

CITY OF MERRIAM, KANSAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

2020



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year ended December 31, 2020

MERRIAM, KANSAS

Prepared by:

**Donna Oliver
Finance Director**

**Trish Wertz
Accountant**

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CITY OF MERRIAM, KANSAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Year Ended December 31, 2020

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May 12, 2021

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 (Annual Report) of the City of Merriam, Kansas for the fiscal year ended December 31, 2020. 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, 2020, 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 Annual Report.

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 11,081. 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: Due to COVID-19, a global pandemic, total taxable sales within the City decreased by (2.2%). Partially offsetting the impact of the pandemic, a new Audi dealership opened in late 2019. In addition, a new Jeep, Chrysler, Dodge and Ram dealership opened in late 2020. An additional automobile dealership is planned. Eventual development of the former K-Mart site along well-traveled Shawnee Mission Parkway will add to the City's sales tax base.

Overall property valuations for 2020 were up 3.6% primarily due to property revaluations. Commercial values were up 4.1% and residential values up 6.4%. Preliminary 2021 valuations reflect additional increases due to property revaluations. A new 45-unit multi-family housing subdivision was completed in 2020. The subdivision was built on a vacant site at 71st Street and Switzer Road. The units are restricted to tenants aged 55 and older.

AdventHealth Shawnee Mission (formerly Shawnee Mission Medical Center), one of the Kansas City metro area's top medical centers, is located on a 54-acre campus at 75th Street and Interstate-35. The medical center has recently completed a new parking garage, medical office building and the B. E. Smith Family Center. Future projects include renovations to the original hospital tower and operating rooms. While the hospital is exempt from property taxes, it is an important presence in the community.

Total employment in Merriam is estimated at 13,305 jobs, with 342,146 jobs in Johnson County and 1,497,480 in Kansas. The County unemployment rate for 2020 is 5.1%, which is lower than the Kansas rate of 5.9%. Two of the County's major employers are located in the City: AdventHealth and Synchrony Financial.

Long-term financial planning: Staff prepares five-year forecasts of General Fund balances using current information and trends for revenues and expenditures. The forecasts are used to assess areas of concern for current and future operating budgets. Recent forecasts indicate the City can maintain a General Fund balance of 30% of estimated current revenues through 2026, which meets the requirements of the Reserve and Fund Balance Policy (described below).

Additionally, staff prepares five-year financial projections of its capital improvement program (CIP). The current CIP includes an estimated \$38 million for projects including improvements to city facilities, sidewalk in-fill, storm drainage improvements and reconstruction of major thoroughfares. 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, a special 0.25% cent City sales tax for streets and stormwater improvements, available tax increment, and supplemental grants from federal, state and county sources. The current CIP plan anticipates that projects will be completed on a "pay-as-you-go" basis.

Reserves and Contingencies: City policy states that the fund balance target for the combined General Fund and Risk Management Funds will be 30% to 35% of annual General Fund revenues. As of December 31, 2020, reserves exceed requirements with 48% of actual revenues.

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

Major initiatives: In early 2021, the City adopted the 2040 Comprehensive Land Use Plan which focuses on establishing a clear vision for the future of Merriam and appropriate goals, strategies, and other activities to achieve that vision.

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, 2019. This was the twenty-seventh 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.

Additionally, the City has received the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended December 31, 2019. In order to receive this award, a government must publish a Popular Annual Financial report whose contents conform to program standards of creativity, presentation, understandability, and reader appeal. The Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe that our current PAFR continues to conform to program requirements and we are submitting it to the GFOA to determine its eligibility for another award.

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, 2020. 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 Lauren Bunch, Communications Specialist.

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.

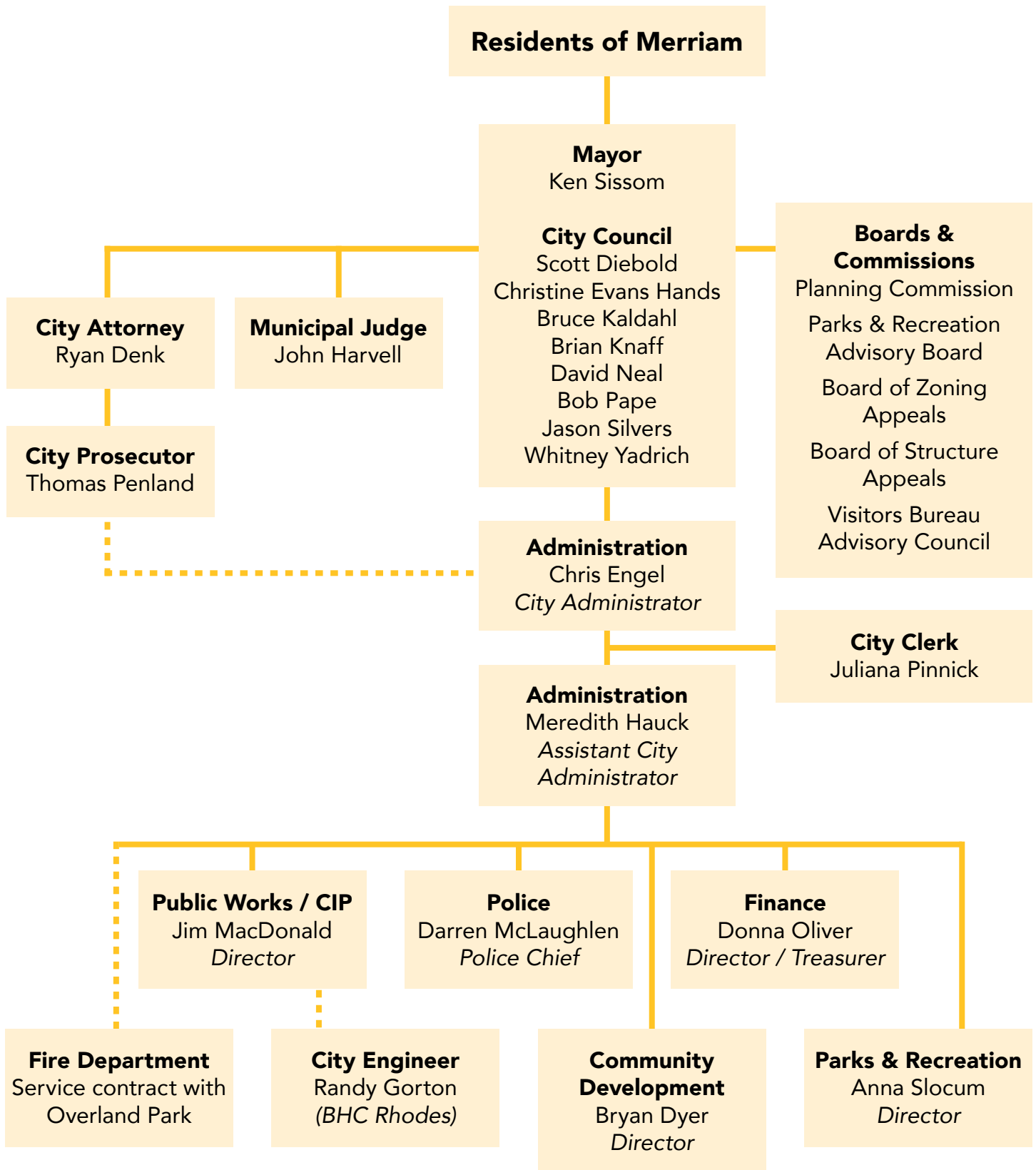


Christopher Engel
City Administrator



Donna Oliver
Finance Director

CITY ORGANIZATIONAL CHART



PRINCIPAL OFFICIALS

Mayor

Ken Sissom

City Council

Jason Silvers, Ward 1
Scott Diebold, Ward 1
Whitney Yadrich, Ward 2
Brian Knaff, Ward 2
Bruce Kaldahl, Ward 3
Christine Evans Hands, Ward 3
Bob Pape, Ward 4
David Neal, Ward 4

Appointed Officials

Chris Engel, City Administrator
Meredith Hauck, Assistant City Administrator
Darren McLaughlin, Police Chief
Jim MacDonald, Public Works / CIP Director
Ryan Denk, City Attorney
Juli Pinnick, City Clerk
Donna Oliver, Finance Director / City Treasurer
Bryan Dyer, Community Development Director
Anna Slocum, Parks & Recreation Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Merriam
Kansas**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morill

Executive Director/CEO

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 (the City) as of and for the year ended December 31, 2020, 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, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the introductory and statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

May 12, 2021
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, 2020. 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 and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$138,560,456, a decrease of (\$528,780) to net position.
- Net investment in capital assets increased by \$7,122,786 largely due to construction of the Merriam Community Center and the Vavra Parking Structure which exceeded annual depreciation, net of associated debt.
- Net position restricted for community development decreased by (\$4,050,796) due to construction of the Vavra Parking Structure and the final payment on a redevelopment contract.
- Outstanding general obligation bonds and associated premiums decreased by (\$2,662,739) due to repayment of outstanding debt.
- The City's governmental funds reported combined ending fund balances of \$28,388,222, a decrease of (\$12,635,737) over the prior year. This decrease was primarily due to the construction of the Merriam Community Center. In addition, the I-35 District Tax Increment Financing (TIF) fund balance was decreased due the final payment on a redevelopment contract.
- Fund balance for the General Fund was \$8,621,511, equivalent to 48% of revenues for the fund.

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, deferred outflows, liabilities and deferred inflows, with the difference 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 the year.

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.

Required Supplementary Information

Required budgetary data related to the General Fund, information on the City's defined benefit pensions and other postemployment benefits other than pensions are presented immediately following the notes to the basis financial statements.

Other Supplementary Information

Other information related to combining statements for non-major governmental funds and fund budgetary schedules are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Position		
	Governmental Activities	
	2020	2019
Current and other assets	\$ 43,926,042	\$ 55,088,951
Capital assets	136,787,362	127,309,752
Total assets	180,713,404	182,398,703
Deferred refunding	8,198	11,091
Deferred outflows - pensions	1,985,099	1,049,763
Deferred outflows - OPEB	17,173	15,004
Total deferred outflows	2,010,470	1,075,858
Long-term liabilities	27,903,103	29,354,274
Other liabilities	6,731,571	5,026,492
Total liabilities	34,634,674	34,380,766
Deferred property tax receivable	8,955,463	9,225,174
Deferred inflows - pensions	502,717	716,917
Deferred inflows - OPEB	70,564	62,468
Total deferred inflows	9,528,744	10,004,559
Net position:		
Net investment in capital assets	117,415,898	110,293,112
Restricted	6,490,507	9,056,394
Unrestricted	14,654,051	19,739,730
Total net position	\$ 138,560,456	\$ 139,089,236

Analysis of Net Position

Net position provides a useful indicator of a government's financial position. The City's assets and deferred outflows exceeded liabilities and deferred inflows by \$138,560,456 at the close of 2020.

The largest component of the City's net position is \$117,415,898 invested in capital assets (e.g. land, buildings, equipment and infrastructure) less any related outstanding debt used to acquire those assets. These assets are used on an ongoing basis to provide services to citizens, and are thus not available for future spending. The City's investment in its capital assets is reported net of related debt; however, the resources needed to repay this debt must come from other sources. The capital assets themselves cannot be liquidated to satisfy these liabilities.

An additional \$6,490,507 of the City's net position represents resources that are subject to external restrictions on how they may be used. Net position includes \$5,023,892 restricted for street and stormwater improvements using the City's special 0.25% sales tax and state highway funds; \$1,280,623 restricted for community development per state statutes governing TIF and transient guest taxes; \$88,950

restricted for debt service; \$97,042 restricted for other purposes. Unrestricted net position totals \$14,654,051.

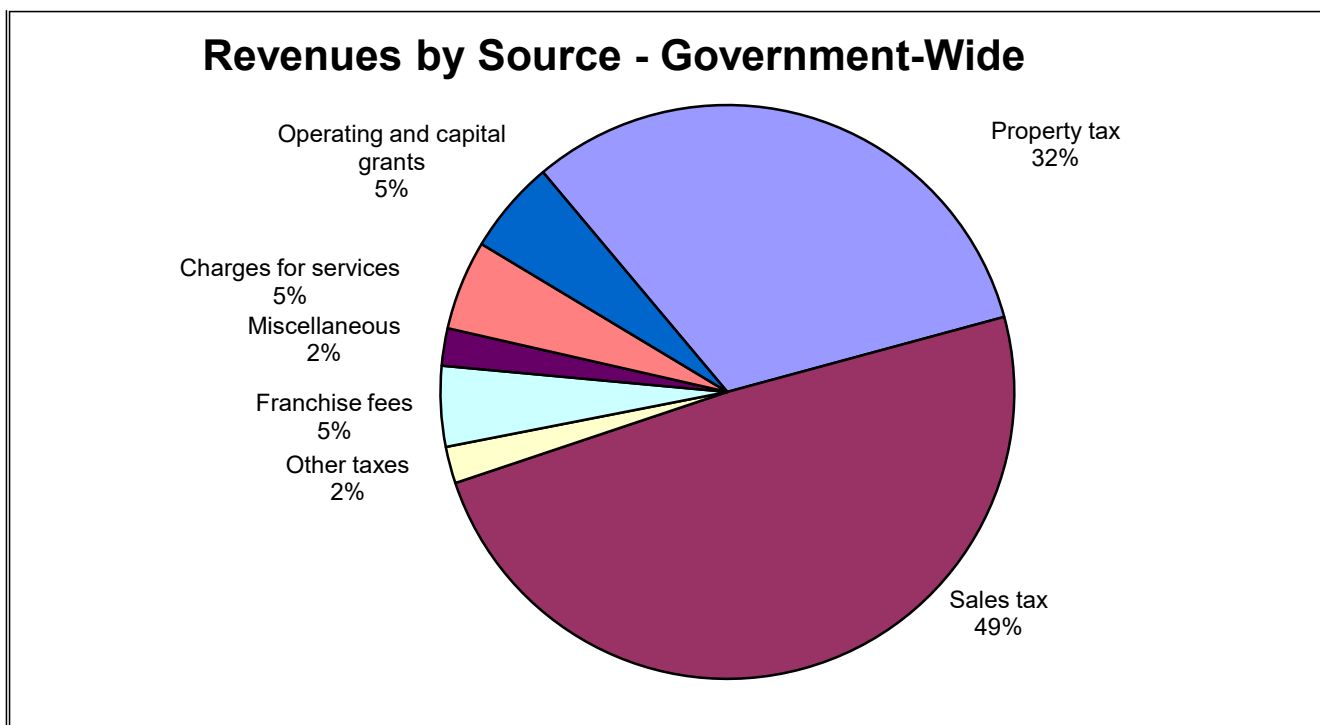
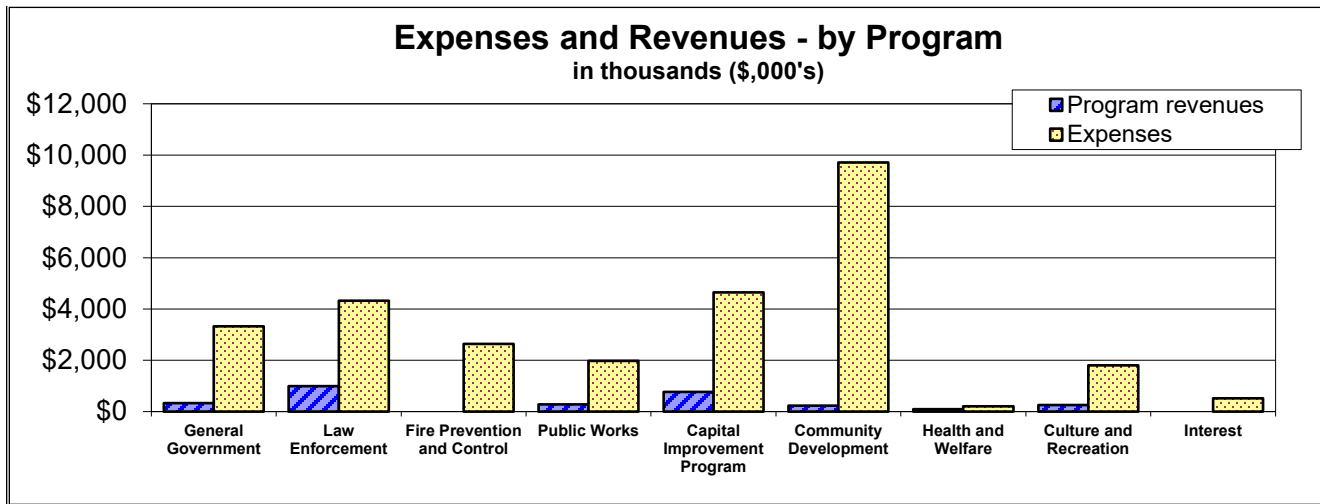
Condensed Statement of Changes in Net Position		
	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 1,446,915	\$ 1,412,165
Operating grants and contributions	684,239	368,461
Capital grants and contributions	824,000	1,203,832
General revenues:		
Property taxes	9,132,344	9,647,937
Sales taxes	14,048,015	14,367,399
Other taxes	592,816	732,000
Franchise fees	1,297,965	1,314,459
Miscellaneous	603,074	1,363,852
Total revenues	<u>28,629,368</u>	<u>30,410,105</u>
Expenses:		
General government	3,323,460	3,275,755
Law enforcement	4,324,351	4,124,425
Fire prevention and control	2,636,224	2,594,107
Public works	1,977,190	2,259,107
Capital improvement program	4,652,299	4,973,229
Community development	9,708,083	3,888,749
Health and welfare	212,350	124,399
Culture and recreation	1,800,324	1,242,345
Interest on long-term debt	523,867	618,049
Total expenses	<u>29,158,148</u>	<u>23,100,165</u>
Increase in net position	(528,780)	7,309,940
Net position - beginning of year	<u>139,089,236</u>	<u>131,779,296</u>
Net position - end of year	<u>\$ 138,560,456</u>	<u>\$ 139,089,236</u>

Analysis of Changes in Net Position

Overall net position decreased by (\$528,780). Changes include:

- Net investment in capital assets increased by \$7,122,786 due to construction of projects including the Merriam Community Center and the Vavra Parking Structure. Reduction in general obligation debt associated with capital assets also contributed to the increase.
- Net position restricted for capital projects increased by \$1,386,601 because collections from the 0.25% City sales tax restricted for street and stormwater projects exceeded usage on planned projects. Balances will be expended in accordance with the 5-Year Capital Improvement Program.

- Net position restricted for community development decreased by (\$4,050,796) due to the construction of the Vavra Parking Structure and the final payment on a redevelopment agreement with I-35 TIF Development funds.
- Unrestricted net position decreased (\$5,085,679) over the prior year primarily due to the construction of the Merriam Community Center from unrestricted Capital Improvement fund balance.



The preceding charts illustrate Merriam's governmental expenses and program revenues by function, and revenues by source. The community development program represents the largest portion of 2020 expenses followed by the capital improvement program. Community development expenses were higher in 2020 due to the final payment of a redevelopment contract. Culture and recreation expenses were higher due to opening of the new Merriam Community Center. Health and welfare expenses increased

due to COVID-19 pandemic costs.

For governmental activities overall, sales taxes are the largest source of revenue (49%) followed by property taxes (32%). Operating grants and contributions increased by \$316,000 or 86% due to receipt of \$349,000 in Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Capital grants and contributions, which are based on availability, decreased by \$380,000 or 32%. Transient guest taxes, which are included in other taxes, declined by \$153,415 as a result of a decrease in traveling due to the COVID-19 pandemic.

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 2020, the City's governmental funds reported combined ending fund balances of \$28,388,222 including \$6,622,659 restricted by external requirements and laws, \$991,307 committed to future capital equipment purchases, \$13,277,123 assigned to capital projects, risk management and other. Additionally, \$7,497,133 in unassigned funds are available for use at the City's discretion.

The General Fund is the primary operating fund for the City. At the end of 2020, total fund balance of the General Fund was \$8,621,511. The fund balance decreased slightly by (\$109,833) during the fiscal year due to lower than expected revenues.

The Capital Improvement Fund balance decreased by (\$8,118,614) largely due to expending bond proceeds to construct a new recreational facility.

The General Obligation Bond Fund increased by \$88,314. Scheduled transfers from the Capital Improvement Fund and the ¼ cent sales tax designated to construction a new recreation facility supplied amounts necessary to satisfy annual debt service requirements.

The I-35 TIF District Fund decreased by (\$3,906,496) due to expenditures for the construction of a parking structure and the final payment on a redevelopment contract.

Other Governmental Funds had an overall decrease of (\$589,108). Transient Guest Tax Fund declined (\$144,300) due to reduced hotel taxes as a result of the COVID-19 pandemic. Equipment Reserve Fund decreased (\$501,166) due to the purchase of a new fire truck and other equipment.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's budget was not amended during 2020; therefore, the original budget and the final budget are the same. Variances between the final budget and actual amounts are not expected to impact either liquidity or future services. Some under budget expenditure variances occur due to staff vacancies and the use of estimates for employee benefit rates such as medical insurance and workers compensation. Additionally, the City budgets for reserves and contingency, but does not expect to expend more than a small amount of these funds, creating positive budget variances each year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets include land, buildings, improvements, equipment, drainage improvements, streets, bridges, streetlights, and traffic signals. As of December 31, 2020, the City's investment in capital assets was \$136,787,362. This total increased by \$9,477,610 due to project construction activity, net of current year depreciation. Completed projects include Merriam Community Center, Vavra Parking Garage and reconstruction of Johnson Drive, Kessler to Mackey.

Capital Assets (net of depreciation)		
	Governmental Activities	
	2020	2019
Land	\$ 13,791,159	\$ 13,791,159
Artwork	24,000	24,000
Construction in progress	848,125	24,987,399
Buildings	30,209,211	7,774,573
Improvements other than buildings	14,249,597	3,862,847
Equipment	5,951,840	4,065,089
Infrastructure	71,713,430	72,804,685
Total	<u>\$ 136,787,362</u>	<u>\$ 127,309,752</u>

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, 2020 long-term debt totaled \$27,903,103, including general obligation bonds backed by the full faith and credit of the City. Total long-term debt decreased by (\$1,451,171) during the fiscal year due to retirement of outstanding debt.

Kansas statutes limit the amount of general obligation debt of a governmental entity to 30% of its total assessed valuation. The current debt limitation for the City is \$68,930,865. Additional information on the City's long-term debt can be found in Note III. C. of the financial statements.

Outstanding Bonds		
	Governmental Activities	
	2020	2019
General obligation bonds	\$ 17,075,000	\$ 19,385,000
Total	<u>\$ 17,075,000</u>	<u>\$ 19,385,000</u>

Economic Factors

Merriam's location along the highly visible Interstate-35 corridor in Kansas City contributes to strong retail sales per square mile. In 2020, City businesses generated an estimated \$821 million in taxable retail sales. This translates into approximately \$182 million in sales per square mile and is due largely to the success of several large auto dealerships, the Merriam Town Center retail shops, and IKEA home furnishing store.

The City has several tax increment financing agreements with developers including:

- **IKEA Merriam:** The 360,000 square foot IKEA home furnishing store at I-35 and Johnson Drive opened in September 2014, as scheduled. The City committed \$19.9 million, of which \$12.2 million is still outstanding, in future sales and property tax increments to IKEA Property, Inc., a "destination-retailer", who attracts shoppers from throughout the region.
- **Merriam Village:** This 17-acre site located near Johnson Drive and I-35 includes a 55,000 square foot Hobby Lobby (craft and home décor), Quik Trip convenience store, and four fast food restaurants. The City has committed to provide future property tax increments to Developers' Diversified Realty, Inc.
- **Merriam Pointe:** This 35-acre development located at the southwest corner of 67th Street and I-35 includes four major auto dealerships. Additionally, a local developer plans to transform a drainage area into a buildable lot for another dealership. The City committed to provide property tax increments to developers of this project area. In 2020, the City completed its obligations under the agreement.

REQUESTS FOR INFORMATION

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

BASIC
FINANCIAL STATEMENTS

City of Merriam, Kansas

Statement of Net Position

December 31, 2020

	Governmental Activities
Assets	
Cash, including investments	\$ 31,868,073
Receivables (net of allowance for uncollectibles):	
Property taxes	8,955,463
Sales and other taxes	2,779,497
Intergovernmental	74,315
Interest and other	248,694
Capital assets:	
Land, artwork and construction in progress	14,663,284
Other capital assets, net of depreciation	122,124,078
Total assets	<u>180,713,404</u>
 Deferred Outflows of Resources	
Deferred refunding	8,198
Deferred outflows - OPEB	17,173
Deferred outflows - pensions	1,985,099
Total deferred outflows of resources	<u>2,010,470</u>
 Liabilities	
Accounts payable	6,395,747
Accrued payroll	135,705
Interest payable	200,119
Long-term liabilities:	
Due within one year	3,231,359
Due in more than one year	24,671,744
Total liabilities	<u>34,634,674</u>
 Deferred Inflows of Resources	
Deferred property tax receivable	8,955,463
Deferred inflows - pensions	502,717
Deferred inflows - OPEB	70,564
Total deferred inflows of resources	<u>9,528,744</u>
 Net Position	
Net investment in capital assets	117,415,898
Restricted for:	
Capital projects	5,023,892
Community development	1,280,623
Debt service	88,950
Other purposes	97,042
Unrestricted	14,654,051
Total net position	<u>\$ 138,560,456</u>

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, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
General government	\$ 3,323,460	\$ 215,051	\$ 113,856	\$ -	\$ (2,994,553)
Law enforcement	4,324,351	831,871	159,816	-	(3,332,664)
Fire prevention and control	2,636,224	-	-	-	(2,636,224)
Public works	1,977,190	-	287,242	-	(1,689,948)
Capital improvement program	4,652,299	-	-	766,298	(3,886,001)
Community development	9,708,083	175,214	250	57,702	(9,474,917)
Health and welfare	212,350	-	96,483	-	(115,867)
Culture and recreation	1,800,324	224,779	26,592	-	(1,548,953)
Interest on long-term debt	523,867	-	-	-	(523,867)
Total primary government	<u>\$ 29,158,148</u>	<u>\$ 1,446,915</u>	<u>\$ 684,239</u>	<u>\$ 824,000</u>	<u>(26,202,994)</u>
General revenues:					
Taxes:					
Property taxes levied for:					
General purposes					4,751,953
Debt service					184,863
Tax increment financing					4,195,528
Sales taxes					14,048,015
Transient guest taxes					285,734
Other taxes					307,082
Franchise fees					1,297,965
Intergovernmental not restricted to a specific program					22,237
Investment earnings					388,204
Miscellaneous					192,633
Total general revenues					<u>25,674,214</u>
Change in net position					(528,780)
Net position-beginning					<u>139,089,236</u>
Net position-ending					<u>\$ 138,560,456</u>

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

City of Merriam, Kansas
Balance Sheet
Governmental Funds
December 31, 2020

	General	Capital Improvement	General Obligation Bonds	I-35 District TIF	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Cash, including investments	\$ 7,685,137	\$ 16,511,932	\$ -	\$ 5,928,604	\$ 1,742,400	\$ 31,868,073
Receivables (net of allowance for uncollectibles)						
Property taxes	4,584,960	-	178,067	4,192,436	-	8,955,463
Sales and other taxes	2,015,467	343,332	343,331	-	77,367	2,779,497
Intergovernmental	1,520	-	-	-	72,795	74,315
Interest and other	110,573	83,077	-	54,723	321	248,694
Due from other funds	54,263	26,650	-	-	-	80,913
Total Assets	<u>\$ 14,451,920</u>	<u>\$ 16,964,991</u>	<u>\$ 521,398</u>	<u>\$ 10,175,763</u>	<u>\$ 1,892,883</u>	<u>\$ 44,006,955</u>
Liabilities:						
Accounts and retainage payable	\$ 1,035,969	\$ 144,136	\$ -	\$ 5,162,960	\$ 52,682	\$ 6,395,747
Accrued payroll and related liabilities	131,925	282	-	-	3,498	135,705
Due to other funds	26,650	-	54,263	-	-	80,913
Total Liabilities	<u>1,194,544</u>	<u>144,418</u>	<u>54,263</u>	<u>5,162,960</u>	<u>56,180</u>	<u>6,612,365</u>
Deferred Inflows of Resources:						
Deferred property tax receivable	4,584,960	-	178,067	4,192,436	-	8,955,463
Unavailable revenue - accounts receivable	50,905	-	-	-	-	50,905
Total deferred inflows of resources	<u>4,635,865</u>	<u>-</u>	<u>178,067</u>	<u>4,192,436</u>	<u>-</u>	<u>9,006,368</u>
Fund Balances:						
Restricted	-	4,698,828	289,068	820,367	814,396	6,622,659
Committed	-	-	-	-	991,307	991,307
Assigned	1,124,378	12,121,745	-	-	31,000	13,277,123
Unassigned	7,497,133	-	-	-	-	7,497,133
Total fund balances	<u>8,621,511</u>	<u>16,820,573</u>	<u>289,068</u>	<u>820,367</u>	<u>1,836,703</u>	<u>28,388,222</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,451,920</u>	<u>\$ 16,964,991</u>	<u>\$ 521,398</u>	<u>\$ 10,175,763</u>	<u>\$ 1,892,883</u>	<u>\$ 44,006,955</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, 2020

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

Total fund balance -- governmental funds		\$ 28,388,222
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	\$ 221,174,400	
Accumulated depreciation	<u>(84,387,038)</u>	136,787,362
Other deferred outflows of resources are not due and payable in the current period and therefore are not reported in the funds.		
Deferred refunding	8,198	
Deferred outflows - OPEB	17,173	
Deferred outflows - pensions	<u>1,985,099</u>	2,010,470
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	(17,075,000)	
Premium on bonds payable	(2,304,662)	
Accrued interest payable on the bonds	(200,119)	
Compensated absences	(598,842)	
Total OPEB liability	(246,191)	
Net pension liability	(7,673,408)	
Claims and judgments	<u>(5,000)</u>	(28,103,222)
Other deferred inflows of resources do not increase net position until a future period and therefore are not reported in the funds.		
Deferred inflows - pensions	(502,717)	
Deferred inflows - OPEB	<u>(70,564)</u>	(573,281)
Certain accounts receivable resulting from charges for services are not considered available to liquidate liabilities of the current period, and are therefore deferred in the funds. However, they are recognized as revenue in the entity-wide statements as soon as the related service has been provided.		<u>50,905</u>
Total net position -- governmental activities		<u>\$ 138,560,456</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, 2020

	General	Capital Improvement	General Obligation Bonds	I-35 District TIF	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Ad valorem taxes	\$ 4,751,953	\$ -	\$ 184,863	\$ 4,195,528	\$ -	\$ 9,132,344
Sales tax	10,250,537	1,898,739	1,898,739	-	-	14,048,015
Transient guest tax	-	-	-	-	285,734	285,734
Other taxes	-	-	-	307,082	-	307,082
Intergovernmental	29,223	824,000	-	-	677,253	1,530,476
Licenses, permits and fees	390,265	-	-	-	-	390,265
Franchise fees	1,297,965	-	-	-	-	1,297,965
Charges for services	196,191	-	-	-	28,588	224,779
Fines, forfeitures and penalties	827,101	-	-	-	4,770	831,871
Earnings on investments	70,972	245,200	12,837	19,121	(531)	347,599
Net increase (decrease) in the fair value of investments	13,451	22,494	-	4,501	159	40,605
Other	115,636	43,804	-	-	540	159,980
Total revenues	17,943,294	3,034,237	2,096,439	4,526,232	996,513	28,596,715
Expenditures:						
Current:						
General government	2,913,861	51,743	-	8,192	216,948	3,190,744
Law enforcement	3,769,436	-	-	-	619,307	4,388,743
Fire prevention and control	2,497,813	-	-	-	703,498	3,201,311
Public works	1,826,834	-	-	-	368,181	2,195,015
Capital improvement program	-	401,609	-	-	-	401,609
Community development	718,059	-	-	7,521,538	342,010	8,581,607
Health and welfare	95,867	-	-	-	116,483	212,350
Culture and recreation	1,090,722	-	-	-	137,532	1,228,254
Capital outlay	-	13,741,301	-	902,998	-	14,644,299
Debt service:						
Principal retirement	-	-	2,310,000	-	-	2,310,000
Interest and other	-	-	898,125	-	-	898,125
Total expenditures	12,912,592	14,194,653	3,208,125	8,432,728	2,503,959	41,252,057
Excess (deficiency) of revenues over (under) expenditures	5,030,702	(11,160,416)	(1,111,686)	(3,906,496)	(1,507,446)	(12,655,342)
Other financing sources (uses):						
Proceeds from sale of capital assets	1,267	-	-	-	18,338	19,605
Transfers in	-	4,241,802	1,200,000	-	900,000	6,341,802
Transfers out	(5,141,802)	(1,200,000)	-	-	-	(6,341,802)
Total other financing sources (uses)	(5,140,535)	3,041,802	1,200,000	-	918,338	19,605
Net change in fund balances	(109,833)	(8,118,614)	88,314	(3,906,496)	(589,108)	(12,635,737)
Fund balances at beginning of year	8,731,344	24,939,187	200,754	4,726,863	2,425,811	41,023,959
Fund balances at end of year	\$ 8,621,511	\$ 16,820,573	\$ 289,068	\$ 820,367	\$ 1,836,703	\$ 28,388,222

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, 2020

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

Net change in fund balances -- total governmental funds **\$ (12,635,737)**

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 assets capitalized exceeded depreciation in the current period.

Depreciation expense	\$	(5,684,663)	
Capital assets capitalized		16,238,750	10,554,087

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. (1,076,477)

Payments received on certain receivables are recognized as revenue when received in the fund. However, in the statement of net position, revenue is recognized as earned. 13,048

Deferred refunding on bonds payable decreases the current financial resources to governmental funds but result in a deferred outflow of resources in the statement of net position. (2,893)

The amortization of bond premiums decreases the long term liabilities in the statement of net position but does not provide current financial resources to the governmental funds. 352,739

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.
 General obligation bonds 2,310,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 24,412

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:
 Compensated absences benefits earned exceed benefits paid. (70,953)

Payment of benefit payments is an expenditure in the governmental funds, but reduces the total OPEB liability in the statement of net position. Additionally, the effects of changes in deferred inflows and deferred outflows for OPEB are only recorded in the statement of activities. (21,838)

Payment of pension contributions is an expenditure in the governmental funds, but reduces the net pension liability in the statement of net position. Additionally, the effects of changes in deferred inflows and deferred outflows for pensions are only recorded in the statement of activities. 24,832

Change in net position of governmental activities **\$ (528,780)**

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

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**NOTES TO THE
BASIC
FINANCIAL STATEMENTS**

City of Merriam, Kansas

Notes to the Financial Statements December 31, 2020

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 11,081, 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. However, interfund services provided and used are not eliminated in the process of consolidation.

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, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

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

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

Fund Financial Statements

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

The major governmental funds of the City are described below:

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

Capital Improvement Fund is used to account for the construction of street, stormwater, community center 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 Bonds 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. The fund is also financed with a special ¼-cent City sales tax to fund the community center debt service payments.

I-35 District Tax Increment Financing (TIF) Fund is used to account for ad valorem and sales tax revenues received from the property and sales 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, 2020

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

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 reflects investments with a maturity of one year or longer at the time of purchase at fair value and those maturing in less than one year at the time of purchase at amortized cost, which approximates fair value. Investments are reported at fair value based on quoted market prices.

City of Merriam, Kansas

Notes to the Financial Statements
December 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

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

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

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

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

Obligations of any municipality of Kansas

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

The City pools temporarily idle cash from all funds for investment 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.

Investments are measured at fair value. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. There is a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value.

2. *Receivables*

Property tax receivable - In accordance with governing state statutes, property taxes levied during the current year are revenue sources to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and are levied and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31, such taxes are recorded as taxes receivable with a corresponding amount recorded as a deferred inflow of resources on the balance sheets of the appropriate funds. It is not practical to apportion delinquent taxes held by the County Treasurer as of December 31, 2020. Estimated delinquencies are insignificant and have not been recorded.

City of Merriam, Kansas

Notes to the Financial Statements December 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (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 acquisition 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:

Asset Class	Estimated Useful Lives
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. This carryforward is payable upon separation from service. The liability of \$427,982 for vacation leave at December 31, 2020 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, with a maximum accumulation of 520 hours for full-time employees. Upon separation from service after 10 years retirement, employees are compensated up to 30% of the accumulated balance.

The liability of \$170,860 for sick leave at December 31, 2020 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, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (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 are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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

6. Pensions

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of employee service and the plan's net fiduciary position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expense, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liability.

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

7. Fund Equity

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

City of Merriam, Kansas

Notes to the Financial Statements
December 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

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

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

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

The City's fund balance policy states that the fund balance target for the combined general fund and risk management fund is 30% to 35% of budgeted annual general fund revenues.

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category in the government-wide statement of net position, deferred charge on refunding, deferred outflows for pension and deferred outflows for OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. See Note IV. D. and Note IV. E., respectively, for more information on the deferred outflows for pensions and OPEB.

City of Merriam, Kansas

Notes to the Financial Statements December 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has four types of items, unavailable revenue, deferred revenue, deferred inflows for pensions and deferred inflows for OPEB that qualify for reporting in this category. Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: accounts receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred revenues are reported in both the government-wide statement of net position and the governmental funds balance sheet for property tax receivable. Property taxes are not recognized as revenue until the period for which they are levied. Deferred inflows for pensions and OPEB, are reported on the government-wide statement of net position. See Notes IV. D. and IV. E., respectively, for more information on these deferred inflows.

9. Net Position

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

10. Estimates

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

City of Merriam, Kansas

Notes to the Financial Statements December 31, 2020

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held, and the governing body may amend the budget at any time. There were no budget amendments in 2020.

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

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

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

City of Merriam, Kansas

Notes to the Financial Statements December 31, 2020

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

At December 31, 2020, 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, 2020, the U.S. Government agency securities and municipal bonds 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. The City's investment policy does not impose any additional limitations. 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. As of December 31, 2020, the City's investments consisting of U.S. agency obligations not directly guaranteed by the U.S. government included only instruments rated AA+ by Standard & Poor's. The City also holds investments in municipal bonds. For investments in municipal bonds, 100% are rated SP-1+ by Standard & Poor's.

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 50% invested in U.S. agency securities that do not carry an explicit full faith and credit pledge, 25% in investment pools and money market funds, 25% in repurchase agreements and 35% invested in Kansas municipal securities. Investments that represent more than 5% of the City's investments consist of the Federal National Mortgage Association – 21%, Federal Home Loan Bank – 37%, Federal Home Loan Mortgage Corporation – 19% and Federal Farm Credit Bank – 7%.

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

City of Merriam, Kansas

Notes to the Financial Statements
December 31, 2020

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the investment.

Level 1 inputs are quoted prices in active markets for identical assets;

Level 2 inputs are significant other observable inputs, either directly or indirectly observable, and fair value can be determined through the use of models or other valuation methodologies;

Level 3 inputs are significant unobservable inputs in situations where there is little or no market activity for the asset or liability and the entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

The City has the following recurring fair value measurements as of year-end:

U.S. Treasury bills are valued using quoted market prices (Level 1 inputs).

Municipal bonds and U.S. government agencies are valued at Level 2 using quotation services or other independent sources, like IDC, that maximize the use of observable inputs for similar securities.

As of December 31, 2020, the City had the following investments and maturities:

Investment Type	Investment maturities (in Years)			Fair Value Hierarchy
	Fair Value	Less than 1	1-5	
Municipal bonds	\$ 496,707	\$ 256,471	\$ 240,236	Level 2
U.S. government agencies	18,262,690	16,098,938	2,163,752	Level 2
U.S. treasury bills	3,131,424	3,131,424	--	Level 1
Total	<u>\$ 21,890,821</u>	<u>\$ 19,486,833</u>	<u>\$ 2,403,988</u>	

Deposits and investments at December 31, 2020 appear in the financial statements as summarized below:

Carrying amount of deposits	\$ 9,977,252
Carrying amount of investments	<u>21,890,821</u>
Total	<u>\$ 31,868,073</u>

City of Merriam, Kansas

Notes to the Financial Statements
December 31, 2020

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 13,791,159	\$ --	\$ --	\$ 13,791,159
Artwork	24,000	--	--	24,000
Construction in progress	24,987,399	15,340,492	39,479,766	848,125
Total capital assets, not being depreciated	<u>38,802,558</u>	<u>15,340,492</u>	<u>39,479,766</u>	<u>14,663,284</u>
Capital assets, being depreciated:				
Buildings	14,596,272	23,839,303	2,860,542	35,575,033
Improvements other than buildings	6,215,543	10,921,301	175,672	16,961,172
Equipment	8,609,509	2,602,718	678,694	10,533,533
Infrastructure	140,521,348	3,014,702	94,672	143,441,378
Total capital assets being depreciated	<u>169,942,672</u>	<u>40,378,024</u>	<u>3,809,580</u>	<u>206,511,116</u>
Less accumulated depreciation for:				
Buildings	6,821,699	478,636	1,934,513	5,365,822
Improvements other than buildings	2,352,696	485,881	127,002	2,711,575
Equipment	4,544,420	614,190	576,917	4,581,693
Infrastructure	67,716,663	4,105,956	94,671	71,727,948
Total accumulated depreciation	<u>81,435,478</u>	<u>5,684,663</u>	<u>2,733,103</u>	<u>84,387,038</u>
Total capital assets, being depreciated, net	<u>88,507,194</u>			<u>122,124,078</u>
Governmental activities capital assets, net	<u>\$ 127,309,752</u>	<u>\$ 50,033,853</u>	<u>\$ 40,556,243</u>	<u>\$ 136,787,362</u>

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

Governmental activities:	
General government	\$ 167,505
Law enforcement	309,913
Fire prevention and control	111,638
Public works	256,914
Capital improvement program	4,165,075
Community development	72,856
Culture and recreation	600,762
Total depreciation expense	<u>\$ 5,684,663</u>

City of Merriam, Kansas

Notes to the Financial Statements December 31, 2020

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Long-Term Debt

Long-term liability activity for the year ended December 31, 2020 was as follows:

	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	Due within one year
General obligation bonds	\$ 19,385,000	\$ --	\$ 2,310,000	\$ 17,075,000	\$ 2,420,000
Premium on bonds	2,657,401	--	352,739	2,304,662	352,739
Claims and judgments	5,000	30,515	30,515	5,000	5,000
Compensated absences	527,889	502,183	431,230	598,842	453,620
Net pension liability	6,548,704	2,403,192	1,278,488	7,673,408	--
Total OPEB liability	230,280	35,807	19,896	246,191	--
Total	<u>\$ 29,354,274</u>	<u>\$ 2,971,697</u>	<u>\$ 4,422,868</u>	<u>\$ 27,903,103</u>	<u>\$ 3,231,359</u>

Compensated absences, claims and judgments, net pension liability 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 consisted of \$7,300,000 Series 2012 bonds which were issued on March 1, 2012 with interest rates ranging from 1.25-2.00% and mature on October 1, 2023. Outstanding balance of the Series 2012 bonds at December 31, 2020 was \$1,685,000.

General obligation bonds consisted of \$20,935,000 Series 2018 bonds which were issued on February 15, 2018 with interest rates ranging from 3.00-5.00% and mature on October 1, 2027. Outstanding balance of the Series 2018 bonds at December 31, 2020 was \$15,390,000.

The annual debt service requirements to amortize the general obligation bonds outstanding as of December 31, 2020 are as follows:

Year	Principal	Interest
2021	\$ 2,420,000	\$ 800,475
2022	2,545,000	696,700
2023	2,680,000	587,650
2024	2,190,000	471,500
2025	2,295,000	362,000
2026 - 2027	4,945,000	374,000
Total	<u>\$ 17,075,000</u>	<u>\$ 3,292,325</u>

City of Merriam, Kansas

Notes to the Financial Statements December 31, 2020

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Long-Term Debt (Continued)

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 term of the agreement. This obligation does not bear interest and is payable solely from future increments generated over the remaining term of the agreement.

IKEA Project - On November 12, 2012, the City entered into a redevelopment agreement with IKEA Property, Inc. (IKEA) to provide tax incentives for construction of a 349,000 square foot home furnishings store. The IKEA project area was formerly part of the Merriam Village Project area until the purchase by IKEA. Under the terms of the agreement, the City shall reimburse up to \$19,900,000 in property and sales tax increment over the remaining term of the agreement.

Merriam Pointe Project - Under the terms of a March 28, 2011 redevelopment agreement as amended on July 24, 2017, the City has agreed to reimburse up to \$12,750,000 of eligible costs over the remaining term of the agreement. On September 28, 2020, the City agreed to pay \$5,000,000 of certified eligible costs to terminate the agreement. The \$5 million is recorded in accounts payable and was paid to the developers in January 2021.

Others - The City entered into a contractual agreement with one private entity to reimburse them for certain eligible land and land improvement costs, plus interest, fixed at the prime rate at the time the agreement was executed. The agreement limits the total reimbursement to \$818,900, plus interest, at fixed rates from 6.00%. The reimbursements are made solely from the property tax increment derived from the property over the remaining term of the agreement. In accordance with this agreement, interest accrued and unpaid when due is added to the principal amount of the contractual obligation. If the increments are not sufficient to fully reimburse the costs and interest, the City will have no further obligation to the entities.

The portion of the tax increments used to reimburse these private entities in 2020 is recorded as community development expenditures in the I-35 District Tax Increment Financing Fund.

City of Merriam, Kansas

Notes to the Financial Statements December 31, 2020

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Long-Term Debt (Continued)

Summary - The City has pledged 75% to 100% of the incremental increase in ad valorem tax revenues less an administrative fee retained by the City to repay the eligible developer's costs for each of the above individual projects. These obligations represent redeveloper costs that have been certified as eligible for reimbursement from the incremental taxes attributable to each project. The City is only obligated for the amounts of incremental taxes received attributable to the projects. Any deficiencies are the responsibility of the developer. As of December 31, 2020, the remaining certified project costs to be repaid totaled \$14,018,277.

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 \$68,930,865, leaving a debt margin of \$53,540,865.

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. The interfund balances between the Capital Improvement Fund and General Obligation Bond Fund are related to funding debt service requirements.

Due from:	Due to:		
	Capital Improvement	General fund	Total
General fund	\$ 26,650	\$ --	\$ 26,650
General Obligation Bond fund	--	54,263	54,263
Total	<u>\$ 26,650</u>	<u>\$ 54,263</u>	<u>\$ 80,913</u>

A summary of interfund transfers by fund type for the year ended December 31, 2020 is as follows:

Transfer from:	Transfer to:			
	Capital Improvement	General Obligation Bond	Nonmajor Governmental	Total
General fund	\$ 4,241,802	\$ --	\$ 900,000	\$ 5,141,802
Capital Improvement fund	--	1,200,000	--	1,200,000
Total	<u>\$ 4,241,802</u>	<u>\$ 1,200,000</u>	<u>\$ 900,000</u>	<u>\$ 6,341,802</u>

City of Merriam, Kansas

Notes to the Financial Statements December 31, 2020

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund Balances and Transfers (Continued)

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	Nonmajor Governmental	Total
Restricted for:						
Debt service	\$ --	\$ --	\$ 289,068	\$ --	\$ --	\$ 289,068
Police department	--	--	--	--	46,647	46,647
Street and stormwater improvements	--	4,681,400	--	--	--	4,681,400
Street improvements	--	--	--	--	257,098	257,098
Community center construction	--	17,428	--	--	--	17,428
Alcohol abuse, prevention and treatment	--	--	--	--	12,882	12,882
Economic development	--	--	--	820,367	--	820,367
Promote tourism and economic development	--	--	--	--	460,256	460,256
Parks and recreation	--	--	--	--	37,513	37,513
Committed to:						
Capital equipment	--	--	--	--	991,307	991,307
Assigned to:						
Capital projects	--	12,053,779	--	--	--	12,053,779
General government	34,251	67,966	--	--	31,000	133,217
Risk management	1,090,127	--	--	--	--	1,090,127
Unassigned	7,497,133	--	--	--	--	7,497,133
Total	\$ 8,621,511	\$ 16,820,573	\$ 289,068	\$ 820,367	\$ 1,836,703	\$ 28,388,222

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 obtains insurance through its membership in the Midwest Public Risk (MPR), whose members consist of over 180 Kansas and Missouri public entities that participate in the property and liability program. MPR's objectives are to provide a self-insurance program for local governmental entities; to improve the loss prevention program, thereby reducing claims and accidents; to reduce costs through sound and equitable claims management practices; and to provide excess insurance at a discount based on volume

City of Merriam, Kansas

Notes to the Financial Statements December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

and lower risk exposure. The City pays annual premiums to MPR. Settled claims have not exceeded the 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, 2020, 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:

	2020	2019
Beginning liability	\$ 5,000	\$ 5,000
Claims and changed in estimates	30,515	5,899
Claim payments	(30,515)	(5,899)
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.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended worldwide mitigation measures. The extent of COVID-19's effect on the City's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the City's operations.

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.

City of Merriam, Kansas

Notes to the Financial Statements December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

C. Construction Commitments and Encumbrances

As of December 31, 2020, the City has outstanding construction commitments for street, bridge and stormwater engineering and community center construction which are authorized for \$667,110 of which \$540,458 has been expended.

As of December 31, 2020, the City has the following outstanding encumbrances:

General fund	\$ 34,252
Equipment Reserve fund	<u>31,000</u>
Total	<u>\$ 65,252</u>

D. Pension Plans

Defined Benefit Plans

General Information about the Pension Plan

Plan description: The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at <http://www.kpers.org> or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Benefits provided. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the General Assembly. Member employees (except Police and Firemen) with ten or more years of credited service, may retire as early as age 55 (Police and Firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 "points" (Police and Firemen's normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service).

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, member employees may withdraw their contributions from their individual accounts, including interest. Member employees who withdraw their accumulated contributions lose all rights and privileges of membership. The accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Member employees chose one of seven payment options for their monthly retirement benefits. At retirement a member employee may receive a lump-sum payment of up to 50% of the actuarial present value of the member employee's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump-sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

City of Merriam, Kansas

Notes to the Financial Statements December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

D. Pension Plans (Continued)

The 2012 Legislature made changes affecting new hires, current member employees and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contributions rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. K.S.A. 74-4975 establishes the Police and Firemen (KP&F) member-employee contribution rate at 7.15% of covered salary. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2, KPERS 3 and KP&F be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate and the statutory contribution rate (not including the 1.00% contribution rate for the Death and Disability Program) was 8.61% for KPERS and 21.93% for KP&F for the fiscal year ended December 31, 2020.

Contributions to the pension plan from the City were \$304,636 for KPERS and \$483,412 for KP&F for the year ended December 31, 2020.

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

Although KPERS administers one cost sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each group of the plan. The City participates in the local (KPERS) group and the Police and Firemen (KP&F) group.

At December 31, 2020, the City reported a liability of \$3,048,516 for KPERS and \$4,624,892 for KP&F for its proportionate share of the KPERS' collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2020, and the total pension liability

City of Merriam, Kansas

Notes to the Financial Statements December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

D. Pension Plans (Continued)

used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020. The City's proportion of the collective net pension liability was based on the ratio of the City's actual contributions to KPERS and KP&F, relative to the total employer and nonemployer contributions of the KPERS and KP&F for the fiscal year ended June 30, 2020. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2020, the City's proportion and change from its proportion measured as of June 30, 2019 were as follows:

	Net pension liability as of December 31, 2020	Proportion as of June 30, 2020	Increase (decrease) in proportion from June 30, 2019
KPERS (local)	\$ 3,048,516	0.176%	0.002%
KP&F	4,624,892	0.375%	(0.031%)
	<u>\$ 7,673,408</u>		

For the year ended December 31, 2020, the City recognized pension expense of \$415,236 for KPERS and \$358,267 for KP&F. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 186,084	\$ 39,193
Net difference between projected and actual earnings on pension plan investments	805,105	-
Changes in proportionate share	69,345	463,524
Changes in assumptions	503,770	-
City's contributions subsequent to measurement date	<u>420,795</u>	<u>-</u>
Total	<u>\$ 1,985,099</u>	<u>\$ 502,717</u>

The \$420,795 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) to pension expense as follows:

City of Merriam, Kansas

Notes to the Financial Statements December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

D. Pension Plans (Continued)

Year ended December 31:	Deferred Outflows	
	<u>(Inflows) of Resources</u>	
2021	\$	170,476
2022		337,995
2023		293,663
2024		252,964
2025		6,489
	\$	<u>1,061,587</u>

Actuarial assumptions. The total pension liability for KPERS in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.75%
Wage inflation	3.25%
Salary increases, including wage increases	3.25% to 11.75%, including inflation
Long-term rate of return, net of investment expense, and including price inflation	7.50%

Mortality rates were based on the RP 2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study conducted for the three-year period beginning January 1, 2016. The experience study is dated January 7, 2020.

The actuarial assumptions changes adopted by the Pension Plan for all groups based on the experience study were as follows:

- Investment return assumption was lowered from 7.75% to 7.50%.
- General wage growth assumption was lowered from 3.50% to 3.25%.
- Payroll growth assumption was lowered from 3.00% to 2.75%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study dated January 7, 2020, as provided by KPERS' investment consultant, are summarized in the following table:

City of Merriam, Kansas

Notes to the Financial Statements December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

D. Pension Plans (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equities	23.5%	5.20%
Non-U.S. equities	23.5	6.40
Private equity	8	9.50
Private real estate	11	4.45
Yield driven	8	4.70
Real return	11	3.25
Fixed income	11	1.55
Short-term investments	4	0.25
Total	<u>100%</u>	

Discount rate. The discount rate used by KPERS to measure the total pension liability at June 30, 2020 was 7.50%. The discount rate used to measure the total pension liability at the prior measurement date of June 30, 2019 was 7.75%. The projection of cash flows used to determine the discount rate was based on member and employer contributions. The Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993 and subsequent legislation, the employer contribution rates certified by the KPERS' Board of Trustees for this group may not increase by more than the statutory cap. The statutory cap for the State fiscal year 2020 was 1.2%. The Local employers are currently contributing the full actuarial contribution rate. Employers contribute the full actuarial determined rate for KP&F. The expected employer actuarial contribution rate was modeled for future years for these groups, assuming all actuarial assumptions are met in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the collective net pension liability to changes in the discount rate. The following presents the City's proportionate share of the collective net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's KPERS proportionate share of the net pension liability	\$ 4,290,473	\$ 3,048,516	\$ 2,004,342
City's KP&F proportionate share of the net pension liability	<u>6,330,054</u>	<u>4,624,892</u>	<u>3,200,838</u>
	<u>\$ 10,620,527</u>	<u>\$ 7,673,408</u>	<u>\$ 5,205,180</u>

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

City of Merriam, Kansas

Notes to the Financial Statements December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

D. Pension Plans (Continued)

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 2020 were 0% to 3% for employees, with a City matching range of 3.54% to 10.0%. In 2020, covered payroll was \$2,782,458. The contributions by the City and employees for 2020 were \$277,394 and \$81,885, respectively.

E. Postemployment Healthcare Plan

City's OPEB 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. There is no standalone financial report for the plan.

Benefits provided. 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).

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.

Employees covered by benefit terms. At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	79
	<hr/>
	81
	<hr/>

Total OPEB Liability

The City's total OPEB liability of \$167,504 was measured as of December 31, 2020 and was determined by an actuarial valuation as of January 1, 2019, which was rolled forward to December 31, 2020.

Actuarial assumptions and other inputs. The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise noted:

City of Merriam, Kansas

Notes to the Financial Statements December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

E. Postemployment Healthcare Plan (Continued)

Inflation	2.50%
Salary increases	3.00%
Discount rate	3.64%
Healthcare cost trend rates	7.5% for 2020, decreasing by 0.5% per year to an ultimate rate of 4.5% for 2028 and later years
Retiree's share of benefit related costs	Retirees and spouses pay 100% of the premium equivalent rates

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates were based on the RP-2014 Mortality tables, as appropriate, with adjustment for mortality improvements based on Scale MP-2016.

The actuarial assumptions used in the January 1, 2019 valuation were based on an experience analysis of the plan's past experience, the actuary's experience with plans of similar size, plan design, retiree contribution level and assumptions used in the City's participation in the corresponding pension plan through KPERS and KP&F, as applicable.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/19	\$ 156,177
Changes for the year:	
Service cost	11,159
Interest	5,985
Net benefits paid by employer	(5,817)
Net changes	11,327
Balance at 12/31/20	\$ 167,504

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64%) or 1-percentage-point higher (4.64%) than the current discount rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total OPEB liability	\$ 191,084	\$ 167,504	\$ 146,954

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5% decreasing to 3.5%) or 1-percentage-point higher (8.5% decreasing to 5.5%) than the current healthcare cost trend rates:

City of Merriam, Kansas

Notes to the Financial Statements December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

E. Postemployment Healthcare Plan (Continued)

	1% Decrease (6.5% decreasing to 3.5%)	Healthcare Cost Trend Rates (7.5% decreasing to 4.5%)	1% Increase (8.5% decreasing to 5.5%)
Total OPEB liability	\$ 142,213	\$ 167,504	\$ 198,515

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the City recognized OPEB expense of \$14,687. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 31,548
Changes in assumptions	12,698	-
Total	<u>\$ 12,698</u>	<u>\$ 31,548</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	<u>Deferred Outflows (Inflows) of Resources</u>
2021	\$ (2,457)
2022	(2,457)
2023	(2,457)
2024	(2,457)
2025	(2,457)
Thereafter	(6,565)
	<u>\$ (18,850)</u>

KPERS Death and Disability OPEB Plan

Plan Description. The City participates in an agent multiple-employer defined benefit other post-employment benefit (OPEB) plan which is administered by KPERS. The Plan provides long-term disability benefits and life insurance benefit for disabled members to KPERS members, as provided by K.S.A. 74-04927. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. Because the trust's assets are used to pay employee benefits other than OPEB, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. There is no stand-alone financial report for the plan.

City of Merriam, Kansas

Notes to the Financial Statements December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

E. Postemployment Healthcare Plan (Continued)

Benefits provided:

Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60% (prior to January 1, 2006, 66 2/3%) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver premium provision.

Long-term disability benefit: Monthly benefit is 60% of the member's monthly compensation, with a minimum of \$100 and maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, worker's compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability occurs after age 60, benefits are payable while disability continues, for a period of 5 years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the term of the disability or 24 months per lifetime, whichever is less. There are no automatic cost-of-living increase provisions. KPERS has the authority to implement an ad hoc cost-of living increase.

Group life waiver of premium benefit: Upon the death of an employee who is receiving monthly disability benefits, the plan will pay a lump-sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of the member's annual rate of compensation at the time of disability or the member's previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for 5 or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual life insurance policy.

Employees covered by benefit terms. At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	55
	<u>55</u>

Total OPEB Liability

The City's total OPEB liability of \$78,687 was measured as of June 30, 2020 and was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020.

City of Merriam, Kansas

Notes to the Financial Statements December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

E. Postemployment Healthcare Plan (Continued)

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise noted:

Price inflation	2.75%
Payroll growth	3.00%
Salary increases, including inflation	3.50 to 10%, including price inflation
Discount Rate	2.21%
Healthcare cost trend rates	Not applicable for the coverage in this plan
Retiree share of benefit cost	Not applicable for the coverage in this plan

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the RP-2014 Mortality tables, as appropriate, with adjustment for mortality improvements based on Scale MP-2020.

The actuarial assumptions used in the June 30, 2020 valuation were based on an actuarial experience for the three-year period beginning January 1, 2016. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2019 KPERS pension valuation.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at fiscal year-end 12/31/2019	\$ 74,103
Changes for the year:	
Service cost	14,414
Interest	3,098
Effect of economic/demographic gains or losses	(17,266)
Effect of assumptions changes or inputs	4,338
Net changes	4,584
Balance at fiscal year-end 12/31/2020	\$ 78,687

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period and demographic assumption updates based on the most recent KPERS experience study. The discount rate decreased from 3.50% on June 30, 2019 to 2.21% on June 30, 2020.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

City of Merriam, Kansas

Notes to the Financial Statements December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

E. Postemployment Healthcare Plan (Continued)

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 79,866	\$ 78,687	\$ 76,831

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The healthcare trend rates do not affect the liabilities related to the long-term disability benefits sponsored by KPERS. Therefore, there is no sensitivity to a change in healthcare trend rates.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the City recognized OPEB expense of \$12,968. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 37,738
Changes in assumptions	4,475	1,278
Total	<u>\$ 4,475</u>	<u>\$ 39,016</u>

The City currently has no members receiving benefits under this plan; therefore, there are no benefit payments subsequent to the measurement date. Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Deferred Outflows (Inflows) of Resources
Year ended December 31:	
2021	\$ (4,544)
2022	(4,544)
2023	(4,544)
2024	(4,544)
2025	(4,544)
Thereafter	(11,821)
	<u>\$ (34,541)</u>

Summary of OPEB Plans

As of December 31, 2020, the City's total OPEB liability, deferred inflows of resources and OPEB expense associated with the two OPEB plans are summarized as follows:

	2020
Total OPEB liability	\$ 246,191
Deferred outflows of resources	17,173
Deferred inflows of resources	70,564
OPEB expense	27,655

City of Merriam, Kansas

Notes to the Financial Statements December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

F. Fire Services Agreement

On December 28, 2014, the City entered into a fire services agreement with the City of Overland Park for a ten-year period. Under this agreement, Overland Park will provide fire protection and advance life support services within Merriam's city limits. Under the agreement, the City maintains title including responsibility for replacement, upkeep, and insurance for all associated fire service capital assets including land, buildings, and equipment. The City will also pay Overland Park all costs associated with Overland Park's employment of fire service employee positions necessary to provide fire services to the City. In addition, the City will pay a percentage of compensated absences paid to Overland Park's fire service employees upon separation. The percentage used in this calculation will be re-set annually on January 1st. The City's fire service employees were transferred to Overland Park under this agreement. Overland Park will request reimbursement from the City on a quarterly basis. For the year ended December 31, 2020, the City reimbursed Overland Park \$2,408,822 under this agreement.

G. 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. 87, *Leases*, improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2022.

GASB Statement No. 92, *Omnibus 2020*, enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including: effective date of GASB 87 for interim financial reports; intra-entity transfers between primary governments and component unit pension or OPEB plans; applicability of Statements No. 73 and 74 for reporting assets accumulated for postemployment benefits; applicability of certain requirements of GASB 84 to postemployment benefit arrangements; measurement of asset retirement obligations in government acquisitions; reporting by public entity risk pools for amounts recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements in authoritative literature and terminology used related to derivative instruments. Certain provisions of this statement were effective upon issuance and did not impact the City's financial reporting, other provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2022.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance where some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR), most notably, the London Interbank Offered Rate (LIBOR). As a result

City of Merriam, Kansas

Notes to the Financial Statements December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

G. Pending Governmental Accounting Standards (CONTINUED)

of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The provisions of this statement were originally effective for the City's fiscal year ending December 31, 2021 and now postponed until December 31, 2022 per GASB Statement No. 95.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs), which is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for the City's fiscal year ending December 31, 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides new accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs), which have become increasingly common among state and local governments in recent years. Statement 96 is based on the standards established in Statement 87, *Leases*. The new defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The guidance requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability (with an exception for short-term SBITAs, those with a maximum possible term of 12 months) and provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. The provisions of this statement will be effective for the City's fiscal year ending December 31, 2023.

GASB Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, provides the following guidance: 1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; 2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans and employee benefit plans other than pension or OPEB plans as fiduciary component units in fiduciary fund financial statements; and 3) addresses relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefit provided through those plans. The first two provisions of this statement are effective immediately. The last provision will be effective for the City's fiscal year ending December 31, 2022.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

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City of Merriam, Kansas

Required Supplementary Information December 31, 2020

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 – Budget Basis - General Fund
- Defined Benefit Pension Plans – Share of the Collective Net Pension Liability Kansas Public Employee Retirement System Last Eight Fiscal Years
- Defined Benefit Pension Plans – Schedule of City’s Contributions Kansas Public Employees Retirement System Last Eight Fiscal Years
- Other Postemployment Benefits Other Than Pensions – Schedule of Changes in the City’s Total OPEB Liability and Related Ratios

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.

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, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 4,903,298	\$ 4,903,298	\$ 4,751,953	\$ (151,345)
Sales tax	9,767,412	9,767,412	10,250,537	483,125
Intergovernmental	28,000	28,000	29,223	1,223
Licenses, permits and fees	371,500	371,500	390,265	18,765
Franchise fees	1,418,000	1,418,000	1,297,965	(120,035)
Charges for services	910,545	910,545	196,191	(714,354)
Fines, forfeitures and penalties	900,000	900,000	827,101	(72,899)
Use of money and property	75,000	75,000	58,765	(16,235)
Miscellaneous	83,000	83,000	116,903	33,903
Total revenue	18,456,755	18,456,755	17,918,903	(537,852)
Expenditures:				
Current:				
Personal services	9,313,769	9,313,769	8,021,129	(1,292,640)
Contractual services	5,390,261	5,390,261	4,347,389	(1,042,872)
Commodities	756,375	756,375	459,093	(297,282)
Capital outlay	6,200	6,200	-	(6,200)
Health and welfare	101,800	101,800	92,562	(9,238)
Miscellaneous	4,660,274	4,660,274	-	(4,660,274)
Total expenditures	20,228,679	20,228,679	12,920,173	(7,308,506)
Revenue over expenditures	(1,771,924)	(1,771,924)	4,998,730	6,770,654
Other financing sources (uses):				
Transfer out	(4,537,706)	(4,537,706)	(5,141,802)	604,096
Total other financing sources (uses)	(4,537,706)	(4,537,706)	(5,141,802)	604,096
Net change in fund balance	\$ (6,309,630)	\$ (6,309,630)	(143,072)	\$ 6,166,558
Fund balance at beginning of year			7,640,204	
Fund balance at end of year			<u>\$ 7,497,132</u>	

Explanation of difference between budgetary and GAAP fund balances:

Separately budgeted funds included in the general fund for GAAP reporting purposes:

Risk Management Reserve 1,090,127

Current year encumbrances 34,252

GAAP fund balance at end of year \$ 8,621,511

City of Merriam, Kansas

Required Supplementary Information December 31, 2020

Defined Benefit Pension Plans

Share of the Collective Net Pension Liability Kansas Public Employees Retirement System Last Eight Fiscal Years*

	2020	2019	2018	2017	2016	2015	2014	2013
City's proportion of the collective net pension liability:								
KPERS (local group)	0.176%	0.174%	0.174%	0.168%	0.174%	0.173%	0.170%	0.167%
KP&F (police & firemen)	0.375%	0.406%	0.423%	0.423%	0.420%	0.576%	0.717%	0.728%
City's proportionate share of the collective net pension liability	\$ 7,673,408	\$ 6,548,704	\$ 6,516,721	\$ 6,406,536	\$ 6,593,662	\$ 6,453,928	\$ 6,794,383	\$ 8,462,052
City's covered payroll ^	\$ 5,479,137	\$ 5,475,395	\$ 5,284,158	\$ 5,138,596	\$ 4,997,802	\$ 5,602,520	\$ 6,054,100	\$ 5,927,826
City's proportionate share of the collective net pension liability as a percentage of its covered payroll	140%	120%	123%	125%	132%	115%	112%	143%
Plan fiduciary net position as a percentage of the total pension liability	66.30%	69.88%	68.88%	67.12%	65.10%	64.95%	66.60%	59.94%

* GASB 68 requires presentation of ten years. As of December 31, 2020, only eight years of information is available.

^ Covered payroll is measured as of the measurement date ending June 30.

City of Merriam, Kansas

Required Supplementary Information December 31, 2020

Defined Benefit Pension Plans (Continued)

Schedule of City's Contributions Kansas Public Employees Retirement System Last Eight Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 788,048	\$ 753,864	\$ 697,777	\$ 663,496	\$ 697,758	\$ 709,898	\$ 888,982	\$ 771,638
Contributions in relation to the contractually required contribution	<u>(788,048)</u>	<u>(753,864)</u>	<u>(697,777)</u>	<u>(663,496)</u>	<u>(697,758)</u>	<u>(709,898)</u>	<u>(888,982)</u>	<u>(771,638)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll ^	\$ 5,772,716	\$ 5,497,639	\$ 5,352,363	\$ 5,189,561	\$ 5,103,228	\$ 4,970,513	\$ 6,088,295	\$ 6,011,024
Contributions as a percentage of covered payroll	13.65%	13.71%	13.04%	12.79%	13.67%	14.28%	14.60%	12.84%

* GASB 68 requires presentation of ten years. As of December 31, 2020, only eight years of information is available.

^ Covered payroll is measured as of the fiscal year end December 31.

City of Merriam, Kansas

Required Supplementary Information
December 31, 2020

Defined Benefit Pension Plans (Continued)

Changes in benefit terms for KPERS. In the state fiscal year 2014, the KP&F group had a change in benefit terms. The Legislature increased this group's employee contributions to 7.15 percent and eliminated the reduction of employee contributions to 2.0 percent after 32 years of service. In addition, the maximum retirement benefit increased to 90 percent of final average salary (reached at 36 years of service). Before this change the maximum retirement benefit was limited to 80 percent of final average salary (reached at 32 years of service).

Effective January 1, 2014, KPERS 1 member's employee contribution rate increased to 5.0 percent and then on January 1, 2015, increase to 6.0 percent, with an increase in benefit multiplier to 1.85 percent for future years of service. For KPERS 2 members retired after July 1, 2012, the cost of living adjustment (COLA) is eliminated, but members will receive a 1.85 percent multiplier for all years of service.

January 1, 2015, the KPERS 3 cash balance plan became effective. Members enrolled in this plan are ones first employed in a KPERS covered position on or after January 1, 2015, or KPERS 1 or KPERS 2 members who left employment before vesting and returned to employment on or after January 1, 2015. The retirement benefit is an annuity based on the account balance at retirement.

For the state fiscal year 2017, the KP&F group had a change in benefit terms. The Legislature changed the duty-related death benefit for KP&F members to the greater of 50% of Final Average Salary and member's accrued retirement benefit under the 100% joint and survivor option, payable to the member's spouse. Including any benefits that may be due to child beneficiaries, the total monthly benefits may not exceed 90% of the member's Final Average Salary. Prior to this bill, the duty-related spousal death benefit for KP&F member was 50% of the Final Average Salary, and the maximum available to the family was 75% of the member's Final Average Salary.

For the state fiscal year 2017, the Legislature changed the working after retirement rules for members who retire on or after January 1, 2018. The key changes to the working after retirement rules were to lengthen the waiting period for KPERS members to return to work from 60 days to 180 days for members who retire before attaining age 62, remove the earnings limitation for all retirees and establish a single-employer contribution schedule for all retirees.

Changes in assumptions for KPERS. As a result of the experience study completed in November 2016, there were several changes made to the actuarial assumptions and methods since the prior valuation. The changes that impact all groups were effective December 31, 2016 and include:

- The price inflation assumption was lowered from 3.00% to 2.75%.
- The investment return assumption was lowered from 8.00% to 7.75%.
- The general wage growth assumption was lowered from 4.00% to 3.50%.
- The payroll growth assumption was lowered from 4.00% to 3.00%.

City of Merriam, Kansas

Required Supplementary Information December 31, 2020

Changes from the November 2016 experience study that impacted individual groups are listed below:

KPERS:

- The post-retirement healthy mortality assumption was changed to the RP-2014 Mortality Table, with adjustments to better fit the observed experience for the various KPERS groups. The most recent mortality improvement scale, MP-2016, is used to anticipate future mortality improvements in the valuation process through the next experience study.
- The active member mortality assumption was modified to also be based on the RP-2014 Employee Mortality Table with adjustments.
- The retirement rates for the select period (when first eligible for unreduced benefits under Rule of 85) were increased, but all other retirement rates were decreased.
- Disability rates were decreased for all three groups.
- The termination of employment assumption was increased for all three groups.
- The interest crediting rate assumption for KPERS 3 members was lowered from 6.50% to 6.25%.

KP&F:

- The post-retirement healthy mortality assumption was changed to the RP-2014 Mortality Table with 1-year age set forward and the MP-2016, is used to anticipate future mortality improvements.
- The mortality assumption for disabled members was changed to the RP-2014 Disabled Lives Table (generational using MP-2016) with a 1-year age set forward.
- The active member mortality assumption was modified to the RP-2014 Employee Mortality Table with a 1-year age set forward with a 90% scaling factor.
- The retirement rates for Tier 1 were lowered and the ultimate assumed retirement age was changed from 63 to 65 for Tier 2.
- The termination of employment rates for Tier 2 were increased to better match the observed experience.

As a result of the experience study completed in January 2020, there were several changes made to the actuarial assumptions and methods since the prior valuation. The changes that impact all groups were effective December 31, 2019 and include:

- The investment return assumption was lowered from 7.75% to 7.50%.
- The general wage growth assumption was lowered from 3.50% to 3.25%.
- The payroll growth assumption was lowered from 3.00% to 2.75%.

City of Merriam, Kansas

Required Supplementary Information December 31, 2020

Changes from the January 2020 experience study that impacted individual groups are listed below:

KPERS:

- Retirement rates were adjusted to partially reflect observed experience.
- Termination rates were increased for most KPERS groups.
- Disability rates were reduced.
- Factors for the State group that are used to anticipate higher liabilities due to higher final average salary at retirement for pre-1993 hires were modified to better reflect actual experience.
- The administrative expense load for contributions rates was increased from 0.16% to 0.18%.

KP&F:

- Retirement rates were adjusted to partially reflect observed experience.
- Factors for the KP&F group that are used to anticipate higher liabilities due to higher final average salary at retirement for pre-1993 hires were modified to better reflect actual experience.
- The administrative expense load for contributions rates was increased from 0.16% to 0.18%.

City of Merriam, Kansas

Required Supplementary Information December 31, 2020

Other Postemployment Benefits Other Than Pensions

Schedule of Changes in the City's Total OPEB Liability and Related Ratios

Last Four Fiscal Years*

	2020	2019	2018	2017
Measurement date	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Total OPEB liability				
Service cost	\$ 11,159	\$ 10,834	\$ 8,472	\$ 8,224
Interest	5,985	5,647	6,010	5,776
Net benefits paid by employer	(5,817)	(9,202)	(8,528)	(6,798)
Differences between expected and actual experience	-	(39,774)	-	-
Changes in assumptions	-	16,010	-	-
Net change in total OPEB liability	11,327	(16,485)	5,954	7,202
Total OPEB liability - beginning	156,177	172,662	166,708	159,506
Total OPEB liability - ending	\$ 167,504	\$ 156,177	\$ 172,662	\$ 166,708
Covered-employee payroll	\$ 5,772,716	\$ 5,497,639	\$ 5,352,363	\$ 5,189,651
Total OPEB liability as a percentage of covered-employee payroll	2.90%	2.84%	3.23%	3.21%

* GASB 75 requires presentation of ten years. As of December 31, 2020, only four years of information is available

City of Merriam, Kansas

Required Supplementary Information December 31, 2020

Other Postemployment Benefits Other Than Pensions (Continued)

Schedule of Changes in the City's Death & Disability Total OPEB Liability and Related Ratios

Last Four Fiscal Years*

KPERS Death and Disability Plan

Measurement Date	2020 June 30, 2020	2019 June 30, 2019	2018 June 30, 2018	2017 June 30, 2017
Total OPEB liability				
Service cost	\$ 14,414	\$ 13,606	\$ 13,457	\$ 13,753
Interest	3,098	3,258	3,014	2,000
Effect of economic/demographic gains or losses	(17,266)	(14,066)	(15,997)	-
Effect of assumptions changes or inputs	4,338	724	(620)	(1,450)
Net change in total OPEB liability	4,584	3,522	(146)	14,303
Total OPEB liability - beginning	74,103	70,581	70,727	56,424
Total OPEB liability - ending	<u>\$ 78,687</u>	<u>\$ 74,103</u>	<u>\$ 70,581</u>	<u>\$ 70,727</u>
Covered payroll	<u>\$ 5,479,137</u>	<u>\$ 5,475,395</u>	<u>\$ 5,284,158</u>	<u>\$ 5,138,596</u>
 Total OPEB liability as a percentage of covered payroll	 1.44%	 1.35%	 1.34%	 1.38%

* GASB 75 requires presentation of ten years. As of December 31, 2020, only four years of information is available.
There are no assets accumulated in the trust to pay related benefits.

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period:

- The discount rate increased from 2.85% on June 30, 2016 to 3.58% on June 30, 2017.
- The discount rate increased from 3.58% on June 30, 2017 to 3.87% on June 30, 2018.
- The discount rate decreased from 3.87% on June 30, 2018 to 3.50% on June 30, 2019.
- The discount rate decreased from 3.50% on June 30, 2019 to 2.21% on June 30, 2020.

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**COMBINING
AND
INDIVIDUAL FUND**

**STATEMENTS
AND
SCHEDULES**

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City of Merriam, Kansas
Other Governmental Funds
December 31, 2016

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, 2020

	Special Revenue Funds						Capital Project Funds	Total Nonmajor Governmental Funds
	Special Highway	Special Alcohol	Special Parks and Recreation	Transient Guest Tax	Special Law Enforcement	Grants	Equipment Reserve	
Assets:								
Cash, including investments	\$ 184,303	\$ 12,882	\$ 39,518	\$ 393,976	\$ 46,647	\$ 34,832	\$ 1,030,242	\$ 1,742,400
Receivables, net:						-		
Sales and other taxes	-	-	-	77,367	-	-	-	77,367
Intergovernmental	72,795	-	-	-	-	-	-	72,795
Interest and other	24	-	-	-	-	-	297	321
Total assets	<u>\$ 257,122</u>	<u>\$ 12,882</u>	<u>\$ 39,518</u>	<u>\$ 471,343</u>	<u>\$ 46,647</u>	<u>\$ 34,832</u>	<u>\$ 1,030,539</u>	<u>\$ 1,892,883</u>
Liabilities:								
Accounts and retainage payable	\$ 24	\$ -	\$ 2,005	\$ 7,589	\$ -	\$ 34,832	\$ 8,232	\$ 52,682
Accrued payroll and related liabilities	-	-	-	3,498	-	-	-	3,498
Total liabilities	<u>24</u>	<u>-</u>	<u>2,005</u>	<u>11,087</u>	<u>-</u>	<u>34,832</u>	<u>8,232</u>	<u>56,180</u>
Fund Balances:								
Restricted	257,098	12,882	37,513	460,256	46,647	-	-	814,396
Committed	-	-	-	-	-	-	991,307	991,307
Assigned	-	-	-	-	-	-	31,000	31,000
Total fund balances	<u>257,098</u>	<u>12,882</u>	<u>37,513</u>	<u>460,256</u>	<u>46,647</u>	<u>-</u>	<u>1,022,307</u>	<u>1,836,703</u>
Total liabilities and fund balance	<u>\$ 257,122</u>	<u>\$ 12,882</u>	<u>\$ 39,518</u>	<u>\$ 471,343</u>	<u>\$ 46,647</u>	<u>\$ 34,832</u>	<u>\$ 1,030,539</u>	<u>\$ 1,892,883</u>

City of Merriam, Kansas
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended December 31, 2020

	Special Revenue Funds					Capital Project Funds		Total Nonmajor Governmental Funds
	Special Highway	Special Alcohol	Special Parks and Recreation	Transient Guest Tax	Special Law Enforcement	Grant	Equipment Reserve	
Revenues:								
Transient guest tax	\$ -	\$ -	\$ -	\$ 285,734	\$ -	\$ -	\$ -	\$ 285,734
Intergovernmental	283,936	22,237	22,237	-	-	348,843	-	677,253
Charges for services	-	-	-	28,588	-	-	-	28,588
Fines, forfeitures and penalties	-	-	-	-	4,770	-	-	4,770
Earnings on investments	2,468	(168)	246	3,496	-	-	(6,573)	(531)
Net increase (decrease) in the fair value of investments	-	-	-	-	-	-	159	159
Other	-	-	-	540	-	-	-	540
Total revenues	286,404	22,069	22,483	318,358	4,770	348,843	(6,414)	996,513
Expenditures:								
General government	-	-	-	-	-	113,856	103,092	216,948
Law enforcement	-	-	-	-	7,685	130,593	481,029	619,307
Fire prevention and control	-	-	-	-	-	-	703,498	703,498
Public works	239,404	-	-	-	-	3,306	125,471	368,181
Community development	-	-	-	341,760	-	250	-	342,010
Health and welfare	-	20,000	-	-	-	96,483	-	116,483
Culture and recreation	-	-	12,279	120,898	-	4,355	-	137,532
Total expenditures	239,404	20,000	12,279	462,658	7,685	348,843	1,413,090	2,503,959
Excess of revenues over (under) expenditures	47,000	2,069	10,204	(144,300)	(2,915)	-	(1,419,504)	(1,507,446)
Other financing sources (uses):								
Proceeds from sale of capital assets	-	-	-	-	-	-	18,338	18,338
Transfers in	-	-	-	-	-	-	900,000	900,000
Total other financing sources (uses)	-	-	-	-	-	-	918,338	918,338
Net change in fund balances	47,000	2,069	10,204	(144,300)	(2,915)	-	(501,166)	(589,108)
Fund balances at beginning of year	210,098	10,813	27,309	604,556	49,562	-	1,523,473	2,425,811
Fund balances at end of year	\$ 257,098	\$ 12,882	\$ 37,513	\$ 460,256	\$ 46,647	\$ -	\$ 1,022,307	\$ 1,836,703

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, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 305,780	\$ 305,780	\$ 283,936	\$ (21,844)
Use of money and property	-	-	2,468	2,468
Total revenues	305,780	305,780	286,404	(19,376)
Expenditures:				
Current:				
Contractual services	350,000	350,000	232,895	(117,105)
Commodities	40,000	40,000	6,509	(33,491)
Contingency	18,049	18,049	-	(18,049)
Total expenditures	408,049	408,049	239,404	(168,645)
Net change in fund balance	\$ (102,269)	\$ (102,269)	47,000	\$ 149,269
Fund balance at beginning of year			210,098	
Fund balance at end of year			<u>\$ 257,098</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, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 24,000	\$ 24,000	\$ 22,237	\$ (1,763)
Use of money and property	-	-	(168)	(168)
Total revenues	24,000	24,000	22,069	(1,931)
Expenditures:				
Current:				
Contractuals	25,000	25,000	20,000	(5,000)
Miscellaneous	9,712	9,712	-	(9,712)
Total expenditures	34,712	34,712	20,000	(14,712)
Net change in fund balance	\$ (10,712)	\$ (10,712)	2,069	\$ 12,781
Fund balance at beginning of year			10,813	
Fund balance at end of year			<u>\$ 12,882</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, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 24,000	\$ 24,000	\$ 22,237	\$ (1,763)
Use of money and property	-	-	246	246
Total revenues	24,000	24,000	22,483	(1,517)
Expenditures:				
Current:				
Capital outlay	49,000	49,000	12,279	(36,721)
Miscellaneous	1,426	1,426	-	(1,426)
Total expenditures	50,426	50,426	12,279	(38,147)
Net change in fund balance	\$ (26,426)	\$ (26,426)	10,204	\$ 36,630
Fund balance at beginning of year			27,309	
Fund balance at end of year			<u>\$ 37,513</u>	

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, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Transient guest tax	\$ 408,165	\$ 408,165	\$ 285,734	\$ (122,431)
Charges for services	65,985	65,985	28,588	(37,397)
Use of money and property	-	-	3,496	3,496
Miscellaneous	-	-	540	540
Total revenues	474,150	474,150	318,358	(155,792)
Expenditures:				
Current:				
Personal services	387,202	387,202	368,265	(18,937)
Contractual services	144,525	144,525	76,492	(68,033)
Commodities	11,655	11,655	693	(10,962)
Health and welfare	82,545	82,545	17,208	(65,337)
Miscellaneous	373,421	373,421	-	(373,421)
Total expenditures	999,348	999,348	462,658	(536,690)
Revenue over expenditures	(525,198)	(525,198)	(144,300)	380,898
Net change in fund balance	<u>\$ (525,198)</u>	<u>\$ (525,198)</u>	(144,300)	<u>\$ 380,898</u>
Fund balance at beginning of year			604,556	
Fund balance at end of year			<u>\$ 460,256</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, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Use of money and property	\$ 5,000	\$ 5,000	\$ (6,414)	\$ (11,414)
Total revenues	5,000	5,000	(6,414)	(11,414)
Expenditures:				
Current:				
Capital outlay	2,101,706	2,101,706	1,382,914	(718,792)
Total expenditures	2,101,706	2,101,706	1,382,914	(718,792)
Revenue over expenditures	(2,096,706)	(2,096,706)	(1,389,328)	707,378
Other financing sources (uses):				
Miscellaneous proceeds	35,000	35,000	2,371	(32,629)
Transfer in	900,000	900,000	900,000	-
Total other financing sources (uses)	935,000	935,000	902,371	(32,629)
Net change in fund balance	<u>\$ (1,161,706)</u>	<u>\$ (1,161,706)</u>	(486,957)	<u>\$ 674,749</u>
Fund balance at beginning of year			1,478,264	
Fund balance at end of year			<u>\$ 991,307</u>	
Explanation of difference between budgetary and GAAP fund balances:				
Current year encumbrances			31,000	
GAAP fund balance at end of year			<u>\$ 1,022,307</u>	

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, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Use of money and property	\$ 15,000	\$ 15,000	\$ 25,658	\$ 10,658
Total revenues	15,000	15,000	25,658	10,658
Expenditures:				
General government:				
Commodities	20,000	20,000	-	(20,000)
Contractual services	10,000	10,000	25,300	15,300
Contingencies and reserves	1,059,941	1,059,941	-	(1,059,941)
Total expenditures	1,089,941	1,089,941	25,300	(1,064,641)
Net change in fund balance	\$ (1,074,941)	\$ (1,074,941)	358	\$ 1,075,299
Fund balance at beginning of year			1,089,769	
Fund balance at end of year			<u>\$ 1,090,127</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, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 190,480	\$ 190,480	\$ 184,863	\$ (5,617)
Special assessments	1,835,075	1,835,075	1,898,739	63,664
Use of money and property	2,000	2,000	12,837	10,837
Total revenues	<u>2,027,555</u>	<u>2,027,555</u>	<u>2,096,439</u>	<u>68,884</u>
Expenditures:				
Debt service:				
Principal	2,310,000	2,310,000	2,310,000	-
Interest	898,125	898,125	898,125	-
Miscellaneous	80,838	80,838	-	(80,838)
Total expenditures	<u>3,288,963</u>	<u>3,288,963</u>	<u>3,208,125</u>	<u>(80,838)</u>
Revenues over expenditures	(1,261,408)	(1,261,408)	(1,111,686)	149,722
Other financing sources (uses):				
Transfers in	1,200,000	1,200,000	1,200,000	-
Total other financing sources (uses)	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>-</u>
Net change in fund balance	<u>\$ (61,408)</u>	<u>\$ (61,408)</u>	88,314	<u>\$ 149,722</u>
Fund balance at beginning of year			200,754	
Fund balance at end of year			<u>\$ 289,068</u>	

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STATISTICAL SECTION

This part of the City of Merriam's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents

Tables

Financial Trends

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

1 - 5

Revenue Capacity

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

6 - 11

Debt Capacity

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

12 - 16

Demographic and Economic Information

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

17 - 18

Operating Information

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

19 - 21

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

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

Table 1

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$ 80,022,605	\$ 79,354,128	\$ 81,566,047	\$ 88,722,159	\$ 91,629,331	\$ 94,004,370	\$ 99,965,594	\$ 103,699,928	\$ 110,293,112	\$ 117,415,898
Restricted	5,545,039	7,878,514	9,108,394	9,254,811	9,881,122	11,849,396	13,679,699	12,738,762	9,056,394	6,490,507
Unrestricted	6,645,936	8,516,887	11,081,044	14,009,420	11,058,534	14,370,671	14,248,605	15,340,606	19,739,730	14,654,051
Total Governmental activities net position, as restated (a)	<u>\$ 92,213,580</u>	<u>\$ 95,749,529</u>	<u>\$ 101,755,485</u>	<u>\$ 111,986,390</u>	<u>\$ 112,568,987</u>	<u>\$ 120,224,437</u>	<u>\$ 127,893,898</u>	<u>\$ 131,779,296</u>	<u>\$ 139,089,236</u>	<u>\$ 138,560,456</u>

Note: The City had no business-type activities for years 2011 through 2020.

(a) 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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
General Government	\$ 2,077,925	\$ 2,290,748	\$ 2,725,181	\$ 2,474,433	\$ 2,594,765	\$ 2,722,091	\$ 2,886,242	\$ 2,937,201	\$ 3,275,755	\$ 3,323,460
Law enforcement	3,343,059	3,263,923	3,365,198	3,620,331	3,661,962	3,697,731	3,680,138	4,062,208	4,124,425	4,324,351
Fire prevention and control	2,130,222	2,201,176	2,261,457	2,349,672	2,258,632	2,356,954	2,515,984	2,630,810	2,594,107	2,636,224
Public works	1,962,925	1,937,502	2,142,851	2,276,225	2,234,499	2,002,639	2,326,610	2,242,760	2,259,107	1,977,190
Capital improvement program	3,762,187	4,174,359	3,489,564	3,538,504	3,674,653	3,679,682	3,961,988	4,317,753	4,973,229	4,652,299
Community development	798,562	846,621	732,348	838,878	3,325,549	3,506,701	3,959,370	6,413,617	3,888,749	9,708,083
Health and welfare	24,123	24,698	32,917	44,704	57,147	61,061	69,972	105,389	124,399	212,350
Culture and recreation	1,461,193	1,530,436	1,476,476	1,745,524	1,615,635	1,563,727	1,697,831	1,498,179	1,242,345	1,800,324
Interest on long-term debt	968,509	1,233,443	763,763	1,350,464	116,340	68,586	52,505	748,631	618,049	523,867
Total expenses	\$ 16,528,705	\$ 17,502,906	\$ 16,989,755	\$ 18,238,735	\$ 19,539,182	\$ 19,659,172	\$ 21,150,640	\$ 24,956,548	\$ 23,100,165	\$ 29,158,148
Program Revenues										
Charges for services:										
General government	\$ 189,900	\$ 188,054	\$ 178,856	\$ 218,710	\$ 209,471	\$ 223,573	\$ 172,491	\$ 203,551	\$ 193,366	\$ 215,051
Law enforcement	982,233	957,692	902,639	1,346,571	1,223,641	889,729	861,201	921,705	758,238	831,871
Fire prevention and control	487	730	484	564	103	-	-	-	-	-
Community development	294,816	276,028	415,044	338,621	361,245	167,098	180,069	422,748	273,834	175,214
Culture and recreation	268,364	263,441	270,302	269,015	342,802	337,819	322,785	303,273	186,727	224,779
Operating grants and contributions	321,568	336,134	410,247	437,398	349,093	386,999	354,360	357,502	368,461	684,239
Capital grants and contributions	1,515,293	1,445,139	1,610,418	4,204,028	1,862,140	1,109,636	2,787,856	839,204	1,203,832	824,000
Total program revenues	\$ 3,572,661	\$ 3,467,218	\$ 3,787,990	\$ 6,814,907	\$ 4,348,495	\$ 3,114,854	\$ 4,678,762	\$ 3,047,983	\$ 2,984,458	\$ 2,955,154
Total Net Expense	\$ (12,956,044)	\$ (14,035,688)	\$ (13,201,765)	\$ (11,423,828)	\$ (15,190,687)	\$ (16,544,318)	\$ (16,471,878)	\$ (21,908,565)	\$ (20,115,707)	\$ (26,202,994)
General Revenues and Other										
Changes in Net Position										
Taxes	\$ 16,617,126	\$ 16,959,142	\$ 18,860,427	\$ 21,303,029	\$ 23,066,999	\$ 23,787,090	\$ 23,832,177	\$ 25,159,907	\$ 26,061,795	\$ 25,071,140
Unrestricted investment earnings	211,118	168,447	123,470	128,202	110,443	155,265	207,417	839,841	1,106,010	388,204
Miscellaneous	338,473	419,273	201,153	204,020	355,277	232,961	176,735	(157,587)	232,128	192,633
Intergovernmental not restricted to a specific program	18,611	24,775	22,671	19,482	21,569	24,452	24,599	23,829	25,714	22,237
Total general revenues	\$ 17,185,328	\$ 17,571,637	\$ 19,207,721	\$ 21,654,733	\$ 23,554,288	\$ 24,199,768	\$ 24,240,928	\$ 25,865,990	\$ 27,425,647	\$ 25,674,214
Change in Net Position, as restated (a)	\$ 4,229,284	\$ 3,535,949	\$ 6,005,956	\$ 10,230,905	\$ 8,363,601	\$ 7,655,450	\$ 7,769,050	\$ 3,957,425	\$ 7,309,940	\$ (528,780)

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

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

Table 3

	Fiscal Year									
	2011 (a)	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Unreserved	-	-	-	-	-	-	-	-	-	
Assigned	877,528	986,133	1,007,037	1,043,546	1,043,976	1,033,971	1,047,632	1,127,478	1,091,139	1,124,378
Unassigned	5,233,346	5,484,318	5,984,254	6,764,508	6,099,428	6,347,713	6,588,313	6,839,255	7,640,205	7,497,133
Total General Fund	<u>\$ 6,110,874</u>	<u>\$ 6,470,451</u>	<u>\$ 6,991,291</u>	<u>\$ 7,808,054</u>	<u>\$ 7,143,404</u>	<u>\$ 7,381,684</u>	<u>\$ 7,635,945</u>	<u>\$ 7,966,733</u>	<u>\$ 8,731,344</u>	<u>\$ 8,621,511</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Nonspendable/Restricted/ Committed/Assigned reported in:										
Debt service	71,423	110,424	162,407	55,077	44,696	34,208	36,000	31,745	200,754	289,068
Capital projects funds	6,546,417	7,320,278	9,236,491	10,371,672	14,050,501	15,982,331	15,240,321	38,836,957	26,462,660	17,842,880
Special revenue funds	3,712,031	3,855,036	4,634,548	5,267,978	6,856,472	9,470,589	11,995,543	10,272,665	5,629,201	1,634,763
Total All Other Governmental Funds	<u>\$ 10,329,871</u>	<u>\$ 11,285,738</u>	<u>\$ 14,033,446</u>	<u>\$ 15,694,727</u>	<u>\$ 20,951,669</u>	<u>\$ 25,487,128</u>	<u>\$ 27,271,864</u>	<u>\$ 49,141,367</u>	<u>\$ 32,292,615</u>	<u>\$ 19,766,711</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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Taxes (see Table 5)	\$ 17,039,176	\$ 17,379,992	\$ 19,279,727	\$ 21,725,429	\$ 23,492,861	\$ 24,210,373	\$ 24,256,970	\$ 25,585,282	\$ 26,061,795	\$ 25,071,140
Intergovernmental	1,828,887	817,654	1,919,131	3,540,908	2,232,832	1,426,445	985,694	1,220,535	1,598,007	1,530,476
Licenses, permits and fees	484,716	464,082	593,900	557,331	570,716	390,671	352,560	626,299	467,200	390,265
Charges for services	278,741	274,469	270,302	269,015	342,802	337,819	322,785	303,273	186,727	224,779
Fines, forfeitures and penalties	972,343	947,394	902,639	1,346,571	1,223,641	889,729	861,201	921,705	758,238	831,871
Uses of money and property	111,868	77,596	44,170	60,802	60,840	118,727	184,832	832,153	1,106,010	388,204
Miscellaneous	315,109	479,208	125,818	237,065	128,854	162,678	137,622	114,799	199,089	159,980
Total revenues	21,030,840	20,440,395	23,135,687	27,737,121	28,052,546	27,536,442	27,101,664	29,604,046	30,377,066	28,596,715
Expenditures										
Current:										
General government	\$ 2,111,228	\$ 2,199,816	\$ 2,499,888	\$ 2,489,575	\$ 2,542,050	\$ 2,674,797	\$ 2,720,163	\$ 2,874,497	\$ 3,217,170	\$ 3,190,744
Law enforcement	3,228,754	3,227,603	3,281,632	3,593,359	3,685,202	3,771,787	3,933,623	4,051,089	4,016,780	4,388,743
Fire prevention and control	2,559,747	2,151,266	2,149,282	2,208,847	2,162,380	2,241,898	2,374,213	2,499,830	3,232,195	3,201,311
Public works	2,196,012	2,292,334	2,570,358	2,357,297	2,462,189	2,678,415	2,455,786	2,862,480	2,642,121	2,195,015
Capital improvement program	46,238	41,277	406,226	336,365	322,809	224,574	250,552	418,211	374,333	401,609
Community development	787,038	852,976	709,825	815,807	3,337,700	3,518,041	3,955,102	6,379,936	3,830,989	8,581,607
Health and welfare	24,123	24,698	22,917	24,704	57,148	61,061	69,972	105,389	132,081	212,350
Culture and recreation	1,236,494	1,229,785	1,203,990	1,346,778	1,328,450	1,238,796	1,276,211	1,298,065	976,729	1,228,254
Capital outlay	2,988,227	2,147,925	2,844,881	8,580,884	6,151,380	5,169,489	7,168,645	7,425,077	24,898,294	14,644,299
Debt service:										
Principal	4,246,595	4,076,886	3,422,583	2,189,411	1,365,367	1,202,973	830,000	2,890,000	2,200,000	2,310,000
Interest	712,971	1,008,771	803,045	1,345,372	107,563	89,150	73,250	688,289	991,150	898,125
Bond issuance costs	-	-	-	-	-	-	-	148,790	-	-
Total expenditures	20,137,427	19,253,337	19,914,627	25,288,399	23,522,238	22,870,981	25,107,517	31,641,653	46,511,842	41,252,057
Excess of revenues over (under) expenditures	893,413	1,187,058	3,221,060	2,448,722	4,530,308	4,665,461	1,994,147	(2,037,607)	(16,134,776)	(12,655,342)
Other financing sources (uses)										
Proceeds from sale of capital assets	31,209	45,280	47,488	29,322	61,984	108,278	44,850	81,462	50,635	19,605
Issuance of general obligation bonds	-	-	-	-	-	-	-	20,935,000	-	-
Premium on general obligation bonds	-	-	-	-	-	-	-	3,221,436	-	-
Issuance of refunding bonds	-	7,300,000	-	-	-	-	-	-	-	-
Premium on refunding bonds	-	227,343	-	-	-	-	-	-	-	-
Redemption of refunded bonds	-	(7,444,237)	-	-	-	-	-	-	-	-
Transfers in	6,757,963	6,494,618	7,373,340	7,546,745	6,271,919	4,865,391	5,305,680	5,574,428	6,609,987	6,341,802
Transfers out	(6,757,963)	(6,494,618)	(7,373,340)	(7,546,745)	(6,271,919)	(4,865,391)	(5,305,680)	(5,574,428)	(6,609,987)	(6,341,802)
Total other financing sources (uses)	31,209	128,386	47,488	29,322	61,984	108,278	44,850	24,237,898	50,635	19,605
Net change in fund balances	\$ 924,622	\$ 1,315,444	\$ 3,268,548	\$ 2,478,044	\$ 4,592,292	\$ 4,773,739	\$ 2,038,997	\$ 22,200,291	\$ (16,084,141)	\$ (12,635,737)
Debt service as a percentage of noncapital expenditures	30.4%	31.0%	25.9%	21.7%	8.7%	7.8%	6.0%	15.6%	16.1%	12.8%

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								Total
	Property Tax	TIF Property Taxes	City Sales/Use Tax	County Sales Tax	Transient Guest Tax	Other TIF Taxes	Special Assessments (a)	Franchise Fees	
2011	\$ 3,879,875	\$ 2,779,590	\$ 6,326,148	\$ 1,469,516	\$ 407,137	\$ 373,751	\$ 422,050	\$ 1,381,109	\$ 17,039,176
2012	3,705,351	2,658,612	7,007,917	1,481,333	417,878	356,349	420,850	1,331,702	17,379,992
2013	3,736,606	2,780,265	8,502,699	1,538,818	507,652	358,133	419,300	1,436,254	19,279,727
2014	3,797,739	3,463,256	9,803,842	1,682,882	498,887	578,996	422,400	1,477,427	21,725,429
2015	3,871,816	4,593,045	9,944,255	1,719,594	500,407	978,686	425,862	1,459,196	23,492,861
2016	4,112,928	4,510,269	10,379,700	1,740,379	542,476	1,025,824	423,283	1,475,514	24,210,373
2017	4,624,853	4,195,263	10,119,316	1,989,108	537,276	915,097	424,793	1,451,264	24,256,970
2018	4,642,478	4,122,373	12,091,093	2,070,804	424,766	313,497	425,375	1,494,896	25,585,282
2019	5,507,287	4,140,650	12,291,885	2,075,514	439,149	292,851	-	1,314,459	26,061,795
2020	4,936,816	4,195,528	12,002,153	2,045,862	285,734	307,082	-	1,297,965	25,071,140

(a) Special assessments collected to pay for infrastructure improvements were repaid by property owners in 2018. See Table 16 for more information.

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

Table 6

Sales by Retail Category	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Auto dealerships	\$ 225,970,160	\$ 254,377,040	\$ 356,610,480	\$ 408,492,320	\$ 427,781,722	\$ 468,314,927	\$ 445,065,269	\$ 414,601,775	\$ 443,347,844	\$ 423,924,357
Auto rental, leasing, repairs gasoline	32,898,000	27,578,720	27,284,480	30,281,520	35,671,425	29,277,608	33,431,945	54,827,092	49,422,924	52,363,973
Clothing, department and shoe stores	26,183,680	27,923,200	22,176,160	58,621,360	103,045,153	95,046,859	87,932,770	88,035,839	81,705,481	78,736,806
Construction, home repairs and maintenance	44,105,360	45,297,040	49,454,720	55,303,040	52,688,162	58,687,468	61,406,789	65,598,926	66,386,415	72,236,866
Grocery and drug stores	18,073,040	16,532,160	20,645,840	20,404,960	16,137,865	22,461,130	21,429,724	13,888,829	2,998,207	2,893,205
Hotels	6,930,560	5,819,200	7,228,560	7,674,000	8,112,115	7,285,794	8,360,492	6,366,621	7,178,269	4,665,976
Medical	6,930,560	5,396,080	4,824,400	6,910,560	4,542,336	4,745,680	5,087,175	5,215,900	4,466,451	3,976,923
Restaurants/Entertainment	24,856,400	27,956,560	28,061,920	30,129,280	30,796,315	30,327,673	29,021,710	29,687,437	40,643,791	29,795,222
Specialty shops	18,065,120	21,931,680	18,672,800	29,002,880	23,557,630	23,828,560	29,075,552	24,207,771	27,168,384	40,399,544
Utilities and communications	32,734,800	35,462,240	55,028,320	55,116,160	35,948,191	35,127,277	35,222,897	48,467,365	32,748,593	30,386,176
All other outlets	69,826,880	92,344,080	90,205,120	96,708,560	79,560,225	83,177,062	79,906,259	76,075,145	82,916,027	81,236,573
Total	\$ 506,574,560	\$ 560,618,000	\$ 680,192,800	\$ 798,644,640	\$ 817,841,139	\$ 858,280,038	\$ 835,940,582	\$ 826,972,700	\$ 838,982,386	\$ 820,615,621

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 for 2009-2017; 1.50% for taxable sales in 2018-2027.

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

Table 7

Direct Sales Tax Rate of Merriam	Fiscal Year									
	2011	2012	2013 (a)	2014	2015 (b)	2016	2017 (c)	2018 (d)	2019	2020
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%
Recreation Facilities	-	-	-	-	-	-	-	0.250%	0.250%	0.250%
Total Direct Sales Tax	1.250%	1.250%	1.250%	1.250%	1.250%	1.250%	1.250%	1.500%	1.500%	1.500%
Total Sales Tax Rate										
State of Kansas	6.300%	6.300%	6.150%	6.150%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%
Johnson County	1.225%	1.225%	1.225%	1.225%	1.225%	1.225%	1.475%	1.475%	1.475%	1.475%
City of Merriam	1.250%	1.250%	1.250%	1.250%	1.250%	1.250%	1.250%	1.500%	1.500%	1.500%
Total Direct and Overlapping Rate	8.775%	8.775%	8.625%	8.625%	8.975%	8.975%	9.225%	9.475%	9.475%	9.475%

Source: Kansas Department of Revenue

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

(b) Rates effective as of 12/31/2015. The State of Kansas rate increase to 6.500% was effective 7/1/2015.

(c) Rates effective as of 12/31/2017. The Johnson County rate increase to 1.475% was effective 4/1/2017.

(d) Rates effective as of 12/31/2018. The City of Merriam rate increased to 1.50% effective 1/1/2018 and ends 12/31/2027.

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

Table 8

Fiscal Year	Estimated Actual Valuation (a)	Direct Tax Rate (per \$1,000)	Assessed Valuation				Assessed Valuation as % of Actual	Motor Vehicle Assessed Valuation	Equalized Assessed Valuation (b)
			Real Property	Personal Property	Railroads & Utilities	Total			
2011	\$ 911,659,932	27.474	\$ 141,190,553	\$ 5,123,564	\$ 4,090,951	\$ 150,405,068	16.5%	\$ 13,780,199	\$ 164,185,267
2012	895,578,035	27.412	138,046,432	4,577,169	3,605,214	146,228,815	16.3%	13,417,878	159,646,693
2013	875,618,643	27.522	136,651,151	4,265,405	3,943,342	144,859,898	16.5%	13,396,069	158,255,967
2014	887,730,382	27.625	141,348,952	3,852,095	3,999,025	149,200,072	16.8%	12,697,210	161,897,282
2015	951,603,667	27.605	155,689,963	2,806,907	4,055,476	162,552,346	17.1%	13,714,873	176,267,219
2016	999,370,384	27.676	165,146,877	2,126,470	4,454,316	171,727,663	17.2%	14,086,878	185,814,541
2017	1,079,079,907	27.673	180,799,984	1,827,883	4,432,728	187,060,595	17.3%	14,772,449	201,833,044
2018	1,111,664,468	27.741	184,242,726	1,650,584	4,127,886	190,021,196	17.1%	15,111,838	205,133,034
2019	1,186,224,460	27.880	194,788,021	1,528,090	4,503,754	200,819,865	16.9%	15,514,353	216,334,218
2020	1,229,077,253	27.765	199,198,034	1,339,398	4,638,914	205,176,346	16.7%	15,403,750	220,580,096

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

(a) Estimated Actual Valuation is equal to appraised value and excludes motor vehicle valuations. Residential real estate is assessed at 11.5% of appraised value; commercial real estate at 25%; vacant land, personal, railroads and utilities rates are between 5% and 33%.

(b) Equalized Assessed Valuation includes real, personal, utilities, railroads and motor vehicles. Equalized Assessed Valuation is used to determine debt limitations.

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	
2011	\$ 25.102	\$ 2.372	\$ 27.474	\$ 1.500	\$ 23.256	\$ 8.799	\$ 57.192	\$ 2.849	\$ 93.596	\$ 121.070
2012	25.045	2.367	27.412	1.500	23.188	8.776	56.135	3.038	92.637	120.049
2013	25.146	2.376	27.522	1.500	23.210	8.785	55.766	3.091	92.352	119.874
2014	25.240	2.385	27.625	1.500	23.247	9.551	55.611	3.127	93.036	120.661
2015	25.238	2.367	27.605	1.500	23.270	9.461	55.911	3.088	93.230	120.835
2016	25.140	2.536	27.676	1.500	26.595	9.469	54.059	2.002	93.625	121.301
2017	26.637	1.036	27.673	1.500	26.607	9.473	54.940	1.852	94.372	122.045
2018	26.703	1.038	27.741	1.500	26.351	9.503	53.663	2.403	93.420	121.161
2019	26.837	1.043	27.880	1.500	26.013	9.266	52.427	1.700	90.906	118.786
2020	26.727	1.038	27.765	1.500	26.030	9.121	52.121	1.700	90.472	118.237

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

Taxpayer	2020			2011		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
IKEA Property, Inc.	\$ 10,211,501	1	4.98%	\$ -	-	-
Merriam Town Center	8,769,000	2	4.27%	6,123,751	1	4.07%
Santa Fe Medical Building	3,866,750	3	1.88%	2,517,750	4	1.67%
Aristocrat Motors	3,773,438	4	1.84%	3,167,161	2	2.11%
Georgetown Medical Building	3,050,500	5	1.49%	1,702,500	9	1.13%
Reed Automotive	2,889,878	6	1.41%	-	-	-
Hendrick Automotive-Lexus	2,874,063	7	1.40%	-	-	-
Hendrick Automotive-Toyota	2,779,988	8	1.35%	-	-	-
Pinegate Apartments	2,706,640	9	1.32%	-	-	-
Home Depot	2,701,750	10	1.32%	-	-	-
Car Max	-	-	-	2,641,831	3	1.76%
G.E. Capital	-	-	-	2,350,001	5	1.56%
Lee Apparel Company	-	-	-	1,969,750	6	1.31%
Baron BMW	-	-	-	1,905,681	7	1.27%
Antioch Plaza Office	-	-	-	1,787,000	8	1.19%
Superior Chevrolet	-	-	-	1,554,138	10	1.03%
	<u>\$ 43,623,508</u>		<u>21.26%</u>	<u>\$ 25,719,563</u>		<u>17.10%</u>

Source: Johnson County Appraiser's Office

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

Table 11

Fiscal Year (a)	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (b)	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2011	\$ 4,132,227	\$ 4,029,285	97.51%	\$ 84,574	\$ 4,113,859	99.56%
2012	4,008,423	3,882,278	96.85%	92,063	3,974,341	99.15%
2013	3,986,833	3,879,588	97.31%	97,986	3,977,573	99.77%
2014	4,121,652	4,037,075	97.95%	42,246	4,079,321	98.97%
2015	4,486,131	4,406,678	98.23%	43,229	4,449,907	99.19%
2016	4,752,735	4,635,807	97.54%	45,139	4,680,946	98.49%
2017	5,176,528	5,122,174	98.95%	56,325	5,178,499	100.04%
2018	5,272,454	5,151,191	97.70%	(13,880)	5,137,311	97.44%
2019	5,599,756	5,444,424	97.23%	44,203	5,488,627	98.02%
2020	5,697,480	5,548,723	97.39%	45,033	5,593,756	98.18%

Source: Johnson County Treasurer's Office

(a) Property taxes are received in the year following the tax levy.

(b) Negative collections relate to property tax reductions and refunds.

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	TIF Revenue Bond	Subordinate Special Obligation TIF Bond (a)	Tax Increment Contractual Liabilities (b)			
2011	\$ 10,638,711	\$ 2,580,000.00	\$ 975,450	\$ 2,700,830	\$ -	\$ 16,894,991	5.3%	\$ 1,535
2012	10,066,432	695,000	-	2,399,394	-	13,160,826	4.1%	1,196
2013	7,447,796	355,000	-	1,769,859	-	9,572,655	2.9%	857
2014	6,102,132	-	-	1,260,448	-	7,362,580	2.2%	653
2015	5,317,645	-	-	407,969	-	5,725,614	1.7%	507
2016	4,503,158	-	-	-	-	4,503,158	1.3%	399
2017	3,653,671	-	-	-	-	3,653,671	1.0%	325
2018	24,595,139	-	-	-	-	24,595,139	5.5%	2,194
2019	22,042,401	-	-	-	-	22,042,401	5.1%	1,972
2020	19,379,662	-	-	-	-	19,379,662	4.3%	1,749

- Notes:
- The General Obligation Bonds balance includes unamortized premiums.
 - See Table 17 for personal income data.
 - 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.

(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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net Bonded Debt Outstanding	Percentage of Estimated Actual Valuation of Property (a)	Percentage of Equalized Assessed Valuation of Property (b)	Bonded Debt Per Capita
2011	\$ 13,218,711	\$ 71,423	\$ 13,147,288	1.47%	8.24%	\$ 1,195
2012	10,761,432	110,424	10,651,008	1.22%	6.73%	953
2013	7,802,796	162,407	7,640,389	0.86%	4.72%	684
2014	6,102,132	55,077	6,047,055	0.64%	3.43%	536
2015	5,317,645	44,696	5,272,949	0.53%	2.84%	467
2016	4,503,158	34,208	4,468,950	0.41%	2.21%	396
2017	3,653,671	36,000	3,617,671	0.33%	1.76%	322
2018	24,595,139	31,745	24,563,394	2.07%	11.35%	2,191
2019	22,042,401	200,754	21,841,647	1.78%	9.90%	1,954
2020	19,379,662	289,068	19,090,594	1.48%	8.31%	1,723

- Notes:
- The General Obligation Bonds balance includes unamortized premiums.
 - Details for outstanding debt can be found in Note III. C. to the financial statements.
 - See Table 8 for property value data. See Table 17 for population data.

(a) Estimated Actual Valuation is equal to appraised value and excludes motor vehicle valuations. Residential real estate is assessed at 11.5% of appraised value; commercial real estate at 25%; vacant land, personal, railroads and utilities rates are between 5% and 33%.

(b) Equalized Assessed Valuation includes real, personal, utilities, railroads and motor vehicles. Equalized Assessed Valuation is used to determine debt limitations.

City of Merriam, Kansas
Direct and Overlapping Governmental Activities Debt
As of December 31, 2020

Table 14

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Merriam Estimated Overlapping Debt			
			Per Capita	% of Assessed Valuation	% of Est. Actual Valuation	Merriam Share
Debt repaid with property taxes:						
Shawnee Mission USD No. 512	\$ 279,685,000	4.95%	\$ 1,249.58	6.46%	1.07%	\$ 13,846,562
Johnson County	16,064,934	1.83%	26.48	0.14%	0.02%	293,407
Johnson County Community College	47,905,000	1.83%	78.96	0.41%	0.07%	874,928
Parks & Recreation	43,216,459	1.83%	71.23	0.37%	0.06%	<u>789,297</u>
Subtotal, overlapping debt						\$ 15,804,195
City direct debt (see Table 12)						<u>19,379,662</u>
Total direct and overlapping debt						<u>\$35,183,857</u>

Source: Johnson County Office of Financial Management

Note: See Table 17 for population data

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Limit	\$47,878,996	\$47,476,790	\$48,569,185	\$52,880,166	\$55,744,362	\$60,549,913	\$61,539,910	\$64,900,265	\$66,174,029	\$68,930,865
Total net debt applicable to limit	9,395,000	1,330,000	675,000	-	-	-	-	18,905,000	17,190,000	15,390,000
Legal debt margin	<u>\$38,483,996</u>	<u>\$46,146,790</u>	<u>\$47,894,185</u>	<u>\$52,880,166</u>	<u>\$55,744,362</u>	<u>\$60,549,913</u>	<u>\$61,539,910</u>	<u>\$45,995,265</u>	<u>\$48,984,029</u>	<u>\$53,540,865</u>
Total net debt applicable to the limit as a percentage of debt limit	19.62%	2.80%	1.39%	0.00%	0.00%	0.00%	0.00%	29.13%	25.98%	22.33%

Legal Debt Margin Calculation for Fiscal Year 2018

Equalized Assessed Value (a)	\$229,769,549
Debt Limit (b)	68,930,865
Debt applicable to limit:	
General Obligation bonds and notes	17,075,000
Less: Refunding issue not subject to limit (c)	<u>(1,685,000)</u>
Total net debt applicable to limit	<u>15,390,000</u>
Legal debt margin	<u>\$53,540,865</u>

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

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

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

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

Table 16

Fiscal Year	Special Assessment Bonds (a)				Tax Increment Revenue Bonds (b)				Tax Increment Contractual Liabilities (c)			
	Special Assessment Collections	Debt Service		Coverage	Property Tax Increment	Debt Service		Coverage	Property Tax Increment	Debt Service (c)		Coverage
		Principal	Interest			Principal	Interest			Principal	Interest/Other	
2011	\$ 422,050	\$ 320,000	\$ 102,050	1.00	\$ 1,291,351	\$ 1,300,000	\$ 93,231	0.93	\$ 495,786	\$ -	\$ 384,340	1.29
2012	420,850	330,000	90,850	1.00	1,150,248	1,276,886	124,906	0.82	485,952	-	430,690	1.13
2013	419,300	340,000	79,300	1.00	1,019,722	629,536	-	1.62	636,241	-	579,247	1.10
2014	422,400	355,000	67,400	1.00	1,035,954	509,411	-	2.03	1,112,306	-	1,190,924	0.93
2015	425,862	-	-	-	1,189,513	600,367	-	1.98	2,495,683	-	2,422,667	1.03
2016	423,283	-	-	-	819,440	407,969	-	2.01	2,558,658	-	2,491,851	1.03
2017	424,793	-	-	-	-	-	-	-	2,969,806	-	2,941,398	1.01
2018	425,375	-	-	-	-	-	-	-	2,805,931	-	2,777,952	1.01
2019	-	-	-	-	-	-	-	-	2,750,770	-	2,723,796	1.01
2020	-	-	-	-	-	-	-	-	7,599,171	-	7,521,538	1.01

Note: Details regarding the City's outstanding debt can be found in Note III. C. 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 and later paid off in 2014. The related special assessment taxes will be collected through 2018.
- (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. The bonds matured February 2016.
- (c) In 2012, a change in methodology occurred for recording of tax increment contractual liabilities. The City now records such liabilities only when pledged revenue is recognized. Under the prior methodology, the liability was recorded when TIF project costs were certified as eligible for reimbursement. As a result, such payments will be considered interest or "other" debt service payments. The change has been retroactively applied.

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

Table 17

<u>Year</u>	<u>Population (a)</u>	<u>Median Age (b)</u>	<u>Personal Income</u>	<u>Unemployment Rate (c)</u>	<u>Per Capita Personal Income</u>		
					<u>Merriam (b)</u>	<u>Johnson County (c)</u>	<u>State of Kansas (c)</u>
2011	11,003	35.8	\$ 315,973,151	5.90%	\$ 28,717	\$ 53,365	\$ 38,787
2012	11,180	35.8	321,056,060	5.00%	28,717	56,752	42,079
2013	11,174	38.1	329,498,912	4.70%	29,488	59,524	43,015
2014	11,281	35.4	336,151,238	3.80%	29,798	60,068	43,916
2015	11,290	36.6	333,397,426	3.40%	29,530	62,005	45,876
2016	11,288	37.7	352,004,992	3.30%	31,184	65,050	48,537
2017	11,245	38.1	361,065,705	3.00%	32,109	66,063	47,603
2018	11,212	39.1	450,789,672	2.90%	40,206	69,977	50,155
2019	11,178	39.2	428,966,928	2.80%	38,376	74,010	51,471
2020	11,081	39.5	445,688,901	5.10%	40,221	76,206	53,426

(a) Population data for 2011 is based on the 2010 Federal Census. The data for 2012-2020 is based upon State of Kansas estimates.

(b) County Economic Research Institute, Inc., Johnson County Zip Code Demographics.

(c) U.S. Bureau of Economic Analysis provides demographics by state and county.

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

Table 18

Employer	2020			2011		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Adventist Health/Shawnee Mission Med Ctr	3,118	1	23.43%	2,786	1	20.64%
Synchrony Financial/GE Consumer Finance	800	2	6.01%	540	2	4.00%
Shawnee Mission School District	454	3	3.41%	-		-
Seaboard Allied Milling	336	4	2.53%	202	5	1.50%
DS Bus Lines/First Student	325	5	2.44%	285	3	2.11%
IKEA Home Furnishings	208	6	1.56%	-		-
Baron BMW/Shawnee Mission Kia-Hyundai	191	7	1.44%	111	10	0.82%
Carmax	180	8	1.35%	160	6	1.19%
Hendrick Chevrolet/Nissan	176	9	1.32%	-		-
Home Depot	170	10	1.28%	140	7	1.04%
Superior Chevrolet/Toyota	-		-	281	4	2.08%
Aristocrat Motors	-		-	140	8	1.04%
Industrial Bearing (IBT)	-		-	135	9	1.00%
	<u>5,958</u>		<u>44.78%</u>	<u>4,780</u>		<u>35.41%</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

Function/Program	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	8.75	8.75	10.00	9.50	10.00	10.00	10.00	10.00	10.00	10.00
Information Services	0.50	0.50	0.60	0.60	0.60	1.00	1.00	1.00	1.00	1.00
Municipal Court	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
Law enforcement										
Officers	28.00	29.00	29.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00
Civilians	6.00	6.00	6.00	5.75	5.75	5.75	5.75	5.75	5.75	5.75
Fire prevention and control										
Firefighters (c)	23.00	23.00	23.00	22.00	-	-	-	-	-	-
Public works	20.96	20.96	20.96	20.96	20.96	21.96	21.96	21.96	22.96	24.93
Culture and recreation										
Community Center (d)	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36	11.36	29.00
Aquatic Center (d)	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
Visitor's Bureau (a)	-	-	-	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Community development	8.00	8.00	6.00	7.50	7.00	7.00	7.00	7.00	7.00	7.00
Capital improvement program (b)	-	-	2.00	2.40	2.40	2.40	1.40	1.40	1.40	1.40
Total	127.30	128.30	129.65	132.80	110.80	112.20	111.20	111.20	103.54	123.15

Source: City of Merriam Human Resources records

(a) Previously included in General Government

(b) Capital Improvements Program employees included in Community Development from 2009 through 2012

(c) Fire services provided by the City of Overland Park after 2014

(d) The Aquatic Center was demolished in 2018 to construct a new Community Center with indoor/outdoor pools.

The new Community Center opened in July 2020. Aquatic Center employees have been combined with Community Center.

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

Table 20

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General government										
Occupational licenses issued	945	911	993	932	855	1,034	828	765	781	788
Vendor payments by check	3,371	3,158	3,201	3,293	2,871	2,557	2,551	2,750	2,669	2,339
Court filings processed	8,063	7,841	8,369	11,341	9,670	6,992	6,741	7,223	5,198	6,288
Law enforcement										
Physical arrests	1,022	949	1,200	1,251	1,245	1,262	1,245	1,387	1,196	1,104
Accidents investigated	486	457	532	590	648	705	765	697	621	444
Traffic violations issued	8,499	7,788	8,112	7,244	9,251	6,790	6,612	7,424	5,043	6,339
Animal control service calls	624	451	442	474	450	451	517	519	454	378
Fire prevention and control										
Fire inspections performed	572	622	587	578	983	589	516	556	361	356
Alarm responses	1,687	1,693	1,769	1,826	1,882	1,810	1,949	1,873	1,736	2,128
Public education attendance (b)	4,675	3,738	6,089	2,167	6,787	2,228	3,210	1,487	2,208	n/a
Public works										
Miles of street repair/overlay	3.5	4.0	4.5	4.5	11.3	3.6	2.5	3.9	1.8	1.9
Acres mowed	60	60	60	60	89	89	89	89	89	89
Miles of curbing/sidewalk repaired	2.5	1.5	1.0	1.0	1.9	2.8	1.9	3.2	2.1	2.1
Culture and recreation										
Community Center visits (a)	40,266	40,273	36,769	35,204	37,695	40,039	52,147	49,348	43,600	16,302
Community Center rentals/classes (a)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3,395
Aquatic Center attendance (a)	29,967	30,000	20,376	20,375	25,608	23,885	20,405	18,216	n/a	n/a
Farmers' Market ave. wkly. attend. (a)	546	500	686	679	672	759	704	592	454	544
Community development										
Construction permits issued	290	326	375	346	370	474	456	439	582	482
Value of new commercial const.	\$ 43,109,064	\$ 22,160,963	\$ 53,858,792	\$ 7,623,420	\$ 16,472,811	\$ 2,501,419	\$ 4,190,000	\$ 59,582,901	\$ 25,075,504	\$ 249,753
Value of residential construction	\$ 685,000	\$ 1,048,000	\$ 3,112,937	\$ 2,205,130	\$ 3,596,411	\$ 2,987,716	\$ 2,622,210	\$ 3,554,319	\$ 9,210,374	\$ 3,206,547
Capital improvement program										
Number of projects managed	17	22	26	22	25	18	26	17	15	12

(a) The Aquatic Center was demolished in 2018 to construct the new Community Center, which opened in July 2020 and includes both indoor and outdoor pools. Beginning in 2020, Community Center rentals and class attendances are being shown separately. Also as of 2020, indoor/outdoor pool attendance is now combined with Community Center visits. Community center and Marketplace attendance numbers were affected by the global COVID 19 pandemic restrictions.

(b) The public education attendance operating indicator for fire prevention is not available for 2020.

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

Table 21

Function/Program	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government										
Visitors' Bureau/Historical Plaza	1	1	1	1	1	1	1	1	1	1
Law enforcement										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	21	20	21	24	19	21	22	22	21	23
Animal control units	1	1	1	1	1	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	3
Non-emergency vehicles	1	1	1	1	2	2	2	2	2	2
Rescue boat	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)	113	113	113	113	113	113	113	113	113	113
Streetlights	1,646	1,683	1,692	1,731	1,799	1,915	1,949	2,003	2,053	2,098
Traffic signal locations	20	20	21	21	21	21	21	21	22	23
Maintenance vehicles	24	23	23	22	24	25	25	26	26	26
Culture and recreation										
Acreage of city parks	79.08	79.08	79.08	79.08	79.08	79.08	79.08	74.71	74.71	74.71
Parks	9	9	9	9	9	9	9	8	8	8
Community centers	1	1	1	1	1	1	1	1	1	1
Aquatic center (a)	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) Vavra Park and Merriam Aquatic Center were demolished in September 2018 to construct a new community center with indoor/outdoor pools. The new Community Center opened in July 2020.