
Special assesment bonds	330,000	
Payment to escrow	7,115,000	
Tax increment revenue bonds	1,276,886	11,191,886
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.</p>		
		51,356
<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 paid were less than benefits earned		(11,234)
<p>In the statement of activities, an asset is incurred for the cost of bond issuance, whereas in governmental funds, the cost of bond issuance expenditure is reported when paid.</p>		
		19,335
<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>		
		(10,083)
Change in net position of governmental activities	\$	3,535,949

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

(This page left blank intentionally)

**NOTES TO THE
BASIC
FINANCIAL STATEMENTS**

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

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 11,003, 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, 2012

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 assets are 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, storm water, 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, 2012

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 records 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

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

fair value. Investments carried at amortized cost consist of \$1,169,879 of United States Treasury Bills. Other investments are reported at fair value based on quoted market prices.

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 deferred revenues 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, 2012. 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, 2012, 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 deferred revenue in the fund financial statements.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. 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

4. 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 \$389,127 for vacation leave at December 31, 2012 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 employees are compensated up to 30% of the accumulated balance. The liability of \$177,311 for sick leave at December 31, 2012 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.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. *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 reported as deferred charges and amortized over the term of the related debt.

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

6. *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 a resolution 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. Encumbrances are considered as assigned unless they specifically meet the requirements to be restricted or committed.
- (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.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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%.

Effective January 1, 2012, the City implemented the provisions of GASB No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position. GASB 63 provides guidance for reporting deferred outflows and deferred inflows of resources. A deferred outflow of resources is the consumption of net assets that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net assets applicable to a future reporting period. The City does not have any financial statement balances under current generally accepted accounting principles that meet the definition of a deferred outflow or a deferred inflow. As such, other than replacing the term "net assets" with the term "net position," the adoption of this standard had no impact on the City's financial statements.

7. *Net Position*

Net position represents the difference between assets and liabilities. *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.

8. *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.

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.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

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 2012.

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: Special Law Enforcement, Merriam Town Center TIF and I-35 District TIF.

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.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

At December 31, 2012, 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, 2012, 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 - 34%, Federal Home Loan Mortgage Corporation - 12%, and Federal Farm Credit Bank - 37%.

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.

As of December 31, 2012, 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	\$ 1,169,879	\$ 1,169,879	\$ --	-
U.S. Government agencies	5,932,281	3,519,782	2,412,499	AA+
Total	<u>\$ 7,102,160</u>	<u>\$ 4,689,661</u>	<u>\$ 2,412,499</u>	

Deposits and investments at December 31, 2012 appear in the financial statements as summarized below:

Carrying amount of deposits	\$ 9,525,460
Carrying amount of investments	<u>7,102,160</u>
Total	<u>\$ 16,627,620</u>

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

B. Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance January 1, 2012	Increases	Decreases	Balance December 31, 2012
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 12,807,709	\$ 204,372	\$ --	\$ 13,012,081
Artwork	24,000	--	--	24,000
Construction in progress	255,018	2,208,284	2,130,946	332,356
Total capital assets, not being depreciated	<u>13,086,727</u>	<u>2,412,656</u>	<u>2,130,946</u>	<u>13,368,437</u>
Capital assets, being depreciated:				
Buildings	12,989,976	--	--	12,989,976
Improvements other than buildings	4,560,380	141,810	--	4,702,190
Equipment	6,268,649	621,679	261,603	6,628,725
Infrastructure	107,272,354	2,310,472	280,878	109,301,948
Total capital assets being depreciated	<u>131,091,359</u>	<u>3,073,961</u>	<u>542,481</u>	<u>133,622,839</u>
Less accumulated depreciation for:				
Buildings	4,170,212	351,324	--	4,521,536
Improvements other than buildings	2,074,338	228,063	--	2,302,401
Equipment	3,254,510	416,331	234,789	3,436,052
Infrastructure	44,042,486	3,509,373	202,477	47,349,382
Total accumulated depreciation	<u>53,541,546</u>	<u>4,505,091</u>	<u>437,266</u>	<u>57,609,371</u>
Total capital assets, being depreciated, net	<u>77,549,813</u>			<u>76,013,468</u>
Governmental activities capital assets, net	<u>\$ 90,636,540</u>	<u>\$ 981,526</u>	<u>\$ 2,236,161</u>	<u>\$ 89,381,905</u>

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

Governmental activities:	
General government	\$ 146,705
Law enforcement	170,882
Fire prevention and control	113,290
Public works	153,836
Capital improvement program	3,519,827
Community development	75,313
Culture and recreation	325,238
Total depreciation expense	<u>\$ 4,505,091</u>

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

C. Long-Term Debt

Long-term liability activity for the year ended December 31, 2012 was as follows:

	Balance December 31, 2011	Prior Period Adjustment	Additions	Reductions	Balance December 31, 2012	Due within one year
General obligation bonds	\$ 10,560,000	\$ --	\$ 7,300,000	\$ 8,030,000	\$ 9,830,000	\$ 2,575,000
Special assessment debt with government commitment	2,580,000	--	--	1,885,000	695,000	340,000
Tax increment revenue bond	975,450	--	--	975,450	--	--
Subordinate special obligation tax increment revenue bond	5,113,522	(2,412,691)	--	301,436	2,399,395	631,295
Tax increment contractual liabilities	11,113,546	(11,113,546)	--	--	--	--
Premium on bonds	78,711	--	227,343	69,622	236,432	51,163
Deferred refunding	(14,305)	--	(33,758)	(12,157)	(35,906)	(8,972)
Claims and judgments	5,000	--	18,299	18,299	5,000	5,000
Compensated absences	538,266	--	416,762	388,590	566,438	415,725
Net OPEB obligation	9,604	--	10,083	--	19,687	--
Total	\$ 30,959,794	\$ (13,526,237)	\$ 7,938,729	\$ 11,656,240	\$ 13,716,046	\$ 4,009,211

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, 2012 are as follows:

	Date issued	Interest Rates	Original Amount	Maturity Date	Outstanding December 31, 2012
Internal improvements:					
Series 2005	11/15/05	3.55-5.0%	\$ 5,900,000	10/01/23	\$ 635,000
Series 2008	09/15/08	3.25-3.75%	3,500,000	10/01/18	695,000
Series 2010	07/01/10	2.00%	3,585,000	10/01/13	1,895,000
Series 2012	03/01/12	1.25-2.00%	7,300,000	10/01/23	7,300,000
			<u>\$ 20,285,000</u>		<u>\$ 10,525,000</u>

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

The annual debt service requirements to amortize the general obligation bonds outstanding as of December 31, 2012 are as follows:

Year	Governmental		Special Assessment		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 2,575,000	\$ 196,860	\$ 340,000	\$ 23,438	\$ 2,915,000	\$ 220,298
2014	1,325,000	135,910	355,000	11,537	1,680,000	147,447
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 - 2022	2,945,000	193,850	--	--	2,945,000	193,850
2023	595,000	11,900	--	--	595,000	11,900
Total	\$ 9,830,000	\$ 805,370	\$ 695,000	\$ 34,975	\$10,525,000	\$ 840,345

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.

On March 1, 2012, the City issued \$7,300,000 General Obligation Bonds, Series 2012 with interest rates ranging from 1.5%-2%. The proceeds were used to advance refund \$7,115,000 of outstanding Series 2004, and partially advance refund Series 2005 and 2008, which had interest rates ranging from 3.4%-3.95%. The net proceeds of \$7,444,237 (including a \$227,343 premium and after payment of \$82,116 in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded bonds. As a result, \$1,280,000 of Series 2004, \$4,280,000 of Series 2005 and \$1,555,000 of Series 2008 bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The City refunded these bonds to reduce total debt payments over the next 10 years by \$705,021. The economic gain (difference between the present value of the old and new debt service payments) is \$666,484.

Tax Increment Revenue Bonds

On March 27, 1995 the City established a redevelopment district for the purpose of financing redevelopment projects in blighted areas within the City. Kansas statutes provide for the establishment of these districts to encourage and promote development in blighted areas and enterprise zones and limit the use of the bond proceeds to finance the costs that the City would be eligible to incur, primarily land acquisition and infrastructure improvements.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

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 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, 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.

Prior period adjustment - The Trust Indenture provides that on the date that the Bonds have been paid in full, the amount of the positive cumulative net amount payments shall be credited to the payment of principal of the Subordinate Bonds. From March 2002 through December 2011 the City paid excess tax increment finance revenues for a total of \$2,412,691, which was applied to the subordinate debt principal in 2012.

This resulted in an adjustment to beginning net position for Governmental Activities on the Statement of Net Position. The impact on this adjustment was an increase in the City's net position as of January 1, 2012 for \$2,412,691, and a corresponding decrease to the liability recorded for the subordinate special obligation tax increment revenue bond.

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.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

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 2012, principal and interest paid and incremental tax revenues were \$1,279,839 and \$832,852, respectively.

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 360,000 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, 2012.

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, 2012, \$57,349 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.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

The portion of the tax increments used to reimburse these private entities in 2012 is recorded as interest and other expenditures in the I-35 District Tax Increment Financing Fund.

Summary - The City has pledged 100% of the incremental increase in ad valorem tax revenues less and 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, 2012:

Merriam Village Project	\$ 1,176,949
Merriam Pointe Project	6,210,437
Others	<u>2,468,648</u>
Total	<u>\$ 9,856,034</u>

Prior Period Adjustment - In 2012, management of the City evaluated the recording of certain tax increment contractual obligations. These obligations represent developer project costs that have been certified as eligible for reimbursement from the incremental taxes attributable to certain projects that are located in tax increment financing districts. The City is only obligated to pay the amounts of incremental taxes received attributable to the projects; any deficiencies are the responsibility of the developer. Management has determined that a change in methodology is necessary to improve the financial reporting of these transactions. Under this methodology, obligations are incurred only as the pledged revenue is recognized. Under the prior methodology, a liability was recorded when the projects costs were certified as eligible for reimbursement.

This change in methodology results in an adjustment to beginning net position for Governmental Activities on the Statement of Net Position. The impact of this adjustment was an increase in the City's net position as of January 1, 2012 for \$11,113,546, and a corresponding decrease to the liability recorded for reimbursable developer's costs.

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 \$47,476,790, leaving a debt margin of \$46,146,790.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

III. DETAILED NOTES ON ALL ACTIVITIES AND 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, 2012 is as follows:

	Transfer to:				
	General	Capital Improvement	General Obligation Bond	Nonmajor Governmental	Total
Transfer from:					
General fund	\$ --	\$ 2,569,958	\$ --	\$ 450,000	\$ 3,019,958
Capital Improvement fund	--	--	2,464,076	--	2,464,076
I-35 District TIF fund	90,000	903,240	--	--	993,240
Nonmajor Governmental fund	--	17,344	--	--	17,344
Total	\$ 90,000	\$ 3,490,542	\$ 2,464,076	\$ 450,000	\$ 6,494,618

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
Restricted for:							
Debt service	\$ --	\$ --	\$ 110,424	\$ --	\$ --	\$ --	\$ 110,424
Public safety	--	--	--	--	--	43,929	43,929
Capital projects	--	2,911,337	--	--	--	162,144	3,073,481
Community development	--	--	--	2,732,547	553,920	353,432	3,639,899
Parks and recreation	--	--	--	--	--	9,064	9,064
Committed to:							
Capital equipment	--	--	--	--	--	981,483	981,483
Assigned to:							
Capital projects	--	3,427,458	--	--	--	--	3,427,458
Risk management	971,061	--	--	--	--	--	971,061
General government	15,072	--	--	--	--	--	15,072
Unassigned	5,484,318	--	--	--	--	--	5,484,318
Total	\$ 6,470,451	\$ 6,338,795	\$ 110,424	\$ 2,732,547	\$ 553,920	\$ 1,550,052	\$ 17,756,189

Encumbrances included in the amounts above are \$15,072 in the General Fund.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

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, 2012, 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>2012</u>	<u>2011</u>
Beginning liability	\$ 5,000	\$ 5,000
Claims and changed in estimates	18,299	9,958
Claim payments	<u>(18,299)</u>	<u>(9,958)</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 and Encumbrances

As of December 31, 2012, the City has outstanding construction commitments for street and storm water engineering which are authorized for \$913,375 of which \$303,005 has been expended.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

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 2012 was 8.34% from January 1 to March 31, 7.34% from April 1 to June 30, and 8.34% from July 1 to December 31. The City's contributions to KPERs for the years ending December 31, 2012, 2011, and 2010 were \$200,709, \$182,835, and \$169,285, respectively, equal to the statutory required contributions for each year. The KP&F uniform participating employer rate established for fiscal years beginning in 2012 is 16.54%. 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, 2012, 2011, and 2010 were \$530,352, \$473,414, and \$410,985, 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 2012 were 0% to 3% for employees, with a City matching range of 1.11% to 8.20%. In 2012, covered payroll was \$2,378,607. The contributions by the City and employees for 2012 were \$175,395 and \$63,093, respectively.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

IV. OTHER INFORMATION (CONTINUED)

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.

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	\$ 11,165
Interest on net OPEB obligation	576
Adjustment to annual required contribution	<u>(658)</u>
Annual OPEB cost (expense)	11,083
Contributions made	<u>(1,000)</u>
Increase in net OPEB obligation	10,083
Net OPEB obligation - beginning of year	9,604
Net OPEB obligation - end of year	<u>\$ 19,687</u>

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

IV. OTHER INFORMATION (CONTINUED)

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 <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
12/31/12	\$ 11,083	9.0%	\$ 19,687
12/31/11	\$ 10,497	48.2%	\$ 9,604
12/31/10	\$ 9,549	65.8%	\$ 4,164

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 .96%.

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. 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.

CITY OF MERRIAM, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

IV. OTHER INFORMATION (CONTINUED)

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. 61, The Financial Reporting Entity: Omnibus, was issued in November 2010. This statement modifies certain requirements for inclusion of component units in the City's financial statements when the component unit was included based on the fiscal dependency requirement. The new statement clarifies the manner in which a government's management determines a component unit should be included, even if the financial accountability criterion is not met. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) when the component unit is blended based on the "substantively in the same governing body" criterion. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2013.

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, was issued in March 2012. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Also, this statement provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows and inflows of resources, such as changes in determination of the major fund calculations and limiting the use of the term deferred in the financial statement presentations. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2013.

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 equipment 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, 2012

IV. OTHER INFORMATION (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.

(This page left blank intentionally)

**REQUIRED
SUPPLEMENTARY
INFORMATION**

(This page left blank intentionally)

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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 3,391,867	\$ 3,391,867	\$ 3,385,307	\$ (6,560)
Sales tax	6,073,107	6,073,107	7,225,966	1,152,859
Intergovernmental	17,500	17,500	80,293	62,793
Licenses, permits and fees	299,500	299,500	464,082	164,582
Franchise taxes	1,300,000	1,300,000	1,331,702	31,702
Charges for services	246,316	246,316	235,007	(11,309)
Fines, forfeitures and penalties	1,126,500	1,126,500	935,450	(191,050)
Use of money and property	20,000	20,000	15,026	(4,974)
Miscellaneous	112,994	112,994	212,008	99,014
Total revenue	12,587,784	12,587,784	13,884,841	1,297,057
Expenditures:				
Current:				
General government	4,190,982	4,190,982	1,980,772	(2,210,210)
Law enforcement	3,437,012	3,437,012	3,147,930	(289,082)
Fire prevention and control	2,274,070	2,274,070	2,095,096	(178,974)
Public works	2,096,169	2,096,169	1,804,220	(291,949)
Community development	799,823	799,823	709,967	(89,856)
Health and welfare	24,705	24,705	24,698	(7)
Culture and recreation	1,094,190	1,094,190	952,926	(141,264)
Total expenditures	13,916,951	13,916,951	10,715,609	(3,201,342)
Revenue over expenditures	(1,329,167)	(1,329,167)	3,169,232	4,498,399
Other financing sources (uses):				
Transfer in	90,000	90,000	90,000	-
Transfer out	(2,570,741)	(2,570,741)	(3,019,958)	449,217
Total other financing sources (uses)	(2,480,741)	(2,480,741)	(2,929,958)	449,217
Net change in fund balance	\$ (3,809,908)	\$ (3,809,908)	239,274	\$ 4,049,182
Fund balance at beginning of year			5,245,044	
Fund balance at end of year			\$ 5,484,318	
Explanation of difference between budgetary and GAAP fund balances:				
Separately budgeted general fund subfunds:				
Risk Management Reserve			971,061	
Current year encumbrances			15,072	
GAAP fund balance at end of year			\$ 6,470,451	

CITY OF MERRIAM, KANSAS

SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS
December 31, 2012

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, 2012

- 1) 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

- 2) 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.

(This page left blank intentionally)

**COMBINING
AND
INDIVIDUAL FUND**

**STATEMENTS
AND
SCHEDULES**

(This page left blank intentionally)

City of Merriam, Kansas
Other Governmental Funds
December 31, 2012

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, 2012

	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	
Assets:							
Cash, including investments	\$ 94,463	\$ 8,786	\$ 9,166	\$ 227,002	\$ 35,143	\$ 1,007,451	\$ 1,382,011
Receivables, net:							
Sales and other taxes	-	-	-	135,963	-	-	135,963
Intergovernmental	69,762	-	-	-	-	8,920	78,682
Interest and other	-	-	-	-	-	693	693
Total assets	<u>\$ 164,225</u>	<u>\$ 8,786</u>	<u>\$ 9,166</u>	<u>\$ 362,965</u>	<u>\$ 35,143</u>	<u>\$ 1,017,064</u>	<u>\$ 1,597,349</u>
Liabilities:							
Accounts and retainage payable	\$ 2,081	\$ -	\$ 102	\$ 7,777	\$ -	\$ 35,581	\$ 45,541
Accrued payroll and related liabilities	-	-	-	1,756	-	-	1,756
Total liabilities	<u>2,081</u>	<u>-</u>	<u>102</u>	<u>9,533</u>	<u>-</u>	<u>35,581</u>	<u>47,297</u>
Fund Balances:							
Restricted	162,144	8,786	9,064	353,432	35,143	-	568,569
Committed	-	-	-	-	-	981,483	981,483
Total fund balances	<u>162,144</u>	<u>8,786</u>	<u>9,064</u>	<u>353,432</u>	<u>35,143</u>	<u>981,483</u>	<u>1,550,052</u>
Total liabilities and fund balances	<u>\$ 164,225</u>	<u>\$ 8,786</u>	<u>\$ 9,166</u>	<u>\$ 362,965</u>	<u>\$ 35,143</u>	<u>\$ 1,017,064</u>	<u>\$ 1,597,349</u>

City of Merriam, Kansas
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended December 31, 2012

	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	\$ -	\$ -	\$ -	\$ 417,878	\$ -	\$ -	\$ 417,878
Intergovernmental	285,026	24,775	24,775	-	1,558	-	336,134
Charges for services	-	-	-	39,462	-	-	39,462
Fines, forfeitures and penalties	-	-	-	-	11,944	-	11,944
Use of money and property	-	-	-	-	116	4,292	4,408
Miscellaneous	-	-	-	3,563	225	112,414	116,202
Total revenues	285,026	24,775	24,775	460,903	13,843	116,706	926,028
Expenditures:							
General government	-	-	-	3,438	-	175,891	179,329
Law enforcement	-	20,972	-	-	7,447	51,254	79,673
Fire prevention and control	-	-	-	-	-	56,170	56,170
Public works	375,508	-	-	-	-	112,606	488,114
Community development	-	-	-	118,690	-	24,319	143,009
Culture and recreation	-	-	24,455	135,102	-	117,302	276,859
Total expenditures	375,508	20,972	24,455	257,230	7,447	537,542	1,223,154
Excess of revenues over (under) expenditures	(90,482)	3,803	320	203,673	6,396	(420,836)	(297,126)
Other financing sources (uses):							
Proceeds from sale of capital assets	-	-	-	-	-	45,280	45,280
Transfers in	-	-	-	-	-	450,000	450,000
Transfers out	-	-	-	(17,344)	-	-	(17,344)
Total other financing sources (uses)	-	-	-	(17,344)	-	495,280	477,936
Net change in fund balances	(90,482)	3,803	320	186,329	6,396	74,444	180,810
Fund balances at beginning of year	252,626	4,983	8,744	167,103	28,747	907,039	1,369,242
Fund balances at end of year	\$ 162,144	\$ 8,786	\$ 9,064	\$ 353,432	\$ 35,143	\$ 981,483	\$ 1,550,052

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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 300,000	\$ 300,000	\$ 285,026	\$ (14,974)
Total revenues	300,000	300,000	285,026	(14,974)
Expenditures:				
Public works:				
Contractual services	388,401	388,401	342,062	(46,339)
Commodities	40,000	40,000	33,446	(6,554)
Contingency	25,000	25,000	-	(25,000)
Total expenditures	453,401	453,401	375,508	(77,893)
Net change in fund balance	<u>\$ (153,401)</u>	<u>\$ (153,401)</u>	(90,482)	<u>\$ 62,919</u>
Fund balance at beginning of year			252,626	
Fund balance at end of year			<u>\$ 162,144</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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 17,500	\$ 17,500	\$ 24,775	\$ 7,275
Total revenues	17,500	17,500	24,775	7,275
Expenditures:				
Law enforcement:				
Contractual services	20,972	20,972	20,972	-
Total expenditures	20,972	20,972	20,972	-
Net change in fund balance	<u>\$ (3,472)</u>	<u>\$ (3,472)</u>	3,803	<u>\$ 7,275</u>
Fund balance at beginning of year			4,983	
Fund balance at end of year			<u>\$ 8,786</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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 17,500	\$ 17,500	\$ 24,775	\$ 7,275
Total revenues	17,500	17,500	24,775	7,275
Expenditures:				
Culture and recreation:				
Capital outlay	24,733	24,733	24,455	(278)
Total expenditures	24,733	24,733	24,455	(278)
Net change in fund balance	\$ (7,233)	\$ (7,233)	320	\$ 7,553
Fund balance at beginning of year			8,744	
Fund balance at end of year			\$ 9,064	

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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Transient guest tax	\$ 315,000	\$ 315,000	\$ 417,878	\$ 102,878
Charges for services	13,519	13,519	39,462	25,943
Miscellaneous	23,500	23,500	3,563	(19,937)
Total revenues	<u>352,019</u>	<u>352,019</u>	<u>460,903</u>	<u>108,884</u>
Expenditures:				
General government	30,000	30,000	3,438	(26,562)
Community development	180,834	180,834	118,690	(62,144)
Culture and recreation	138,773	138,773	135,102	(3,671)
Total expenditures	<u>349,607</u>	<u>349,607</u>	<u>257,230</u>	<u>(92,377)</u>
Revenue over expenditures	<u>2,412</u>	<u>2,412</u>	<u>203,673</u>	<u>201,261</u>
Other financing sources (uses):				
Transfer out	(17,344)	(17,344)	(17,344)	-
Total other financing sources (uses)	<u>(17,344)</u>	<u>(17,344)</u>	<u>(17,344)</u>	<u>-</u>
Net change in fund balance	<u>\$ (14,932)</u>	<u>\$ (14,932)</u>	186,329	<u>\$ 201,261</u>
Fund balance at beginning of year			<u>167,103</u>	
Fund balance at end of year			<u>\$ 353,432</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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Use of money and property	\$ 5,000	\$ 5,000	\$ 4,292	\$ (708)
Claim settlement	-	-	112,414	112,414
Total revenues	5,000	5,000	116,706	111,706
Expenditures:				
General government	996,674	996,674	175,891	(820,783)
Fire prevention	61,500	61,500	56,170	(5,330)
Law enforcement	47,000	47,000	51,254	4,254
Public works	128,000	128,000	112,606	(15,394)
Community development	-	-	24,319	24,319
Culture and recreation	126,210	126,210	117,302	(8,908)
Total expenditures	1,359,384	1,359,384	537,542	(821,842)
Revenue over expenditures	(1,354,384)	(1,354,384)	(420,836)	933,548
Other financing sources (uses):				
Proceeds from sale of captial assets	5,000	5,000	45,280	40,280
Transfer in	450,000	450,000	450,000	-
Total other financing sources (uses)	455,000	455,000	495,280	40,280
Net change in fund balance	\$ (899,384)	\$ (899,384)	74,444	\$ 973,828
Fund balance at beginning of year			907,039	
Fund balance at end of year			\$ 981,483	

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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Use of money and property	\$ 2,000	\$ 2,000	\$ 1,256	\$ (744)
Claim settlement	-	-	150,000	150,000
Total revenues	2,000	2,000	151,256	149,256
Expenditures:				
General government:				
Claims	-	-	1,000	1,000
Contractual services	15,000	15,000	2,400	(12,600)
Contingencies and reserves	823,388	823,388	14,967	(808,421)
Total expenditures	838,388	838,388	18,367	820,021
Net change in fund balance	<u>\$ (836,388)</u>	<u>\$ (836,388)</u>	132,889	<u>\$ 969,277</u>
Fund balance at beginning of year			<u>838,172</u>	
Fund balance at end of year			<u>\$ 971,061</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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 320,532	\$ 320,532	\$ 320,044	\$ (488)
Special assessments	420,850	420,850	420,850	-
Use of money and property	5,006	5,006	4,100	(906)
Total revenues	<u>746,388</u>	<u>746,388</u>	<u>744,994</u>	<u>(1,394)</u>
Expenditures:				
Debt service:				
Principal	2,800,000	2,800,000	2,800,000	-
Interest	425,720	425,720	371,059	(54,661)
Reserve	40,610	40,610	-	(40,610)
Miscellaneous	5,000	5,000	-	(5,000)
Total expenditures	<u>3,271,330</u>	<u>3,271,330</u>	<u>3,171,059</u>	<u>(100,271)</u>
Revenues over expenditures	(2,524,942)	(2,524,942)	(2,426,065)	98,877
Other financing sources (uses):				
Transfers in	2,464,076	2,464,076	2,464,076	-
Total other financing sources (uses)	<u>2,464,076</u>	<u>2,464,076</u>	<u>2,464,076</u>	<u>-</u>
Net change in fund balance	<u>\$ (60,866)</u>	<u>\$ (60,866)</u>	38,011	<u>\$ 98,877</u>
Fund balance at beginning of year			<u>71,423</u>	
Fund balance at end of year			<u>\$ 109,434</u>	

(This page left blank intentionally)

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									
	2003	2004	2005	2006	2007	2008 (a)	2009	2010	2011 (b)	2012
Governmental activities										
Invested in capital assets, net of related debt	\$61,741,717	\$ 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
Restricted	4,898,861	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
Unrestricted	(1,820,857)	(5,276,648)	(4,303,282)	(2,937,809)	(1,105,346)	1,246,866	3,366,696	4,870,981	6,645,936	8,516,887
Total Governmental activities net position, as restated (c)	<u>\$64,819,721</u>	<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>

Note: The City had no business-type activities for years 2003 through 2012.

(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									
	2003	2004	2005 (a)	2006	2007	2008	2009	2010	2011	2012
Expenses										
General Government	\$ 1,872,409	\$ 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
Law enforcement	2,326,745	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
Fire prevention and control	1,658,481	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
Public works	1,681,830	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
Capital improvement program	3,052,852	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
Community development	449,112	2,547,173	8,438,928	540,519	575,793	821,905	734,459	808,157	798,562	846,621
Health and welfare	17,758	23,992	47,510	49,389	31,586	19,885	27,746	23,827	24,123	24,698
Culture and recreation	1,041,167	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
Interest on long-term debt	885,626	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
Total expenses	\$ 12,985,980	\$ 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
Program Revenues										
Charges for services:										
General government	\$ 157,026	\$ 147,439	\$ 167,619	\$ 136,878	\$ 158,213	\$ 195,743	\$ 182,052	\$ 185,749	\$ 189,900	\$ 188,054
Law enforcement	607,031	693,690	766,380	782,567	866,708	972,469	896,337	1,075,580	982,233	957,692
Fire prevention and control	1,618	1,748	1,018	920	1,068	509	920	692	487	730
Community development	91,173	181,657	169,213	217,511	286,050	215,664	104,502	170,830	294,816	276,028
Culture and recreation	260,387	246,192	247,355	251,123	240,606	255,748	253,632	268,336	268,364	263,441
Operating grants and contributions	10,024	-	142,087	440,723	319,538	331,335	313,871	355,361	321,568	336,134
Capital grants and contributions	849,148	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
Total program revenues	\$ 1,976,407	\$ 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
Total Net Expense	\$(11,009,573)	\$(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)
General Revenues and Other Changes in Net Position										
Taxes	\$ 14,569,222	\$ 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
Unrestricted investment earnings	340,069	286,973	506,358	818,906	875,861	492,230	277,877	248,880	211,118	168,447
Miscellaneous	(80,233)	28,938	64,431	437,262	382,718	200,533	180,090	111,344	338,473	419,273
Legal settlement	1,050,000	-	-	-	-	-	-	-	-	-
Intergovernmental not restricted to a specific program	-	-	-	15,031	13,774	15,165	17,541	18,472	18,611	24,775
Total general revenues	\$ 15,879,058	\$ 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
Change in Net Position, as restated (b)	\$ 4,869,485	\$ 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

(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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 (a)</u>	<u>2012</u>
General Fund										
Reserved	\$ 37,481	\$ 15,950	\$ 5,016	\$ 27,389	\$ 39,332	\$ 19,583	\$ 1,940	\$ 11,698	\$ -	\$ -
Unreserved	3,708,681	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
Unassigned	-	-	-	-	-	-	-	-	5,233,346	5,484,318
Total General Fund	<u>\$ 3,746,162</u>	<u>\$ 4,018,910</u>	<u>\$ 4,031,810</u>	<u>\$ 4,105,049</u>	<u>\$ 4,139,983</u>	<u>\$ 4,519,751</u>	<u>\$ 4,914,094</u>	<u>\$ 4,977,647</u>	<u>\$ 6,110,874</u>	<u>\$ 6,470,451</u>
All Other Governmental Funds										
Reserved	\$ 611,122	\$ 681,123	\$ 786,761	\$ 736,620	\$ 793,635	\$ 728,180	\$ 817,913	\$ 815,871	\$ -	\$ -
Unreserved, reported in:										
Capital projects funds	14,746,682	16,686,658	10,105,901	8,101,019	7,107,537	6,224,893	6,685,889	7,267,772	-	-
Special revenue funds	1,838,753	1,351,337	1,589,236	1,883,550	1,982,326	2,117,071	2,311,391	2,454,833	-	-
Restricted/Committed/Assigned										
Debt service	-	-	-	-	-	-	-	-	71,423	110,424
Capital projects funds	-	-	-	-	-	-	-	-	6,546,417	7,320,278
Special revenue funds	-	-	-	-	-	-	-	-	3,712,031	3,855,036
Total All Other Governmental Funds	<u>\$ 17,196,557</u>	<u>\$ 18,719,118</u>	<u>\$ 12,481,898</u>	<u>\$ 10,721,189</u>	<u>\$ 9,883,498</u>	<u>\$ 9,070,144</u>	<u>\$ 9,815,193</u>	<u>\$ 10,538,476</u>	<u>\$ 10,329,871</u>	<u>\$ 11,285,738</u>

(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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes (see Table 5)	\$14,234,030	\$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
Intergovernmental	445,178	1,384,985	2,407,251	1,543,102	1,183,687	716,806	566,161	1,093,060	1,828,887	817,654
Licenses, permits and fees	247,824	329,096	336,832	354,389	444,263	411,406	286,554	356,579	484,716	464,082
Charges for services	273,537	254,835	253,148	257,739	246,332	259,252	259,163	273,969	278,741	274,469
Fines, forfeitures and penalties	595,844	686,795	761,605	776,871	862,050	969,475	891,727	1,070,639	972,343	947,394
Uses of money and property	340,069	286,973	506,358	818,906	875,861	458,733	154,630	138,694	111,868	77,596
Miscellaneous	19,964	28,938	64,431	437,262	119,885	177,388	168,996	105,249	315,109	479,208
Total revenues	16,156,446	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
Expenditures										
Current:										
General government	\$ 1,645,702	\$ 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
Law enforcement	2,340,427	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
Fire prevention and control	1,606,647	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
Public works	1,865,370	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
Capital improvement program (a)	284,211	270,348	357,993	307,482	298,207	88,509	28,558	189,541	46,238	41,277
Community development (b)	457,125	2,559,426	8,395,226	520,253	561,539	726,701	679,521	756,612	787,038	852,976
Health and welfare	17,758	23,992	47,510	49,389	31,586	19,885	27,746	23,827	24,123	24,698
Culture and recreation	924,722	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
Capital outlay	6,843,437	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
Bad debt	-	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	2,817,375	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
Interest	1,609,017	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
Total expenditures, as restated (c)	20,411,791	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
Excess of revenues over (under) expenditures	(4,255,345)	(5,294,158)	(12,216,426)	(2,428,936)	(1,098,282)	(513,034)	1,080,831	641,783	893,413	1,187,058
Other financing sources (uses)										
Proceeds from sale of capital assets	67,827	589,467	91,662	266,466	295,525	63,742	14,615	32,207	31,209	45,280
Issuance of general obligation bonds	4,985,000	3,000,000	5,900,444	475,000	-	-	-	-	-	-
Issuance of general obligation notes	-	3,500,000	-	-	-	-	-	-	-	-
Unpaid matured interest added to principal	-	-	-	-	-	-	-	-	-	-
Premium on general obligation bonds	-	-	-	-	-	-	-	-	-	-
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	5,760,560	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
Transfers out	(5,760,560)	(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)
Total other financing sources (uses)	5,052,827	7,089,467	5,992,106	741,466	295,525	79,448	58,561	145,053	31,209	128,386
Other changes in fund balance										
Legal settlement	1,050,000	-	-	-	-	-	-	-	-	-
Total other changes in fund balance	1,050,000	-	-	-	-	-	-	-	-	-
Net change in fund balances, as restated (c)	\$ 1,847,482	\$ 1,795,309	\$ (6,224,320)	\$ (1,687,470)	\$ (802,757)	\$ (433,586)	\$ 1,139,392	\$ 786,836	\$ 924,622	\$ 1,315,444
Debt service as a percentage of noncapital expenditures	33.5%	21.9%	16.8%	29.2%	31.4%	31.5%	34.6%	33.0%	30.4%	31.0%

(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
2003	\$ 2,517,294	\$ 2,173,363	\$ 6,423,777	\$ 1,275,896	\$ 357,528	\$ 333,625	\$ 54,560	\$ 1,097,987	\$ 14,234,030
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

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

Table 6

Sales by Retail Category	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Restaurants/Entertainment	\$ 18,814,848	\$ 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
Auto dealerships	200,877,453	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
Auto rental, leasing, repairs gasoline	30,569,326	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
Construction, home repairs and maintenance	61,839,257	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
Grocery and drug stores	20,778,049	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
Clothing, department and shoe stores	34,824,193	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
Utilities and communications	27,596,390	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
Hotels	6,563,867	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
Medical	2,912,690	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
Specialty shops	19,933,535	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
All other outlets	89,194,516	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
Total	\$ 513,904,124	\$ 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

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									
	2003	2004	2005	2006	2007	2008	2009 (a)	2010 (b)	2011	2012
General	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%
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>Total Sales Tax Rate</u>										
State of Kansas	5.300%	5.300%	5.300%	5.300%	5.300%	5.300%	5.300%	6.300%	6.300%	6.300%
Johnson County	1.100%	1.100%	1.100%	1.100%	1.100%	1.100%	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%
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>7.650%</u>	<u>7.775%</u>	<u>8.775%</u>	<u>8.775%</u>	<u>8.775%</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.

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						
2003	\$57,624,220	\$67,601,787	\$ 1,515,772	\$14,804,514	\$3,414,507	\$144,960,800	18.526	\$ 854,841,242	17.0%
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%

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	
2003	\$ 11.914	\$ 6.612	\$ 18.526	\$ 1.500	\$ 20.771	\$ 9.428	\$ 42.238	\$ 3.176	\$ 77.113	\$ 95.639
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

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>2012</u>			<u>2003</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	\$ 6,246,751	1	4.15%	\$ 10,283,525	1	7.12%
Aristocrat Motors	3,304,971	2	2.20%	1,580,295	10	1.09%
Hendrick Toyota	3,022,338	3	2.01%	-		-
Santa Fe Medical Building	2,873,250	4	1.91%	-		-
Car Max	2,710,753	5	1.80%	2,432,418	4	1.68%
G.E. Capital	2,350,751	6	1.56%	2,742,600	2	1.90%
Baron BMW	2,002,608	7	1.33%	2,005,355	6	1.39%
Superior Chevrolet	1,981,006	8	1.32%	-		-
Lee Apparel Company	1,970,750	9	1.31%	2,542,950	3	1.76%
Antioch Plaza Office	1,773,000	10	1.18%	2,281,650	5	1.58%
Georgetown Medical Building	-		-	1,995,250	7	1.38%
Georgetown Market Place	-		-	1,882,900	8	1.30%
Home Depot	-		-	1,792,875	9	1.24%
	<u>\$ 28,236,178</u>		<u>18.77%</u>	<u>\$ 29,539,818</u>		<u>20.45%</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>
2003	\$ 2,685,544	\$ 2,603,296	96.94%	\$ 26,884	\$ 2,630,180	97.94%
2004	2,899,944	2,833,984	97.73%	21,257	2,855,241	98.46%
2005	2,967,139	2,887,999	97.33%	10,193	2,898,192	97.68%
2006	3,076,356	2,974,459	96.69%	33,932	3,008,391	97.79%
2007	* 3,734,492	3,256,645	87.20%	48,518	3,305,163	88.50%
2008	3,511,387	3,408,974	97.08%	62,161	3,471,135	98.85%
2009	4,536,145	4,378,952	96.53%	92,106	4,471,058	98.57%
2010	4,399,200	4,256,814	96.76%	21,701	4,278,515	97.26%
2011	4,132,227	4,029,285	97.51%	3,643	4,032,928	97.60%
2012	4,008,423	3,882,278	96.85%	-	3,882,278	96.85%

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 97.12% 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)			
2003	\$ 16,430,000	\$ -	\$ -	\$ 9,075,450	\$ 4,137,055	\$ -	\$ 29,642,505	9.5%	2,734
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

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>
2003	\$ 16,430,000	\$ -	\$ 276,393	\$ 16,153,607	1.83%	\$ 1,490
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

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, 2012

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	\$ 193,790,000	5.04%	\$ 9,766,503
Johnson County	8,558,678	1.93%	<u>164,857</u>
Subtotal, overlapping debt			\$ 9,931,360
City direct debt (see Table 12)			<u>12,924,394</u>
Total direct and overlapping debt			<u><u>\$ 22,855,754</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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt Limit	\$49,475,023	\$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
Total net debt applicable to limit	<u>11,025,625</u>	<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>
Legal debt margin	<u>\$38,449,398</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	22.29%	33.75%	41.77%	36.42%	38.58%	35.37%	26.23%	20.84%	19.62%	2.80%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed Value (a)	\$158,255,967
Debt Limit (b)	47,476,790
Debt applicable to limit:	
General Obligation bonds and notes	10,525,000
Less: Refunding issue not subject to limit (c)	<u>(9,195,000)</u>
Total net debt applicable to limit	<u>1,330,000</u>
Legal debt margin	<u>\$ 46,146,790</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 (b)			
	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	
2003	\$ 54,560	\$ -	\$ -	-	\$ 1,118,559	\$ 400,000	\$ 633,106	1.08	\$ 297,151	\$ -	\$ 265,237	1.12
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

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

Year	Population (a)	Personal Income	Per Capita Personal Income (b)	Median Age (b)	Unemployment Rate (c)
2003	10,844	\$ 310,658,912	\$ 28,648	36.2	4.50%
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%

- (a) Population data for 1999, 2003 - 2009, and 2012 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>2012</u>			<u>2003</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	2,775	1	20.11%	2,500	1	17.86%
GE Consumer Finance/GE Credit Services	540	2	3.91%	800	2	5.71%
First Student	341	3	2.47%	-		-
Hendrick Chevrolet/Nissan	224	4	1.62%	265	3	1.89%
Seaboard Allied Milling	204	5	1.48%	170	6	1.21%
Carmax	160	6	1.16%	-		-
Hendrick Toyota	141	7	1.02%	-		-
Home Depot	140	8	1.01%	150	8	1.07%
Industrial Bearing (IBT)	138	9	1.00%	150	9	1.07%
Aristocrat Motors	136	10	0.99%	-		-
School Services Leasing	-		-	250	4	1.79%
Lee Company	-		-	190	5	1.36%
Shawnee Mission School District	-		-	151	7	1.08%
Hen House	-		-	120	10	0.86%
	<u>4,799</u>		<u>34.78%</u>	<u>4,746</u>		<u>33.90%</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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</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	9.75	9.00	9.75	9.75	9.75	9.75	8.75	8.75	8.75	8.75
Information Services (a)	-	-	-	-	-	0.50	0.50	0.50	0.50	0.50
Municipal Court	2.95	2.95	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
Law enforcement										
Officers	26.00	26.00	28.00	28.00	29.00	28.00	28.00	28.00	28.00	29.00
Civilians	6.00	6.00	7.00	7.00	7.00	7.00	7.00	7.00	6.00	6.00
Fire prevention and control										
Firefighters	22.00	22.00	22.00	22.00	22.00	21.00	24.00	23.00	23.00	23.00
Public works	19.00	19.00	20.46	20.46	20.46	20.76	20.96	20.96	20.96	20.96
Culture and recreation										
Community Center	8.98	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36
Aquatic Center	10.33	10.33	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	6.00	6.75	6.00	6.00	8.00	8.00	8.00	8.00	8.00	8.00
Capital improvement program (b)	3.00	3.00	3.00	3.00	3.00	-	-	-	-	-
Total	123.33	123.71	128.30	128.30	131.30	127.10	129.30	128.30	127.30	128.30

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Occupational licenses issued	898	967	912	915	915	996	1,003	966	945	911
Vendor payments by check	4,168	4,384	4,475	4,225	3,632	3,552	3,327	3,184	3,371	3,158
Court filings processed	8,585	8,010	9,958	10,641	10,597	10,159	8,913	9,172	8,063	7,841
Law enforcement										
Physical arrests	1,577	1,427	1,326	1,406	1,193	1,116	1,209	1,278	1,022	949
Accidents investigated	529	512	637	764	688	587	499	486	486	457
Traffic violations issued	8,006	8,233	9,958	10,641	10,867	10,159	8,913	9,202	8,499	7,788
Animal control service calls	1,375	1,293	1,310	733	1,620	1,872	288	1,020	1,020	792
Fire prevention and control										
Fire inspections performed	926	832	865	814	954	675	781	562	572	622
Alarm responses	1,478	1,614	1,647	1,624	1,740	1,761	1,554	1,542	1,687	1,693
Public education attendance	15,000	13,246	6,707	14,040	18,318	5,352	5,205	3,526	4,675	3,738
Public works										
Miles of street repair/overlay	8.5	4.0	3.5	3.0	3.0	3.0	3.0	2.2	3.5	4.0
Acres mowed	60	60	60	60	60	66	60	66	60	60
Miles of curbing/sidewalk repaired	4.5	3.5	4.0	3.0	5.0	3.5	3.0	3.0	2.5	1.5
Culture and recreation										
Community Center attendance	68,399	56,805	49,993	50,090	43,586	45,434	46,543	44,946	40,266	40,273
Aquatic Center attendance	28,389	14,534	20,306	20,167	17,600	19,030	21,235	25,996	29,967	30,000
Farmers' Market ave. wkly. attend.	389	340	532	581	431	446	532	708	546	500
Community development										
Construction permits issued	313	236	252	311	250	351	276	274	290	326
Value of new commercial const.	\$4,324,168	\$1,735,000	\$15,284,365	\$ 8,880,987	\$11,478,003	\$17,627,005	\$ 67,500	\$ -	\$ 43,109,064	\$ 22,160,963
Value of new residential const.	\$ 935,000	\$ 828,400	\$ 957,000	\$ 1,207,970	\$ -	\$ -	\$ -	\$ 248,550	\$ 685,000	\$ 1,048,000
Capital improvement program										
Number of projects managed	6	32	29	23	19	21	19	19	17	22

Source: City of Merriam departmental records

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

Table 21

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General government										
Visitors' Bureau/Historical Plaza (a)	-	-	-	1	1	1	1	1	1	1
Law enforcement										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	15	14	15	15	15	15	18	19	21	20
Animal control units	1	1	1	1	1	1	1	1	1	1
Mobile command post	1	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	3	2	2	2	2	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	112	113	113	113	113	113
Streetlights	988	1,117	1,302	1,481	1,493	1,571	1,601	1,615	1,646	1,683
Traffic signals	102	102	106	106	107	107	107	107	107	107
Maintenance vehicles	21	20	23	24	24	24	23	24	24	23
Culture and recreation										
Acreage of city parks	60.98	63.08	63.08	64.08	64.08	79.08	79.08	79.08	79.08	79.08
Parks	7	8	8	9	9	9	9	9	9	9
Tennis courts	1	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