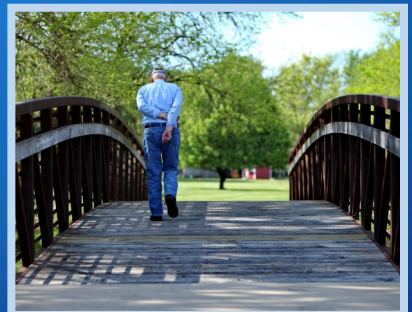


# CITY OF GARDNER, KANSAS

## 2015 Comprehensive Annual Financial Report

For the fiscal year ended December 31, 2015



*Prepared by the Finance Department*



# **CITY OF GARDNER, KANSAS**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015



Prepared by the Finance Department

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Year Ended December 31, 2015

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May 24, 2016

The Honorable Mayor, City Council, Citizens,  
Taxpayers, and Other Interested Parties of the  
City of Gardner, Kansas:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Gardner (City) for the fiscal year ended December 31, 2015. This is the twelfth year that the City has prepared a CAFR, and staff has submitted this CAFR for a Certificate of Achievement for Excellence in Financial Reporting with the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that conforms to program standards. The CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for one year only. We believe this report conforms to the Certificate of Achievement program requirements.

The report was prepared by the City's Finance Department. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the government. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City is responsible for establishing and maintaining internal control 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 accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal requirements of Kansas Statutes. Activities of



the General Fund, special revenue funds (unless exempted by a specific statute), enterprise funds, and the Debt Service Fund are included in the annual appropriated budget, as required by Kansas Statutes. Spending in funds which are not subject to said Statutes are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the City.

As demonstrated by the statements and schedules included in the Financial Section of this report, the City continues to meet its responsibility for sound financial management.

Kansas Statutes Annotated 75-1122 requires an annual audit of the accounts, financial records, and transactions of all administrative departments of the City by independent certified public accountants. The accounting firm of Allen, Gibbs & Houlik, L.C. was selected by the City Council. The auditor's report on the financial statements is included in the Financial Section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### **Profile of the Government**

The City of Gardner was established on March 16, 1858 and came under the jurisdiction of the State of Kansas in 1861. The City was incorporated as a Municipal Corporation of the third class in January 1887 and as a Municipal Corporation of the second class in December 2002. The City is located in Johnson County, Kansas, along Interstate 35, about 25 miles southwest of downtown Kansas City, Missouri. Johnson County, Kansas is considered to be one of the top growth areas in the state, and one of the top growth areas in the country. Johnson County is the largest county in Kansas with a population of approximately 574,000. Because of Gardner's location on the edge of the Kansas City metropolitan area, it serves as a suburban rural living area for individuals employed in the metropolitan area and also continues to serve the surrounding rural agricultural community.

The City has a Mayor-Council-Administrator form of government. There are five members of the City Council; the Mayor and Council Members are elected on an at-large ballot to serve a four-year term on a staggered basis.

The City provides a full range of services including police protection and codes enforcement through its Police Department, fire services provided by Johnson County Fire District No.1, and ambulance services provided by Johnson County Med-Act. The City provides municipal electric, water, and wastewater services, street maintenance, and engineering. Other City of Gardner services include: planning, zoning, municipal court,

comprehensive parks and recreational activities and facilities, and general administrative services.

In September 2015, the Governing Body took action to dissolve the Gardner Airport Board which previously operated the Gardner Municipal Airport and instead include airport operations within City operations beginning January 1, 2016.

The Governmental Accounting Standards Board has established the criteria to determine the financial reporting entity for a municipal government's financial report. This criterion is used to examine the relationship of the City to other associated but legally separate entities to determine if their inclusion in this report would be necessary to fairly present the financial position of the City. This criterion generally has to do with the financial benefit or burden and levels of influence over the activities of these associated, but legally separate, entities.

Using said criterion, it was determined that the City has both a blended component unit and a discretely presented component unit. The blended component unit - the Public Building Commission (PBC) - although a legally separate entity, is, in substance, part of the City's operations. The discretely presented component unit is the Airport Association, which - as aforementioned - operated the municipal airport through December 31, 2015; consequently, this is the final year of reporting for this discretely presented component unit. In 2016, the airport's financial activity will be reported in an enterprise fund.

### **Economic Condition and Outlook**

For the past few decades, Gardner has experienced significant growth. Gardner has become one of Kansas' top 25 largest cities, and in the March 2015 edition of the *Kansas City Business Journal*, Gardner was cited as the third fastest-growing city in Kansas.

The City's population in 2015 was approximately 21,000. Located in one of the fastest growing areas of the state, the City's population grew 128% between 2006 and 2015. In 2015, the number of people employed within the Gardner Trade Area Profile was 4,178.

Gardner's award-winning school district continues to expand, as voters approved a \$29.7 million bond issue in early 2016 for a wing addition and interior renovations to the high school; an Advanced Technical Center for career and tech courses; and a TRAILS facility for adults ages 18-21 with disabilities; and funding for other capital improvements and technology upgrades.

Currently, Gardner is approximately 10.18 square miles in size. The City installed .5 miles of new underground electric distribution and transmission lines.

While the City's assessed valuation increased 5.4% from 2013 to 2014, for 2015 the assessed valuation jumped 7.9%. The City has experienced assessed valuation growth of

57% since 2006. Wealth levels and housing values exceed state averages, and Johnson County's 2015 unemployment rate at 2.9% was lower than the state's rate of 4.0%, and far less than the national unemployment rate of 5.0%.

Gardner's economic outlook is positive because the City benefits from its direct access to a unique combination of interstate, air and rail infrastructure, its proximity to Kansas City, ample developable land, and a Governing Body dedicated to facilitating development.

The City has two interchanges on Interstate 35 – both with developable land area – and Burlington Northern Santa Fe's (BNSF) major rail transit route runs through the City. Gardner has major business parks on both its eastern and western borders.

On the City's eastern border is New Century Air Center, which is a premier multi-modal business park. BNSF's intermodal facility and an associated business park on the City's western border is an inland port which provides businesses with a connection to the global supply chain and multimodal transportation to import and export goods by rail or truck.

Gardner's location at the crossroads of multimodal transportation and its proximity to Kansas City will assuredly reap benefits. To enhance the likelihood of those benefits and accelerate the timeline of development activity, the City partnered with the Kansas City Area Development Council (KCADC) to engage its recognized expertise in facilitating economic development, especially related to transportation. As noted on the KCADC website, they represent the two-state, 18-county region of Greater Kansas City, including Gardner. KCADC's *KC SmartPort's* website includes this enticement: "Reach 85% U.S. population in two days or less."

These geographic and transportation-related attributes have and will continue to influence Gardner's development. In 2009, Coleman constructed a 1.1 million square foot distribution facility, and ancillary services to support the multimodal industry such as towing and hauling businesses located in Gardner in 2013.

The City also benefits from its partnerships with the Southwest Johnson County Economic Development Corporation and the Gardner-Edgerton Chamber of Commerce, both under new leadership with renewed focus in retaining and attracting business.

In addition to increasing commercial business, an increase in residential housing is also expected due to the volume of workers in the bordering business parks. Original employment projections for the business park on the City's western border was 13,000 employees. In March 2016, *Kansas City Business Journal* reporter Rob Roberts stated that Amazon.com would be hiring 1,000 full-time, hourly employees plus managerial and support personnel for a new order fulfillment center near Gardner. Staffing for Amazon's fulfillment center is expected to begin in July 2016 in time to be operational for the busy shipping season prior to Black Friday.

In addition to Gardner's abundant aforementioned strengths and opportunities, the Governing Body's commitment to facilitating economic development is their primary strategic goal and is evidenced by many completed and planned initiatives related to economic development, as detailed later in this document. In 2015, the Governing Body further bolstered their commitment by appointing an Economic Development Advisory Committee. In addition to the citizen members of the committee, the council member serving as an ex-officio board member of the Gardner Edgerton Chamber of Commerce and the Mayor both serve as ex-officio members of the committee, solidifying the relationship between the advisory committee, the Governing Body, and the area's business community. The committee's advisory duties include reviewing and providing recommendations regarding economic development strategy, policy, incentives, and attraction and expansion of business, retail, industrial, and commercial development which is consistent with the City's Comprehensive Plan developed and approved in 2014. That same year, the City also developed and approved an Economic Development Strategy. The Comprehensive Plan serves as the vision for building a sustainable, resilient community through diversification of the City's land uses. The Economic Development Strategic Plan complements the Comprehensive Plan and identified 7 economic development goals. Together, these plans will help City staff and the Governing Body create an environment that enhances business attraction.

In 2015, additional work was completed to further complement the aforementioned visionary plans. Implementation tools were developed for each of the visionary plans: a comprehensive Economic Development Incentive Policy serving as the practical guide to implement the Economic Development Strategy, and beginning a multi-year revision of the City's land development code, which implements the Comprehensive Plan. The City also held an Economic Development Symposium as a public education event featuring presentations from area leaders representing developers, elected officials, and the City's bond counsel and financial advisor, all of whom have worked on some of the area's largest and most complex developments.

The City's current Standard & Poor's credit rating of AA-/Stable reflects healthy financial operations for the City. A bond rating report prepared by Standard & Poor's Ratings Services in June 2015 notes that Gardner's economy is "adequate [...] with market value per capita of \$42,646 and projected per capita effective buying income at 90.6%, but that benefits from access to a broad and diverse metropolitan statistical area (MSA). [...] Overall, Gardner's market value has grown by 5.1% in the past year to \$873.1 million in 2015." Standard & Poor's concurred that Gardner benefits from the unique combination of interstate, air, and rail infrastructure.

Standard & Poor's referenced the City's strong management including "good" financial policies and practices, adequate budget performance, and "very strong budgetary flexibility" because of the City's large reserves. Standard & Poor's also noted the City's "very strong liquidity" and reported, "In our opinion, Gardner's liquidity is very strong,

with total government available cash of 92.3% of total governmental fund expenditures and 2.8x governmental debt service in 2013. In our view, the city has strong access to external liquidity if necessary.” These reserves, combined with results-oriented leadership in both city staff and elected officials, are key components in approved funding for many budget initiatives designed to position the City to be a key player in the area.

### **2015 Major Initiatives**

Beginning in 2013, the City began implementing many best practices including Priority-Based budgeting, or “budgeting for outcomes.” One of the key components of Priority-Based budgeting is that it is a cycle of continuous process improvement, with each year’s new initiatives building upon the previous year’s completed plans and projects. In 2014, the budget featured a theme of defining a strategy for development – *Vision: Determining a Roadmap to Our Destination* – and the initiatives were focused on visioning and planning, such as developing the aforementioned Comprehensive Plan and Economic Development Strategy.

Subsequently, the 2015 initiatives were built upon the vision and planning work of 2014 and were developed around a new, supporting theme *A Roadmap to Building a Community*, with initiatives focused on maintaining or improving the City’s existing infrastructure and assets while continuing to plan for growth and enhancing fiscal stewardship to efficiently provide core services.

Key initiatives for 2015 which supported the “infrastructure - building the community” theme included the aforementioned project to update and revise the land development code to implement the Comprehensive Plan, and the completion of a comprehensive Economic Development Incentive Policy as a practical guide to implementation of the Economic Development Strategy. The City also continued its partnership with Southwest Johnson County KS EDC and the Gardner-Edgerton Chamber of Commerce.

The City completed assessments of the City’s electric, water, and wastewater utility systems to facilitate fiscally responsible planning for investment in the City’s utility assets in preparation for the next wave of growth and become the basis for a future Capital Improvement Element plan, which is the 20-year plan to achieve the development vision outlined in the Comprehensive Plan. The capital improvements identified in the utility assessments were included in the 2015-2016 budget and funding was available from increased utilities reserves without increasing any utility rates.

Although not formally identified as an initiative, assessments were also completed on the City’s streets and pedestrian trails which led to a voter-approved, 10-year, .5% Special Sales tax for infrastructure. The City will use the special sales tax revenue to implement a 3-year project to rehabilitate an estimated \$7 million of failing streets and to invest in properly maintaining the 79% of streets that are in “satisfactory” or “good” condition before they degrade to costlier repairs; also included is rehabilitation of approximately \$1

million in failed pedestrian trails. Completing these projects will enable the City to implement a comprehensive pavement management system for enhanced fiscal responsibility and sustainability. Another initiative designed to enhance fiscal stewardship was the development of metrics included in the 2015-2016 budget document to serve as the foundation of future business plans for City departments.

In addition to the streets and trails assessments, in order to improve mobility to all its citizens, the City installed ADA compliant ramps in the downtown sidewalks which was largely paid by Community Development Block Grant (CDBG) funding. Other ADA accessibility improvements are included in an initiative for a major renovation of the City's Senior facility, which is also anticipated to be largely funded by CDBG.

Other infrastructure-focused initiatives included the completion of a Facility Needs Study to identify the building requirements for replacing the City's aging police facility, the purchase of 4 police SUV's with 4 more planned for purchase in 2016, and the rehabilitation of the Aquatic Center that anchors the northwest corner of a future downtown district; the rehabilitation included major improvements to the lap lane pool, the bath house, and the water slides.

The City also made investments in its information technology assets including upgrading Microsoft licensing as a component of a previous major I.T. network rehabilitation and the implementation of an Integrated Voice Response payment system to allow the City's utility customers to pay their utility bills by phone at their 24/7 convenience without having to make a transaction during business hours with a customer service representative.

Finally, the City made investments in its human assets – its employees – including conducting a compensation study to determine how to evaluate and implement merit pay and market comparison corrections; the first phase of salary adjustments was completed in 2015. Following the compensation study, the Governing Body also requested an employee engagement survey to identify any potential additional investment needed to further facilitate a high-performance workforce. The City also hired two new directors – a Utilities Director and a Business and Economic Development Director – resulting in organizational restructuring of those departments for cohesion, efficiency, and renewed focus in their respective areas.

### **Future/Planned Initiatives**

The planned 2016 initiatives continue to build upon the two previous year's initiatives and were developed around the theme *Growth by Choice or by Chance* because the focus is to facilitate economic opportunities through infrastructure development and asset management, including implementing the recommendations documented in the previously completed utilities systems and pavement management assessments.

As evidenced by the “growth” theme of the 2016 budget initiatives, the Governing Body’s greatest priority is economic development. Consequently, it is important for the City to secure its future and the prime land area around the City’s two interchanges along Interstate 35. As the City previously documented its vision for development in the 2014 Comprehensive Plan, a Capital Improvement Element (CIE) – a 20-year infrastructure analysis – is planned to determine possible costs to extend infrastructure to large areas of undeveloped land around these interchanges. The CIE will also review the ability to service the existing and infill areas of the City. The CIE will bridge how the City moves from the current state of the City’s infrastructure documented in the utilities assessments to the future vision documented in the Comprehensive Plan. Although not formally identified as initiatives for 2016, the City will first complete master plan updates for each of its utilities as a follow up to the initial utilities assessments, and will also update the transportation master plan, so the most current information will be used to create the CIE.

The City will implement the first phase of the aforementioned 3-year project for street and pedestrian trail rehabilitation in 2016.

Other economic development initiatives include continuing the partnerships with both Southwest Johnson County Economic Development and the Gardner-Edgerton Chamber of Commerce to collaboratively encourage economic development and business assistance and retention.

A Public Works/Parks Facility Needs Study is planned which will identify facility needs (space needs, building footprint, etc.) to determine the best use of City resources to potentially relocate/co-locate both the public works and parks maintenance operations. The interest in relocating the parks maintenance facility stems from the Governing Body’s goal of economic development because the City’s park maintenance facility is a historic, WPA (Works Progress Administration from the Roosevelt era) building that is perfect for adaptive reuse, and it’s geographically located in the future, envisioned downtown district.

The municipal golf course is a major city asset, as it is a large, prime parcel of land. The existing 30-year contract with the operator of the golf course expires in 2018. Once the Governing Body determines its vision for this valuable property, a master plan is anticipated to be developed. Public input on the matter will begin in 2016.

A covered salt storage facility is planned to replace an open storage facility that is non-compliant with National Pollutant Discharge Elimination System requirements. Many of the components can be reused in the event of the public works facility relocation.

As planned in 2015, the Senior Building renovation will come to fruition in 2016. Rehabilitation includes improvements for ADA accessibility, upgrading appliances, flooring, HVAC, and overall remodeling.

The aforementioned remaining 4 police SUV's will be purchased in 2016, which completes the replacement of over one-half of the police fleet since 2015, as well as the replacement of a dump truck. These vehicles were identified as "urgent" replacements in the 2015 vehicle evaluation process.

The Governing Body's investment in the City's human assets continues in 2016, as funding for a second phase of pay increases due to merit pay and market comparison corrections, including implementing a directive to provide promotional opportunities for employees (i.e. career ladders) will be implemented.

### **Financial Planning**

A combination of revenues received as projected and expenses below budgeted levels contributed to the City's General Fund balance ending Fiscal Year 2015 at a very healthy 49% of expenditures, far exceeding the Government Finance Officers Association's "best practice" recommendation for the appropriate level of unrestricted General Fund balance "of no less than two months of regular general fund operating revenues or regular general fund operating expenditures" (or 16.67%). The City's electric, water, and waste water utility funds also ended Fiscal Year 2015 with healthy, budgetary fund balances of 37%, 50%, and 26% of expenditures, respectively. These large reserves combined with increasing economic development activity and greater focus on financial planning – including the aforementioned utilities and transportation master plan updates and development of the CIE – will provide both strategic plans and available funding to facilitate the Governing Body's ability to continue to undertake major initiatives in 2017 and beyond.

The City expects 2016-2020 to continue to be financially healthy years although the State of Kansas passed a property tax "voter approval" (a.k.a. property tax lid) requirement in 2015, with some additional adjustments in 2016. The effect of the legislation, effective Jan. 1, 2018, is to limit local governments' ability to raise property tax revenues without voter approval above a cap calculated from a 5-year rolling average of the Consumer Price Index (CPI). The intent of the legislation is to curtail property tax revenue increases historically gained from increases in the appraised value of properties (a.k.a. market value). An additional impact is decreased revenue diversification for local governments, and the resulting stagnation or decrease in property tax revenues will cause cities and counties to rely more heavily on volatile sales tax revenues or increasing fees for services. The full impact of this legislation is yet to be determined as it occurs in the future, but it may create some challenges to fund the needs of a growing city such as Gardner.

For example, a 2016 online survey of citizens' budget priorities indicates their top priority is to reduce the tax burden on homeowners by diversifying the tax base through economic development, and their third priority is to attract more shopping, dining, and entertainment alternatives. The "tax lid" legislation may inhibit the City's ability to



facilitate economic development projects such as building infrastructure to prepare an area to be “shovel ready”, or to provide development incentive funding to achieve either of these citizen goals, as economic development opportunities are usually confidential in nature and typically require nimble, time-sensitive commitments for funding or incentives. This need for nimble response to development opportunities is contradictory to the process of scheduling an election and providing enough in-depth, accurate information to educate voters and gain their approval for a tax increase quickly enough to facilitate these opportunities. The good news for Gardner is that property tax is only approximately 10% of the City’s revenue stream, and the City owns its utilities, so funding options other than increasing property tax revenues - or an over-reliance on volatile sales tax revenues - are available to facilitate economic development. The City will also benefit from a significant sales tax revenue increase beginning in 2016, as the tax increment financing district containing the City’s largest retailer will terminate, and the previously captured sales tax dollars may be used to support the Governing Body’s goals.

As noted earlier, a significant change for 2017 and beyond will be the City’s termination of a contractual fire services agreement with Johnson County Fire District No. 1 and instead consolidate with the fire district, pending the Johnson County Board of Commissioner’s statutorily required approval. The impact of this merger is that Gardner will no longer levy taxes for a \$1.4 million fire services contract or be responsible for providing fire services at all, but will reduce property tax revenues by the amount of the contract and turn over taxing authority and total responsibility for fire services to the fire district effective January 1, 2017.

The only planned change to the City’s future 2017 mill levy is this \$1.4 million reduction in property tax revenue for the termination of the fire services contract, which is equivalent to a reduction of approximately 9 mills. Future initiatives may be implemented through the continued realignment of existing resources, the use of excess reserve funds in the General Fund and utility funds, grants, and debt financing for some capital projects. Additionally, the City will continue to seek opportunities to refinance existing debt for interest cost savings.

As expected in entities using the Priority-Based Budgeting process, major initiatives being considered for the future 2016/2017 budget will continue to build upon the previous years’ initiatives. The expected focus is to continue to facilitate economic development opportunities, especially as two of the top three priorities identified by the citizens during an April 2016 online budget survey were economic development activities, which perfectly aligns with the Governing Body’s top strategic priority to facilitate economic development. With this synergy and collaboration between citizens, staff, and the Governing Body combined with the previously completed vision, implementation, and strategic planning initiatives, and also including healthy funding capacity, Gardner will build future initiatives around a new theme *On the Move: Blazing New Trails*. “Blazing New Trails” is the tagline which accompanies the City’s newly created logo indicating a new brand and vision, and the context is the City is now situated to provide new

opportunities: opportunities for new commercial, industrial, and retail and entertainment development; for staff; for new pedestrian trails and special events to enhance citizens' quality of life; and for civic engagement, as the City's new advisory boards enable citizens to provide critical input to assist the Governing Body with identifying future initiatives.

These new opportunities for citizen engagement already resulted in a recommendation for a future initiative for a comprehensive sidewalks improvement program, as the Streets, Sidewalks and Stormwater Advisory Committee (SSSAC) did extensive work to identify areas where the installation of new sidewalks would improve the quality of life by addressing safety concerns, providing sidewalks near schools, connecting to parks and/or trails, and providing sidewalks in areas of high density development. The SSSAC developed weighting factors to rank potential sidewalk projects by road type, safety improvement potential, cost effectiveness, school access, posted speed limit, and recommendations from the Police Department. SSSAC will follow up their new sidewalk installation recommendation with a review and prioritization of existing sidewalks in need of repair. An additional transportation and mobility related initiative will be to conduct the same type of identification and prioritization process for the City's curbs.

Future financial planning for 2017 and 2018 will include the second and third phases of the aforementioned street and trails rehabilitation program funded by the .5% Infrastructure Special Sales Tax to repair failed streets and trails and invest in a sustainable streets and pedestrian trails maintenance program into the future.

Following the completion of the 2016 master plan updates for the utilities and the transportation network, the aforementioned Capital Improvement Element (CIE) is planned to be developed in late 2016 or 2017. Including the most current information obtained from the master plan updates to develop the CIE is especially important, as the 2014 Comprehensive Plan provides a significantly different vision for the City's development than was contemplated during the previous master plan updates conducted in 2008 and 2009. The importance of this 20-year infrastructure analysis to determine possible costs to extend infrastructure to large areas of undeveloped land around the City's two interchanges - and consequently secure the City's future sustainability - cannot be understated.

Investment in the City's human assets – employees – is expected to again be a focus in 2017. As noted previously, in 2015 the Governing Body asked for an employee engagement survey. The survey results identified three areas for improvement: pay and compensation, promotional opportunities, and employee benefits. The Governing Body provided funding in both 2015 and 2016 to address the first two survey findings for wage increases for merit and market comparison corrections and to provide promotional opportunities for employees. Future plans to address benefits – the final item identified by the employee engagement survey – include considering increasing City funding of health insurance premiums to provide additional, affordable choices and significantly increasing funding for a more robust, targeted wellness program. Funding previously

eliminated during the economic downturn for tuition reimbursement is also planned to be reinstated.

For 2017, a \$300,000 “placeholder” will be included in the City’s budget for vehicle replacement while staff reviews alternatives including cost-effectiveness of different vehicle types, a vehicle “pool” concept, as well as the possible development of a fleet management program.

Finally, the results of the 2015 facility study for a law enforcement center indicated the need for an estimated \$13 million to replace the aging police facility. Although the Governing Body desires the construction of this facility, funding sources are not yet identified. The results of the planned 2016 study for the park/public works facility may also impact any funding plan. As the Governing Body considers the combined impact of recommendations and estimates from both of these facility studies, it is unlikely there will be any funding decisions for these facilities prior to 2017.

As the Governing Body continues planning major initiatives and capital projects, the results of the aforementioned studies and master plan updates become known, and as development continues, projections past 2017 will likely be significantly revised. Management will continue to monitor the reserves and will take whatever actions are necessary to maintain the desired reserve level, as evidenced by past financial performance and the aforementioned investment grade Standard & Poor’s credit rating of AA-/Stable.

**Acknowledgements**

The preparation of this report could not have been accomplished without the support and cooperation of the Governing Body, Administration, other City departments, external auditors, and the efficient, dedicated efforts of the entire staff of the City’s accounting division. In addition, special thanks are extended to Southwest Johnson County Economic Development Corporation, the Gardner-Edgerton School District and Johnson County staff for their contribution to the statistical section of this document. Credit must be given to the Governing Body for their support in maintaining the highest standards of professionalism in the management of Gardner’s finances.

Sincerely,



Cheryl Harrison-Lee  
City Administrator

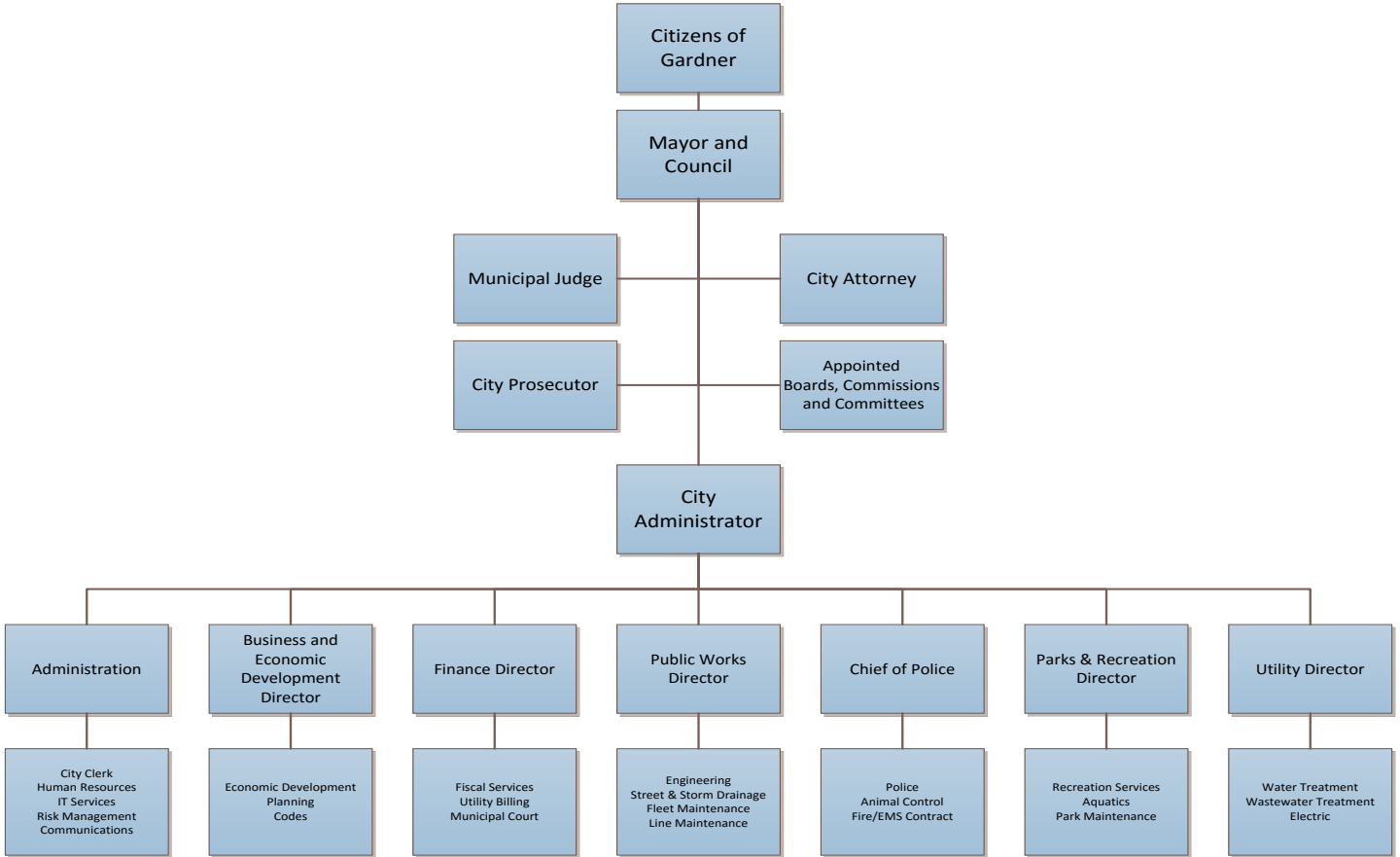


Laura Gourley  
Finance Director

# City of Gardner, Kansas

## Organizational Chart

December 31, 2015



**City of Gardner, Kansas**

**List of Elected and Appointed Officials**

**December 31, 2015**

Elected Officials

		Term of Office
Mayor	Chris Morrow	2013-2017
Council President	Steve Shute	2013-2017
Council Vice President	Todd Winters	2015-2019
Councilmember	Kristy Harrison	2013-2017
Councilmember	Rich Melton	2015-2019
Councilmember	Lee Moore	2015-2019

Appointed Officials

City Administrator	Cheryl Harrison-Lee
Municipal Judge	Robin Lewis
City Prosecutor	Chris Reece
City Attorney	Ryan Denk
Business and Economic Development Director	Larry Powell
Finance Director	Laura Gourley
Public Works Director	Brian Faust
Chief of Police	James Pruetting
Parks and Recreation Director	Jeff Stewart
Utility Director	Gonzalo Garcia



Government Finance Officers Association

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

Presented to

**City of Gardner  
Kansas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2014**

Executive Director/CEO

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council Members  
City of Gardner, Kansas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Gardner, Kansas (City) as of and for the year ended December 31, 2015, 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, the *Kansas Municipal Audit and Accounting Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gardner, Kansas, as of December 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 7 to the financial statements, on January 1, 2015, the City adopted Government Accounting Standards Board Statement No. 68: Accounting and Financial Reporting for Pensions and Government Accounting Standards Board Statement No. 71: Pension Transition for



Contributions Made Subsequent to the Measurement Date. Our opinions are not modified with respect to this matter.

### **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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

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

May 24, 2016  
Wichita, Kansas

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Gardner (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of 2015 by \$119,591,978 (*net position*). Of this amount, \$13,171,192 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$1,313,355 during the fiscal year.
- As of the close of 2015, the City's governmental funds reported combined ending fund balances of \$7,624,126. Approximately 76% of this total amount, \$5,792,880, is unassigned fund balance available for spending at the City's discretion.
- At the close of the current fiscal year, fund balance for the City's primary operating fund, the general fund, was \$5,908,421 or 56% of the total general fund revenues of \$10,576,689.
- The City's total long-term debt decreased by \$9,030,915 during the fiscal year. This was due to portions of the City's debt paying off in 2015 from aggressive debt retirement.
- The City recorded a prior period adjustment to the government-wide financial statements to adjust net pension liability and net position of the governmental activities by \$4.8 million and net position of the business-type activities by \$1.5 million, for a total reduction in net position of \$6.3 million. The prior period adjustment of \$1.5 million, recorded in the financial statements of the business-type activities was also recorded in the City's proprietary fund statements.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The City's financial report consists of the following parts:

- Management's discussion and analysis;
- The basic financial statements, which include the government-wide and the fund financial statements, along with the notes to the basic financial statements;
- Combining and individual statements and schedules for non-major funds
- Statistical section

The basic financial statements of the City include the government-wide financial statements and the fund financial statements. The notes to the financial statements follow the basic financial statements and are essential for the reader's understanding of the financial statements. Other supplementary information,

including the statistical section, is also included at the end of this report to provide additional information for the reader.

### ***Government-wide Financial Statements***

The government-wide financial statements present the results of the City's operations using the accrual basis of accounting, the basis of accounting used by private-sector businesses. These statements focus on the long-term financial picture of the City as a whole.

The *Statement of Net Position* reports all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources and net position. Net position, the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources, are important measures of the City's overall financial health. Over time, the increases and decreases in net position can be monitored to determine whether the City's financial position is improving or deteriorating.

The *Statement of Activities* shows how the net position changed during the most recent fiscal year. The unique feature of this statement is how it shows the revenues and expenditures related to specific programs and how much of the programs were supported by the general taxes of the City. Since this statement is prepared on the accrual basis of accounting, all revenues and expenditures are included, regardless of when cash is actually received.

Both statements show the operations of the City broken down by governmental activities and business-type activities. Governmental activities are the operations of the City generally supported by taxes, such as public works, public safety, parks and recreation, and general administration. Business-type activities are operations of the City that are intended to recover all or a significant portion of their costs through user fees and charges. These consist of the four utilities the City operates: electric, water, wastewater, and stormwater along with the Gardner Airport Fund.

### ***Fund Financial Statements***

The City uses three types of funds to manage its resources: Governmental Funds, Proprietary Funds, and Fiduciary Funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. These funds are separated for the purpose of carrying on specific activities or attaining certain objectives in accordance with regulations, restrictions, or limitations.

*Governmental Fund* financial statements are prepared on the modified accrual basis. Under the modified accrual basis, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred, with the exception of long-term debt and other similar items, which are recorded when due. The focus, therefore, is on the short-term financial picture of the operations reported rather than the City as a whole. Most of the City's basic operations are reported in the Governmental Fund financial statements. The information reported in these statements can be compared to the governmental activities information in the government-wide statements. The reconciliation at the end of the fund financial statements details the relationship between the two types of financial statements.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund and capital projects fund, all of which are

considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary Funds* are used by the City to account for activities that operate similar to commercial enterprises found in the private sector. Funds that charge fees for services provided to outside customers including other local governments are called enterprise funds. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Funds that charge fees for services provided to departments within the reporting government are known as internal service funds. Proprietary funds use the accrual basis of accounting; thus, the only reconciling items needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements relate to the elimination of internal service fund activity.

The City has five enterprise funds: Electric Fund, Water Fund, Wastewater Fund, Storm Water Fund and the Airport Fund. The City has four internal service funds: Risk Management Fund, Information Technology Services Fund, Building Maintenance Fund, and the Utility Billing Services Fund. The Electric Fund, Water Fund, and Wastewater Fund are the only funds being considered major funds for presentation purposes.

*Fiduciary Funds* are used by the City to account for resources held by the City for the benefit of a third party. Because the resources of these funds are not available for the City's operations, they are not presented in the government-wide financial statements.

### ***Notes to the Financial Statements***

The notes to the financial statements are an integral part of the basic financial statements because they contain valuable additional information necessary for gaining a complete understanding of the City's financial statements.

### ***Other Information***

In addition to the financial statements and the notes described above, required supplementary information concerning the City's progress in funding its obligation to provide postemployment benefits to its employees and supplementary information regarding non-major funds have been included to give the reader further information.

## ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

### Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the City, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$119,591,978 at the close of the current fiscal year. The City's net position decreased by \$1,313,355 from the prior year, with governmental activities accounting for \$3,594,932 of the decrease, partially offset by an increase of \$2,281,577 in business-type activities.

#### City of Gardner, Kansas Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 2,824,777	\$ 2,527,329	\$ 24,708,848	\$ 24,151,107	\$ 27,533,625	\$ 26,678,436
Operating grants and contributions	3,328,990	3,251,406	-	-	3,328,990	3,251,406
Capital grants and contributions	805,138	2,902,279	246,112	-	1,051,250	2,902,279
General Revenues:						
Property taxes	4,893,957	4,947,132	-	-	4,893,957	4,947,132
Sales taxes	3,535,132	3,467,735	-	-	3,535,132	3,467,735
Franchise taxes	312,625	352,792	-	-	312,625	352,792
Transient guest tax	62,892	42,976	-	-	62,892	42,976
Unrestricted Investment earnings	9,867	11,456	10,442	10,744	20,309	22,200
Other	30,737	75,467	-	-	30,737	75,467
Total Revenue	15,804,115	17,578,572	24,965,402	24,161,851	40,769,517	41,740,423
<b>Expenses:</b>						
General government	3,896,677	3,558,824	-	-	3,896,677	3,558,824
Public safety	4,383,506	4,688,596	-	-	4,383,506	4,688,596
Public works	3,940,033	3,354,014	-	-	3,940,033	3,354,014
Culture and recreation	2,433,317	2,368,847	-	-	2,433,317	2,368,847
Interest on long-term debt	808,488	1,100,397	-	-	808,488	1,100,397
Electric	-	-	11,919,565	12,536,784	11,919,565	12,536,784
Water	-	-	3,692,470	3,549,784	3,692,470	3,549,784
Wastewater	-	-	4,675,174	4,317,776	4,675,174	4,317,776
Stormwater	-	-	28,298	25,167	28,298	25,167
Total Expenses	15,462,021	15,070,678	20,315,507	20,429,511	35,777,528	35,500,189
Increase (decrease) in net position before transfers	342,094	2,507,894	4,649,895	3,732,340	4,991,989	6,240,234
Transfers	829,600	413,163	(829,600)	(413,163)	-	-
Change in net position	1,171,694	2,921,057	3,820,295	3,319,177	4,991,989	6,240,234
Net position, 1/1	53,800,982	48,334,008	67,104,351	63,785,174	120,905,333	112,119,182
Prior period adjustment	(4,766,626)	2,545,917	(1,538,718)	-	(6,305,344)	2,545,917
Net position, 12/31	\$ 50,206,050	\$ 53,800,982	\$ 69,385,928	\$ 67,104,351	\$ 119,591,978	\$ 120,905,333

The largest portion of the City's net position (74%) reflects its investment of \$87,962,996 in capital assets (e.g., land, buildings, infrastructure, construction in progress, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these are not available for future spending.

An additional \$18,457,790 of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of the City's net position of \$13,171,192 (\$806,326 governmental activities and \$12,364,866 business-type activities) is unrestricted and may be used to meet ongoing obligations to citizens and creditors.

The GASB (Government Accounting Standards Board) Statement No. 68, “Accounting and Financial Reporting for Pensions” is effective for the City for the fiscal year ended December 31, 2015, and has been implemented in these financial statements.

Employers who participate in a cost-sharing multiple employer plan are now required to recognize a liability for the employer’s proportionate share of the net pension liability of that plan. It is GASB’s intention that GASB No. 68 will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the City’s financial obligations to current and former employees for past services rendered.

As a long-term obligation, the net pension liability is not recorded in the modified accrual basis financial statements of governmental funds. It does not impact the current resources focus of the governmental funds and does not impact the modified accrual fund-level budget-to-actual comparison.

### *Analysis of Changes in Net Position*

As stated earlier, the City’s net position decreased by \$1,313,355 during the current fiscal year. The following table reflects the revenues and expenses for the City’s activities for the year ended December 31, 2015, and illustrates the comparison between 2015 and the prior year:

<b>City of Gardner, Kansas</b>						
<b>Changes in Net Position</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 2,824,777	\$ 2,527,329	\$ 24,708,848	\$ 24,151,107	\$ 27,533,625	\$ 26,678,436
Operating grants and contributions	3,328,990	3,251,406	-	-	3,328,990	3,251,406
Capital grants and contributions	805,138	2,902,279	246,112	-	1,051,250	2,902,279
General Revenues:						
Property taxes	4,893,957	4,947,132	-	-	4,893,957	4,947,132
Sales taxes	3,535,132	3,467,735	-	-	3,535,132	3,467,735
Franchise taxes	312,625	352,792	-	-	312,625	352,792
Transient guest tax	62,892	42,976	-	-	62,892	42,976
Unrestricted investment earnings	9,867	11,456	10,442	10,744	20,309	22,200
Other	30,737	75,467	-	-	30,737	75,467
Total Revenue	<u>15,804,115</u>	<u>17,578,572</u>	<u>24,965,402</u>	<u>24,161,851</u>	<u>40,769,517</u>	<u>41,740,423</u>
<b>Expenses:</b>						
General government	3,896,677	3,558,824	-	-	3,896,677	3,558,824
Public safety	4,383,506	4,688,596	-	-	4,383,506	4,688,596
Public works	3,940,033	3,354,014	-	-	3,940,033	3,354,014
Culture and recreation	2,433,317	2,368,847	-	-	2,433,317	2,368,847
Interest on long-term debt	808,488	1,100,397	-	-	808,488	1,100,397
Electric	-	-	11,919,565	12,536,784	11,919,565	12,536,784
Water	-	-	3,692,470	3,549,784	3,692,470	3,549,784
Wastewater	-	-	4,675,174	4,317,776	4,675,174	4,317,776
Stormwater	-	-	28,298	25,167	28,298	25,167
Total Expenses	<u>15,462,021</u>	<u>15,070,678</u>	<u>20,315,507</u>	<u>20,429,511</u>	<u>35,777,528</u>	<u>35,500,189</u>
Increase (decrease) in net position before transfers	342,094	2,507,894	4,649,895	3,732,340	4,991,989	6,240,234
Transfers	829,600	413,163	(829,600)	(413,163)	-	-
Change in net position	<u>1,171,694</u>	<u>2,921,057</u>	<u>3,820,295</u>	<u>3,319,177</u>	<u>4,991,989</u>	<u>6,240,234</u>
Net position, 1/1	53,800,982	48,334,008	67,104,351	63,785,174	120,905,333	112,119,182
Prior period adjustment	(4,766,626)	2,545,917	(1,538,718)	-	(6,305,344)	2,545,917
Net position, 12/31	<u>\$ 50,206,050</u>	<u>\$ 53,800,982</u>	<u>\$ 69,385,928</u>	<u>\$ 67,104,351</u>	<u>\$ 119,591,978</u>	<u>\$ 120,905,333</u>

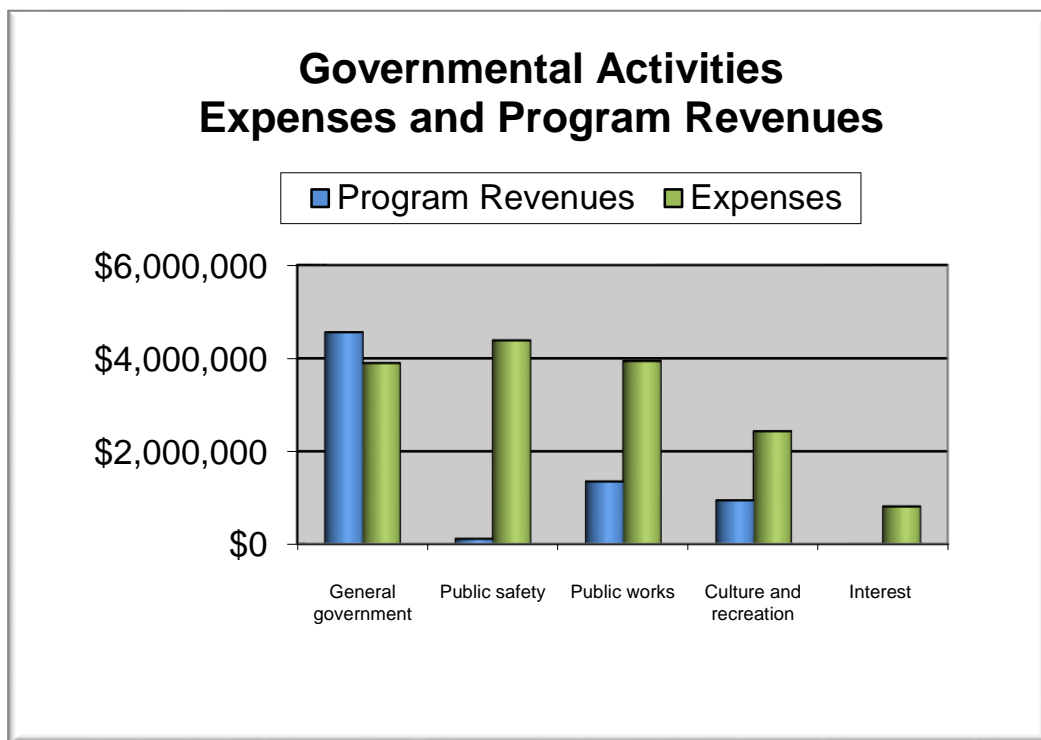
## Governmental Activities

The City's net position related to governmental activities decreased by \$3,594,932 during the year. The decrease can be attributed to the recording of pension liability as a result of the implementation of GASB No. 68.

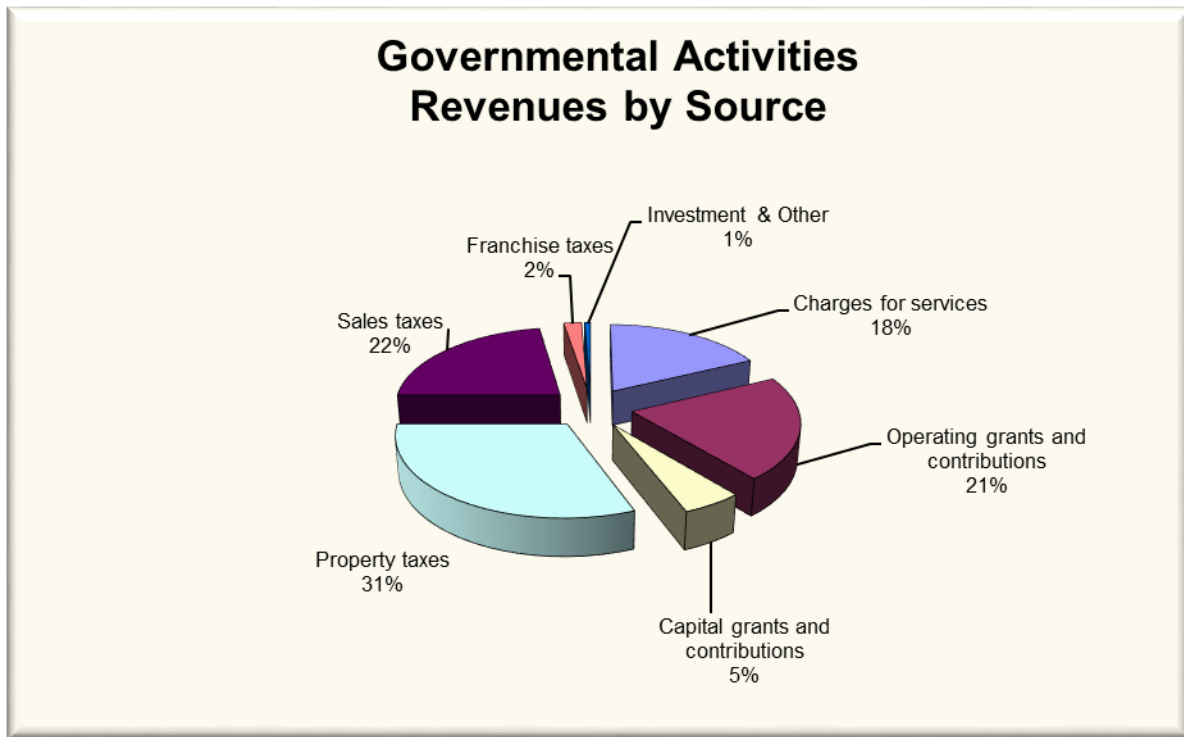
Total governmental revenues decreased \$1,774,457 over the prior year. Charges for Services reflects an increase in revenue from the continued implementation of a cost allocation plan to recover costs into the general fund for general fund services provided to the City's utilities and Capital Grants and Contributions reflects a decrease in revenue from grant funding from FAA, KDOT, CARS and CDBG for qualifying projects.

Total governmental expenses increased \$391,343 from the prior year. Increased costs for personnel-related expenses account for part of the increase, due in part to the implementation of a merit adjustment for personnel, state-mandated increases for KPERS and KPF, overtime for certain vacancies and the filling of other vacancies and increased professional services fees.

The chart below illustrates how the City's various governmental activities program revenues vs. program expenses fared in 2015.

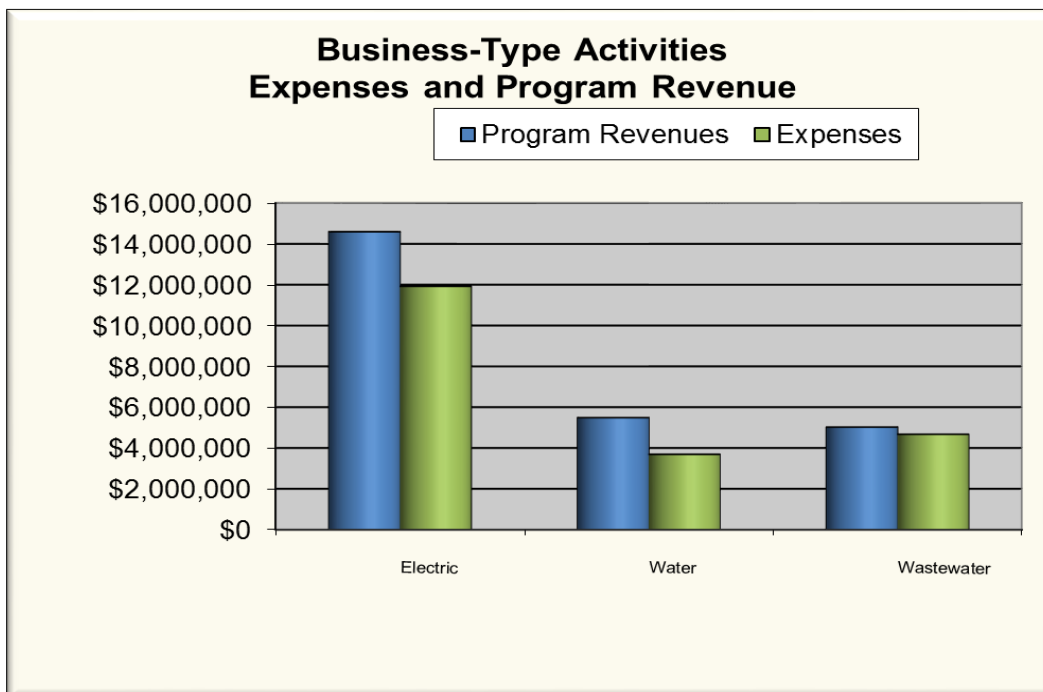


The chart below illustrates the City’s overall program and general revenues for governmental activities:



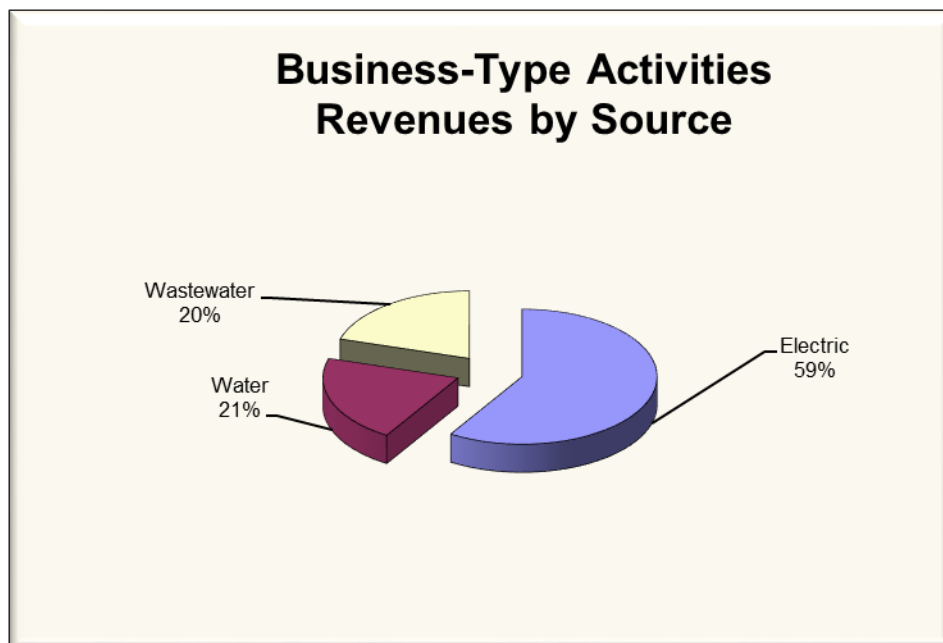
### *Business-Type Activities*

The City’s net position related to business-type activities increased by \$2,281,577 from the prior year. The City implemented utility rate increases of 8% in water and 4% in the wastewater base rate; electric rates were unchanged. The program revenues vs. program expenses for business-type activities chart below illustrates the overall increase in net position for electric, water, and wastewater.





The chart below illustrates the City's charges for services from business-type activities, which account for 99.96% of their revenues:



#### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS:**

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

##### ***Governmental funds***

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. Types of Governmental funds reported by the City include the general fund, debt service funds, capital projects funds and special revenue funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,624,126, a decrease of \$1,211,366 in comparison with the prior year. Approximately 77% of this total amount or \$5,908,421 constitutes fund balance that is available to meet the City's current and future needs. The remainder of the fund balance totaling \$1,715,705 is restricted for specific spending.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was \$5,908,421. As a measure of the general fund's liquidity, it may be useful to compare the available fund balance to total general fund expenditures. Available fund balance represents 51% of total general fund expenditures of \$11,681,077.

The fund balance in the City's general fund had a decrease of \$406,705 during the current fiscal year. Total revenue in the general fund was \$10,576,689 an increase of \$155,069 over the previous year due

mainly to an increase in the cost allocation to the enterprise funds. This revenue increase of \$155,069 was offset by increased expenses of \$1,037,933 due to the aforementioned personnel-related expenses and increased professional services fees.

The capital projects fund had an ending fund balance of \$690,325. This is a decrease of \$468,783 from the prior year. The decrease is due to capital project spending for improvements made to the City's aquatic center and to sidewalk improvements.

The debt service fund had an ending fund balance of \$55,734, all of which is restricted for the payment of debt service. This is a decrease of \$369,770 from the prior year. Part of the decrease can be attributed to the reduction in the collection of delinquent special assessment taxes. Additionally, the City had increased interest expenses in 2015.

### ***Proprietary funds***

The City's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the current fiscal year, unrestricted net position for *proprietary funds* amounted to \$12,363,565. The total increase in unrestricted net position was \$433,799 from the prior year.

The electric fund had total net position of \$34,555,620 at the end of the current fiscal year. This is an increase of \$1,039,941 from the previous year. This increase was up from prior years due to a decrease in wholesale energy costs.

The water fund had total net position of \$17,889,659 at the end of the current fiscal year. This is an increase of \$498,514 from the previous year. This can be attributed to increased operating revenue from charges for services due to the aforementioned rate increase.

The wastewater fund had total net position of \$16,214,980 at the end of the current fiscal year. This is an increase of \$646,151 from the previous year. The increase is mostly due to increased charges for services again due to the aforementioned rate increase and decreased interest expense on debt service obligations.

The City's internal service funds had total net position of \$50,076 at the end of the current fiscal year.

### ***Fiduciary funds***

The City maintains three fiduciary funds for the assets of the Alcohol Safety Action Program, Special Olympics Program, and the Mayor's Christmas Tree Program. At the end of 2015, the assets of the funds were \$59,770.

## **GENERAL FUND BUDGETARY HIGHLIGHTS:**

The City's General Fund budget was not amended during 2015; therefore, the original budget and the final budget are the same. During the year, total revenues were less than budgetary estimates by \$56,453. Due to the City's effective budget controls expenditures were \$4,531,982 less than budgeted, which resulted in a positive variance of \$4,475,529. A summary of differences between budgetary estimates for revenues and expenditures is as follows:

- Property tax collections were more than the original estimate by \$81,735.
- City sales and use tax revenue were more than estimated by \$107,212. This is due to a slight improvement in economic conditions.
- Licenses and permits were \$112,216 less than estimated. This was a result of a revised estimate of building and construction permits.
- General Fund project reserves of \$3,624,660 remain available at the end of 2015. This is down 7% from the prior year. These large reserves will provide funding to undertake major initiatives planned for the future.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounted to \$143,474,036 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, intangibles, vehicles, roads, water lines, sewer collectors and electric lines.

#### City of Gardner's Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 5,056,725	\$ 5,056,725	\$ 2,354,720	\$ 2,354,720	\$ 7,411,445	\$ 7,411,445
Construction in progress	368,241	1,011,891	1,061,421	858,330	1,429,662	1,870,221
Buildings	3,786,241	3,949,863	742,044	763,721	4,528,285	4,713,584
Improvements	1,234,347	768,640	5,675,006	6,021,181	6,909,353	6,789,821
Infrastructure	44,421,505	45,088,034	69,935,561	72,468,836	114,357,066	117,556,870
Intangibles	-	-	7,135,041	7,632,270	7,135,041	7,632,270
Machinery and equipment	579,422	400,224	576,795	500,598	1,156,217	900,822
Vehicles	320,237	355,463	226,730	314,783	546,967	670,246
	<u>\$ 55,766,718</u>	<u>\$ 56,630,840</u>	<u>\$ 87,707,318</u>	<u>\$ 90,914,439</u>	<u>\$143,474,036</u>	<u>\$147,545,279</u>

More detailed information about the City's capital assets is presented in Note 5 to the Basic Financial Statements.

### *Long-Term Debt*

At the end of the current fiscal year, the City had total long-term debt outstanding of \$54,440,561. Of this amount, \$27,360,000 was general obligation debt backed by the full faith and credit of the City. However, \$18,049,316 of the general obligation debt is supported by business-type revenues. Special assessment debt in the amount \$12,215,000 is debt for which the City is liable in the event of default by the property owners subject to the assessment. An additional \$11,834,448 of the City's debt is from construction loans with the Kansas Department of Health and Environment and the Kansas Department of Transportation for improvements to the water, wastewater and road systems. The remainder of the City's debt represents PBC revenue bonds, certificates of participation and capital lease obligations.

In 2015, the City issued bonds to currently refund a state revolving fund loan. The refunding was undertaken to provide interest cost savings to the City.

**City of Gardner's Long-Term Debt**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
General obligation bonds	\$ 9,310,684	\$ 8,816,334	\$ 18,049,316	\$ 18,113,666	\$ 27,360,000	\$ 26,930,000
Special assessment debt with government commitment	12,215,000	15,035,000	-	-	12,215,000	15,035,000
PBC revenue bonds	2,330,000	2,620,000	-	-	2,330,000	2,620,000
Construction loan payable	244,290	477,884	11,590,158	16,679,528	11,834,448	17,157,412
Certificates of participation	475,000	1,670,000	-	-	475,000	1,670,000
Capital lease obligations	226,113	59,064	-	-	226,113	59,064
	<u>\$ 24,801,087</u>	<u>\$ 28,678,282</u>	<u>\$ 29,639,474</u>	<u>\$ 34,793,194</u>	<u>\$ 54,440,561</u>	<u>\$ 63,471,476</u>

The City’s total long-term debt decreased \$9,030,915 during the current fiscal year. This is due to aggressive debt retirement.

The City was assigned an “AA-“ rating from Standard & Poor’s for its general obligation bonds. State statutes limit the amount of general obligation debt a government entity may issue to 30% of its total assessed valuation. The current debt limitation for the City is \$50,654,924, which is significantly in excess of the City’s outstanding general obligation bonds.

More detailed information about the City’s long-term debt is presented in Note 12 to the basic financial statements.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City’s finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Finance Department, 120 East Main, Gardner, Kansas 66030.

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CITY OF GARDNER, KANSAS

STATEMENT OF NET POSITION

December 31, 2015

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Airport Association
<b>Assets:</b>				
Deposits and investments	\$ 6,367,680	\$ 10,776,375	\$ 17,144,055	\$ 185,517
Receivables, net of allowance for uncollectibles:				
Taxes	4,181,883	-	4,181,883	-
Accounts Receivable	-	2,704,876	2,704,876	17,317
Intergovernmental	824,335	-	824,335	-
Special assessments	16,925,943	-	16,925,943	-
Airport Association	430,899	-	430,899	-
Other	9,940	-	9,940	-
Internal balances	(24,830)	24,830	-	-
Prepaid items	-	-	-	8,777
Inventories	-	1,309,220	1,309,220	12,588
Restricted deposits and investments	262,811	294,454	557,265	-
Capital assets, net of accumulated depreciation, where applicable:				
Land	5,056,725	2,354,720	7,411,445	-
Construction in progress	368,241	1,061,421	1,429,662	-
Buildings	3,786,241	742,044	4,528,285	142,280
Improvements	1,234,347	5,675,006	6,909,353	17,481
Infrastructure	44,421,505	69,935,561	114,357,066	45,145
Intangible	-	7,135,041	7,135,041	-
Machinery and equipment	579,422	576,795	1,156,217	-
Vehicles	320,237	226,730	546,967	-
<b>Total assets</b>	<b>84,745,379</b>	<b>102,817,073</b>	<b>187,562,452</b>	<b>429,105</b>
<b>Deferred outflows of resources:</b>				
Unamortized portion of refunding gain	46,234	61,917	108,151	-
Pension related items	643,825	205,722	849,547	-
<b>Total deferred outflows of resources</b>	<b>690,059</b>	<b>267,639</b>	<b>957,698</b>	<b>-</b>
<b>Liabilities:</b>				
Accounts payable	526,891	517,136	1,044,027	8,824
Accrued payroll	193,534	73,652	267,186	-
Accrued interest payable	183,858	190,784	374,642	-
Due to primary government	-	-	-	36,608
Unearned revenue	-	5,490	5,490	-
Liabilities payable from restricted assets	-	294,454	294,454	-
Noncurrent liabilities:				
Due within one year	3,387,206	4,638,395	8,025,601	55,621
Due in more than one year	27,013,557	27,830,900	54,844,457	338,670
<b>Total liabilities</b>	<b>31,305,046</b>	<b>33,550,811</b>	<b>64,855,857</b>	<b>439,723</b>
<b>Deferred inflows of resources:</b>				
Property tax receivable	3,550,996	-	3,550,996	-
Pension related items	373,346	147,973	521,319	-
<b>Total deferred inflows of resources</b>	<b>3,924,342</b>	<b>147,973</b>	<b>4,072,315</b>	<b>-</b>
<b>Net position:</b>				
Net investment in capital assets	30,941,934	57,021,062	87,962,996	(189,385)
Restricted for:				
Debt service	16,797,819	-	16,797,819	-
Capital projects	1,289,912	-	1,289,912	-
Street improvements	141,711	-	141,711	-
Economic development	189,474	-	189,474	-
Other purposes	38,874	-	38,874	-
Unrestricted	806,326	12,364,866	13,171,192	178,767
<b>Total net position</b>	<b>\$ 50,206,050</b>	<b>\$ 69,385,928</b>	<b>\$ 119,591,978</b>	<b>\$ (10,618)</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF GARDNER, KANSAS**

**STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2015**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position								Component Unit Airport Association
	Expenses	Indirect Expenses Allocation	Program Revenues			Primary Government			
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Primary government:</b>									
Governmental activities:									
General government	\$ 5,007,877	\$ (1,111,200)	\$ 1,907,297	\$ 2,650,216	\$ -	\$ 660,836	\$ -	\$ 660,836	\$ -
Public safety	4,383,506	-	7,439	103,621	-	(4,272,446)	-	(4,272,446)	-
Public works	3,940,033	-	-	543,356	805,138	(2,591,539)	-	(2,591,539)	-
Culture and recreation	2,433,317	-	910,041	31,797	-	(1,491,479)	-	(1,491,479)	-
Interest on long-term debt	808,488	-	-	-	-	(808,488)	-	(808,488)	-
Total governmental activities	<u>16,573,221</u>	<u>(1,111,200)</u>	<u>2,824,777</u>	<u>3,328,990</u>	<u>805,138</u>	<u>(8,503,116)</u>	<u>-</u>	<u>(8,503,116)</u>	<u>-</u>
Business-type activities:									
Electric	11,528,665	390,900	14,539,925	-	50,150	-	2,670,510	2,670,510	-
Water	3,393,970	298,500	5,145,232	-	70,690	-	1,523,452	1,523,452	-
Wastewater	4,253,374	421,800	5,023,691	-	-	-	348,517	348,517	-
Stormwater	28,298	-	-	-	125,272	-	96,974	96,974	-
Total business-type activities	<u>19,204,307</u>	<u>1,111,200</u>	<u>24,708,848</u>	<u>-</u>	<u>246,112</u>	<u>-</u>	<u>4,639,453</u>	<u>4,639,453</u>	<u>-</u>
Total primary government	<u>\$ 35,777,528</u>	<u>\$ -</u>	<u>\$ 27,533,625</u>	<u>\$ 3,328,990</u>	<u>\$ 1,051,250</u>	<u>(8,503,116)</u>	<u>4,639,453</u>	<u>(3,863,663)</u>	<u>-</u>
<b>Component unit:</b>									
Airport Association	<u>\$ 250,824</u>	<u>\$ -</u>	<u>\$ 276,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,008</u>
General revenues:									
Property taxes						4,893,957	-	4,893,957	-
Sales taxes						3,535,132	-	3,535,132	-
Franchise taxes						312,625	-	312,625	-
Transient guest tax						62,892	-	62,892	-
Unrestricted investment earnings						9,867	10,442	20,309	-
Other						30,737	-	30,737	-
Transfers						829,600	(829,600)	-	-
Total general revenues and transfers						<u>9,674,810</u>	<u>(819,158)</u>	<u>8,855,652</u>	<u>-</u>
Change in net position						<u>1,171,694</u>	<u>3,820,295</u>	<u>4,991,989</u>	<u>26,008</u>
Net position, beginning of year						<u>53,800,982</u>	<u>67,104,351</u>	<u>120,905,333</u>	<u>(36,626)</u>
Prior period adjustment						<u>(4,766,626)</u>	<u>(1,538,718)</u>	<u>(6,305,344)</u>	<u>-</u>
Net position, end of year						<u>\$ 50,206,050</u>	<u>\$ 69,385,928</u>	<u>\$ 119,591,978</u>	<u>\$ (10,618)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GARDNER, KANSAS**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**December 31, 2015**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Deposits and investments	\$ 5,213,492	\$ 55,734	\$ 218,266	\$ 700,107	\$ 6,187,599
Receivables (net of allowance for uncollectibles):					
Taxes	2,671,500	1,210,401	-	299,982	4,181,883
Special assessments	-	16,925,943	-	-	16,925,943
Intergovernmental	445,667	-	53,160	325,508	824,335
Airport Association	-	-	430,899	-	430,899
Other	7,716	-	-	-	7,716
Restricted deposits and investments	-	-	-	262,811	262,811
Due from other funds	380,062	-	-	-	380,062
<b>Total assets</b>	<b>\$ 8,718,437</b>	<b>\$ 18,192,078</b>	<b>\$ 702,325</b>	<b>\$ 1,588,408</b>	<b>\$ 29,201,248</b>
<b>Liabilities</b>					
Accounts payable	266,799	-	12,000	238,700	517,499
Accrued payroll	182,593	-	-	-	182,593
Due to other funds	20,029	-	-	380,062	400,091
<b>Total liabilities</b>	<b>469,421</b>	<b>-</b>	<b>12,000</b>	<b>618,762</b>	<b>1,100,183</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - special assessments	-	16,925,943	-	-	16,925,943
Deferred revenue - property taxes	2,340,595	1,210,401	-	-	3,550,996
<b>Total deferred inflows of resources</b>	<b>2,340,595</b>	<b>18,136,344</b>	<b>-</b>	<b>-</b>	<b>20,476,939</b>
<b>Fund Balances</b>					
<b>Restricted</b>					
Debt Service	-	55,734	-	-	55,734
Capital projects	-	-	690,325	599,587	1,289,912
Street improvements	-	-	-	141,711	141,711
Economic development	-	-	-	189,474	189,474
Other	-	-	-	38,874	38,874
<b>Assigned</b>					
Public Works	55,132	-	-	-	55,132
Business and Economic Development	45,267	-	-	-	45,267
Culture and Recreation	15,142	-	-	-	15,142
Unassigned	5,792,880	-	-	-	5,792,880
<b>Total fund balances</b>	<b>5,908,421</b>	<b>55,734</b>	<b>690,325</b>	<b>969,646</b>	<b>7,624,126</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 8,718,437</b>	<b>\$ 18,192,078</b>	<b>\$ 702,325</b>	<b>\$ 1,588,408</b>	<b>\$ 29,201,248</b>

The accompanying notes are an integral part of these financial statements.



**CITY OF GARDNER, KANSAS**

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION**

**December 31, 2015**

Total fund balances in Governmental Funds Balance Sheet		\$ 7,624,126
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		55,466,999
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		16,925,943
Deferred outflows of resources are not available and payable in the current period and therefore are not reported in the funds:		
Deferred refunding	46,234	
Deferred outflows related to pensions	614,319	
Total	660,553	660,553
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Accrued interest payable	(183,858)	
Bonds:		
General obligation and special assessments bond payable, net of unamortized premium of \$332,742	(21,858,426)	
Net pension liability	(4,584,961)	
PBC lease revenue bonds	(2,330,000)	
Construction loans payable	(244,290)	
Certificates of participation	(475,000)	
Other post employment benefits	(193,119)	
Capital lease obligation	(40,797)	
Compensated absences	(253,570)	
Total	(30,164,021)	(30,164,021)
Other deferred inflows of resources are not due and payable in the current period and therefore are not reported in the funds:		
Deferred inflows - pensions		(352,122)
Internal service funds are used by management to charge the costs of risk management, building maintenance and information technology services to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net position.		44,572
Net position of governmental activities		\$ 50,206,050

The accompanying notes are an integral part of these financial statements.

CITY OF GARDNER, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

Year Ended December 31, 2015

	General	Debt Service	Capital Projects	Other Governmental funds	Total Governmental Funds
<b>Revenues</b>					
<b>Taxes:</b>					
Property tax	\$ 3,395,137	\$ 1,260,185	\$ -	\$ 238,635	\$ 4,893,957
Sales tax	1,940,212	-	-	1,594,920	3,535,132
Franchise tax	312,625	-	-	-	312,625
Transient guest tax	-	-	-	62,892	62,892
Special assessments	6,604	1,123,009	-	-	1,129,613
Intergovernmental	2,184,049	-	218,735	1,366,453	3,769,237
Licenses and permits	189,784	-	-	-	189,784
Charges for services	2,103,849	-	-	-	2,103,849
Fines and fees	424,004	-	-	100,536	524,540
Investment earnings	6,319	2,365	452	731	9,867
Other	14,106	8,048	-	-	22,154
<b>Total revenues</b>	<b>10,576,689</b>	<b>2,393,607</b>	<b>219,187</b>	<b>3,364,167</b>	<b>16,553,650</b>
<b>Current:</b>					
General government	2,929,611	-	-	895,847	3,825,458
Public safety	4,466,208	-	-	-	4,466,208
Public works	1,918,905	-	-	-	1,918,905
Culture and recreation	2,124,243	-	-	-	2,124,243
Capital outlay	221,089	-	646,403	371,673	1,239,165
<b>Debt service:</b>					
Principal	18,267	2,585,650	-	1,458,594	4,062,511
Interest and fiscal charges	2,754	809,550	-	96,026	908,330
Other	-	55,644	-	2,735	58,379
<b>Total expenditures</b>	<b>11,681,077</b>	<b>3,450,844</b>	<b>646,403</b>	<b>2,824,875</b>	<b>18,603,199</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(1,104,388)</b>	<b>(1,057,237)</b>	<b>(427,216)</b>	<b>539,292</b>	<b>(2,049,549)</b>
<b>Other financing sources (uses)</b>					
Proceeds from sale of capital assets	8,583	-	-	-	8,583
Transfers in	709,100	687,467	20,000	-	1,416,567
Transfers out	(20,000)	-	(61,567)	(505,400)	(586,967)
<b>Total other financing sources (uses)</b>	<b>697,683</b>	<b>687,467</b>	<b>(41,567)</b>	<b>(505,400)</b>	<b>838,183</b>
<b>Net change in fund balances</b>	<b>(406,705)</b>	<b>(369,770)</b>	<b>(468,783)</b>	<b>33,892</b>	<b>(1,211,366)</b>
Fund balances, beginning of year	6,315,126	425,504	1,159,108	935,754	8,835,492
<b>Fund balances, end of year</b>	<b>\$ 5,908,421</b>	<b>\$ 55,734</b>	<b>\$ 690,325</b>	<b>\$ 969,646</b>	<b>\$ 7,624,126</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF GARDNER, KANSAS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2015**

Net change in fund balances - total governmental funds \$ (1,211,366)

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

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.

Capital Outlay	1,347,128	
Depreciation Expense	(2,458,052)	
Net Change	(1,110,924)	(1,110,924)

Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the governmental funds.

Special assessments		(1,123,007)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	(26,767)	
Accrued interest	139,804	
Premium amortization	26,576	
Deferred refunding	(8,159)	
Pensions	223,169	
Other postemployment benefit obligation	(20,833)	
Total	333,790	333,790

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal repayments:		
General obligation and special assessment bonds payable	2,325,650	
PBC lease revenue bonds	290,000	
Certificates of participation	1,195,000	
Construction loans	233,594	
Capital lease obligation	18,267	
Total	4,062,511	4,062,511

Internal service funds are used by management to charge the costs of risk management, building maintenance and information technology services to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

220,690

Change in net position of governmental activities		\$ 1,171,694
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The accompanying notes are an integral part of these financial statements.

CITY OF GARDNER, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Taxes:				
Property	\$ 3,313,402	\$ 3,313,402	\$ 3,395,137	\$ 81,735
Sales	1,833,000	1,833,000	1,940,212	107,212
Franchise	345,000	345,000	312,625	(32,375)
Intergovernmental	2,186,000	2,186,000	2,190,653	4,653
Licenses and permits	302,000	302,000	189,784	(112,216)
Charges for services	2,149,600	2,149,600	2,103,849	(45,751)
Fines and fees	470,400	470,400	424,004	(46,396)
Investment earnings	6,500	6,500	6,279	(221)
Other	27,200	27,200	14,106	(13,094)
<b>Total revenues</b>	<b>10,633,102</b>	<b>10,633,102</b>	<b>10,576,649</b>	<b>(56,453)</b>
<b>Expenditures</b>				
General government	3,645,100	3,645,100	3,030,010	615,090
Public safety	4,689,700	4,689,700	4,466,208	223,492
Public works	1,971,200	1,971,200	1,909,265	61,935
Culture and recreation	2,088,300	2,088,300	2,139,385	(51,085)
Capital outlay	-	-	221,089	(221,089)
Debt service	300,000	300,000	21,021	278,979
Project reserve	3,624,660	3,624,660	-	3,624,660
<b>Total expenditures</b>	<b>16,318,960</b>	<b>16,318,960</b>	<b>11,786,978</b>	<b>4,531,982</b>
Excess of revenues over (under) expenditures	(5,685,858)	(5,685,858)	(1,210,329)	4,475,529
<b>Other financing sources and (uses)</b>				
Transfers in	759,100	759,100	759,100	-
Transfers out	(20,000)	(20,000)	(20,000)	-
Proceeds from sale of capital assets	-	-	8,583	8,583
<b>Total other financing sources and (uses)</b>	<b>739,100</b>	<b>739,100</b>	<b>747,683</b>	<b>8,583</b>
Net change in fund balances	(4,946,758)	(4,946,758)	(462,646)	4,484,112
Fund balances, beginning of year	4,946,758	4,946,758	6,217,964	1,271,206
Fund balances, end of year	\$ -	\$ -	5,755,318	\$ 5,755,318

Explanation of difference between budgetary and GAAP fund balances:

Encumbrances for equipment and supplies ordered but not received are not recorded for GAAP purposes until received

115,541

GAAP fund balance - General Fund only

5,870,859

Fund balances for separately budgeted funds included with the General Fund on GAAP financials:

    Special Benefit Fee Fund

37,562

\$ 5,908,421

The accompanying notes are an integral part of these financial statements.

**CITY OF GARDNER, KANSAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**

**December 31, 2015**

	Major Funds		
	Electric	Water	Wastewater
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 7,436,481	\$ 2,081,795	\$ 942,557
Accounts receivable, net	1,598,997	535,418	570,461
Other receivable	-	-	-
Inventories	1,100,302	143,838	65,080
Restricted deposits and investments	235,391	59,063	-
Due from other funds	11,643	14,767	486
Total current assets	<u>10,382,814</u>	<u>2,834,881</u>	<u>1,578,584</u>
<b>Noncurrent assets:</b>			
<b>Capital assets:</b>			
Land	678,878	964,968	710,874
Construction in progress	1,061,421	-	-
Buildings	867,093	-	-
Infrastructure	40,647,733	26,057,418	47,478,656
Intangible asset	401,622	265,000	7,090,821
Improvements	6,077,266	2,680,332	1,408,723
Machinery and equipment	898,694	170,572	316,138
Vehicles	365,687	269,600	470,523
Less accumulated depreciation and amortization	(23,679,066)	(9,221,725)	(18,998,278)
Total capital assets	<u>27,319,328</u>	<u>21,186,165</u>	<u>38,477,457</u>
Total noncurrent assets	<u>27,319,328</u>	<u>21,186,165</u>	<u>38,477,457</u>
Total assets	<u>37,702,142</u>	<u>24,021,046</u>	<u>40,056,041</u>
<b>Deferred outflows of resources</b>			
Unamortized portion of refunding gain	12,922	-	48,995
Pension related items	94,157	40,065	35,839
Total deferred outflows of resources	<u>107,079</u>	<u>40,065</u>	<u>84,834</u>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	413,755	38,481	56,990
Accrued payroll	31,467	15,771	14,076
Customer and developer deposits	235,391	59,063	-
Accrued interest payable	11,595	53,877	125,312
Due to other funds	-	1,055	1,011
Unearned revenue	-	-	-
Compensated absences	40,564	14,414	24,257
Current portion of bonds payable	954,316	1,050,000	1,835,000
Current portion of construction loans payable	-	-	699,995
Current portion of lease payable	-	-	-
Total current liabilities	<u>1,687,088</u>	<u>1,232,661</u>	<u>2,756,641</u>
<b>Noncurrent liabilities:</b>			
Other postemployment benefit obligation	28,661	42,225	16,621
Bonds payable, net	774,797	4,571,879	9,972,023
Pension liability	695,328	295,870	264,669
Lease payable	-	-	-
Construction loan payable	-	-	10,890,163
Total noncurrent liabilities	<u>1,498,786</u>	<u>4,909,974</u>	<u>21,143,476</u>
Total liabilities	<u>3,185,874</u>	<u>6,142,635</u>	<u>23,900,117</u>
<b>Deferred inflows of resources</b>			
Pension related items	67,727	28,817	25,778
<b>Net position</b>			
Net investment in capital assets	25,603,137	15,564,286	15,129,271
Unrestricted	8,952,483	2,325,373	1,085,709
Total net position	<u>\$ 34,555,620</u>	<u>\$ 17,889,659</u>	<u>\$ 16,214,980</u>

Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business-type activities.

Net position of business-type activities

Nonmajor Funds			Internal		
Totals		Total	Service Funds		
\$	5,490	\$	10,466,323	\$	490,133
	-		2,704,876		-
	-		-		2,224
	-		1,309,220		-
	-		294,454		-
	-		26,896		-
	<u>5,490</u>		<u>14,801,769</u>		<u>492,357</u>
	-		2,354,720		-
	-		1,061,421		-
	-		867,093		-
	148,352		114,332,159		-
	-		7,757,443		-
	737,691		10,904,012		-
	-		1,385,404		418,977
	-		1,105,810		74,850
	(165,878)		(52,064,947)		(189,905)
	<u>720,165</u>		<u>87,703,115</u>		<u>303,922</u>
	<u>720,165</u>		<u>87,703,115</u>		<u>303,922</u>
	<u>725,655</u>		<u>102,504,884</u>		<u>796,279</u>
	-		61,917		-
	-		170,061		65,167
	-		<u>231,978</u>		<u>65,167</u>
	-		509,226		17,302
	-		61,314		23,279
	-		294,454		-
	-		190,784		-
	-		2,066		4,801
	5,490		5,490		-
	-		79,235		34,123
	-		3,839,316		-
	-		699,995		-
	-		-		91,935
	<u>5,490</u>		<u>5,681,880</u>		<u>171,440</u>
	-		87,507		18,425
	-		15,318,699		-
	-		1,255,867		481,249
	-		-		93,381
	-		10,890,163		-
	-		<u>27,552,236</u>		<u>593,055</u>
	<u>5,490</u>		<u>33,234,116</u>		<u>764,495</u>
	-		122,322		46,875
	720,165		57,016,859		118,606
	-		12,363,565		(68,530)
\$	<u>720,165</u>		<u>69,380,424</u>	\$	<u>50,076</u>
			<u>5,504</u>		
		\$	<u>69,385,928</u>		

The accompanying notes are an integral part of these financial statements.

**CITY OF GARDNER, KANSAS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**

**PROPRIETARY FUNDS**

**Year Ended December 31, 2015**

	Major Funds		
	Electric	Water	Wastewater
Operating revenues			
Charges for sales and services	\$ 14,539,925	\$ 5,145,232	\$ 5,023,691
Other	-	-	-
Total operating revenues	<u>14,539,925</u>	<u>5,145,232</u>	<u>5,023,691</u>
Operating expenses			
Administration	718,397	719,794	693,175
Wholesale energy cost	7,334,405	-	-
Generation	682,164	-	-
Treatment	-	1,713,475	1,200,265
Distribution and collection	1,760,614	363,355	358,379
Contractual services	-	-	103,939
Other supplies and expenses	-	-	-
Repairs and maintenance	9,742	9,658	-
Depreciation and amortization	1,432,220	704,744	1,759,362
Other	-	-	-
Total operating expenses	<u>11,937,542</u>	<u>3,511,026</u>	<u>4,115,120</u>
Operating income (loss)	<u>2,602,383</u>	<u>1,634,206</u>	<u>908,571</u>
Nonoperating revenues (expenses)			
Investment earnings	6,193	1,939	2,310
Interest expense	(70,933)	(172,877)	(606,138)
Other	-	(97,477)	(42,826)
Total nonoperating revenues (expenses)	<u>(64,740)</u>	<u>(268,415)</u>	<u>(646,654)</u>
Income (loss) before transfers and contributions	2,537,643	1,365,791	261,917
Capital contributions	50,150	70,690	-
Transfers in	-	-	717,000
Transfers out	<u>(843,600)</u>	<u>(638,300)</u>	<u>(64,700)</u>
Change in net position	1,744,193	798,181	914,217
Total net position, beginning of year	33,515,679	17,391,145	15,568,829
Prior period adjustment	<u>(704,252)</u>	<u>(299,667)</u>	<u>(268,066)</u>
Total net position, end of year	<u>\$ 34,555,620</u>	<u>\$ 17,889,659</u>	<u>\$ 16,214,980</u>

Change in net position

Some amounts reported for business-type activities in the statements of activities are different because the net revenue of certain internal service funds is reported with business-type activities.

Change in net position of business-type activities

Nonmajor Funds		Internal
Totals	Total	Service Funds
\$ -	\$ 24,708,848	\$ 3,038,133
-	-	42,478
-	24,708,848	3,080,611
-	2,131,366	813,994
-	7,334,405	-
-	682,164	-
-	2,913,740	-
-	2,482,348	-
-	103,939	1,177,651
-	-	43,801
-	19,400	158,173
28,298	3,924,624	44,814
-	-	352,544
28,298	19,591,986	2,590,977
(28,298)	5,116,862	489,634
-	10,442	-
-	(849,948)	(2,214)
-	(140,303)	-
-	(979,809)	(2,214)
(28,298)	4,137,053	487,420
125,272	246,112	-
-	717,000	-
-	(1,546,600)	-
96,974	3,553,565	487,420
623,191	67,098,844	50,082
-	(1,271,985)	(487,426)
\$ 720,165	\$ 69,380,424	\$ 50,076
	3,553,565	
	266,730	
	\$ 3,820,295	

The accompanying notes are an integral part of these financial statements.



**CITY OF GARDNER, KANSAS**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**Year Ended December 31, 2015**

	Major Funds	
	Electric	Water
Cash flows from operating activities:		
Receipts from customers	\$ 14,645,361	\$ 5,088,033
Other	-	-
Payments to suppliers	(9,216,414)	(2,264,508)
Payments to employees	(1,163,836)	(599,524)
	4,265,111	2,224,001
Net cash provided by operating activities		
Cash flows from noncapital financing activities:		
Transfers from other funds	-	-
Transfers to other funds	(843,600)	(638,300)
	(843,600)	(638,300)
Net cash provided by (used in) noncapital financing activities		
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(566,105)	-
Principal paid on general obligation bonds	(1,447,550)	(731,000)
Principal paid on construction loan	-	(4,406,394)
Principal paid on capital lease	-	-
Interest paid on general obligation bonds, construction loan, and capital lease	(91,008)	(233,831)
Proceeds from general obligation bonds	-	4,190,954
Issuance costs and fees	-	(97,477)
	(2,104,663)	(1,277,748)
Net cash used in capital and related financing activities		
Cash flows from investing activities:		
Interest received	6,193	1,939
	1,323,041	309,892
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents, beginning of year	6,348,831	1,830,966
	\$ 7,671,872	\$ 2,140,858
Cash and cash equivalents, end of year		

<u>Wastewater</u>	<u>Nonmajor Funds Totals</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 5,044,214	\$ 5,490	\$ 24,783,098	\$ 3,038,133
-	-	-	32,830
(1,916,495)	-	(13,397,417)	(1,740,215)
(553,976)	-	(2,317,336)	(815,824)
<u>2,573,743</u>	<u>5,490</u>	<u>9,068,345</u>	<u>514,924</u>
717,000	-	717,000	-
(64,700)	-	(1,546,600)	-
<u>652,300</u>	<u>-</u>	<u>(829,600)</u>	<u>-</u>
(41,754)	-	(607,859)	-
(1,830,800)	-	(4,009,350)	-
(682,977)	-	(5,089,371)	-
-	-	-	(94,161)
(854,273)	-	(1,179,112)	(2,213)
-	-	4,190,954	-
(42,826)	-	(140,303)	-
<u>(3,452,630)</u>	<u>-</u>	<u>(6,835,041)</u>	<u>(96,374)</u>
2,310	-	10,442	-
(224,277)	5,490	1,414,146	418,550
<u>1,166,834</u>	<u>-</u>	<u>9,346,631</u>	<u>71,583</u>
<u>\$ 942,557</u>	<u>\$ 5,490</u>	<u>\$ 10,760,777</u>	<u>\$ 490,133</u>

See accompanying notes to the basic financial statements

**CITY OF GARDNER, KANSAS**

**STATEMENT OF CASH FLOWS  
(Continued)**

**PROPRIETARY FUNDS**

**Year Ended December 31, 2015**

	Electric	Water
Cash consists of:		
Cash	\$ 7,436,481	\$ 2,081,795
Restricted deposits and investments	235,391	59,063
	7,671,872	2,140,858
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	2,602,383	1,634,206
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Items not requiring cash:		
Depreciation and amortization expense	1,432,220	736,538
Operating revenue (other)	-	-
Other postemployment benefit obligation	3,092	4,555
Pension expense	(35,354)	(15,045)
Changes in:		
Receivables	230,503	44,634
Inventories	93,808	(61,808)
Due from other funds	30,454	(14,167)
Prepaid expenses	2,000	-
Accounts payable	40,727	(19,333)
Due to other funds	(131)	(25)
Accrued liabilities	20,930	2,122
Unearned revenue	-	(75,960)
Customer deposits	(155,521)	(11,716)
Net cash provided by operating activities	\$ 4,265,111	\$ 2,224,001

**Noncash capital and financing activities:** In 2015 the Electric Fund and the Water Fund received \$50,150 and \$70,690, respectively, in capital contributions. In 2015 the Internal Service Funds acquired property, plant and equipment for \$289,124 with a capital lease.

<u>Wastewater</u>	<u>Nonmajor Funds Totals</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 942,557	\$ 5,490	\$ 10,466,323	\$ 490,133
-	-	294,454	-
<u>942,557</u>	<u>5,490</u>	<u>10,760,777</u>	<u>490,133</u>
908,571	(28,298)	5,116,862	489,634
1,882,880	28,298	4,079,936	44,814
-	-	-	(9,648)
1,793	-	9,440	1,988
(13,458)	-	(63,857)	(24,468)
20,773	-	295,910	(2,224)
(65,080)	-	(33,080)	-
(250)	-	16,037	-
-	-	2,000	-
(151,514)	-	(130,120)	3,610
(16,235)	-	(16,391)	(9,432)
6,263	-	29,315	20,650
-	5,490	(70,470)	-
-	-	(167,237)	-
<u>\$ 2,573,743</u>	<u>\$ 5,490</u>	<u>\$ 9,068,345</u>	<u>\$ 514,924</u>

See accompanying notes to the basic financial statements

**CITY OF GARDNER, KANSAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**December 31, 2015**

	<u>Agency Funds</u>
Assets	
Deposits and investments	<u>\$ 59,770</u>
Liabilities	
Due to others	<u>\$ 59,770</u>

See accompanying notes to basic financial statements

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

1 - Summary of Significant Accounting Policies

The City of Gardner, Kansas (the City) is located in Johnson County, Kansas and was first incorporated in 1887 under the provisions of the constitution and general statutes of the State of Kansas. The City operates under a Mayor-Council-Administrator form of government and provides a full range of services including public safety (police and fire); public works; community services; recreation and leisure; planning and codes enforcement; general management; and electric, water, wastewater, and stormwater utilities, as well as a municipal airport (see Note 16, Subsequent Event for more information).

Reporting Entity

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The blended component unit, although a legally separate entity, is, in substance, part of the City's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

*Blended Component Unit.* The Public Building Corporation (PBC) is a not-for-profit corporation governed by the Mayor, certain City Council members and members of the City's management. The PBC's sole purpose is to acquire assets and construct facilities and infrastructure for the benefit of the City through the issuance of revenue bonds pursuant to Kansas Statute 12-1757. The financial statements of the PBC have been included within the City's reporting entity as a capital projects fund (City Hall). Separately issued financial statements of the PBC are not available.

*Discretely Presented Component Unit.* The Airport Association is a not-for-profit corporation that operates the municipal airport located in the City and promotes economic development at the facility. The governing body of the Airport Association is appointed by the City Council. The Airport Association must obtain the City's approval before issuing debt and the City has also issued debt for the Airport Association. The Airport Association's revenue is derived from the rental of hangar and building space, the sale of fuel and the sale of crops grown on airport property. The Airport Association is presented as a proprietary fund. Separately issued financial statements for the Airport Association are not available.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The agency fund does not have a measurement focus and uses the accrual basis of accounting to report its financial statements. 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 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.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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. A 90-day availability period is used for revenue recognition for all governmental funds revenues except property taxes for which a 60-day availability period is used. 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.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Property taxes, sales taxes, franchise taxes, interest associated with the current fiscal period, and certain state and federal grants and entitlements are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City. While property taxes are shown on the balance sheet as current assets of the City, they are not recognized as revenue at year end because statutory provisions prohibit their use until the year for which they were raised and budgeted. Instead, they are offset by deferred inflows of resources accounts.



CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This fund accounts for the general operating transactions of the City including public safety, public works, parks and recreation, business and economic development and administration.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The capital projects fund is used to account for the acquisition and construction of major capital facilities other than those financed by enterprise funds.

The City reports the following major proprietary funds:

The electric fund accounts for the operation and maintenance activities of the City's electric distribution system.

The water fund accounts for the operation and maintenance activities of the City's water distribution system.

The wastewater fund accounts for the operation and maintenance activities of the City's wastewater collection and treatment system.

Additionally, the City reports the following fund types:

The agency fund is used to report resources held by the City in a custodial capacity for remittance of fiduciary resources to individuals, private organizations or other governments.

Internal service funds account for risk management, information technology, building maintenance and utility billing services provided to other departments on a cost reimbursement basis.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this rule is charges between the City's enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the electric, water, wastewater and stormwater funds are charges to customers for sales and services. The principal operating revenues for the municipal airport are hangar rental and fuel sales. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pooled Cash and Investments

Cash and investments of the individual funds are combined to form a pool that is managed by the Director of Finance. Each fund's equity in the pool is included in "deposits and investments" in the financial statements. These pooled deposits and investments consist of operating accounts and money market mutual funds. The money market mutual funds are recorded at fair value. Investment earnings, including interest income, are allocated to the funds required to accumulate interest; other investment earnings are allocated based on management discretion and upon their average daily equity balances. If a fund is not required to account for its own earnings by law or regulation, the earnings are allocated to the General Fund.

Statement of Cash Flows

For purposes of the statement of cash flows, the City considers deposits and highly liquid investments with an original maturity of three months or less to be cash equivalents. At December 31, 2015, cash equivalents consisted of money market mutual funds included in pooled cash described above.

Allowances for Uncollectibles

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 238 days comprise the trade accounts receivable allowance for uncollectibles. The allowance for trade uncollectibles is as follows at December 31, 2015:

Electric Fund	\$ 660,849
Water Fund	216,290
Wastewater Fund	188,242

The property tax receivable allowance is equal to 9.5% of outstanding property taxes at December 31, 2015.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Restricted Assets

The State of Kansas requires the City to maintain customer utility and developer deposits separate from City assets in the enterprise funds. Interest earned on deposits is credited back to customers as required by State statutes. Restricted deposits and investments are also set aside for capital projects and debt service.

Property Taxes

The City's property tax is levied each year on the assessed value of all real estate listed as of the prior January 1, the lien date. Assessed values are established by Johnson County.

Property taxes are legally restricted for use in financing operations of the ensuing year. Accordingly, the City defers revenue recognition until the year for which they are to be used. Property taxes are levied on November 1 of each year. Property owners have the option of paying one-half of 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 following year. Property taxes become delinquent on December 20 of each fiscal year if the taxpayer has not remitted at least one-half of the amount due. The Johnson County Treasurer is the tax collection agent for all taxing entities within the County. Property taxes levied in prior years that remain uncollected are recorded as receivables, net of estimated uncollectibles.

Inventories

Inventories consist of expendable supplies and merchandise held for consumption. All inventories are valued at the lower of cost using the first-in/first-out (FIFO method) or market.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g., roads, bridges, sidewalks and similar items) and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives.

Buildings and improvements	20 - 40 years
Machinery and equipment	10 years
Vehicles	10 years
Infrastructure	15 - 50 years

The City acquired electric utility customers during 2013 and water utility customers during 2014 which are reported in the electric fund and the water fund, respectively and are also reported in the business-type activities column in the government-wide financial statements as a capital asset. The city is amortizing these assets based on the revenue generated from the acquired customers.

In prior years, the City contributed capital funding towards the design and construction of a cooperative facility owned by another party under an interlocal agreement. The City has the right to use the facility for a period of time specified in the agreement. The asset has been recorded as an intangible asset in the Wastewater Fund and will be amortized over 35 years.

Compensated Absences

The City's policies allow up to one and one half times employees' earned rates of vacation to be carried over to subsequent years. This carryover is payable upon separation from service and ranges from 120 to 240 hours depending upon the employee's length of service.

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. In the governmental fund financial statements, a liability for these amounts is reported only when they have matured, for example, as a result of employee resignations and retirements.

Sick leave for full-time employees is earned at the rate of approximately four hours per bi-weekly pay period with a maximum accumulation of 1,040 hours. Regular part-time employees accrue sick leave at a proportional rate to full-time employees. Accumulated sick pay is not vested, and therefore is not recorded in the financial statements.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. 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.

For the year ended December 31, 2015, the City implemented provisions of GASB 68, Accounting and Financial Reporting for Pensions and GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. 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.

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.

Fund Balances

As prescribed by GASB Statement No. 54, 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. As of December 31, 2015, fund balances for governmental funds are made up of the following:

*Nonspendable fund balance* – includes amounts that are (a) not spendable in form, or (b) legally or contractually required to remain intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

*Restricted fund balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

*Committed fund balance* – includes amounts that can only be used for specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the restraint originally.

*Assigned fund balance* – includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. For this type of fund balance, it is the City’s policy that spending authority is delegated to management by the City Council.

*Unassigned fund balance* – is the residual classification for the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Deferred outflows/inflows of resources

In addition to assets, the statement of net 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has two items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on the 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. The second is the deferred outflow for pension related items. See Note 8 for more information on this deferred outflow.

In addition to liabilities, the statement of net 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 and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items, unavailable revenue, deferred revenue, and deferred inflow for pension related items 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 special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred revenues are

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources (Continued)

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. The third item, deferred inflows for pension related items is reported only in the Statement of Net Position. See Note 8 for more information on this deferred inflow.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Deferred inflows of resources are reported as follows:

General fund property taxes receivable	\$	2,340,595
Debt service fund property taxes receivable		1,210,401
Debt service fund special assessments receivable		<u>16,925,943</u>
	\$	<u>20,476,939</u>

Net position

The government-wide statement of net position reports \$18,457,790 of restricted net position, of which \$141,711 is restricted by enabling legislation.

Concentrations of Credit Risk

Loans are extended, on a fully secured basis, to local businesses under an economic development loan program. Credit is extended to citizens for special assessments levied by the City for capital improvements. These special assessments are secured by liens on the related properties. Unsecured credit is extended to customers for electric, water and sewer fees and charges for services.

Intergovernmental receivables include unsecured amounts due from federal, state and county agencies for various grant programs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements

At December 31, 2015, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the City. The statements that might impact the City are as follows:

GASB Statement No. 72, Fair Value Measurement and Application, was issued in February 2015. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes, applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2016.

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes financial reporting standards for state and local governmental OPEB plans that are administered through trusts or equivalent arrangements and for governments that hold assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are not administered through a trust or equivalent arrangement. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2017.

GASB Statement No. 75, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2018.

GASB Statement No. 77, Tax Abatement Disclosures, increases the disclosure requirements for tax abatements affecting the government entity and its ability to raise resources in the future. This standard applies to a reporting government's own tax abatement agreements or agreements

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

entered into by other governments and that reduce the reporting government's tax revenues. The government that enters into the agreement must begin disclosing (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provision for recapturing abated taxes, and the types of commitments made by tax abatement recipients, (2) the gross dollar amount of taxes abated during the period and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. For governments impacted by other governments' tax abatements, the following must be disclosed: (1) the names of the governments that entered into the agreements, (2) the specific taxes being abated, and (3) the gross dollar amount of taxes abated during the period. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2016.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purpose. This statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2016.

GASB Statement No. 80, Blending Requirements for Certain Component Units, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2017.

GASB Statement No. 81, Irrevocable Split-Interest Agreements, improves accounting and financial reporting for irrevocable split-interest agreement by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This statement also requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests and requires that a government

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)  
Pending Governmental Accounting Standards Board Statements (Continued)

recognize revenue when the resources become applicable to the reporting period. The provisions of this statement are effective for financial statement for the City's fiscal year ending December 31, 2017.

GASB Statement No. 82, An Amendment of GASB Statements No. 67 Financial Report for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets that Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provision of GASB Statements 67 and 68, addresses certain issues that have been raised with respect to implementation of those standards. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classifications of payment made by employers to satisfy employee (plan member) contribution requirements. The provisions of this statement are effective for financial statement for the City's fiscal year ending December 31, 2017, except for the requirements of this statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end, in that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

2 - Stewardship, Compliance and Accountability

Budgetary Information

Applicable Kansas statutes require that budgets be legally adopted for the general fund, special revenue funds (unless exempted by a specific statute), enterprise funds and the debt service fund. A legal operating budget is not required for the capital projects funds, the capital improvement reserve fund or the airport fund. All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting – that is, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures.

The Statutes provide for the following sequence and timetable in adoption of budgets:

- a. Preparation of proposed budget for the succeeding calendar year on or before August 1 of each year.
- b. Publication of proposed budget on or before August 5 of each year.
- c. A minimum of ten days' notice of public hearing, published in a local newspaper, on or before August 15 of each year.
- d. Public hearing on or before August 15 of each year.
- e. Adoption of final budget on or before August 25 of each year.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

2 - Stewardship, Compliance and Accountability (Continued)

Budgetary Information (Continued)

Kansas statutes permit transferring budgeted amounts from one object or purpose to another within the same fund; however, such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures in an individual fund. The City Administrator is authorized to approve over-expenditures at the departmental level or transfers of budgeted appropriations between departments. However, management may not amend a fund's total budgeted expenditures without Council approval. The legal level of budgetary control is the fund level. Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the City. All unencumbered appropriations lapse at the end of the year. Encumbered appropriations are not appropriated in the ensuing year's budget but are carried forward until liquidated or cancelled. Kansas statutes permit original budgets to be increased for previously unbudgeted increases in revenue other than ad valorem property taxes. The City must first publish a notice of public hearing to amend the budget. Ten days after publication, a public hearing is held and the governing body may amend the budget at that time. During the fiscal year, the City Council adopted certain budget amendments. The Debt Service Fund was increased from \$3,584,994 to \$7,257,950 due to an unanticipated current refunding that crossed years. The Park Sales Tax Fund was increased from \$1,604,713 to \$1,791,101 due to an unanticipated increase in sales tax revenues that allowed the City to make additional debt service payments from this fund.

<b>2015 Budget Amendments</b>		
Fund	Original Budget	Amended Budget
Debt Service	\$ 3,584,994	\$ 7,257,950
Park Sales Tax	\$ 1,604,713	\$ 1,791,101

3 - Deposits and Investments

Deposits

*Custodial Credit Risk-Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. Kansas statutes require that deposits be collateralized, and that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts, and must be assigned for the benefit of the City. The carrying amount of deposits for the City was not exposed to custodial credit risk.

The Airport Association does not have a policy covering custodial credit risk. At December 31, 2015, the Airport Association's deposits were not exposed to custodial credit risk.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

3 - Deposits and Investments (Continued)

Investments

At December 31, 2015, the City had the following investment:

<b>Schedule of Investments at December 31, 2015</b>				
	<u>Interest Rates</u>	<u>Maturities</u>	<u>Par Value</u>	<u>Fair Value</u>
City Investments:				
Money Market Mutual Funds	.010001%-.014856%	< 1 year	\$ 262,811	\$ 262,811

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, but requires that to the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. The City is not exposed to significant interest rate risk.

*Credit risk*

Kansas statutes authorize the City, with certain restrictions, to deposit or invest in temporary notes, no-fund warrants, open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury Bills and Notes, the State of Kansas Municipal Investment Pool, or to make direct investments. The City has an investment policy which does not impose limitations beyond those of the State of Kansas. The City's investments in money market mutual funds are rated AAAM by Standard & Poor's and Aaa-mf by Moody's.

*Custodial Credit Risk – Investments*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. As of December 31, 2015 the City was not exposed to custodial credit risk.

The following is a breakdown of the City's cash by fund type:

<b>Reconciliation of Cash</b>			
	<u>Deposits Including Investments</u>	<u>Restricted Cash and Investments</u>	<u>Total</u>
Government-type activities	\$ 6,367,680	\$ 262,811	\$ 6,630,491
Business-type activities	10,776,375	294,454	11,070,829
Agency funds	59,770	-	59,770
<b>Total</b>	<b>\$ 17,203,825</b>	<b>\$ 557,265</b>	<b>\$ 17,761,090</b>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

3 - Deposits and Investments (Continued)

Investments (Continued)

At year end, a reconciliation of deposits and investments is as follows:

<b>Reconciliation of Deposits and Investments</b>		
	Primary Government	Component Unit
Cash on hand	\$ 2,694	\$ -
Carrying amount of deposits	17,495,585	185,517
Carrying amount of investments	262,811	-
Total deposits and investments	<u>\$ 17,761,090</u>	<u>\$ 185,517</u>
Deposits including investments	\$ 17,203,825	\$ 185,517
Restricted cash and investments	557,265	-
Total deposits and investments	<u>\$ 17,761,090</u>	<u>\$ 185,517</u>

4 - Loan Receivable

At December 31, 2015, the receivable balance from the Airport Association was \$430,899. Of this amount \$36,608 was the current amount due to the City for reimbursement on various capital projects at the airport and \$394,291 is the noncurrent amount due on debt for airport capital improvement projects. These amounts are included in the Airport Association component unit column of the statement of net position. The final principal and interest payments are to be made in 2024.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

5 - Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2015 was as follows:

	December 31,				December 31,
	2014	Increases	Decreases	Transfers	2015
<b>Governmental activities:</b>					
Capital assets, not being depreciated					
Land	\$ 5,056,725	\$ -	\$ -	\$ -	\$ 5,056,725
Construction in progress	1,011,891	889,895	-	(1,533,545)	368,241
Total capital assets, not being depreciated	<u>6,068,616</u>	<u>889,895</u>	<u>-</u>	<u>(1,533,545)</u>	<u>5,424,966</u>
Capital assets, being depreciated					
Buildings	6,449,528	-	-	-	6,449,528
Improvements other than buildings	2,219,100	76,114	-	509,192	2,804,406
Infrastructure	63,800,506	364,889	(37,167)	1,024,353	65,152,581
Machinery and Equipment	1,830,959	289,123	-	-	2,120,082
Vehicles	1,201,477	70,607	(24,596)	-	1,247,488
Total capital assets being depreciated	<u>75,501,570</u>	<u>800,733</u>	<u>(61,763)</u>	<u>1,533,545</u>	<u>77,774,085</u>
Less accumulated depreciation for:					
Buildings	(2,499,665)	(163,622)	-	-	(2,663,287)
Improvements other than buildings	(1,450,460)	(119,599)	-	-	(1,570,059)
Infrastructure	(18,712,472)	(2,019,842)	1,238	-	(20,731,076)
Machinery and Equipment	(1,430,735)	(109,925)	-	-	(1,540,660)
Vehicles	(846,014)	(87,386)	6,149	-	(927,251)
Total accumulated depreciation	<u>(24,939,346)</u>	<u>(2,500,374)</u>	<u>7,387</u>	<u>-</u>	<u>(27,432,333)</u>
Total capital assets, being depreciated, net	<u>50,562,224</u>	<u>(1,699,641)</u>	<u>(54,376)</u>	<u>1,533,545</u>	<u>50,341,752</u>
Governmental activities capital assets, net	<u>\$ 56,630,840</u>	<u>\$ (809,746)</u>	<u>\$ (54,376)</u>	<u>\$ -</u>	<u>\$ 55,766,718</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

5 - Capital Assets (Continued)

	December 31,				December 31,
	2014	Increases	Decreases	Transfers	2015
<b>Business-type activities:</b>					
Capital assets, not being depreciated					
Land	\$ 2,354,720	\$ -	\$ -	\$ -	\$ 2,354,720
Construction in progress	858,330	381,302	-	(178,211)	1,061,421
Total capital assets, not being depreciated	3,213,050	381,302	-	(178,211)	3,416,141
Capital assets, being depreciated					
Buildings	867,093	-	-	-	867,093
Intangibles	7,757,443	-	-	-	7,757,443
Improvements other than buildings	10,883,220	20,792	-	-	10,904,012
Infrastructure	113,868,197	285,751	-	178,211	114,332,159
Machinery and equipment	1,219,119	176,794	-	-	1,395,913
Vehicles	1,165,912	-	-	-	1,165,912
Total capital assets being depreciated	135,760,984	483,337	-	178,211	136,422,532
Less accumulated depreciation for:					
Buildings	(103,372)	(21,677)	-	-	(125,049)
Intangibles	(125,173)	(497,229)	-	-	(622,402)
Improvements other than buildings	(4,862,039)	(366,967)	-	-	(5,229,006)
Infrastructure	(41,399,361)	(2,997,237)	-	-	(44,396,598)
Machinery and equipment	(718,521)	(100,597)	-	-	(819,118)
Vehicles	(851,129)	(88,053)	-	-	(939,182)
Total accumulated depreciation	(48,059,595)	(4,071,760)	-	-	(52,131,355)
Total capital assets being depreciated, net	87,701,389	(3,588,423)	-	178,211	84,291,177
Business-type activities capital assets, net	\$ 90,914,439	\$ (3,207,121)	\$ -	\$ -	\$ 87,707,318



CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

5 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 208,521
Public safety	76,095
Public works	1,885,548
Culture and recreation	<u>330,210</u>
Total depreciation expense - governmental activities	<u>\$ 2,500,374</u>
Business-type activities:	
Electric	\$ 1,421,549
Water	736,539
Wastewater	1,882,880
Stormwater	28,299
Capital assets held by the government's internal service funds are charged to the business-type activities based on their usage of the assets	<u>2,493</u>
Total depreciation expense - business-type activities	<u>\$ 4,071,760</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

5 - Capital Assets (Continued)

Capital asset activity for the Airport Association component unit for the year ended December 31, 2015 was as follows:

	December 31,			December 31,
	2014	Increases	Decreases	2015
Capital assets, being depreciated				
Buildings	\$ 198,760	\$ -	\$ -	\$ 198,760
Improvements other than buildings	38,850	-	-	38,850
Infrastructure	126,108	-	-	126,108
Machinery and Equipment	13,390	-	-	13,390
Total capital assets being depreciated	<u>377,108</u>	<u>-</u>	<u>-</u>	<u>377,108</u>
Less: accumulated depreciation for:				
Buildings	(46,542)	(9,938)	-	(56,480)
Improvements other than buildings	(19,427)	(1,942)	-	(21,369)
Infrastructure	(70,386)	(10,577)	-	(80,963)
Machinery and Equipment	(13,390)	-	-	(13,390)
Total accumulated depreciation	<u>(149,745)</u>	<u>(22,457)</u>	<u>-</u>	<u>(172,202)</u>
Total capital assets, being depreciated, net	<u>227,363</u>	<u>(22,457)</u>	<u>-</u>	<u>204,906</u>
Business-type activities capital assets, net	<u>\$ 227,363</u>	<u>\$ (22,457)</u>	<u>\$ -</u>	<u>\$ 204,906</u>

6 - Capital Lease

During 2013, the City entered into a capital lease agreement for \$98,510 of equipment, included in Machinery and Equipment for Governmental Activities on the Statement of Net Position. Related accumulated depreciation was \$24,628 at December 31, 2015. The lease requires five annual payments of \$21,021, with the first payment on May 31, 2013.

During 2015, the City entered into a capital lease agreement for \$289,124 of equipment, included in Machinery and Equipment for Governmental Activities on the Statement of Net Position. Related accumulated depreciation was \$28,912 at December 31, 2015. The lease requires three annual payments of \$96,375, with the first payment on June 17, 2015.

The lease obligations are included in Noncurrent Liabilities for Government Activities on the Statement of Net Position (Note 12).

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

7 - Defined Benefit Pension Plans

Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of 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 and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained on the KPERS website at <http://www.kpers.org> or by writing to KPERS (611S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803) 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 GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

7 - Defined Benefit Pension Plans (Continued)

Benefits Provided (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 30 years 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 contribution 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 (not including the 0.85% contribution rate for the Death and Disability Program) and the statutory contribution rate was 9.48% for KPERS and 21.36% for KP&F for the fiscal year ended December 31, 2015.

Contributions to the pension plan from the City were \$509,266 for KPERS and \$362,446 for KP&F for the year ended December 31, 2015.

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.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

7 - Defined Benefit Pension Plans (Continued)

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

At December 31, 2015, the City reported a liability of \$3,894,197 for KPERS and \$2,427,880 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, 2015, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015. 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, 2015. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2015, the City's proportion and change from its proportion measured as of June 30, 2014 were as follows:

	Governmental Activities	Business-Type Activities	Total net pension liability as of December 31, 2015	Proportion as of June 30, 2015	Change in proportion from June 30, 2014
KPERS (local)	\$ 2,374,977	\$ 1,519,220	\$ 3,894,197	0.296578%	-0.005139%
KP&F	2,427,880	-	2,427,880	0.334365%	-0.001943%
Total	<u>\$ 4,802,857</u>	<u>\$ 1,519,220</u>	<u>\$ 6,322,077</u>		

For the year ended December 31, 2015, the City recognized pension expense of \$311,260 for KPERS and \$248,957 for KP&F. At December 31, 2015, 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	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Difference between expected and actual experience	\$ 22,156	\$ -	\$ 107,871	\$ 43,006
Net difference between projected and actual earnings on pension plan investments	-	-	169,553	59,137
Changes in proportionate share	271,908	102,023	38,451	24,597
Changes in assumptions	-	-	57,471	21,233
City contributions subsequent to measurement date	349,761	103,699	-	-
Total	<u>\$ 643,825</u>	<u>\$ 205,722</u>	<u>\$ 373,346</u>	<u>\$ 147,973</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

7 - Defined Benefit Pension Plans (Continued)

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

The \$453,460 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2016. 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:

	<b>Deferred Outflows (Inflows) of</b>	
	<b>Resources</b>	
	<u>Governmental</u> Activities	<u>Business-Type</u> Activities
<b>Year ended December 31:</b>		
2016	\$ (55,379)	\$ (35,425)
2017	(55,379)	(35,425)
2018	(55,379)	(35,425)
2019	108,414	69,350
2020	(18,652)	(11,932)
	<u>\$ (76,375)</u>	<u>\$ (48,857)</u>

Actuarial assumptions

The total pension liability for KPERS in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	3.00%
Wage inflation	4.00%
Salary increases, including wage increases	4.00% to 16.00%, including inflation
Long-term rate of return, net of investment expense, and including price inflation	8.00%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study conducted for the three-year period ended December 31, 2012.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

7 - Defined Benefit Pension Plans (Continued)

Actuarial assumptions (Continued)

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 and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.30%
Fixed income	13	0.80
Yield driven	8	4.20
Real return	11	1.70
Real estate	11	5.40
Alternatives	8	9.40
Short-term investments	2	(0.50)
Total	<u>100%</u>	

Discount rate

The discount rate used by KPERS to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the KPERS' Board of Trustees for this group may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in the future. Employers contribute the full actuarial determined rate for KP&F. Future employer contribution rates were also modeled for KP&F assuming all actuarial assumptions are met in 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.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

7 - Defined Benefit Pension Plans (Continued)

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 8.00%, 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 (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's KPERS proportionate share of the net pension liability	\$ 5,528,019	\$ 3,894,197	\$ 2,509,037
City's KP&F proportionate share of the net pension liability	3,525,706	2,427,880	1,500,592
	<u>\$ 9,053,725</u>	<u>\$ 6,322,077</u>	<u>\$ 4,009,629</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.

Prior period adjustment

The implementation of GASB 68 resulted in a \$5,893,730 increase to the net pension liability, a \$1,244,686 increase to deferred inflows, a \$833,072 increase to deferred outflows and a \$6,305,344 decrease to net position as of January 1, 2015.

8 - Deferred Compensation Plan

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to all full-time and regular part-time employees, permits them to defer a portion of their salary until future years. The plan is administered by International City/County Management Association (ICMA) Retirement Corporation.

The plan assets are placed in a trust for the exclusive benefit of the employees and are not the property of the City or subject to the claims of the City's general creditors. The City does not perform the investing function related to this plan and has no fiduciary accountability for the plan. Accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements. For 2015, the City's contributions were \$33,908.



CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

9 - Other Postemployment Healthcare Benefits

*Description.* The City offers postemployment health and dental insurance to retired employees through Midwest Public Risk (MPR) which is a risk pool comprised of more than 170 entity members. MPR functions as an agent multiple-employer plan. The pool arrangement that is maintained to collect premiums and pay claims/administrative costs does not qualify as an “OPEB Plan” and thus cannot be treated as holding assets in order to offset OPEB liabilities. Though retiree benefits are not directly paid by the City, they are implicitly paid over time through employer subsidization of active premiums that would be lower if retirees were not part of the experience group. Kansas statutes provide that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements until the individuals become eligible for Medicare coverage at age 65. Retirees of the City (and their dependents) may elect to continue coverage in the medical and dental plans offered through MPR. Spousal coverage may continue for up to three years upon retiree death or retiree attainment of age 65. In any event, spousal coverage is not available beyond spouse age 65. MPR issues a publicly available financial report that may be obtained by writing to MPR at 19400 East Valley View Parkway, Independence, Missouri 64055.

*Funding Policy.* Through MPR, the City provides health and dental insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040). Kansas statutes, which may be amended by the state legislature, establish that participating retirees may be required to contribute to the employee group health benefits plan, including administrative costs at an amount not to exceed 125% of the premium cost for other similarly situated employees. The contribution requirements of plan members and the City are established and may be amended by the MPR Board of Directors. Retirees contribute 100% of the cost of premiums, which vary depending on the coverage selected.

The City appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditures on a pay-as-you-go basis through the General Fund, Proprietary Funds, and Internal Service Funds. In 2015, plan members receiving benefits contributed \$18,173 to the plan and the City contributed \$6,000 to the plan.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

9 - Other Postemployment Healthcare Benefits (Continued)

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

Annual required contribution	\$ 41,443
Interest on net OPEB obligation	12,491
Adjustment to annual required contribution	<u>(15,673)</u>
Annual OPEB cost (expense)	38,261
Contributions made	<u>(6,000)</u>
Increase in net OPEB obligation	32,261
Net OPEB obligation, January 1, 2015	<u>266,790</u>
Net OPEB obligation, December 31, 2015	<u>\$ 299,051</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2014 and 2015 are as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2013	\$30,960	9.69%	\$231,530
12/31/2014	38,260	7.84%	266,790
12/31/2015	38,261	15.68%	299,051

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$242,341. The City's policy is to fund the benefits on a pay-as-you-go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$242,341. The covered payroll (annual payroll of active employees covered by the plan) was \$5,454,745 and the ratio of the UAAL to the covered payroll was 4.4% percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements,

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

9 - Other Postemployment Healthcare Benefits (Continued)

Funded Status and Funding Progress (Continued)

will present in time, multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was applied. The actuarial assumptions included a 4.50% percent discount rate, which reflects the expected rate of return of the MPR Health and Dental Fund as it is used to pay retiree claims. The valuation assumed annual healthcare cost trend rates of 5.00% to 7.00% in the first eight years and an ultimate rate of 5.00% after eight years. It also assumed an inflation rate of 2.5 percent. The UAAL is being amortized on a level dollar open basis over a period of 30 years with the remaining amortization period of 30 years.

10 - Risk Management

The City is exposed to various risks of loss related to torts; that is, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to employee health benefits and workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have not been significant reductions in claims from prior years.

The City obtains workers' compensation and employee health insurance through its membership in the Kansas Eastern Region Insurance Trust (KERIT) and MPR, 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 KERIT 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 KERIT's self-insured retention limit. MPR operates as a purchasing pool to provide medical and dental insurance coverage on both a self-insured and conventional basis. The City does not anticipate any additional assessments in excess of premiums paid as a result of its participation in these trusts.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

11 - Capital Projects

The City is currently improving its water/sewer and electrical systems, working on street projects and performing various new developments. These projects are being funded primarily by the issuance of bonds, both general obligation and special assessment.

Following is a summary of project-to-date costs to December 31, 2015 on the capital projects compared to the amount authorized:

Primary Government Project Authorizations and Expenditures Since Inception		
Project Category	Authorization	Expenditures Since Inception
Primary Government		
Governmental Improvements	\$ 2,314,983	\$ 1,889,787
Electric Improvements	2,929,560	1,239,634
IT Internal Service Improvements	289,124	289,124
Total	\$ 5,533,667	\$ 3,418,545

12 - Long-Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for both governmental and business-type activities.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

General obligation bonds payable at December 31, 2015 are comprised of the following issues:

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity Date</u>	<u>Principal Payments During 2015</u>	<u>Outstanding December 31, 2015</u>
General Obligation Bonds:					
Governmental activities:					
2008A improvement	3.00%-3.65%	1,810,000	10/1/2018	\$ 20,000	\$ 60,000
2008B improvement	3.125%-4.00%	435,000	10/1/2018	45,000	145,000
2009C refunding and improvement	1.50%-2.55%	251,850	9/1/2015	46,000	-
2010A refunding and improvement	2.00%-3.60%	2,770,000	10/1/2030	115,000	2,215,000
2013A refunding	2.00%-2.25%	3,138,250	10/1/2024	944,650	1,085,684
2014A improvement	2.0%-3.125%	1,975,000	10/1/2029	85,000	1,890,000
2014B refunding and improvement	2.0%-3.0%	4,140,000	10/1/2029	225,000	3,915,000
				<u>\$ 1,480,650</u>	<u>\$ 9,310,684</u>
Business-type activities:					
2008A improvement	3.00%-3.65%	2,910,000	10/1/2018	\$ 305,000	\$ 990,000
2008B improvement	3.125%-4.00%	6,250,000	10/1/2018	650,000	2,090,000
2008D refunding	3.25%-5.40%	1,410,000	11/1/2016	35,000	40,000
2009A improvement	2.00%-3.7%	2,267,028	10/1/2019	225,000	970,000
2009C refunding and improvement	1.50%-2.90%	2,628,150	9/1/2016	459,000	115,000
2012C refunding KDHE loan	2.0% - 4.0%	11,745,000	9/1/2021	1,035,000	8,005,000
2013A refunding	2.0%-2.25%	3,876,750	10/1/2016	1,260,350	989,316
2014A improvement	2.0%-3.125%	945,000	10/1/2029	40,000	905,000
2015A refunding KDHE loan	3%	3,945,000	8/1/2026	-	3,945,000
				<u>\$ 4,009,350</u>	<u>\$ 18,049,316</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

The future annual requirements for general obligation bonds outstanding as of December 31, 2015 are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 1,140,684	\$ 239,752	\$ 3,839,316	\$ 639,193
2017	712,500	214,600	3,025,000	500,092
2018	715,000	197,874	3,055,000	400,502
2019	657,500	181,620	2,045,000	285,880
2020	595,000	167,870	1,865,000	209,844
2021-2025	2,912,500	626,162	3,930,000	323,258
2026-2030	2,577,500	222,285	290,000	22,164
	<u>\$ 9,310,684</u>	<u>\$ 1,850,163</u>	<u>\$ 18,049,316</u>	<u>\$ 2,380,933</u>

In July the City issued Series 2015A General Obligation Bonds in the amount of \$3,945,000 for the purpose of effecting a current refunding of the 2016 through 2026 maturities of the City's \$7,582,910 Water Supply Loan Fund (Hillsdale Project No. 2446), 2006 (the "Hillsdale Loan"), dated as of November 30, 2005, as amended. The City refunded these bonds to reduce its total debt service payments over 10 years and will realize a net savings of \$325,269 with a present value savings of \$285,144.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

Special Assessment Bonds

The City's special assessment debt was issued to provide funds for the construction of infrastructure in new commercial and residential developments. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. Special assessment bonds at December 31, 2015 are comprised of the following issues:

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity Date</u>	<u>Principal Payments During 2015</u>	<u>Outstanding December 31, 2015</u>
Special Assessment Bonds:					
Governmental activities:					
2003C refunding and improvement	1.5%-4.4%	\$ 670,000	10/1/2018	\$ 20,000	\$ 60,000
2008B improvement	3.125%-4.5%	3,215,000	10/1/2028	185,000	2,030,000
2009A improvement	2.00%-4.00%	5,437,972	10/1/2024	335,000	3,565,000
2011A improvement	.5%-4.00%	1,325,000	10/1/2031	55,000	1,110,000
2012A improvement	1.0%-3.0%	3,995,000	8/1/2032	165,000	3,560,000
2014A improvement	2.0%-3.125%	1,975,000	10/1/2029	85,000	1,890,000
				<u>\$ 845,000</u>	<u>\$ 12,215,000</u>

Annual debt service requirements to maturity for special assessment bonds are as follows:

	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 900,000	\$ 381,508
2017	922,500	356,966
2018	950,000	330,553
2019	862,500	302,959
2020	880,000	277,298
2021-2025	4,437,500	929,936
2026-2030	2,652,500	325,618
2031-2032	610,000	27,150
	<u>\$ 12,215,000</u>	<u>\$ 2,931,989</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

Construction Loans Payable

During 1996, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Public Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$2,223,206 to finance improvements to the wastewater system. The loan will be repaid over twenty years at an interest rate of 3.22%. The total outstanding balance of \$144,318 is shown as a liability in the wastewater fund.

During 2006, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$3,483,009 to finance improvements to the wastewater system. The loan will be repaid over twenty years at an interest rate of 2.40%. The total outstanding balance of \$1,898,603 is shown as a liability in the wastewater fund.

During 2007, the City entered into a loan agreement with the Kansas Department of Transportation. The agreement enabled the City to borrow \$1,533,638 to finance significant street improvement projects. The loans will be repaid over ten years at an interest rate of 3.37%. The outstanding balance of \$244,290 is shown as a liability in the governmental activities column of the statement of net position.

During 2012, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$10,167,808 to finance improvements to the wastewater system. The loan will be repaid over twenty years at an interest rate of 2.05%. The total outstanding balance of \$9,547,237 is shown as a liability in the wastewater fund.

The future annual debt service requirements for the amortizable loans payable are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 176,681	\$ 8,232	\$ 699,995	\$ 241,831
2017	67,609	2,278	569,016	226,396
2018	-	-	582,673	214,168
2019	-	-	596,661	201,646
2020	-	-	610,986	188,821
2021-2025	-	-	3,282,183	740,654
2026-2030	-	-	3,119,800	387,345
2031 thereafter	-	-	2,128,844	88,280
	<u>\$ 244,290</u>	<u>\$ 10,510</u>	<u>\$ 11,590,158</u>	<u>\$ 2,289,141</u>



CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

PBC Lease Revenue Bonds

Future maturities of the PBC lease revenue bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 315,000	\$ 47,776	\$ 362,776
2017	345,000	41,476	386,476
2018	375,000	34,576	409,576
2019	395,000	27,076	422,076
2020	430,000	19,176	449,176
2021	470,000	10,576	480,576
	<u>\$ 2,330,000</u>	<u>\$ 180,656</u>	<u>\$ 2,510,656</u>

On August 1, 2002, the City entered into an irrevocable lease agreement with the PBC. The purpose of the lease agreement is for the city to rent the building financed by the PBC lease Revenue Bonds, Series 2002A. The rental payments are the same as the scheduled 2002A debt payments. On September 11, 2012, the City issued Series 2012A lease revenue bonds in the amount of \$3,105,000 to currently refund \$3,323,431 of the 2002A lease revenue bonds.

Certificates of Participation

In 2006, the City issued \$7,150,000 of certificates of participation series 2006D with interest rates ranging from 3.75% to 4% and with a final maturity in 2016. Future maturities of the certificates of participation are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 475,000	\$ 19,000	\$ 494,000

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015 was as follows:

<b>Summary of Governmental Activities Debt for the year ended December 31, 2015</b>						
	Outstanding January 1, as restated	Reclass	Additions	Reductions	Outstanding December 31	Due Within One Year
<b>Governmental activities:</b>						
Bonds:						
General obligation	\$ 8,816,334	\$ 1,975,000	\$ -	\$ 1,480,650	\$ 9,310,684	\$ 1,140,684
Plus: issuance premium	359,318	-	-	26,576	332,742	-
Special assessment debt with government commitment	15,035,000	(1,975,000)	-	845,000	12,215,000	900,000
Construction loans payable	477,884	-	-	233,594	244,290	176,681
Certificates of participation	1,670,000	-	-	1,195,000	475,000	475,000
PBC lease revenue bonds	2,620,000	-	-	290,000	2,330,000	315,000
Capital lease obligations	59,064	-	289,124	122,075	226,113	111,997
Pension Liability	4,766,626	-	643,825	607,594	4,802,857	-
Compensated absences	233,756	-	279,577	245,489	267,844	267,844
Other postemployment benefit obligation	175,064	-	27,169	6,000	196,233	-
Total	<u>\$ 34,213,046</u>	<u>\$ -</u>	<u>\$ 1,239,695</u>	<u>\$ 5,051,978</u>	<u>\$ 30,400,763</u>	<u>\$ 3,387,206</u>

<b>Summary of Business-Type Activities Debt for the year ended December 31, 2015</b>						
	Outstanding January 1, as restated	Reclass	Additions	Reductions	Outstanding December 31	Due Within One Year
<b>Business-type activities:</b>						
General obligation bonds	\$ 18,113,666	\$ -	\$ 3,945,000	\$ 4,009,350	\$ 18,049,316	\$ 3,839,316
Issuance premiums	1,032,792	-	245,954	170,047	1,108,699	-
Construction loans payable	16,679,528	-	-	5,089,370	11,590,158	699,995
Compensated absences	82,779	-	99,953	83,648	99,084	99,084
Pension Liability	1,538,718	-	205,722	225,220	1,519,220	-
Other postemployment benefit obligation	91,726	-	11,092	-	102,818	-
Total	<u>\$ 37,539,209</u>	<u>\$ -</u>	<u>\$ 4,507,721</u>	<u>\$ 9,577,635</u>	<u>\$ 32,469,295</u>	<u>\$ 4,638,395</u>
<b>Component unit:</b>						
Loan payable to primary government	\$ 455,000	\$ -	\$ -	\$ 60,709	\$ 394,291	\$ 55,621

For the governmental activities, compensated absences and the other postemployment benefit obligation are generally liquidated by the general fund. The net pension liability is generally liquidated by the general and internal service funds.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

13 - Special Assessments

Kansas statutes require special benefit district projects financed in part by special assessments to be financed through the issuance of general obligation bonds that are secured by the full faith and credit of the City. Further, state statutes permit levying additional general ad valorem taxes in the City's Debt Service Fund to finance delinquent special assessments receivable. Accordingly, the special assessments receivable is accounted for within the City's debt service fund. Special assessments are levied over the repayment period of the bonds and the annual installments are due and payable with annual ad valorem taxes. At December 31, 2015, the special assessment taxes levied are a lien on the property and are recorded as a special assessments receivable in the debt service fund with a corresponding amount recorded as deferred inflows of resources. Special assessments receivable at December 31, 2015 was \$16,925,943.

14 - Interfund Transactions

Interfund transfers for the year ended December 31, 2015 consisted of the following:

Fund	Transfers In	Transfers Out
Major funds:		
General Fund	\$ 709,100	\$ 20,000
Debt Service Fund	687,467	-
Capital Projects Fund	20,000	61,567
Electric Fund	-	843,600
Water Fund	-	638,300
Wastewater Fund	717,000	64,700
Non-major governmental funds	-	505,400
Total transfers	\$ 2,133,567	\$ 2,133,567

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or 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.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

14 - Interfund Transactions (Continued)

Due to and due from other funds are reported in the financial statements as follows:

Amounts owed from the nonmajor government funds to:

General fund	\$ 380,062
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Amounts owed from the general fund to:

Electric fund	\$ 5,041
Water	14,675
Wastewater	313
	<u>\$ 20,029</u>

Amounts owed from the internal service funds to:

General fund	\$ -
Electric fund	4,549
Water fund	79
Wastewater fund	173
	<u>\$ 4,801</u>

Amounts owed from the water fund to:

Electric fund	\$ 1,055
---------------	----------

Amounts owed from the wastewater fund to:

Electric fund	\$ 998
Water fund	\$ 13
	<u>\$ 1,011</u>

The outstanding balance between proprietary funds was created to reflect the balance owed for services provided. The interfund payables due from certain non-major governmental funds include amounts owed to the General Fund for the reimbursement of certain indirect costs.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

15 - Commitments and Contingencies

Litigation

The City is involved in various lawsuits incurred through normal operations. It is the opinion of the City's management that the outcome of this litigation will not result in a material loss to the City in excess of applicable insurance coverage.

Industrial Revenue Bonds

The City has issued industrial revenue bonds to finance the purchase of land and construction of a facility leased to a business that relocated to the City. The lease agreement provides for rentals sufficient to service the related bonds. The debt service on this issue is paid solely from lease agreements; this issue does not constitute a debt of the City. The lessee has the option of purchasing the leased property at any time during the lease period for an amount sufficient to retire the related outstanding bonds. At the end of the lease period, which conforms to bond maturity schedules, the lessee may either purchase the property for a nominal amount or renew the lease annually at a nominal amount. As of December 31, 2015, industrial revenue bonds of \$46,950,431 are outstanding.

Encumbrances

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities, but, rather, as restricted, committed, or assigned fund balance. At December 31, 2015, the City's recorded encumbrances in governmental funds were as follows:

General	\$	115,541
Capital Projects		103,131
Nonmajor funds		8,943
	\$	<u>227,615</u>

16 - Subsequent Events

Effective January 1, 2016 the Gardner City Council assumed ownership of and responsibility for all Airport related assets and liabilities, dissolving the Airport Association's Airport Committee along with its authority to form a non-profit corporation to supervise the operations of the airport. At December 31, 2015, the Airport Association had \$429,105 in assets and \$439,723 in liabilities as a component unit of the City.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GARDNER, KANSAS

KPERS and KPF Defined Benefit Pension Plans  
Schedule of City's Proportionate Share

Last Three Fiscal Years\*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability (asset):			
KPERS (local group)	0.296578%	0.301717%	0.275540%
KP&F (police & firemen)	0.334365%	0.332422%	0.313729%
City's proportionate share of the net pension liability (asset)	\$ 6,322,077	\$ 5,893,730	\$ 6,744,453
City's covered-employee payroll ^	\$ 6,430,700	\$ 6,144,004	\$ 5,834,765
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	98.31%	95.93%	115.59%
Plan fiduciary net position as a percentage of the total pension liability	64.95%	66.60%	59.94%

\* GASB 68 requires presentation of ten years. As of December 31, 2015, only three years of information is available.

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

KPERS and KPF Defined Benefit Pension Plans  
Schedule of City's Contributions\*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 871,712	\$ 738,362	\$ 610,709	\$ 551,764	\$ 463,747
Contributions in relation to the contractually required contribution	<u>(871,712)</u>	<u>(738,362)</u>	<u>(610,709)</u>	<u>(551,764)</u>	<u>(463,747)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-employee payroll ^	\$ 7,000,963	\$ 6,412,857	\$ 6,005,230	\$ 5,775,547	\$ 5,323,585
Contributions as a percentage of covered-employee payroll	12.451316%	11.513776%	10.169619%	9.553450%	8.711179%

\*Information prior to 2011 is not available.

^Information presented above is as of the City's fiscal year end 12/31

## Schedule of Funding Progress

### Health Insurance Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2009	-	296,691	296,691	0.0%	5,944,323	5.0%
7/1/2011	-	160,208	160,208	0.0%	4,527,176	3.5%
7/1/2013	-	242,341	242,341	0.0%	5,454,745	4.4%

#### Note 1 - Significant Factors Affecting Trends in Actuarial Information

Changes in Actuarial Liability for the valuation completed at July 1, 2013 are primarily due to:

- The valuation interest rate was lowered from 5.0% to 4.5%. This is based on our analysis and correspondence with the investment advisors of MPR concerning the anticipated asset allocation and accompanying expected returns of the Health and Dental Fund.
- The assumed Medical / Rx trend rates were changed from 8.50% then grading down in increments of .5 percentage points to an ultimate of 5.00% **to** a starting trend of 7.00% grading down in increments of .25 percentage points to an ultimate of 5.00%. The assumed Dental trend was lowered from 4.00% to 3.75%.
- The turnover and retirement rates were updated where applicable to be based on the latest available rates from the applicable pension reports or other sources.
- Assumed mortality was updated to reflect improvement through 2018 based on recommendations of actuarial literature.
- Projected per capita retiree costs based on MPR and industry data, and retiree plan premiums, both increased more than expected.



OTHER SUPPLEMENTARY INFORMATION

## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Law Enforcement Trust Fund – This fund is used to account for monies forfeited to the City of Gardner Police Department relating to controlled substance investigation forfeitures. Expenditures from this fund shall be made only for authorized law enforcement purposes of the Gardner Police Department.

Special Alcohol/Drug Program Fund – This fund is used to account for special alcohol liquor tax revenues that are restricted for the purpose of funding programs for the education, treatment, and intervention of alcohol and drug abuse.

Special Parks and Recreation Fund – This fund is used to account for special alcohol liquor tax revenues that are restricted to expenditures for the purchase, establishment, maintenance, or expansion of park and recreational services, programs, and facilities.

East Santa Fe TIF District Fund – This fund is used to account for the captured ad valorem tax increment and sales tax increment from properties within the Redevelopment District created by Ordinance 2110, adopted June 21, 2004. The captured increments are to be used to reimburse the developer for “reimbursable project costs” as defined in the 175<sup>th</sup> and Cedar Niles Redevelopment Agreement dated January 3, 2005.

Economic Development Reserve Fund – This fund is used to account for transient guest tax revenues that are restricted for the purpose of convention and tourism promotion.

### **Capital Projects Fund**

Park Improvement Fund – This fund is used to account for the receipt of park impact fees which are restricted for park and playground purposes. Additional revenue accounted for in this fund includes a portion of the Special County Sales and use Tax.

Street Improvement Fund – This fund is used to account for receipt of the City’s excise fee on platted land. The expenditures in this fund are specifically restricted for the purpose of improvement of existing streets and the construction of new streets necessitated by the City’s new development growth.

Special Highway Fund – This fund is used to account for county/city revenue sharing of a portion of the State’s motor fuel tax. These revenues are restricted to the construction and maintenance of streets, the repair and replacement of curbs, and the repair and construction of sidewalks within the City’s boundaries.

City Hall – This fund is used to account for the PBC blended component unit.

### **Debt Service Fund**

Park Sales Tax Fund – This fund is used to account for the sales tax revenues that are restricted to expenditures relating to the acquisition and construction of the new Celebration Park Complex and the Aquatics Center.

**CITY OF GARDNER, KANSAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

**December 31, 2015**

	Special Revenue					Total Special Revenue
	Economic Development Reserve	E. Santa Fe TIF District	Law Enforcement Trust	Special Alcohol/ Drug Program	Special Parks and Recreation	
<b>Assets</b>						
Deposits and investments	\$ 73,656	\$ 7	\$ 18,893	\$ 13,591	\$ 8,411	\$ 114,558
Receivables:						
Taxes	17,422	110,903	-	-	-	128,325
Intergovernmental	-	-	-	-	-	-
Restricted deposits and investments	-	-	-	-	-	-
Total assets	<u>\$ 91,078</u>	<u>\$ 110,910</u>	<u>\$ 18,893</u>	<u>\$ 13,591</u>	<u>\$ 8,411</u>	<u>\$ 242,883</u>
<b>Liabilities</b>						
Accounts payable	12,514	-	2,021	-	-	14,535
Total liabilities	<u>12,514</u>	<u>-</u>	<u>2,021</u>	<u>-</u>	<u>-</u>	<u>14,535</u>
<b>Fund Balances (Deficits)</b>						
Restricted						
Capital projects	-	-	-	-	-	-
Street improvements	-	-	-	-	-	-
Economic development	78,564	110,910	-	-	-	189,474
Other	-	-	16,872	13,591	8,411	38,874
Total fund balances	<u>78,564</u>	<u>110,910</u>	<u>16,872</u>	<u>13,591</u>	<u>8,411</u>	<u>228,348</u>
Total liabilities and fund balances	<u>\$ 91,078</u>	<u>\$ 110,910</u>	<u>\$ 18,893</u>	<u>\$ 13,591</u>	<u>\$ 8,411</u>	<u>\$ 242,883</u>

(Continued)

**CITY OF GARDNER, KANSAS**  
**COMBINING BALANCE SHEET**  
**(Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**

**December 31, 2015**

	Capital Projects				Debt Service	Total Nonmajor Governmental Funds
	Park Improvement	Special Highway	Street Improvement	City Hall	Park Sales Tax	
Assets						
Deposits and investments	\$ 13,923	\$ 429,915	\$ 141,711	\$ -	\$ -	\$ 700,107
Receivables:						
Taxes	-	-	-	-	171,657	299,982
Intergovernmental	72,243	253,265	-	-	-	325,508
Restricted deposits and investments	-	-	-	-	262,811	262,811
Total assets	<u>\$ 86,166</u>	<u>\$ 683,180</u>	<u>\$ 141,711</u>	<u>\$ -</u>	<u>\$ 434,468</u>	<u>\$ 1,588,408</u>
Liabilities						
Accounts payable	-	224,165	-	-	-	238,700
Due to other funds	-	-	-	-	380,062	380,062
Total liabilities	<u>-</u>	<u>224,165</u>	<u>-</u>	<u>-</u>	<u>380,062</u>	<u>618,762</u>
Fund Balances (Deficits)						
Restricted						
Capital projects	86,166	459,015	-	-	54,406	599,587
Street improvements	-	-	141,711	-	-	141,711
Economic development	-	-	-	-	-	189,474
Other	-	-	-	-	-	38,874
Total fund balances	<u>86,166</u>	<u>459,015</u>	<u>141,711</u>	<u>-</u>	<u>54,406</u>	<u>969,646</u>
Total liabilities and fund balances	<u>\$ 86,166</u>	<u>\$ 683,180</u>	<u>\$ 141,711</u>	<u>\$ -</u>	<u>\$ 434,468</u>	<u>\$ 1,588,408</u>

CITY OF GARDNER, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2015

	Special Revenue Funds					Total Special Revenue
	Economic Development Reserve	E. Santa Fe TIF District	Law Enforcement Trust	Special Alcohol/ Drug Program	Special Parks and Recreation	
Revenues						
Property tax	\$ -	\$ 238,635	\$ -	\$ -	\$ -	\$ 238,635
Sales tax	-	565,944	-	-	-	565,944
Transient guest tax	62,892	-	-	-	-	62,892
Intergovernmental	-	-	10,694	31,797	31,797	74,288
Fines and Fees	-	-	-	-	-	-
Investment earnings	76	55	12	7	3	153
Total revenues	<u>62,968</u>	<u>804,634</u>	<u>10,706</u>	<u>31,804</u>	<u>31,800</u>	<u>941,912</u>
Expenditures						
Current:						
General government	67,010	796,837	-	32,000	-	895,847
Capital outlay	-	-	2,021	-	-	2,021
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total expenditures	<u>67,010</u>	<u>796,837</u>	<u>2,021</u>	<u>32,000</u>	<u>-</u>	<u>897,868</u>
Excess of revenues over (under) expenditures	<u>(4,042)</u>	<u>7,797</u>	<u>8,685</u>	<u>(196)</u>	<u>31,800</u>	<u>44,044</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	(5,000)	-	-	(35,000)	(40,000)
Total other financing sources (uses)	<u>-</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>(35,000)</u>	<u>(40,000)</u>
Net change in fund balances	<u>(4,042)</u>	<u>2,797</u>	<u>8,685</u>	<u>(196)</u>	<u>(3,200)</u>	<u>4,044</u>
Fund balances, beginning of year	82,606	108,113	8,187	13,787	11,611	224,304
Fund balances, end of year	<u>\$ 78,564</u>	<u>\$ 110,910</u>	<u>\$ 16,872</u>	<u>\$ 13,591</u>	<u>\$ 8,411</u>	<u>\$ 228,348</u>

(Continued)

CITY OF GARDNER, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (Continued)

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2015

	Capital Projects				Debt Service	Total Nonmajor Governmental Funds
	Park Improvement	Special Highway	Street Improvement	City Hall	Park Sales Tax	
Revenues						
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 238,635
Sales tax	-	-	-	-	1,028,976	1,594,920
Transient guest tax	-	-	-	-	-	62,892
Intergovernmental	409,748	764,868	117,549	-	-	1,366,453
Fines and Fees	100,536	-	-	-	-	100,536
Investment earnings	21	341	147	-	69	731
Total revenues	<u>510,305</u>	<u>765,209</u>	<u>117,696</u>	<u>-</u>	<u>1,029,045</u>	<u>3,364,167</u>
Expenditures						
Current:						
General government	-	-	-	-	-	895,847
Capital outlay	-	369,652	-	-	-	371,673
Debt service:						
Principal	-	200,508	63,086	-	1,195,000	1,458,594
Interest and fiscal charges	-	26,846	2,277	103	66,800	96,026
Other	-	1,037	158	-	1,540	2,735
Total expenditures	<u>-</u>	<u>598,043</u>	<u>65,521</u>	<u>103</u>	<u>1,263,340</u>	<u>2,824,875</u>
Excess of revenues over (under) expenditures	<u>510,305</u>	<u>167,166</u>	<u>52,175</u>	<u>(103)</u>	<u>(234,295)</u>	<u>539,292</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	635,000	635,000
Transfers out	(600,000)	(22,200)	(25,800)	-	(452,400)	(1,140,400)
Total other financing sources (uses)	<u>(600,000)</u>	<u>(22,200)</u>	<u>(25,800)</u>	<u>-</u>	<u>182,600</u>	<u>(505,400)</u>
Net change in fund balances	<u>(89,695)</u>	<u>144,966</u>	<u>26,375</u>	<u>(103)</u>	<u>(51,695)</u>	<u>33,892</u>
Fund balances, beginning of year	175,861	314,049	115,336	103	106,101	935,754
Fund balances, end of year	<u>\$ 86,166</u>	<u>\$ 459,015</u>	<u>\$ 141,711</u>	<u>\$ -</u>	<u>\$ 54,406</u>	<u>\$ 969,646</u>

**CITY OF GARDNER, KANSAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**SPECIAL BENEFIT FEE**

**Year Ended December 31, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
Revenues				
Investment earnings	\$ 100	\$ 100	\$ 40	\$ (60)
Total revenues	<u>100</u>	<u>100</u>	<u>40</u>	<u>(60)</u>
Expenditures				
Project reserve	37,522	37,522	-	37,522
Total expenditures	<u>37,522</u>	<u>37,522</u>	<u>-</u>	<u>37,522</u>
Revenues over (under) expenditures	(37,422)	(37,422)	40	37,462
Other financing sources (uses)				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balance	(87,422)	(87,422)	(49,960)	37,462
Fund balances, beginning of year	<u>87,422</u>	<u>87,422</u>	<u>87,522</u>	<u>100</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,562</u>	<u>\$ 37,562</u>

**CITY OF GARDNER, KANSAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**ECONOMIC DEVELOPMENT RESERVE FUND**

**Year Ended December 31, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
Revenues				
Transient guest tax	\$ 40,800	\$ 40,800	\$ 62,892	\$ 22,092
Investment earnings	100	100	76	(24)
Total revenues	<u>40,900</u>	<u>40,900</u>	<u>62,968</u>	<u>22,068</u>
Expenditures				
Project reserve	58,653	58,653	-	58,653
Contractual services	42,700	42,700	67,010	(24,310)
Total expenditures	<u>101,353</u>	<u>101,353</u>	<u>67,010</u>	<u>34,343</u>
Revenues over (under) expenditures	(60,453)	(60,453)	(4,042)	56,411
Net change in fund balance	(60,453)	(60,453)	(4,042)	56,411
Fund balances, beginning of year	60,453	60,453	82,606	22,153
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,564</u>	<u>\$ 78,564</u>



CITY OF GARDNER, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

EAST SANTA FE TIF DISTRICT

Year Ended December 31, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 993,800	\$ 993,800	\$ 804,579	\$ (189,221)
Investment earnings	200	200	55	(145)
Total revenues	<u>994,000</u>	<u>994,000</u>	<u>804,634</u>	<u>(189,366)</u>
Expenditures				
Contractual services	1,092,554	1,092,554	796,837	295,717
Total expenditures	<u>1,092,554</u>	<u>1,092,554</u>	<u>796,837</u>	<u>295,717</u>
Revenues over (under) expenditures	(98,554)	(98,554)	7,797	106,351
Other financing sources (uses)				
Transfers out	(5,000)	(5,000)	(5,000)	-
Total other financing sources (uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Net change in fund balance	(103,554)	(103,554)	2,797	106,351
Fund balances, beginning of year	103,554	103,554	108,113	4,559
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,910</u>	<u>\$ 110,910</u>

CITY OF GARDNER, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

LAW ENFORCEMENT TRUST

Year Ended December 31, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Investment earnings	\$ -	\$ -	\$ 12	\$ 12
Intergovernmental	-	-	10,694	10,694
Total revenues	<u>-</u>	<u>-</u>	<u>10,706</u>	<u>10,706</u>
Expenditures				
Equipment	2,413	2,413	2,021	392
Total expenditures	<u>2,413</u>	<u>2,413</u>	<u>2,021</u>	<u>392</u>
Revenues over (under) expenditures	(2,413)	(2,413)	8,685	11,098
Net change in fund balance	(2,413)	(2,413)	8,685	11,098
Fund balances, beginning of year	2,413	2,413	8,187	5,774
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,872</u>	<u>\$ 16,872</u>

**CITY OF GARDNER, KANSAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**PARK IMPROVEMENT RESERVE FUND**

**Year Ended December 31, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental	\$ 402,000	\$ 402,000	\$ 409,748	\$ 7,748
Park impact fees	82,100	82,100	100,536	18,436
Investment earnings	100	100	21	(79)
Total revenues	<u>484,200</u>	<u>484,200</u>	<u>510,305</u>	<u>26,105</u>
Expenditures				
Project reserve	91,927	91,927	-	91,927
Total expenditures	<u>91,927</u>	<u>91,927</u>	<u>-</u>	<u>91,927</u>
Revenues over (under) expenditures	392,273	392,273	510,305	118,032
Other financing sources (uses)				
Transfers out	(540,000)	(540,000)	(600,000)	(60,000)
Total other financing sources (uses)	<u>(540,000)</u>	<u>(540,000)</u>	<u>(600,000)</u>	<u>(60,000)</u>
Net change in fund balance	(147,727)	(147,727)	(89,695)	58,032
Fund balances, beginning of year	147,727	147,727	175,861	28,134
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,166</u>	<u>\$ 86,166</u>

**CITY OF GARDNER, KANSAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**PARK SALES TAX FUND**

**Year Ended December 31, 2015**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 972,800	\$ 1,050,000	\$ 1,028,976	\$ (21,024)
Investment earnings	100	-	69	69
Total revenues	<u>972,900</u>	<u>1,050,000</u>	<u>1,029,045</u>	<u>(20,955)</u>
Expenditures				
Principal	961,800	1,261,800	1,195,000	66,800
Interest	-	-	66,800	(66,800)
Project reserve	65,513	75,401	-	75,401
Other expenditures	1,500	1,500	1,540	(40)
Total expenditures	<u>1,028,813</u>	<u>1,338,701</u>	<u>1,263,340</u>	<u>75,361</u>
Revenues over (under) expenditures	(55,913)	(288,701)	(234,295)	54,406
Other financing sources (uses)				
Transfers in	567,000	635,000	635,000	-
Transfers out	(575,900)	(452,400)	(452,400)	-
Total other financing sources (uses)	<u>(8,900)</u>	<u>182,600</u>	<u>182,600</u>	<u>-</u>
Net change in fund balance	(64,813)	(106,101)	(51,695)	54,406
Fund balances, beginning of year	64,813	106,101	106,101	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,406</u>	<u>\$ 54,406</u>

CITY OF GARDNER, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

DEBT SERVICE FUND

Year Ended December 31, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 1,182,934	\$ 1,247,631	\$ 1,260,185	\$ 12,554
Special assessments	1,289,712	1,289,800	1,123,009	(166,791)
Investment earnings	1,900	2,500	2,365	(135)
Payments in lieu of taxes	42,412	42,412	-	(42,412)
Other	22	-	8,048	8,048
Total revenues	<u>2,516,980</u>	<u>2,582,343</u>	<u>2,393,607</u>	<u>(188,736)</u>
Expenditures				
Principal	3,584,994	7,257,950	2,585,650	4,672,300
Interest	-	-	809,550	(809,550)
Other	-	-	55,644	(55,644)
Total expenditures	<u>3,584,994</u>	<u>7,257,950</u>	<u>3,450,844</u>	<u>3,807,106</u>
Revenues over (under) expenditures	(1,068,014)	(4,675,607)	(1,057,237)	3,618,370
Other financing sources				
General obligation bonds issued	-	-	-	-
Issuance: Premium	-	-	-	-
Transfers in	718,700	625,900	687,467	61,567
Total other financing sources	<u>718,700</u>	<u>625,900</u>	<u>687,467</u>	<u>61,567</u>
Expenditures and other financing sources subject to legal budget	<u>3,584,994</u>	<u>7,257,950</u>	<u>3,450,844</u>	<u>3,807,106</u>
Net change in fund balance	(349,314)	(4,049,707)	(369,770)	3,679,937
Fund balances, beginning of year	349,314	4,049,707	425,504	(3,624,203)
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,734</u>	<u>\$ 55,734</u>

**CITY OF GARDNER, KANSAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**SPECIAL ALCOHOL/DRUG PROGRAM FUND**

**Year Ended December 31, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
Revenues				
Special alcohol tax	\$ 30,000	\$ 30,000	\$ 31,797	\$ 1,797
Investment earnings	-	-	7	7
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>31,804</u>	<u>1,804</u>
Expenditures				
Project reserve	10,054	10,054	-	10,054
Contractual services	<u>32,000</u>	<u>32,000</u>	<u>32,000</u>	-
Total expenditures	<u>42,054</u>	<u>42,054</u>	<u>32,000</u>	<u>10,054</u>
Revenues over (under) expenditures	(12,054)	(12,054)	(196)	11,858
Net change in fund balance	(12,054)	(12,054)	(196)	11,858
Fund balances, beginning of year	<u>12,054</u>	<u>12,054</u>	<u>13,787</u>	<u>1,733</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,591</u>	<u>\$ 13,591</u>

CITY OF GARDNER, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

SPECIAL HIGHWAY FUND

Year Ended December 31, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
State gasoline tax	\$ 522,500	\$ 522,500	\$ 543,356	\$ 20,856
Intergovernmental	-	-	221,512	221,512
Investment earnings	400	400	341	(59)
Total revenues	<u>522,900</u>	<u>522,900</u>	<u>765,209</u>	<u>242,309</u>
Expenditures				
Project reserve	133,249	133,249	-	133,249
Capital outlay	155,700	155,700	157,083	(1,383)
Principal & Interest	450,000	450,000	228,391	221,609
Total expenditures	<u>738,949</u>	<u>738,949</u>	<u>385,474</u>	<u>353,475</u>
Revenues over (under) expenditures	(216,049)	(216,049)	379,735	595,784
Other financing sources (uses)				
Transfers out	(22,200)	(22,200)	(22,200)	-
Total other financing sources (uses)	<u>(22,200)</u>	<u>(22,200)</u>	<u>(22,200)</u>	<u>-</u>
Net change in fund balance subject to legal budget	<u>(238,249)</u>	<u>(238,249)</u>	357,535	<u>595,784</u>
Expenditures not subject to legal budget			<u>221,512</u>	
Net change in fund balance	(238,249)	(238,249)	136,023	374,272
Fund balances, beginning of year	238,249	238,249	314,049	75,800
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>450,072</u>	<u>\$ 450,072</u>
Explanation of difference between budgetary and GAAP fund balances:				
Encumbrances for equipment and supplies ordered but not received are not recorded for GAAP purposes until received			<u>8,943</u>	
GAAP fund balance, end of year			<u>\$ 459,015</u>	

CITY OF GARDNER, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

SPECIAL PARKS AND RECREATION FUND

Year Ended December 31, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Special alcohol tax	\$ 30,000	\$ 30,000	\$ 31,797	\$ 1,797
Investment earnings	100	100	3	(97)
Total revenues	<u>30,100</u>	<u>30,100</u>	<u>31,800</u>	<u>1,700</u>
Expenditures				
Project reserve	13,130	13,130	-	13,130
Total expenditures	<u>13,130</u>	<u>13,130</u>	<u>-</u>	<u>13,130</u>
Revenues over (under) expenditures	16,970	16,970	31,800	14,830
Other financing sources (uses)				
Transfers out	(27,000)	(27,000)	(35,000)	(8,000)
Total other financing sources (uses)	<u>(27,000)</u>	<u>(27,000)</u>	<u>(35,000)</u>	<u>(8,000)</u>
Net change in fund balance	(10,030)	(10,030)	(3,200)	6,830
Fund balances, beginning of year	10,030	10,030	11,611	1,581
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,411</u>	<u>\$ 8,411</u>



CITY OF GARDNER, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

STREET IMPROVEMENT FUND

Year Ended December 31, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Excise tax	\$ 44,000	\$ 44,000	\$ 117,549	\$ 73,549
Investment earnings	200	200	147	(53)
Total revenues	<u>44,200</u>	<u>44,200</u>	<u>117,696</u>	<u>73,496</u>
Expenditures				
Project reserve	79,724	79,724	-	79,724
Principal & Interest	-	-	65,521	(65,521)
Total expenditures	<u>79,724</u>	<u>79,724</u>	<u>65,521</u>	<u>14,203</u>
Revenues over (under) expenditures	(35,524)	(35,524)	52,175	87,699
Other financing sources (uses)				
Transfers out	(19,700)	(19,700)	(25,800)	(6,100)
Total other financing sources (uses)	<u>(19,700)</u>	<u>(19,700)</u>	<u>(25,800)</u>	<u>(6,100)</u>
Net change in fund balance	(55,224)	(55,224)	26,375	81,599
Fund balances, beginning of year	55,224	55,224	115,336	60,112
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,711</u>	<u>\$ 141,711</u>

## **Nonmajor Proprietary Funds**

### **Enterprise Funds**

Airport – The Airport Fund accounts for all revenues and expenses of the Airport agency, as directed by the City of Gardner. Revenues are derived from the hangar rentals and building space, the sale of fuel and the sale of crops grown on airport property. Expenses are for the construction, renovation and operation of the airport.

Stormwater - The Stormwater Fund accounts for all revenues and expenses of the Stormwater Utility. The principal operating revenues of the stormwater fund are charges to customers for sales and services. Expenses are for the maintenance, construction and renovation of Stormwater projects.

### **Internal Service Funds**

Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost reimbursement basis.

Information technology services fund – This fund is used to account for the accumulation and allocation of costs associated with electronic data processing.

Building maintenance fund – This fund is used to account for the accumulation and allocation of costs associated with maintenance and miscellaneous repairs on city owned property.

Risk management fund – This fund is used to account for the accumulation and allocation of costs associated with the City's risk financing activities.

Utility billing services fund – This fund is used to account for the accumulation and allocation of costs associated with calculating and billing amounts owed for services provided by the City's utilities.

**CITY OF GARDNER, KANSAS**  
**COMBINING STATEMENT OF NET POSITION**  
**NON-MAJOR ENTERPRISE FUNDS**

**December 31, 2015**

	Stormwater	Airport	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ -	\$ 5,490	\$ 5,490
Total current assets	<u>-</u>	<u>5,490</u>	<u>5,490</u>
Noncurrent assets:			
Capital assets:			
Infrastructure	148,352	-	148,352
Improvements	737,691	-	737,691
Less accumulated depreciation and amortization	(165,878)	-	(165,878)
Total capital assets	<u>720,165</u>	<u>-</u>	<u>720,165</u>
Total noncurrent assets	<u>720,165</u>	<u>-</u>	<u>720,165</u>
Total assets	<u>720,165</u>	<u>5,490</u>	<u>725,655</u>
<b>Liabilities</b>			
Current liabilities:			
Unearned revenue	-	5,490	5,490
Total current liabilities	<u>-</u>	<u>5,490</u>	<u>5,490</u>
Total liabilities	<u>-</u>	<u>5,490</u>	<u>5,490</u>
<b>Net position</b>			
Net investment in capital assets	<u>720,165</u>	<u>-</u>	<u>720,165</u>
Total net position	<u>\$ 720,165</u>	<u>\$ -</u>	<u>\$ 720,165</u>

**CITY OF GARDNER, KANSAS**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**

**NON-MAJOR ENTERPRISE FUNDS**

**Year Ended December 31, 2015**

	<u>Stormwater</u>	<u>Airport</u>	<u>Total</u>
Operating revenues			
Charges for sales and services	\$ -	\$ -	\$ -
Other	-	-	-
Total operating revenues	<u>-</u>	<u>-</u>	<u>-</u>
Operating expenses			
Depreciation and amortization	<u>28,298</u>	<u>-</u>	<u>28,298</u>
Total operating expenses	<u>28,298</u>	<u>-</u>	<u>28,298</u>
Operating income (loss)	<u>(28,298)</u>	<u>-</u>	<u>(28,298)</u>
Income (loss) before transfers and contributions	(28,298)	-	(28,298)
Capital contributions	<u>125,272</u>	<u>-</u>	<u>125,272</u>
Change in net position	96,974	-	96,974
Total net position, beginning of year	<u>623,191</u>	<u>-</u>	<u>623,191</u>
Prior period adjustment	-	-	-
Total net position, end of year	<u>\$ 720,165</u>	<u>\$ -</u>	<u>\$ 720,165</u>

**CITY OF GARDNER, KANSAS**

**COMBINING STATEMENT OF CASH FLOWS**

**NON-MAJOR ENTERPRISE FUNDS**

**Year Ended December 31, 2015**

	Stormwater	Airport	Total
Cash flows from operating activities:			
Receipts from customers	\$ -	\$ 5,490	\$ 5,490
Net cash provided by operating activities	-	5,490	5,490
Net increase (decrease) in cash and cash equivalents	-	5,490	5,490
Cash and cash equivalents, beginning of year	-	-	-
Cash and cash equivalents, end of year	\$ -	\$ 5,490	\$ 5,490
Cash consists of:			
Cash	\$ -	\$ 5,490	\$ 5,490
	-	5,490	5,490
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (28,298)	\$ -	\$ (28,298)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Items not requiring cash:			
Depreciation and amortization expense	28,298	-	28,298
Unearned revenue	-	5,490	5,490
Net cash provided by operating activities	\$ -	\$ 5,490	\$ 5,490

**Noncash capital and financing activities:** In 2015 the Stormwater Fund received \$125,272 in capital contributions.

**CITY OF GARDNER, KANSAS**

**COMBINING STATEMENT OF NET POSITION**

**INTERNAL SERVICE FUNDS**

**December 31, 2015**

	Governmental Activities			Business-type Activities	Total
	Risk Management	Information Technology Services	Building Maintenance	Utility Billing Services	
<b>Assets</b>					
Current assets:					
Deposits and investments	\$ 44,276	\$ 73,450	\$ 62,355	\$ 310,052	\$ 490,133
Receivables:					
Other	1,827	-	397	-	2,224
Noncurrent assets:					
Capital assets:					
Machinery and equipment	-	393,674	14,794	10,509	418,977
Vehicles	-	-	14,749	60,101	74,850
Less accumulated depreciation	-	(102,090)	(21,408)	(66,407)	(189,905)
<b>Total assets</b>	<b>46,103</b>	<b>365,034</b>	<b>70,887</b>	<b>314,255</b>	<b>796,279</b>
<b>Deferred outflows of resources</b>					
Pension related items	4,846	18,451	6,209	35,661	65,167
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	1,146	7,586	660	7,910	17,302
Compensated absences	2,758	5,683	5,833	19,849	34,123
Due to other funds	-	-	4,801	-	4,801
Accrued payroll	1,648	7,017	2,276	12,338	23,279
Current portion-lease payable	-	91,935	-	-	91,935
Noncurrent liabilities:					
Other postemployment benefit obligation	-	-	3,114	15,311	18,425
Lease payable	-	93,381	-	-	93,381
Pension liability	35,791	136,254	45,851	263,353	481,249
<b>Total liabilities</b>	<b>41,343</b>	<b>341,856</b>	<b>62,535</b>	<b>318,761</b>	<b>764,495</b>
<b>Deferred inflows of resources</b>					
Pension related items	3,486	13,272	4,466	25,651	46,875
<b>Net position</b>					
Net investment in capital assets	-	106,268	8,135	4,203	118,606
Unrestricted	6,120	(77,911)	1,960	1,301	(68,530)
<b>Total net position</b>	<b>\$ 6,120</b>	<b>\$ 28,357</b>	<b>\$ 10,095</b>	<b>\$ 5,504</b>	<b>\$ 50,076</b>

CITY OF GARDNER, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION

INTERNAL SERVICE FUNDS

Year Ended December 31, 2015

	Governmental Activities			Business-type Activities	Total
	Risk Management	Information Technology Services	Building Maintenance	Utility Billing Services	
Operating revenues					
Charges for services	\$ 606,567	\$ 818,168	\$ 376,625	\$ 1,236,773	\$ 3,038,133
Other	32,830	9,648	-	-	42,478
Total operating revenues	639,397	827,816	376,625	1,236,773	3,080,611
Operating expenses					
Administration	58,134	245,084	72,363	438,413	813,994
Contractual services	512,667	260,608	170,760	233,616	1,177,651
Other supplies and expenses	8,370	8,400	14,011	13,020	43,801
Repairs and maintenance	-	111,579	44,113	2,481	158,173
Depreciation	-	39,367	2,954	2,493	44,814
Other	23,975	22,562	25,987	280,020	352,544
Total operating expenses	603,146	687,600	330,188	970,043	2,590,977
Operating income	36,251	140,216	46,437	266,730	489,634
Nonoperating revenues (expenses)					
Interest expense	-	(2,214)	-	-	(2,214)
Change in net position	36,251	138,002	46,437	266,730	487,420
Total net position, beginning of year	6,120	28,358	10,097	5,507	50,082
Prior period adjustment	(36,251)	(138,003)	(46,439)	(266,733)	(487,426)
Total net position, end of year	\$ 6,120	\$ 28,357	\$ 10,095	\$ 5,504	\$ 50,076

**CITY OF GARDNER, KANSAS**

**COMBINING STATEMENT OF CASH FLOWS**

**INTERNAL SERVICE FUNDS**

**Year Ended December 31, 2015**

	Governmental Activities			Business-type Activities	
	Risk Management	Information Technology Services	Building Maintenance	Utility Billing Services	Total
Cash flows from operating activities:					
Receipts from customers	\$ 606,567	\$ 818,168	\$ 376,625	\$ 1,236,773	\$ 3,038,133
Other	32,830	-	-	-	32,830
Payments to suppliers	(546,644)	(405,525)	(257,726)	(530,320)	(1,740,215)
Payments to employees	<u>(56,679)</u>	<u>(242,819)</u>	<u>(72,234)</u>	<u>(444,092)</u>	<u>(815,824)</u>
Net cash provided by operating activities	<u>36,074</u>	<u>169,824</u>	<u>46,665</u>	<u>262,361</u>	<u>514,924</u>
Cash flows from capital and related financing activities:					
Principal paid on capital lease	-	(94,161)	-	-	(94,161)
Interest paid on capital lease	<u>-</u>	<u>(2,213)</u>	<u>-</u>	<u>-</u>	<u>(2,213)</u>
Net cash used in capital and related financing a	<u>-</u>	<u>(96,374)</u>	<u>-</u>	<u>-</u>	<u>(96,374)</u>
Net increase (decrease) in cash and cash equivalents	36,074	73,450	46,665	262,361	418,550
Cash and cash equivalents, beginning of year	<u>\$ 8,202</u>	<u>\$ -</u>	<u>\$ 15,690</u>	<u>\$ 47,691</u>	<u>\$ 71,583</u>
Cash and cash equivalents, end of year	<u><u>\$ 44,276</u></u>	<u><u>\$ 73,450</u></u>	<u><u>\$ 62,355</u></u>	<u><u>\$ 310,052</u></u>	<u><u>\$ 490,133</u></u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 36,251	\$ 140,216	\$ 46,437	\$ 266,730	\$ 489,634
Adjustments to reconcile operating income to net cash provided by operating activities:					
Items not requiring cash:					
Depreciation expense	-	39,367	2,954	2,493	44,814
Operating revenue(other)	-	(9,648)	-	-	(9,648)
Other postemployment benefit obligation	-	-	336	1,652	1,988
Pension expense	(1,820)	(6,928)	(2,330)	(13,390)	(24,468)
Changes in:					
Receivables	(1,827)	-	(397)	-	(2,224)
Accounts payable	195	6,688	(2,090)	(1,183)	3,610
Accrued liabilities	3,275	9,193	2,123	6,059	20,650
Due to other funds	<u>-</u>	<u>(9,064)</u>	<u>(368)</u>	<u>-</u>	<u>(9,432)</u>
Net cash provided by operating activities	<u><u>\$ 36,074</u></u>	<u><u>\$ 169,824</u></u>	<u><u>\$ 46,665</u></u>	<u><u>\$ 262,361</u></u>	<u><u>\$ 514,924</u></u>

**Noncash capital and financing activities:** In 2015 the Information Technology Services Fund acquired property, plant and equipment for \$289,124 with a capital lease.



**CITY OF GARDNER, KANSAS  
AIRPORT ASSOCIATION**

**STATEMENT OF CASH FLOWS**

**COMPONENT UNIT**

**Year Ended December 31, 2015**

	<u>Airport Association</u>
Cash flows from operating activities:	
Receipts from customers	\$ 273,002
Other	9,170
Payments to suppliers	(146,831)
Payments to employees	(8,371)
Net cash provided by operating activities	<u>126,970</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	-
Principal paid on construction loan	(60,709)
Interest paid on general obligation bonds, construction loan, and capital lease	(18,895)
Net cash used in capital and related financing activities	<u>(79,604)</u>
Cash flows from investing activities:	
Interest received	119
Net increase (decrease) in cash and cash equivalents	47,485
Cash and cash equivalents, beginning of year	138,032
Cash and cash equivalents, end of year	<u>\$ 185,517</u>
Cash consists of:	
Cash	\$ 185,517
Restricted deposits and investments	-
	<u>\$ 185,517</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 44,784
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Items not requiring cash:	
Depreciation and amortization expense	22,457
Changes in:	
Receivables	5,459
Inventories	14,957
Prepaid expenses	-
Accounts payable	39,313
Net cash provided by operating activities	<u>\$ 126,970</u>

See accompanying notes to the basic financial statements

**CITY OF GARDNER, KANSAS**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**December 31, 2015**

	Alcohol Safety Action Program	Special Olympics Program	Mayor's Christmas Tree Program	Total
Assets				
Deposits and investments	\$ 34,690	\$ 13,868	\$ 11,212	\$ 59,770
Liabilities				
Due to others	\$ 34,690	\$ 13,868	\$ 11,212	\$ 59,770

**CITY OF GARDNER, KANSAS**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

**AGENCY FUNDS**

**Year Ended December 31, 2015**

<u>Alcohol Safety Action Program</u>	Balance January 1, 2015	Additions	Deductions	Balance December 31, 2015
Assets				
Deposits and investments	<u>\$ 34,500</u>	<u>\$ 190</u>	<u>\$ -</u>	<u>\$ 34,690</u>
Liabilities				
Due to others	<u>\$ 34,500</u>	<u>\$ 190</u>	<u>\$ -</u>	<u>\$ 34,690</u>
<u>Special Olympics Program</u>	Balance January 1, 2015	Additions	Deductions	Balance December 31, 2015
Assets				
Deposits and investments	<u>\$ 8,638</u>	<u>\$ 9,031</u>	<u>\$ 3,801</u>	<u>\$ 13,868</u>
Liabilities				
Due to others	<u>\$ 8,638</u>	<u>\$ 9,031</u>	<u>\$ 3,801</u>	<u>\$ 13,868</u>
<u>Mayor's Christmas Tree Program</u>	Balance January 1, 2015	Additions	Deductions	Balance December 31, 2015
Assets				
Deposits and investments	<u>\$ 16,325</u>	<u>\$ 4,829</u>	<u>\$ 9,942</u>	<u>\$ 11,212</u>
Liabilities				
Due to others	<u>\$ 16,325</u>	<u>\$ 4,829</u>	<u>\$ 9,942</u>	<u>\$ 11,212</u>

## Statistical Section

This part of the City of Gardner’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.

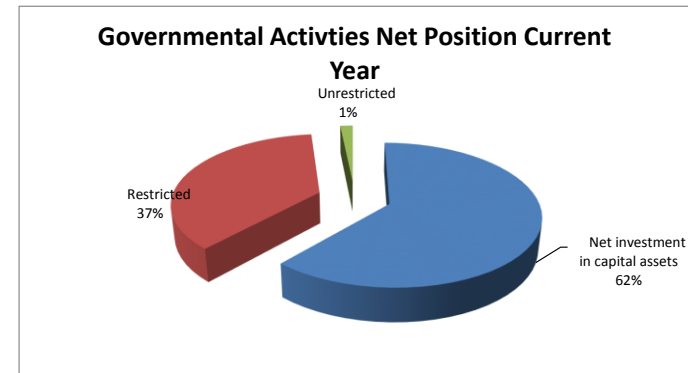
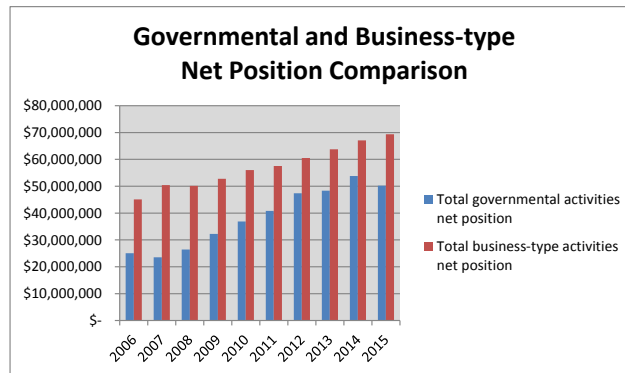
<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	<b>102 - 105</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the factors affecting the City’s ability to generate its most significant local revenue source, which is the electric, water and wastewater revenues, as well as its property taxes.	<b>106 - 114</b>
<b>Debt Capacity</b> These schedules 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.	<b>115 - 118</b>
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place and to help make comparisons over time with other governments.	<b>119 - 120</b>
<b>Operating Information</b> These schedules contain information about the City’s operations and resources to help the reader understand how the City’s financial information relates to the services the City provides and the activities it performs.	<b>121 - 123</b>

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City of Gardner implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year

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

	<u>Fiscal Year</u>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities										
Net investment in capital assets	\$ 12,854,680	\$ 15,189,970	\$ 11,793,968	\$ 11,427,079	\$ 17,247,111	\$ 20,316,915	\$ 17,955,758	\$ 23,990,859	\$ 28,346,555	\$ 30,941,934
Restricted	8,637,479	8,508,190	11,654,614	17,997,310	16,045,557	16,127,894	24,232,960	20,820,905	20,245,654	18,457,790
Unrestricted	3,572,437	(146,614)	2,984,646	2,785,686	3,604,098	4,345,432	5,166,777	3,548,049	5,208,773	806,326
Total governmental activities net position	<u>\$ 25,064,596</u>	<u>\$ 23,551,546</u>	<u>\$ 26,433,228</u>	<u>\$ 32,210,075</u>	<u>\$ 36,896,766</u>	<u>\$ 40,790,241</u>	<u>\$ 47,355,495</u>	<u>\$ 48,359,813</u>	<u>\$ 53,800,982</u>	<u>\$ 50,206,050</u>
Business-type activities										
Net investment in capital assets	\$ 36,644,874	\$ 43,009,998	\$ 42,592,536	\$ 45,202,862	\$ 46,462,027	\$ 48,330,111	\$ 51,630,963	\$ 53,358,039	\$ 55,182,468	\$ 57,021,062
Unrestricted	8,438,191	7,383,676	7,570,921	7,587,496	9,547,927	9,236,658	8,919,022	10,427,135	11,921,883	12,364,866
Total business-type activities net position	<u>\$ 45,083,065</u>	<u>\$ 50,393,674</u>	<u>\$ 50,163,457</u>	<u>\$ 52,790,358</u>	<u>\$ 56,009,954</u>	<u>\$ 57,566,769</u>	<u>\$ 60,549,985</u>	<u>\$ 63,785,174</u>	<u>\$ 67,104,351</u>	<u>\$ 69,385,928</u>
Primary government										
Net investment in capital assets	\$ 49,499,554	\$ 58,199,968	\$ 54,386,504	\$ 56,629,941	\$ 63,709,138	\$ 68,647,026	\$ 69,586,721	\$ 77,348,898	\$ 83,529,023	\$ 87,962,996
Restricted	8,637,479	8,508,190	11,654,614	17,997,310	16,045,557	16,127,894	24,232,960	20,820,905	20,245,654	18,457,790
Unrestricted	12,010,628	7,237,062	10,555,567	10,373,182	13,152,025	13,582,090	14,085,799	17,130,656	17,130,656	13,171,192
Total primary government net position	<u>\$ 70,147,661</u>	<u>\$ 73,945,220</u>	<u>\$ 76,596,685</u>	<u>\$ 85,000,433</u>	<u>\$ 92,906,720</u>	<u>\$ 98,357,010</u>	<u>\$ 107,905,480</u>	<u>\$ 112,144,987</u>	<u>\$ 120,905,333</u>	<u>\$ 119,591,978</u>

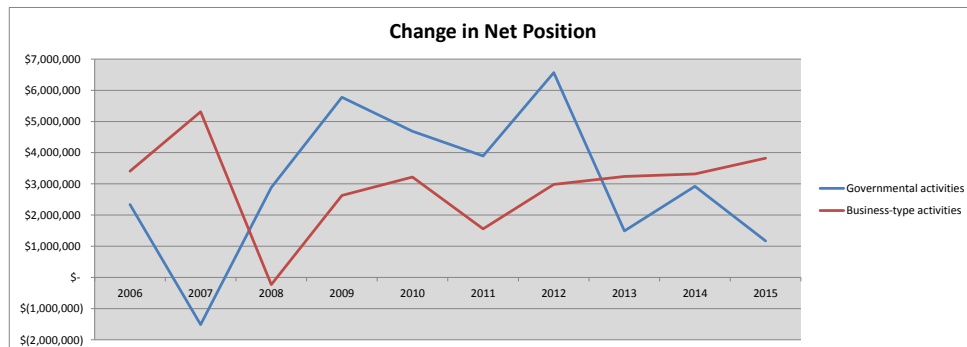
Source: City of Gardner Finance Department



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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
Governmental activities:										
General government	\$ 2,283,679	\$ 3,378,759	\$ 3,467,896	\$ 3,164,663	\$ 2,822,418	\$ 2,620,535	\$ 2,697,372	\$ 2,817,304	\$ 3,558,824	\$ 3,896,677
Public Safety	2,698,278	3,248,539	3,653,003	3,567,111	3,565,454	3,647,573	3,776,937	3,874,682	4,688,596	4,383,506
Public Works	1,953,847	2,730,439	3,274,927	2,674,913	2,614,530	2,650,257	2,846,701	2,631,533	3,354,014	3,940,033
Culture and recreation	1,280,138	2,025,252	2,280,655	2,271,682	2,211,773	2,424,862	2,593,737	2,460,190	2,368,847	2,433,317
Interest on long-term debt	1,098,258	1,450,723	1,506,419	1,843,829	1,742,427	1,397,634	1,308,232	1,595,184	1,100,397	808,488
Total governmental activities expenses	<u>9,314,200</u>	<u>12,833,712</u>	<u>14,182,900</u>	<u>13,522,198</u>	<u>12,956,602</u>	<u>12,740,861</u>	<u>13,222,979</u>	<u>13,378,893</u>	<u>15,070,678</u>	<u>15,462,021</u>
Business-type activities:										
Electric	9,369,802	10,369,407	10,655,734	9,911,349	11,572,594	12,052,825	11,996,928	11,779,932	12,536,784	11,919,565
Water	2,353,432	2,606,773	2,829,545	2,874,987	2,952,669	3,235,397	3,447,469	3,345,254	3,549,784	3,692,470
Wastewater	3,215,418	3,659,179	4,194,130	3,678,278	3,661,411	3,590,360	3,513,416	3,657,553	4,317,776	4,675,174
Stormwater	-	75,643	220,061	70,817	71,086	25,167	25,167	25,167	25,167	28,298
Total business-type activities expenses	<u>14,938,652</u>	<u>16,711,002</u>	<u>17,899,470</u>	<u>16,535,431</u>	<u>18,257,780</u>	<u>18,903,749</u>	<u>18,982,980</u>	<u>18,807,906</u>	<u>20,429,511</u>	<u>20,315,507</u>
Total primary government expenses	<u>\$ 24,252,852</u>	<u>\$ 29,544,714</u>	<u>\$ 32,082,370</u>	<u>\$ 30,057,629</u>	<u>\$ 31,214,382</u>	<u>\$ 31,644,610</u>	<u>\$ 32,205,959</u>	<u>\$ 32,186,799</u>	<u>\$ 35,500,189</u>	<u>\$ 35,777,528</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 1,132,996	\$ 712,907	\$ 606,513	\$ 622,807	\$ 502,102	\$ 553,992	\$ 604,625	\$ 748,785	\$ 1,607,129	\$ 1,907,297
Public Safety	11,443	10,344	13,021	13,141	10,458	10,577	10,199	7,853	9,253	7,439
Public Works	-	1,900	-	2,300	-	-	-	-	-	-
Culture and recreation	436,514	905,149	767,693	937,542	970,405	887,173	883,516	858,658	910,947	910,041
Operating grants and contributions	2,216,293	2,529,574	2,657,199	2,514,392	2,579,475	2,789,802	2,816,127	2,966,108	3,251,406	3,328,990
Capital grants and contributions	218,234	360,016	4,808,296	7,240,013	5,400,696	3,113,818	5,730,105	782,039	2,902,279	805,138
Total governmental activities program revenues	<u>4,015,480</u>	<u>4,519,890</u>	<u>8,852,722</u>	<u>11,330,195</u>	<u>9,463,136</u>	<u>7,355,362</u>	<u>10,044,672</u>	<u>5,363,443</u>	<u>8,681,014</u>	<u>6,958,905</u>
Business-type activities:										
Charges for services:										
Electric	10,229,014	11,805,651	11,688,030	12,661,952	14,329,969	14,089,709	15,060,888	14,196,340	14,393,780	14,539,925
Water	3,511,004	4,201,647	3,192,736	3,293,010	3,989,505	3,740,962	4,103,707	4,509,458	4,948,652	5,145,232
Wastewater	3,304,989	3,635,313	2,821,531	3,062,919	4,007,841	3,474,928	3,682,494	4,275,217	4,808,675	5,023,691
Stormwater	-	-	-	-	-	-	-	61,208	-	-
Capital grants and contributions	589,004	59,606	356,751	506,591	78,263	100,187	92,762	-	-	246,112
Total business-type program revenues	<u>17,634,011</u>	<u>19,802,217</u>	<u>18,059,048</u>	<u>19,524,472</u>	<u>22,405,578</u>	<u>21,405,786</u>	<u>22,939,851</u>	<u>23,042,223</u>	<u>24,151,107</u>	<u>24,954,960</u>
Total primary government program revenues	<u>\$ 21,649,491</u>	<u>\$ 24,422,107</u>	<u>\$ 26,911,770</u>	<u>\$ 30,854,667</u>	<u>\$ 31,868,714</u>	<u>\$ 28,761,148</u>	<u>\$ 32,984,423</u>	<u>\$ 28,405,666</u>	<u>\$ 32,832,121</u>	<u>\$ 31,913,865</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (5,298,720)	\$ (8,313,822)	\$ (5,330,178)	\$ (2,192,003)	\$ (3,493,466)	\$ (5,385,499)	\$ (3,178,407)	\$ (8,015,450)	\$ (6,389,664)	\$ (8,503,116)
Business-type activities	2,695,359	3,191,215	159,578	2,989,041	4,147,818	2,502,037	3,956,871	4,234,317	3,721,596	4,639,453
Total primary government net expense	<u>\$ (2,603,361)</u>	<u>\$ (5,122,607)</u>	<u>\$ (5,170,600)</u>	<u>\$ 797,038</u>	<u>\$ 654,352</u>	<u>\$ (2,883,462)</u>	<u>\$ 778,464</u>	<u>\$ (3,781,133)</u>	<u>\$ (2,668,068)</u>	<u>\$ (3,863,663)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 2,676,275	\$ 3,290,415	\$ 3,667,858	\$ 3,788,866	\$ 3,798,207	\$ 4,675,379	\$ 4,845,216	\$ 4,821,475	\$ 4,947,132	\$ 4,893,957
Sales taxes	2,636,630	2,854,565	2,815,576	2,696,984	2,821,088	2,999,426	3,123,255	3,190,773	3,467,735	3,535,132
Franchise taxes	350,024	386,139	412,989	396,100	380,715	365,435	320,227	348,956	352,792	312,625
Excise taxes	1,289,599	819,908	395,182	456,384	95,710	53,434	312,441	-	-	-
Transient guest taxes	40,680	41,073	45,573	34,702	29,338	29,764	38,470	42,493	42,976	62,892
Other	-	-	-	-	3	-	-	-	75,467	30,737
Unrestricted investment earnings	831,916	993,815	296,824	49,100	49,689	32,136	31,905	33,418	11,456	9,867
Gain on disposal of asset	-	1,617	-	-	2,095	136,232	67,329	40,567	-	-
Transfers	(190,643)	(1,586,760)	577,858	546,714	1,003,312	987,168	1,004,818	1,029,100	413,163	829,600
Total governmental activities	<u>7,634,481</u>	<u>6,800,772</u>	<u>8,211,860</u>	<u>7,968,850</u>	<u>8,180,157</u>	<u>9,278,974</u>	<u>9,743,661</u>	<u>9,506,782</u>	<u>9,310,721</u>	<u>9,674,810</u>
Business-type activities:										
Unrestricted investment earnings	520,452	532,634	188,063	28,208	38,020	31,421	31,163	29,972	10,744	10,442
Transfers	190,643	1,586,760	(577,858)	(546,714)	(1,003,312)	(987,168)	(1,004,818)	(1,029,100)	(413,163)	(829,600)
Other	-	-	(389,795)	156,366	37,070	10,525	-	-	-	-
Total business-type activities	<u>711,095</u>	<u>2,119,394</u>	<u>(389,795)</u>	<u>(362,140)</u>	<u>(928,222)</u>	<u>(945,222)</u>	<u>(973,655)</u>	<u>(999,128)</u>	<u>(402,419)</u>	<u>(819,158)</u>
Total primary government	<u>\$ 8,345,576</u>	<u>\$ 8,920,166</u>	<u>\$ 7,822,065</u>	<u>\$ 7,606,710</u>	<u>\$ 7,251,935</u>	<u>\$ 8,333,752</u>	<u>\$ 8,770,006</u>	<u>\$ 8,507,654</u>	<u>\$ 8,908,302</u>	<u>\$ 8,855,652</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 2,335,761	\$ (1,513,050)	\$ 2,881,682	\$ 5,776,847	\$ 4,686,691	\$ 3,893,475	\$ 6,565,254	\$ 1,491,332	\$ 2,921,057	\$ 1,171,694
Business-type activities	3,406,454	5,310,609	(230,217)	2,626,901	3,219,596	1,556,815	2,983,216	3,235,189	3,319,177	3,820,295
Total primary government	<u>\$ 5,742,215</u>	<u>\$ 3,797,559</u>	<u>\$ 2,651,465</u>	<u>\$ 8,403,748</u>	<u>\$ 7,906,287</u>	<u>\$ 5,450,290</u>	<u>\$ 9,548,470</u>	<u>\$ 4,726,521</u>	<u>\$ 6,240,234</u>	<u>\$ 4,991,989</u>

Source: City of Gardner Finance Department

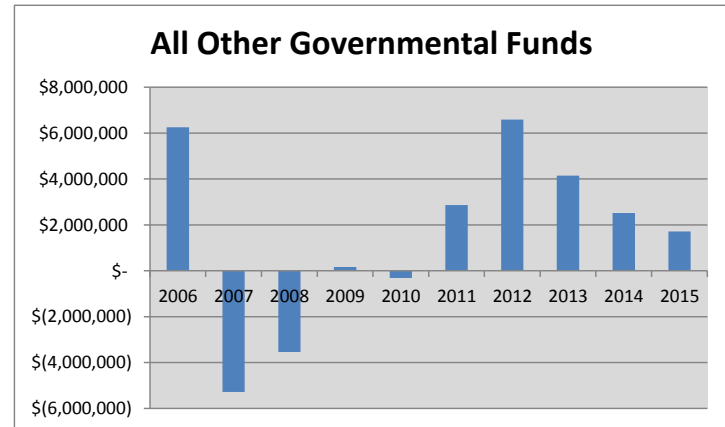
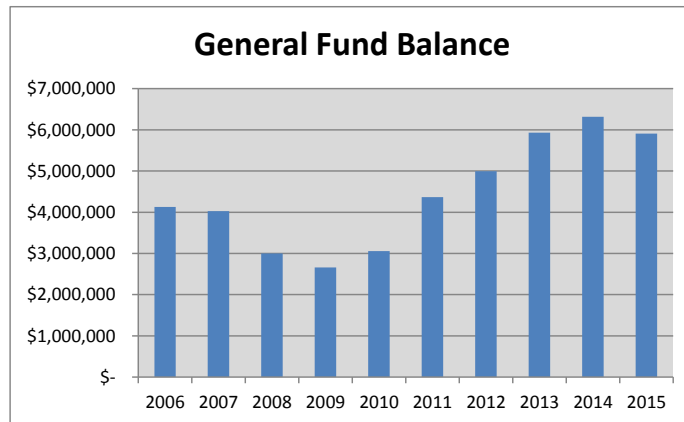


**City of Gardner, Kansas**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund										
Reserved	\$ 1,019,948	\$ 15,151	\$ 34,779	\$ 39,182	\$ 250	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	3,107,516	4,008,117	2,964,795	2,619,334	3,058,934	-	-	-	-	-
Restricted	-	-	-	-	-	24,281	-	-	-	-
Assigned	-	-	-	-	-	20,619	-	64,474	9,640	115,541
Unassigned	-	-	-	-	-	4,321,492	4,997,241	5,864,734	6,305,486	5,792,880
<b>Total general fund</b>	<b>\$ 4,127,464</b>	<b>\$ 4,023,268</b>	<b>\$ 2,999,574</b>	<b>\$ 2,658,516</b>	<b>\$ 3,059,184</b>	<b>\$ 4,366,392</b>	<b>\$ 4,997,241</b>	<b>\$ 5,929,208</b>	<b>\$ 6,315,126</b>	<b>\$ 5,908,421</b>
All Other Governmental Funds										
Reserved	\$ 9,998,577	\$ 2,164,409	\$ 1,058,524	\$ 1,479,432	\$ 451,339	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Debt service fund	184,701	237,844	310,091	78,023	105,384	-	-	-	-	-
Special revenue funds	6,771,640	6,525,624	5,383,372	5,119,227	3,565,909	-	-	-	-	-
Capital projects funds	(10,700,412)	(14,211,726)	(10,291,113)	(6,515,040)	(4,434,896)	-	-	-	-	-
Restricted	-	-	-	-	-	2,603,807	6,590,028	4,147,059	2,520,366	1,715,705
Assigned	-	-	-	-	-	260,317	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 6,254,506</b>	<b>\$ (5,283,849)</b>	<b>\$ (3,539,126)</b>	<b>\$ 161,642</b>	<b>\$ (312,264)</b>	<b>\$ 2,864,124</b>	<b>\$ 6,590,028</b>	<b>\$ 4,147,059</b>	<b>\$ 2,520,366</b>	<b>\$ 1,715,705</b>

**Note:** In 2011, the City implemented GASB Statement No. 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned compared to the past categories of reserved and unreserved

**Source:** City of Gardner Finance Department



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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Fiscal Year</u> <u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Revenues</b>										
Taxes	\$ 6,952,528	\$ 7,351,027	\$ 7,291,605	\$ 7,338,334	\$ 7,095,720	\$ 8,123,438	\$ 8,639,609	\$ 8,403,697	\$ 8,810,635	\$ 8,804,606
Licenses and permits	750,727	615,355	186,976	441,422	376,192	186,751	237,374	319,508	204,236	189,784
Fines and fees	316,720	240,072	305,001	263,248	217,900	289,358	335,319	415,312	451,700	524,540
Charges for services	337,022	654,973	792,935	727,625	800,534	825,751	844,814	744,055	1,867,940	2,103,849
Special assessments	229,317	345,883	300,420	387,736	974,839	951,328	966,502	1,401,884	977,266	1,129,613
Intergovernmental	2,352,409	2,415,554	2,606,764	2,383,778	7,722,154	4,069,190	3,339,121	3,368,473	4,306,908	3,769,237
Investment earnings	831,916	993,815	296,824	49,100	49,689	32,136	31,905	33,416	11,456	9,867
Loan revenue	41,875	-	-	-	-	-	-	-	-	-
Other revenues	257,407	347,542	321,922	438,029	224,533	171,331	93,753	138,960	53,362	22,154
<b>Total revenues</b>	<b>12,069,921</b>	<b>12,964,221</b>	<b>12,102,447</b>	<b>12,029,272</b>	<b>17,461,561</b>	<b>14,649,283</b>	<b>14,488,397</b>	<b>14,825,305</b>	<b>16,683,503</b>	<b>16,553,650</b>
<b>Expenditures</b>										
General government	2,068,118	3,055,358	3,210,270	2,901,931	2,588,787	2,397,137	2,443,979	2,728,857	3,429,383	3,825,458
Public safety	2,526,659	3,040,870	3,411,999	3,286,448	3,224,327	3,557,178	3,678,525	3,793,325	4,188,261	4,466,208
Public works	1,161,471	1,554,889	1,694,200	1,482,616	1,459,363	1,417,646	1,547,336	1,439,557	1,600,153	1,918,905
Culture and recreation	1,122,244	1,670,953	1,843,126	1,781,799	1,843,546	1,881,715	1,925,478	1,868,548	1,970,858	2,124,243
Capital outlay	11,992,665	14,508,283	4,431,783	3,563,318	9,102,539	2,870,018	1,795,401	3,786,717	1,720,480	1,239,165
Debt service:										
Interest	914,694	1,529,276	1,410,869	1,501,306	1,453,142	1,266,297	1,162,286	1,202,912	906,684	908,330
Principal	1,156,069	2,160,583	2,158,231	2,720,699	5,094,114	3,389,241	7,458,215	6,524,108	13,008,131	4,062,511
Other	202,359	61,669	183,014	314,416	159,058	146,166	196,839	73,359	245,493	58,379
<b>Total expenditures</b>	<b>21,144,279</b>	<b>27,581,881</b>	<b>18,343,492</b>	<b>17,552,533</b>	<b>24,924,876</b>	<b>16,925,398</b>	<b>20,208,059</b>	<b>21,417,383</b>	<b>27,069,443</b>	<b>18,603,199</b>
Excess of revenues over (under) expenditures	(9,074,358)	(14,617,660)	(6,241,045)	(5,523,261)	(7,463,315)	(2,276,115)	(5,719,662)	(6,592,078)	(10,385,940)	(2,049,549)
<b>Other Financing Sources (Uses)</b>										
Bonds issued	3,545,000	-	5,460,000	5,689,822	2,794,765	1,325,000	3,995,000	3,256,418	8,090,000	-
Premium on G.O. Bonds	-	-	36,180	-	-	-	-	-	224,484	-
Certificates of participation issued	7,150,000	-	-	-	-	-	-	-	-	-
Loan proceeds	1,053,190	-	-	-	-	-	-	-	-	-
Bond Anticipation notes issued	-	-	-	-	-	3,960,000	4,915,000	-	-	-
Construction loan	-	910,757	651,632	2,570,970	1,302,327	316,065	87,668	251,482	-	-
Sale of capital assets	-	23,001	-	-	2,281,216	138,077	73,929	40,567	22,105	8,583
Capital leases	97,958	989,000	-	-	-	-	-	98,510	-	-
Insurance proceeds	19,302	3,053	997	-	8,457	8,261	-	-	-	-
Transfers in	2,796,990	2,441,559	2,513,128	3,181,035	3,420,400	3,126,455	3,027,043	2,983,153	1,866,968	1,416,567
Transfers out	(1,193,980)	(1,392,261)	(1,699,863)	(2,558,856)	(2,417,088)	(2,114,147)	(2,022,225)	(1,954,053)	(1,032,587)	(586,967)
<b>Total other financing sources (uses)</b>	<b>13,468,460</b>	<b>2,975,109</b>	<b>6,962,074</b>	<b>8,882,971</b>	<b>7,390,077</b>	<b>6,759,711</b>	<b>10,076,415</b>	<b>4,676,077</b>	<b>9,170,970</b>	<b>838,183</b>
<b>Net change in fund balances</b>	<b>\$ 4,394,102</b>	<b>\$ (11,642,551)</b>	<b>\$ 721,029</b>	<b>\$ 3,359,710</b>	<b>\$ (73,238)</b>	<b>\$ 4,483,596</b>	<b>\$ 4,356,753</b>	<b>\$ (1,916,001)</b>	<b>\$ (1,214,970)</b>	<b>\$ (1,211,366)</b>
Debt service as a percentage of noncapital expenditures	22.4%	26.9%	24.1%	29.2%	42.0%	33.7%	46.2%	43.6%	53.6%	28.8%

Source: City of Gardner Finance Department



**City of Gardner, Kansas  
Utilities Produced, Consumed, and Treated  
Last Ten Fiscal Years**

Fiscal Year	Electricity Generated & Purchased	Electricity Sold To Customers	<sup>(a)</sup> Electricity Consumed & Unbilled	<sup>(a)</sup> Average Percent Unbilled	Gallons of Water Produced & Purchased	Gallons of Water Sold	<sup>(a)</sup> Gallons of Water Unbilled	<sup>(a)</sup> Average Percent Unbilled	Gallons of Wastewater Treated	Total Direct Rate					
										Electric		Water		Wastewater	
										Base <sup>(b)</sup> Rate	Usage <sup>(c)</sup> Rate	Base <sup>(b)</sup> Rate	Usage <sup>(c)</sup> Rate	Base <sup>(b)</sup> Rate	Usage <sup>(c)</sup> Rate
2006	117,288	111,371	5,917	5.04%	712	494	218	30.62%	476	\$ 6.00	\$ 0.0905	\$ 8.52	\$ 3.86	\$ 7.72	\$ 4.91
2007	135,953	118,858	17,095	12.57%	723	488	235	32.50%	517	\$ 6.20	\$ 0.0932	\$ 8.52	\$ 3.86	\$ 7.72	\$ 4.91
2008	126,224	120,486	5,738	4.55%	758	552	206	27.18%	589	\$ 6.40	\$ 0.0960	\$ 8.95	\$ 4.05	\$ 8.10	\$ 5.16
2009	124,014	116,584	7,430	5.99%	717	473	244	34.03%	768	\$ 6.72	\$ 0.1008	\$ 9.40	\$ 4.25	\$ 8.75	\$ 5.57
2010	137,083	132,915	4,168	3.04%	721	497	224	31.07%	752	\$ 6.72	\$ 0.1008	\$ 9.90	\$ 4.45	\$ 9.45	\$ 6.00
2011	137,841	128,646	9,195	6.67%	795	501	294	36.98%	784	\$ 6.72	\$ 0.1008	\$ 10.40	\$ 4.65	\$ 10.20	\$ 6.50
2012	138,940	131,151	7,789	5.61%	835	589	246	29.46%	432	\$ 6.72	\$ 0.1008	\$ 10.70	\$ 4.80	\$ 10.70	\$ 6.85
2013	139,849	129,350	10,499	7.51%	745	675	70	9.40%	467	\$ 6.72	\$ 0.1082	\$ 11.55	\$ 5.15	\$ 11.90	\$ 7.60
2014	143,884	134,608	9,276	6.45%	753	664	70	9.30%	395	\$ 6.72	\$ 0.1082	\$ 12.45	\$ 5.55	\$ 13.20	\$ 8.44
2015	143,731	135,754	7,977	5.55%	673	577	28	4.16%	466	\$ 6.72	\$ 0.1082	\$ 13.45	\$ 5.99	\$ 13.73	\$ 8.78

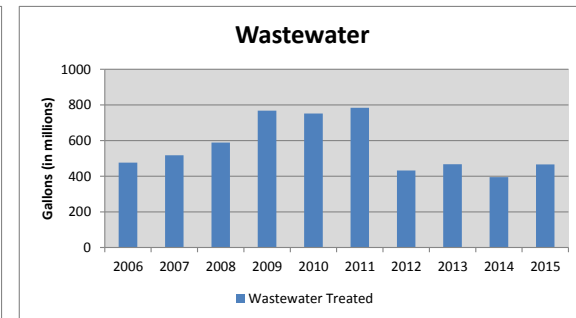
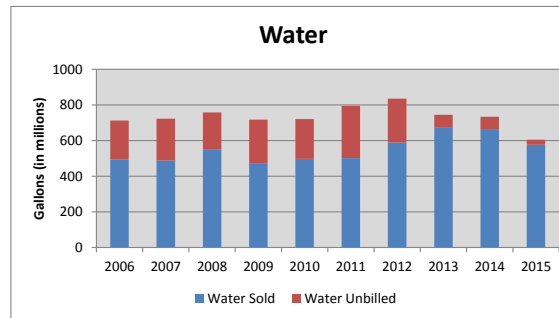
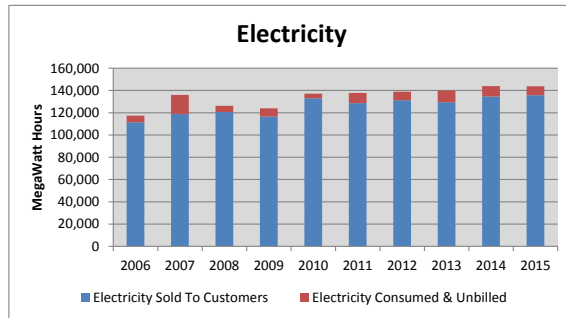
**Notes:** Electricity is presented in MegaWatt Hours and gallons are presented in millions.

<sup>(a)</sup> Unbilled amounts include electric, water, and sewer used by the City of Gardner for government operations, and also amounts sold to wholesale customers through the EMP#1 pool.

<sup>(b)</sup> Rates shown are for residential customers. For more detail on utility rates see the Electric, Water, and Sewer Rate schedule in this section.

<sup>(c)</sup> Per 1,000 gallons.

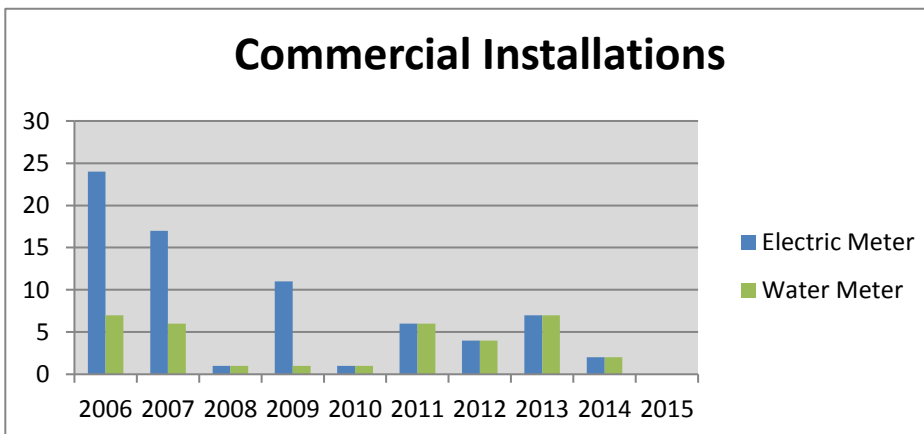
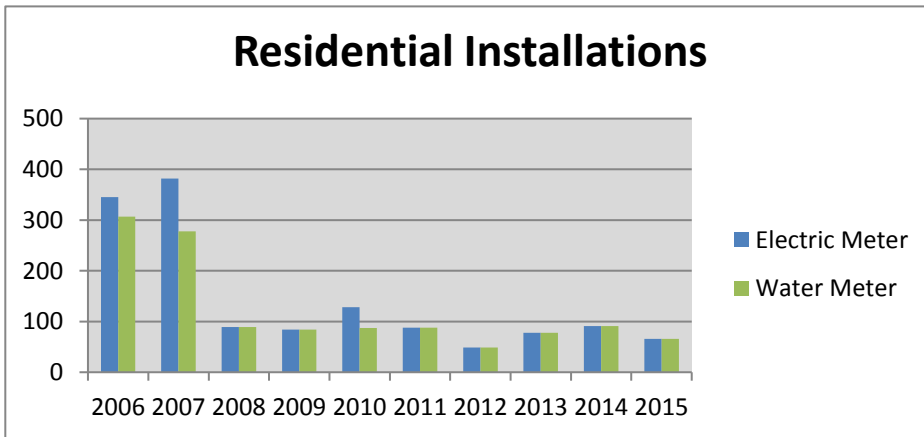
Source: City of Gardner Public Works Department & Gardner Energy



**City of Gardner, Kansas  
Annual Electric and Water Meter Installations  
Last Ten Fiscal Years**

Fiscal Year	Electric Meter Installations		Water Meter Installations		Total Installations
	Residential	Commercial	Residential	Commercial	
2006	345	24	307	7	683
2007	382	17	278	6	683
2008	89	1	89	1	180
2009	84	11	84	1	180
2010	128	1	87	1	217
2011	88	6	88	6	188
2012	49	4	49	4	106
2013	78	7	78	7	170
2014	91	2	91	2	186
2015	66	-	66	-	132

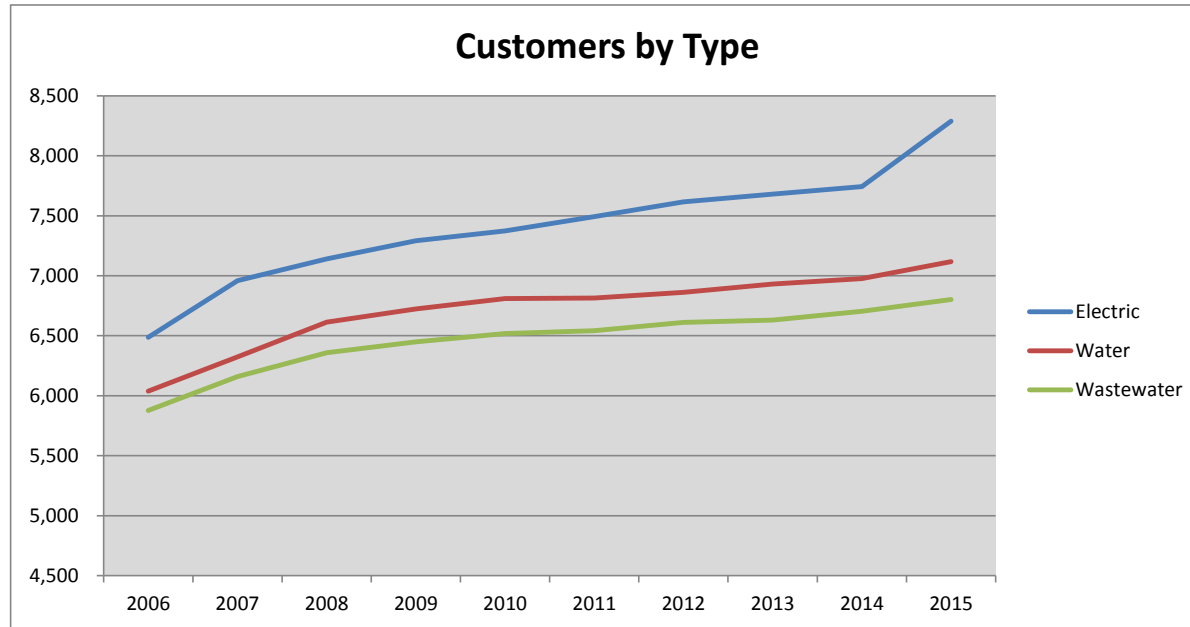
*Source: City of Gardner Business and Economic Development Department*



**City of Gardner, Kansas  
Number of Electric, Water, and Wastewater Customers by Type  
Last Ten Fiscal Years**

Fiscal Year	Electric			Water			Wastewater			Total		
	Residential	Commercial	Industrial	Residential	Commercial	Industrial	Residential	Commercial	Industrial	Electric	Water	Wastewater
2006	6,156	325	6	5,812	220	6	5,657	214	6	6,487	6,038	5,877
2007	6,547	407	5	6,065	253	5	5,958	197	5	6,959	6,323	6,160
2008	6,726	410	5	6,360	248	5	6,146	207	5	7,141	6,613	6,358
2009	6,867	418	6	6,476	243	5	6,239	206	5	7,291	6,724	6,450
2010	6,944	425	6	6,546	260	5	6,309	205	5	7,375	6,811	6,519
2011	7,064	424	6	6,554	256	5	6,333	204	5	7,494	6,815	6,542
2012	7,163	448	6	6,598	259	5	6,398	209	5	7,617	6,862	6,612
2013	7,214	462	6	6,655	270	7	6,408	216	7	7,682	6,932	6,631
2014	7,274	465	4	6,709	261	7	6,480	219	6	7,743	6,977	6,705
2015	7,806	479	4	6,821	290	7	6,577	219	6	8,289	7,118	6,802

Source: City of Gardner Utility Department



**City of Gardner, Kansas  
Electric, Water, and Wastewater Rates  
Last Ten Fiscal Years**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Water Rates<sup>(a)</sup></b>										
<i>(All Meter Sizes)</i>										
Base Rate	\$ 8.52	\$ 8.52	\$ 8.95	\$ 9.40	\$ 9.90	\$ 10.40	\$ 10.70	\$ 11.55	\$ 12.45	\$ 13.45
Usage Rate (per 1,000 gallons) First 40,000 gallons	3.86	3.86	4.05	4.25	4.45	4.65	4.80	5.15	-	-
Usage Rate (per 1,000 gallons) Over 40,000 gallons	3.10	3.10	3.26	3.42	3.60	3.80	3.90	4.20	-	-
Usage Rate (per 1,000 gallons) First 6,000 gallons	-	-	-	-	-	-	-	-	5.55	5.99
Usage Rate (per 1,000 gallons) 6,001-10,000 gallons	-	-	-	-	-	-	-	-	6.11	6.60
Usage Rate (per 1,000 gallons) 10,001-14,000 gallons	-	-	-	-	-	-	-	-	6.38	6.89
Usage Rate (per 1,000 gallons) 14,001-18,000 gallons	-	-	-	-	-	-	-	-	6.67	7.20
Usage Rate (per 1,000 gallons) 18,001 or more gallons	-	-	-	-	-	-	-	-	6.97	7.53
<b>Wastewater Rates</b>										
Base Rate	\$ 7.72	\$ 7.72	\$ 8.10	\$ 8.75	\$ 9.45	\$ 10.20	\$ 10.70	\$ 11.90	\$ 13.20	\$ 13.73
Usage Rate (per 1,000 gallons)	4.91	4.91	5.16	5.57	6.00	6.50	6.85	7.60	8.44	8.78
<b>Electric Rates</b>										
<i>Residential</i>										
Base Rate	\$ 6.00	\$ 6.20	\$ 6.40	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72
Usage Rate (per kWh)	0.09051	0.09323	0.09603	0.10083	0.10083	0.10083	0.10083	0.10819	0.10819	0.10819
<i>Commercial</i>										
Base Rate	\$ 6.80	\$ 6.80	\$ 7.00	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35
Usage Rate (per kWh)	0.0963	0.09631	0.09920	0.10416	0.10416	0.10416	0.10416	0.11152	0.11152	0.11152
<i>Commercial With Demand</i>										
Base Rate for Demand	\$ 15.00	\$ 15.45	\$ 15.90	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70
Usage Rate (per kW)	12.60	13.00	13.39	14.06	14.06	14.06	14.06	14.06	14.06	14.06
Usage Rate (per kWh) First 5,000 kWh	0.0458	0.0472	0.0486	0.05099	0.05099	0.05099	0.05099	0.05708	0.05708	0.05708
Usage Rate (per kWh) Over 5,000 kWh	0.0393	0.0404	0.04165	0.04373	0.04373	0.04373	0.04373	0.05053	0.05053	0.05053
<i>Commercial Large With Demand</i>										
Base Rate for Demand	\$ 20.00	\$ 20.60	\$ 21.20	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26
Usage Rate (per kW)	12.60	13.00	13.39	14.06	14.06	14.06	14.06	14.06	14.06	14.06
Usage Rate (per kWh) First 5,000 kWh	0.04463	0.04597	0.04735	0.04972	0.04972	0.04972	0.04972	0.05080	0.05080	0.05080
Usage Rate (per kWh) Over 5,000 kWh	0.03875	0.03991	0.04111	0.04317	0.04317	0.04317	0.04317	0.05053	0.05053	0.05053
<b>All Electric Rates</b>										
<i>Residential</i>										
Base Rate	\$ 6.00	\$ 6.20	\$ 6.40	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.20	\$ 6.20	\$ 6.20
Summer Usage Rate (per kWh)	0.09293	0.09572	0.09859	0.10352	0.10352	0.10352	0.10352	0.11088	0.11088	0.11088
Winter Usage Rate (per kWh) First 800 kWh	0.07623	0.07852	0.08088	0.10352	0.10352	0.10352	0.10352	0.11088	0.11088	0.11088
Winter Usage Rate (per kWh) Over 800 kWh	0.03696	0.03807	0.03921	0.04117	0.04117	0.04117	0.04117	0.04853	0.04853	0.04853
<i>Commercial</i>										
Base Rate	\$ 6.60	\$ 6.80	\$ 7.00	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35
Usage Rate (per kW)	4.78	4.90	5.05	5.30	5.30	5.30	5.30	5.30	5.30	5.30
Summer Usage Rate (per kWh)	0.03108	0.03201	0.03297	0.03462	0.03462	0.03462	0.03462	0.04198	0.04198	0.04198
Winter Usage Rate (per kWh)	0.02835	0.02920	0.03008	0.03158	0.03158	0.03158	0.03158	0.03894	0.03894	0.03894

Source: City of Gardner Utility Department

(a) The City of Gardner implemented a new step rate structure for water in 2014

**City of Gardner, Kansas**  
**Ten Largest Electric, Water, and Wastewater Customers**  
**Current Year and Nine Years Ago**

Customer	Fiscal Year 2015								
	Electric Revenue			Water Revenue			Wastewater Revenue		
	Amount	%	Customer	Amount	%	Customer	Amount	%	Customer
Wal-Mart	\$ 365,307.06	2.59%	New Century	\$ 297,743.71	6.08%	USD 231 - WMS Main	\$ 24,862.29	0.58%	
Price Chopper	273,677.91	1.94%	USD 231 - WMS Main	48,991.53	1.00%	R & B Auto Wash	\$ 20,173.43	0.47%	
USD 231 - High School Main	264,162.33	1.87%	USD 231 - Trailridge Middle	26,139.76	0.53%	Wal Mart	\$ 17,317.61	0.40%	
Coleman	223,813.28	1.58%	USD 231 - High School	19,233.77	0.39%	Bristol - 205 N Moonlight	\$ 14,622.89	0.34%	
ITW Labels	147,710.41	1.05%	R & B Auto Wash	18,449.29	0.38%	USD 231 - High School	\$ 13,300.97	0.31%	
USD 231 - Grand Star Elementary	139,819.15	0.99%	Wal Mart	17,526.21	0.36%	Super 8	\$ 12,317.83	0.29%	
USD 231 - Pioneer Ridge	132,125.80	0.94%	USD 231 - High School Irrigation	16,469.25	0.34%	Pinnacle Healthcare Facilities	\$ 12,150.33	0.28%	
Century Link -107 S Elm	82,756.30	0.59%	USD 231 - High School Irrigation (2)	14,977.66	0.31%	Winbury Group	\$ 9,873.03	0.23%	
Tradenet	78,844.08	0.56%	Bristol - 305 N Moonlight	13,793.81	0.28%	USD 231 - Moonlight	\$ 8,683.71	0.20%	
USD 231 - Sunflower Elementary	78,727.20	0.56%	Jacobs Properties	13,170.07	0.27%	Jacobs Properties	\$ 8,342.87	0.19%	
Subtotal (10 largest)	1,786,943.52	12.65%	Subtotal (10 largest)	486,495.06	9.93%	Subtotal (10 largest)	141,644.96	3.31%	
Balance from other customers	12,343,426.66	87.35%	Balance from other customers	4,414,514.35	90.07%	Balance from other customers	4,141,195.65	96.69%	
Grand Totals	\$ 14,130,370.18	100.00%	Grand Totals	\$ 4,901,009.41	100.00%	Grand Totals	\$ 4,282,840.61	100.00%	

Customer	Fiscal Year 2006								
	Electric Revenue			Water Revenue			Wastewater Revenue		
	Amount	%	Customer	Amount	%	Customer	Amount	%	Customer
Mid-America Plastics	\$ 332,507	3.49%	New Century Air Center	\$ 61,019	2.48%	U.S.D. 231 - Wheat Ridge Middle School	\$ 17,598	0.83%	
Price Chopper	232,292	2.44%	U.S.D. 231 - Wheat Ridge Middle School	13,909	0.57%	Jacobs Property	10,706	0.51%	
U.S.D. 231 - High School	195,276	2.05%	U.S.D. 231 - High School	8,590	0.35%	Medical Lodge of Gardner	10,063	0.48%	
TradeNet Publishing	150,595	1.58%	Jacobs Property	7,929	0.32%	U.S.D. 231 - High School	9,674	0.46%	
Dot Label	110,698	1.16%	Medical Lodge of Gardner	6,802	0.28%	Super 8 Motel	7,506	0.35%	
Wal Mart	90,485	0.95%	Mid-America Plastics	6,757	0.28%	C.L.C. Healthcare	6,662	0.31%	
U.S.D. 231 - Wheat Ridge Middle School	69,349	0.73%	Bristol Partners XVI	5,757	0.23%	Mid-America Plastics	6,443	0.30%	
Medical Lodge of Gardner	67,504	0.71%	Vintage Park	5,361	0.22%	Price Chopper	5,601	0.26%	
U.S.D. 231 - Gardner Elementary	61,700	0.65%	Super 8 Motel	5,220	0.21%	Vintage Park	4,579	0.22%	
Cramer Products, Inc.	62,477	0.66%	C.L.C. Healthcare	4,586	0.19%	Trade Net Publishing	4,081	0.19%	
Subtotal (10 largest)	1,372,883	14.43%	Subtotal (10 largest)	125,930	5.13%	Subtotal (10 largest)	82,913.00	3.91%	
Balance from other customers	8,144,448	85.57%	Balance from other customers	2,329,886	94.87%	Balance from other customers	2,035,291	96.09%	
Grand Totals	\$ 9,517,331	100.00%	Grand Totals	\$ 2,455,816	100.00%	Grand Totals	\$ 2,118,204	100.00%	

*Notes: Dollar values reflected include base rate charges, as well as multiple meters on various accounts.*

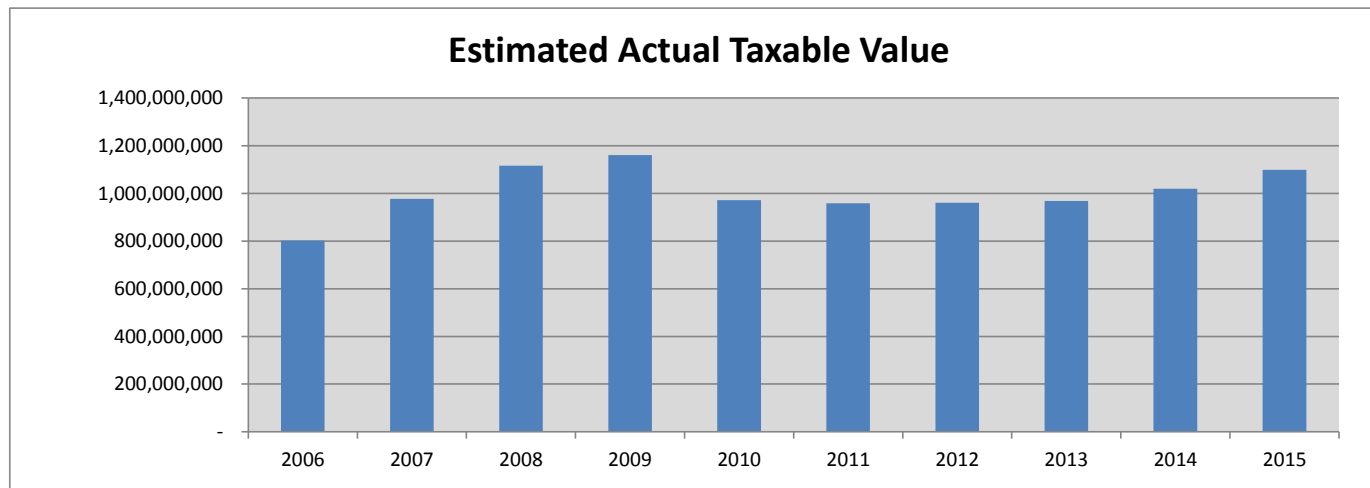
*Source: City of Gardner Utility Department*

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

Fiscal Year	Residential Property	Commercial Property	Not-for-Profit Property	Agricultural and Other Property	Not Otherwise Subclassified	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2006	73,120,689	13,675,841	2,279,893	112,374	-	89,188,797	24.092	801,727,555	11.12%
2007	87,598,362	18,592,967	2,717,458	108,681	-	109,017,468	24.080	976,309,650	11.17%
2008	97,621,749	23,111,451	3,371,852	104,208	165,123	124,374,383	24.108	1,115,603,821	11.15%
2009	101,303,291	23,619,198	2,637,597	96,501	-	127,656,587	24.606	1,160,488,730	11.00%
2010	99,793,594	21,148,834	2,277,327	90,384	-	123,310,139	31.119	971,642,165	12.69%
2011	98,455,518	21,904,442	1,683,579	94,002	-	122,137,541	31.132	958,093,470	12.75%
2012	98,872,623	21,627,029	1,603,987	101,109	-	122,204,748	31.140	959,973,643	12.73%
2013	99,823,425	22,122,018	1,276,279	111,138	-	123,332,860	31.133	967,523,973	12.75%
2014	104,947,182	23,509,159	1,445,888	121,944	-	130,024,173	29.434	1,019,076,374	12.76%
2015	113,212,121	25,623,792	1,319,362	135,792	-	140,291,067	29.455	1,098,395,717	12.77%

**Note:** Property in Johnson County is reassessed every year. The county assesses property at approximately 25 percent of actual value for commercial, 30 percent for agricultural, 12 percent for not-for-profit, and 11.5 percent for residential. Estimated actual taxable value is calculated by dividing taxable assessed value by those percentages. Tax rates are per \$1,000 of assessed value.

**Sources:** City of Gardner Finance Department and Johnson County Department of Records and Tax Administration - County Clerk's Office



**City of Gardner, Kansas  
Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years**

Fiscal Year	Direct Rates			Overlapping Rates						Total Direct & Overlapping Rates
	Gardner General Operating	Bond and Interest	Total Direct Rate - Gardner City <sup>(a)</sup>	State of Kansas	Johnson County	Johnson County Library	Johnson County Parks and Recreation	Johnson County Community College	U.S.D. 231 (School District)	
2006	21.038	3.054	24.092	1.500	17.922	2.955	2.286	8.960	78.016	135.731
2007	21.028	3.052	24.080	1.500	17.949	2.960	2.290	8.872	76.546	134.197
2008	21.053	3.050	24.108	1.500	17.767	3.057	2.341	8.768	76.568	134.109
2009	21.551	3.055	24.606	1.500	17.716	3.151	2.346	8.784	78.539	136.642
2010	21.563	9.556	31.119	1.500	17.748	3.158	2.350	8.799	81.536	146.210
2011	23.107	8.025	31.132	1.500	17.700	3.145	2.343	8.776	82.595	147.191
2012	23.113	8.027	31.140	1.500	17.717	3.149	2.344	8.785	82.406	147.041
2013	23.108	8.025	31.133	1.500	17.745	3.155	2.347	9.551	79.170	144.601
2014	21.401	8.033	29.434	1.500	17.764	3.157	2.349	9.461	69.711	133.376
2015	19.415	10.040	29.455	1.500	19.582	3.912	3.101	9.469	69.185	136.204

**Note:** One mill is \$1 of property tax for each \$1,000 of assessed valuation.

(a) During some of these years, there were both "Gardner with City Fire" and "Gardner - No Fire" mill rates because there were portions of Gardner that were assessed for fire protection by the Johnson County Fire District. In the interest of consistency, only "Gardner with City Fire" rates are shown here for those years in which there were multiple "Gardner City" mill rates.

**Source:** Johnson County Department of Records and Tax Administration - County Clerk's Office

**City of Gardner, Kansas  
Principal Property Tax Payers  
Current Year and Nine Years Ago**

Taxpayer	2015				2006			
	Type of Business	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	
Moonlight Apartments L.L.C.	Real Estate	\$ 2,135,320	1	1.52%				
Wal-Mart	Retail	2,123,750	2	1.51%				
Martens Rentals, L.L.C.	Real Estate	1,332,952	3	0.95%	1,612,870	1	1.81%	
Horizon Trails, LLC	Real Estate	1,301,915	4	0.93%				
C.L.S. Investment Company	Real Estate	1,221,253	5	0.87%	1,240,631	2	1.39%	
DJC Properties, L.L.C.	Real Estate	1,125,459	6	0.80%	914,358	3	1.03%	
Bristol Partner XVI, LLC	Real Estate	943,000	7	0.67%				
Axiom-Aspen, LLC	Real Estate	937,020	8	0.67%				
Energy Center Industrial, LLC	Real Estate	931,501	9	0.66%				
Fountain Gate Village, LLC	Real Estate	862,737	10	0.61%				
Woodstone Apartments, L.P.	Real Estate				650,705	5	0.73%	
Moonlight Plaza, LLC	Shopping Mall				727,753	4	0.82%	
Gardner, LLC	Manufacturing-Plastics				606,050	6	0.68%	
Mid-America Products	Manufacturing-Plastics				560,924	7	0.63%	
First Choice Properties, Inc	Real Estate				480,425	8	0.54%	
Lincoln Terrace Townhomes	Townhomes				470,074	9	0.53%	
Ward Development	Real Estate				415,176	10	0.47%	
<b>Totals</b>		<b>\$ 10,779,587</b>		<b>7.68%</b>	<b>\$ 7,678,966</b>		<b>8.61%</b>	

Source: Johnson County Clerk's Office

Note: This schedule excludes agreements that the City has with certain entities to make payments in lieu of taxes on property that is currently statutorily exempt from ad valorem property taxes and therefore has no assessed valuation



City of Gardner, Kansas

**PROPERTY TAX LEVIES AND COLLECTIONS  
GENERAL AND DEBT SERVICE FUNDS**

For years ended December 31, 2006 through December 31, 2015

Year Ended December 31 <sup>(1)</sup>	Adjusted Tax Levy	Current Year Collections		Collections in Subsequent Years	Total Tax Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 2,350,461	\$ 2,241,942	95.38%	\$ 84,984	\$ 2,326,926	99.00%
2007	2,777,859	2,683,021	96.59%	92,624	2,775,645	99.92%
2008	3,089,154	2,965,661	96.00%	121,175	3,086,836	99.92%
2009	3,206,980	3,077,032	95.95%	123,178	3,200,210	99.79%
2010	3,242,503	3,098,450	95.56%	133,233	3,231,683	99.67%
2011	4,079,977	3,924,028	96.18%	141,246	4,065,274	99.64%
2012	4,024,340	3,890,430	96.67%	122,071	4,012,501	99.71%
2013	4,026,981	3,968,415	98.55%	45,967	4,014,382	99.69%
2014	4,073,260	4,013,682	98.54%	41,152	4,054,834	99.55%
2015	4,063,552	3,997,901	98.38%	34,173	4,032,074	99.23%

**PROPERTY TAX LEVIES AND COLLECTIONS  
TAX INCREMENT FINANCING DISTRICTS**

For years ended December 31, 2006 through December 31, 2015

Year Ended December 31 <sup>(1)</sup>	Adjusted Tax Levy	Current Year Collections		Collections in Subsequent Years	Total Tax Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ -	\$ -	-	\$ -	\$ -	n/a
2007	184,370	184,370	100.00%	-	184,370	100.00%
2008	249,500	249,500	100.00%	-	249,500	100.00%
2009	254,556	254,556	100.00%	-	254,556	100.00%
2010	214,715	214,715	100.00%	-	214,715	100.00%
2011	238,008	238,008	100.00%	-	238,008	100.00%
2012	264,743	264,743	100.00%	-	264,743	100.00%
2013	252,151	252,151	100.00%	-	252,151	100.00%
2014	252,950	252,950	100.00%	-	252,950	100.00%
2015	238,635	238,635	100.00%	-	238,635	100.00%

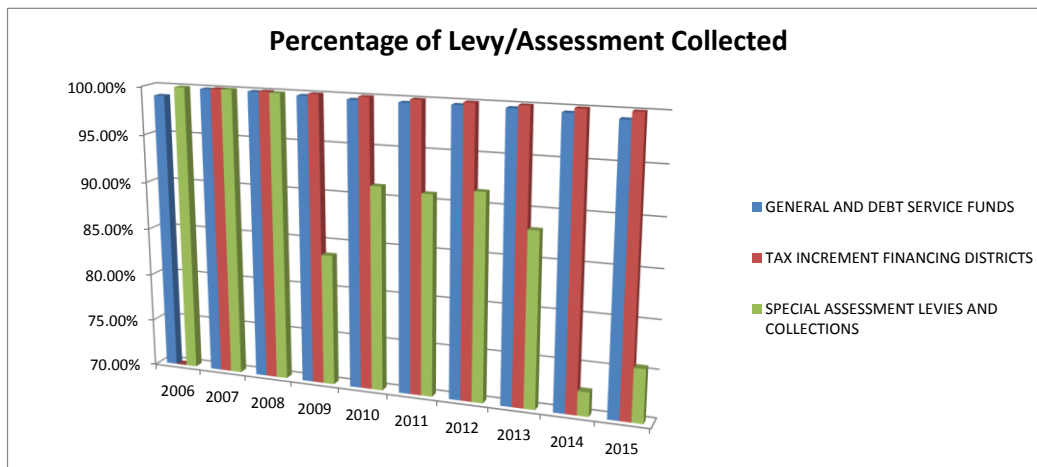
**SPECIAL ASSESSMENT LEVIES AND COLLECTIONS**

For years ended December 31, 2006 through December 31, 2015

Year Ended December 31 <sup>(1)</sup>	Assessments Certified to County	Current Year Collections		Collections in Subsequent Years	Total Assessment Collections	
		Amount	Percentage of Assessment		Amount	Percentage of Assessment
2006	\$ 308,240	\$ 230,392	74.74%	\$ 77,737	\$ 308,129	99.96%
2007	304,802	304,483	99.90%	320	304,802	100.00%
2008	298,800	224,279	75.06%	74,267	298,547	99.92%
2009	590,334	389,232	65.93%	104,988	494,220	83.72%
2010	1,075,608	826,909	76.88%	154,667	981,575	91.26%
2011	1,047,190	811,689	77.51%	139,985	951,675	90.88%
2012	1,105,492	904,363	81.81%	107,159	1,011,522	91.50%
2013	1,341,397	1,068,469	79.65%	114,246	1,182,715	88.17%
2014	1,306,910	857,846	65.64%	90,229	948,075	72.54%
2015	1,389,393	1,028,131	74.00%	21,991	1,050,122	75.58%

(1) The year shown is the year in which the collections were received. The levy or assessment is certified to the County the previous year.

Source: Johnson County Treasurer's Office



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

Fiscal Year	Government Activities								Business-type Activities					Total Primary Government	Percentage of Personal Income <sup>(a)</sup>	Per Capita <sup>(a)</sup>
	General Obligation Bonds	Issuance Premiums	Special Assessment GO Bonds	Certificates of Participation	Bond Anticipation Notes	Capital Leases	State Revolving Loans	Lease Revenue Bonds	General Obligation Bonds	Issuance Premiums	Bond Anticipation Notes	Capital Leases	State Revolving Loans			
<sup>(b)</sup> 2006	9,757,850	-	2,790,000	7,150,000	9,700,000	108,152	911,889	3,840,000	20,337,150	67,532	6,790,000	-	24,996,620	86,449,193	13.34%	5,337
2007	9,162,650	-	2,270,000	6,535,000	9,945,000	1,056,393	1,513,022	3,760,000	17,482,350	60,664	6,865,000	176,030	25,349,440	84,175,549	11.75%	4,920
2008	10,483,950	36,180	5,255,000	6,140,000	11,715,000	911,755	1,799,761	3,660,000	23,891,050	124,403	-	135,533	25,433,886	89,586,518	12.37%	4,951
<sup>(c)</sup> 2009	9,377,200	31,657	10,307,972	5,665,000	5,515,000	830,353	4,065,034	3,545,000	23,524,828	111,962	-	92,781	24,183,410	87,250,197	11.84%	4,691
<sup>(d)</sup> 2010	9,626,450	51,387	9,605,000	5,045,000	5,180,000	-	5,082,322	3,410,000	20,728,550	99,521	-	47,647	22,832,614	81,708,491	15.63%	4,273
2011	8,444,150	45,637	10,215,000	4,235,000	3,960,000	-	4,876,446	3,250,000	17,735,850	87,082	-	-	21,509,041	74,358,206	14.76%	3,714
2012	7,049,550	39,887	13,425,000	3,480,000	4,915,000	-	4,581,094	3,105,000	25,850,450	1,145,828	-	-	11,780,890	75,372,699	14.34%	3,643
2013	6,153,300	147,910	12,385,000	2,670,000	4,915,000	77,489	4,515,624	2,880,000	21,181,700	1,146,323	1,330,000	-	16,155,452	73,557,798	13.52%	3,593
2014	8,816,334	359,318	15,035,000	1,670,000	-	59,064	477,884	2,620,000	18,113,666	1,032,792	-	-	16,679,528	64,863,586	11.89%	3,139
2015	9,310,684	332,742	12,215,000	475,000	-	226,113	244,290	2,330,000	18,049,316	1,108,699	-	-	11,590,158	55,882,002	9.68%	2,678

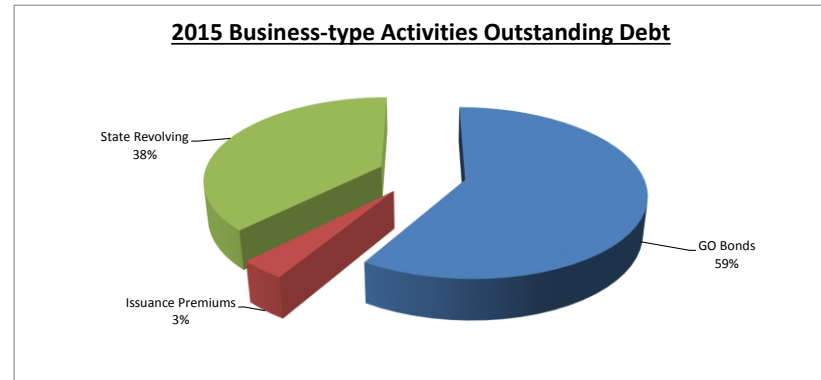
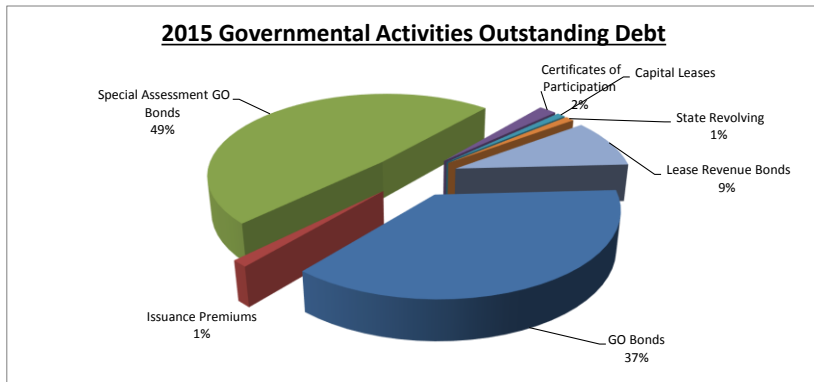
<sup>(a)</sup> See the Demographic and Economic Statistics schedule in this section for personal income and population data.

<sup>(b)</sup> In 2006, the City issued Certificates of Participation in the amount of \$7,150,000 for the purpose of the construction of a new park complex.

<sup>(c)</sup> In 2009, the City issued Special Assessment bonds in the amount of \$5,437,972 to finance the completion of University Park and Kill Creek Waterline Benefit Districts.

<sup>(d)</sup> In 2010, the Cities fire services moved to Johnson County Fire District No 1. The County purchased a fire pumper the City was leasing.

Source: City of Gardner Finance Department



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

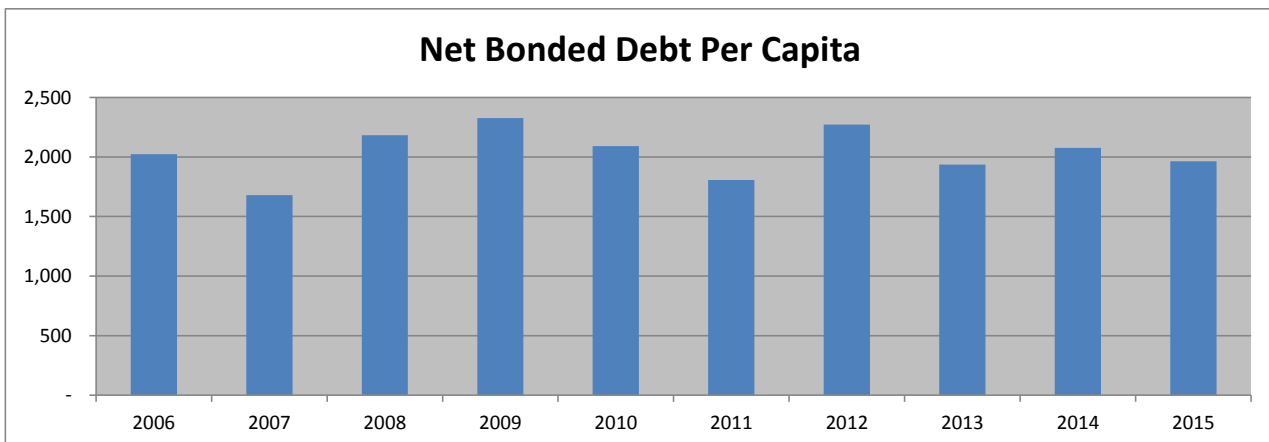
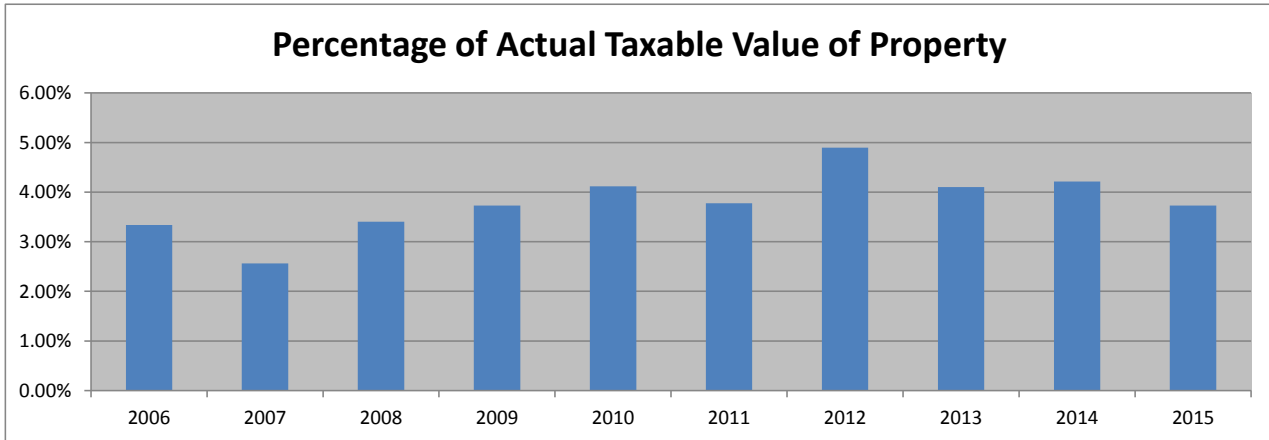
Fiscal Year	General Obligation Bonds	Issuance Premiums	Special Assessment GO Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value <sup>(a)</sup> of	Per Capita <sup>(b)</sup>
						Property	
2006	30,095,000	67,532	2,790,000	184,701	32,767,831	3.34%	2,023
2007	26,645,000	60,664	2,270,000	237,844	28,737,820	2.56%	1,680
2008	34,375,000	160,583	5,255,000	310,091	39,480,492	3.40%	2,182
2009	32,902,028	143,619	10,307,972	78,023	43,275,596	3.73%	2,327
2010	30,355,000	150,908	9,605,000	105,384	40,005,524	4.12%	2,092
2011	26,180,000	132,719	10,215,000	373,870	36,153,849	3.77%	1,806
2012	32,900,000	1,185,715	13,425,000	493,029	47,017,686	4.90%	2,273
2013	27,335,000	1,294,233	12,385,000	1,351,864	39,662,369	4.10%	1,937
2014	26,930,000	1,392,110	15,035,000	425,504	42,931,606	4.21%	2,077
2015	27,360,000	1,441,441	12,215,000	55,734	40,960,707	3.73%	1,963

**Notes:** Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>(a)</sup> Property value data can be found in the Assessed Value and Estimated Actual Value of Taxable Property schedule in this section.

<sup>(b)</sup> Population data can be found in the Demographic and Economic Statistics schedule in this section.

**Sources:** City of Gardner Finance Department and Johnson County Department of Records and Tax Administration - County Clerk's Office



**City of Gardner, Kansas  
Direct and Overlapping Governmental Activities Debt  
As of December 31, 2015**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>(a)</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>GO Debt repaid with property taxes</b>			
Unified School District No. 231	\$ 131,875,000	56.54%	\$ 74,560,226
Johnson County	4,502,791	1.71%	76,961
Johnson County Community College	8,019,219	1.71%	137,064
Johnson County Park and Recreation	32,510,224	1.71%	555,661
<b>Other</b>			
Johnson County: Public Building Commission	244,120,000	1.71%	<u>4,172,473</u>
Subtotal, overlapping debt			79,502,385
<b>City Direct Debt</b>			<u>25,133,829</u>
<b>Total direct and overlapping debt</b>			<u>\$ 104,636,214</u>

**Notes:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City.

<sup>(a)</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

One parcel within the City of Gardner was within the boundaries of Fire District No 1 when the District incurred debt in 2010, and is therefore considered debt-obligated even though it is no longer in the District and is property tax-exempt. The City does not anticipate the parcel becoming taxable in the foreseeable future and the City therefore has no overlapping debt with the Fire District.

**Sources:** Johnson County's Office of Financial Management and the City of Gardner Finance Department

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	\$ 40,485,098	\$ 45,321,494	\$ 46,494,676	\$ 46,444,391	\$ 44,909,263	\$ 44,334,725	\$ 44,524,646	\$ 44,867,292	\$ 47,105,324	\$ 50,654,924
Total net debt applicable to limit	13,046,486	12,546,504	17,272,700	17,092,536	14,841,700	15,147,850	19,631,650	13,584,740	15,085,450	14,197,925
Legal debt margin	\$ 27,438,612	\$ 32,774,990	\$ 29,221,976	\$ 29,351,855	\$ 30,067,563	\$ 29,186,875	\$ 24,892,996	\$ 31,282,552	\$ 32,019,874	\$ 36,456,999
Total net debt applicable to the limit as a percentage of debt limit	32.23%	27.68%	37.15%	36.80%	33.05%	34.17%	44.09%	30.28%	32.02%	28.03%

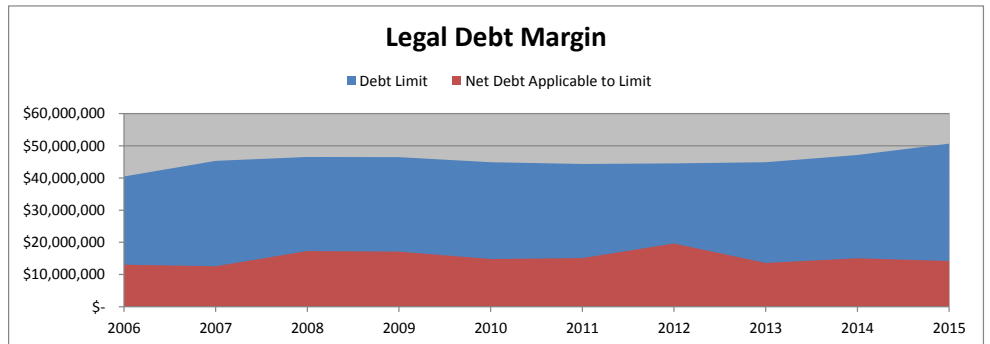
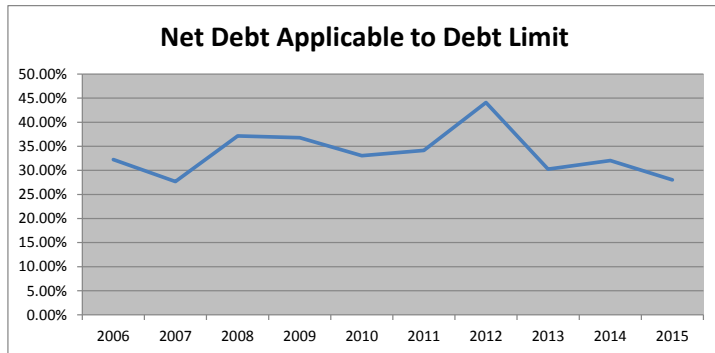
**Legal Debt Margin Calculation for Fiscal Year 2015**

Assessed value <sup>(a)</sup>	\$ 168,849,745
Debt limit (30% of assessed value) <sup>(b)</sup>	50,654,924
Debt applicable to limit:	
G.O. Bonds and Temporary Notes Outstanding	39,575,000
Less: Amount set aside for utilities, refunding, and revenue-supported bonds	<u>(25,377,075)</u>
Total net debt applicable to limit	<u>14,197,925</u>
Legal debt margin	<u>\$ 36,456,999</u>

**Notes:** <sup>(a)</sup> Assessed value includes property tax collected for motor vehicles.

<sup>(b)</sup> The City is subject to Kansas statutes which limit the amount of net bonded debt (exclusive of revenue, utility, and refunding bonds) the City may have outstanding to 30% of the current assessed valuation of property.

Source: City of Gardner Finance Department



**City of Gardner, Kansas  
Demographics and Economic Statistics  
Last Ten Calendar Years**

<b>Calendar Year</b>	<b>Population <sup>(1)</sup></b>	<b>Personal Income</b>	<b>Per Capita Personal Income <sup>(4)</sup></b>	<b>Median Age <sup>(4)</sup></b>	<b>School Enrollment <sup>(3)</sup></b>	<b>Unemployment Rate <sup>(2)</sup></b>
2006	16,199	648,105,791	40,009	31.4	3,811	4.3%
2007	17,110	716,515,470	41,877	31.6	4,293	3.9%
2008	18,096	724,002,864	40,009	31.6	4,491	4.3%
2009	18,600	736,727,400	39,609	31.6	4,721	6.6%
2010	19,195	524,733,715	27,337	30.0	4,977	6.5%
2011	19,944	501,791,040	25,160	30.0	5,229	5.4%
2012	20,267	515,004,737	25,411	30.4	5,411	4.5%
2013	20,473	543,988,083	26,571	30.7	5,452	3.8%
2014	20,667	545,629,467	26,401	31.8	5,647	3.1%
2015	20,868	577,104,540	27,655	31.9	5,858	2.9%

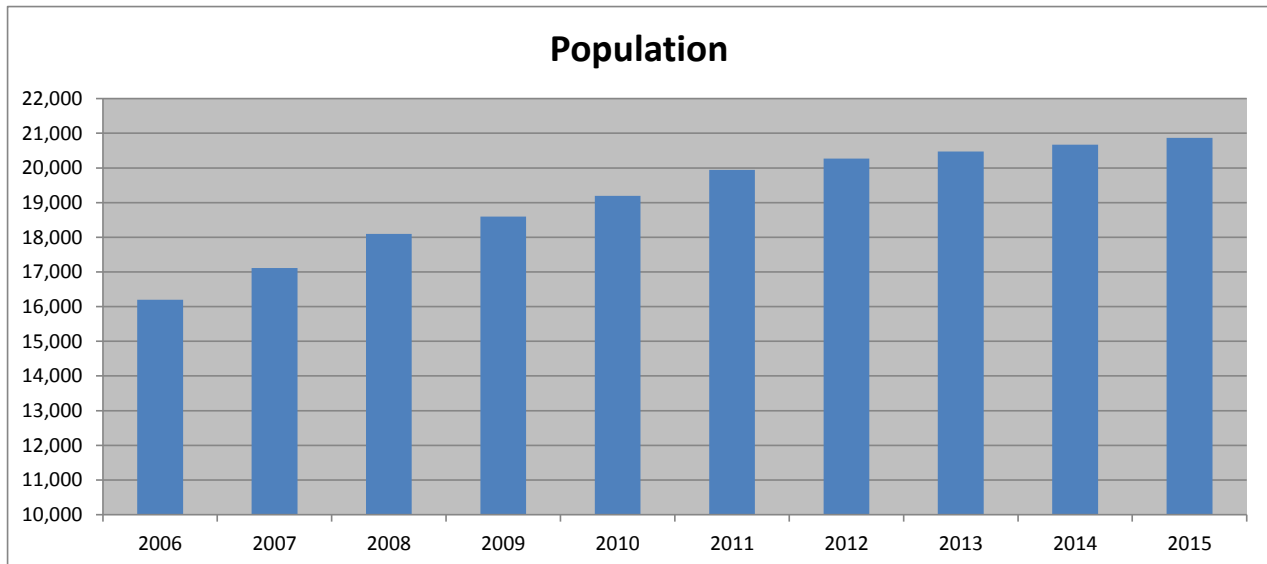
**Sources:** City of Gardner Finance Department and

<sup>(1)</sup> US Census Bureau - estimate as of July 1, xxxx

<sup>(2)</sup> Unemployment Rate is for Johnson County, Kansas. The City rate is not available. Provided by Southwest Johnson County Economic Development Corporation

<sup>(3)</sup> Unified School District No. 231

<sup>(4)</sup> Gardner Trade Area Profile. Provided by Southwest Johnson County Economic Development Corporation



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

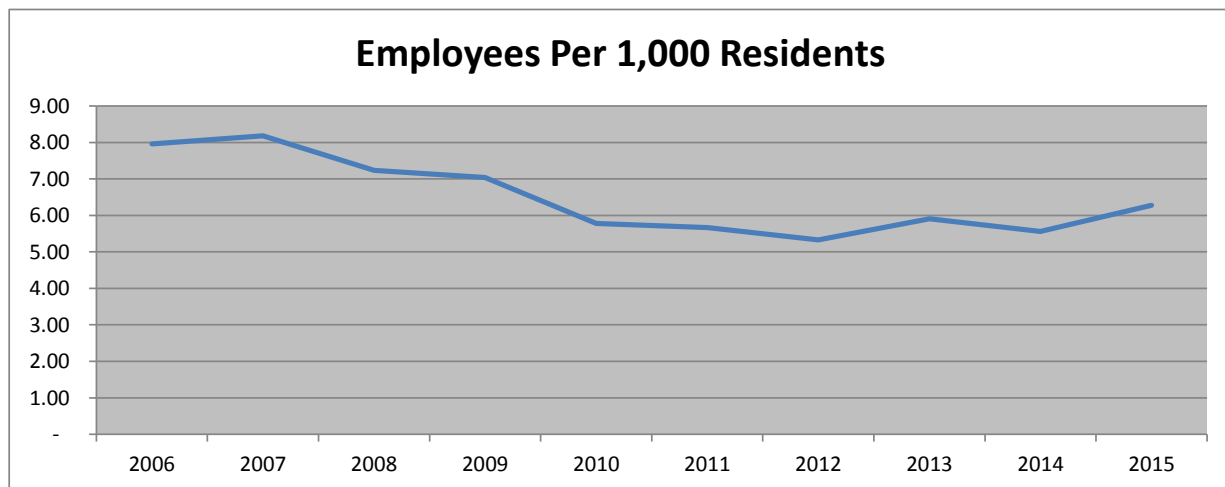
<b>Employer</b>	<b>2015</b>			<b>2006</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Unified School District No. 231	800	1	19.15%	650	1	16.97%
Walmart	250	2	5.98%			
Meadowbrook Rehabilitation Hospital	174	3	4.16%	113	5	2.95%
Epic Landscape Productions	172	4	4.12%			
Coleman	167	5	4.00%			
City of Gardner	135	6	3.23%	118	4	3.08%
TradeNet Publishing	130	7	3.11%	105	6	2.74%
Price Chopper	130	7	3.11%	75	8	1.96%
Medical Lodge of Gardner	102	9	2.44%	90	7	2.35%
D.O.T. Label, Inc. (ITW)	87	10	2.08%	144	2	3.76%
Mid America Plastics	-			120	3	3.13%
Cramer Products, Inc.	45		1.08%	52	9	1.36%
Embarq	-			45	10	1.17%
<b>Total</b>	<b>2,192</b>		<b>52.47%</b>	<b>1,512</b>		<b>39.48%</b>

*Source: Southwest Johnson County Economic Development Corporation*

**City of Gardner, Kansas**  
**Full-time Equivalent City Government Employees by Function**  
**Last Ten Fiscal Years**

<u>Function</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General government										
Administration	3	3	3	3	3	3	2	6	5	5
Human Resources/City Clerk	2	2	3	3	3	3	3	2	2	4
Information Systems	1	1	1	1	1	1	1	1	1	3
Finance										
Accounting	5	5	4	4	4	4	4	5	5	7
Court	2	2	2	2	2	2	1	2	2	2
Utilities	8	8	8	8	8	8	8	8	8	9
Planning	5	4	4	4	1	1	1	3	3	5
Codes	6	7	5	5	2	2	1	3	3	3
Public Safety										
Administration	5	6	6	6	5	5	4	5	3	5
Operations	28	34	33	33	23	22	22	23	24	28
Animal Control	1	1	1	1	1	1	1	1	1	1
Public Works										
Administration	5	4	4	4	5	5	5	4	2	2
Fleet	1	1	1	1	1	1	1	1	1	1
Engineering	6	6	4	4	4	4	4	4	4	5
Building Maintenance	1	1	1	1	1	1	1	1	1	1
Streets & Line Maintenance	12	9	8	8	12	11	12	15	17	12
Electric	10	12	9	10	13	16	18	16	10	14
Water	9	10	10	10	5	5	4	5	6	6
Wastewater	9	10	10	9	5	5	5	5	6	6
Culture and Recreation										
Recreation Services	4	6	6	6	5	5	5	5	5	6
Park Maintenance	6	8	8	8	7	8	5	6	6	6
<b>Total</b>	<b>129</b>	<b>140</b>	<b>131</b>	<b>131</b>	<b>111</b>	<b>113</b>	<b>108</b>	<b>121</b>	<b>115</b>	<b>131</b>

Source: City of Gardner Human Resources Department





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

<u>Function</u>	<u>2006</u>	<u>2007</u> <sup>(a)</sup>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u> <sup>(b)</sup>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General government <sup>(1)</sup>										
Building permits issued	760	677	524	511	503	570	578	534	607	594
Building inspections conducted	7,866	5,203	3,597	2,602	2,205	1,521	1,560	1,916	2,760	2,723
Police Department <sup>(2)</sup>										
Violations	3,799	2,742	3,763	2,459	2,087	3,732	2,908	3,251	3,056	3,426
Fire responses	319	364	430	432	331	113	343	415	235	186
Medical responses	871	922	901	980	825	622	1,052	1,114	904	1,048
Public Works <sup>(3)</sup>										
Street resurfacing (shown in linear feet)	11,080	19,183	5,280	3,370	1,100	13,610	270	3,453	2,420	-
Curb replacement (shown in linear feet)	4,340	8,627	-	1,165	-	315	260	2,575	1,945	648
Electric <sup>(4)</sup>										
Average daily consumption (in kWh)	292,556	327,896	322,695	319,408	364,150	354,075	360,000	357,700	370,924	371,929
Electric meters installed	369	399	90	95	129	94	53	85	93	66
Water <sup>(4)</sup>										
Average daily consumption (in thousands)	1,543	1,634	1,604	1,296	1,362	1,659	1,920	1,678	1,896	1,746
Water meters installed	317	284	90	85	88	94	53	85	93	66
Wastewater <sup>(4)</sup>										
Average daily sewage treatment (in thousands)	1,304	1,415	1,614	2,103	2,060	2,147	1,184	1,280	1,083	1,277
Culture and Recreation <sup>(5)</sup>										
Athletic Program Participants	2,132	2,182	2,428	2,984	4,462	5,133	5,205	4,838	4,894	5,085
Aquatic Admissions	27,174	100,247	103,206	97,984	89,163	78,102	84,313	64,636	66,179	65,301

**Note:** <sup>(a)</sup> In 2007, the City of Gardner Streets Dept. began a new resurfacing program using slurry seal. The savings allowed more linear feet to be completed in both streets and curbs.

Also in 2007, a new Aquatic Facility opened. The added features and capacity attracted patrons from miles around.

**Note:** <sup>(b)</sup> In 2010, the City of Gardner entered into a contractual agreement with Johnson County Fire District No. 1 to provide all fire services.

**Sources:** City of Gardner Finance Department and

<sup>(1)</sup> City of Gardner Business and Economic Development Department

<sup>(2)</sup> City of Gardner Police Department

<sup>(3)</sup> City of Gardner Street Department

<sup>(4)</sup> City of Gardner Utility Department

<sup>(5)</sup> City of Gardner Parks and Recreation Department

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

<b>Function</b>	<b>2006</b>	<b>2007<sup>(5)</sup></b>	<b>2008<sup>(6)</sup></b>	<b>2009</b>	<b>2010<sup>(a)</sup></b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Public Safety <sup>(1)</sup></b>										
Stations	1	1	2	2	1	1	1	1	1	1
Patrol/AC Units	14	15	14	14	13	16	16	16	16	16
Fire Fleet	5	7	8	8	-	-	-	-	-	-
<b>Public Works <sup>(2)</sup></b>										
Streets (miles) <sup>(7)</sup>	66.34	87.40	91.93	93.53	99.33	108.7	108.7	109.61	109.61	191.00
Streetlights	1,070	1,085	1,134	1,139	1,139	1,214	1,214	1,264	1,264	1,750
<b>Electric <sup>(3)</sup></b>										
Generators	2	2	2	2	2	2	2	2	2	2
Substations	3	3	3	3	3	3	3	3	3	3
Overhead lines (miles)	45	46	46	49.5	49.75	51.5	56.5	58.8	58.8	58.4
Underground lines (miles)	50	51	51	52.5	52.5	53.5	55.2	55.8	56.3	56.8
<b>Water <sup>(3)</sup></b>										
Water mains (miles)	99.93	104.05	104.35	105.52	106.01	106.24	106.24	107.61	107.61	134.00
Treatment Plants	1	1	1	1	1	1	1	1	1	1
<b>Wastewater <sup>(3)</sup></b>										
Sanitary sewers (miles)	112.54	119.40	122.66	122.6	123.35	123.35	124.83	125.97	125.97	109.00
Storm sewers (miles)	38.26	39.72	41.16	42.59	42.64	42.64	42.64	43.92	43.92	45.00
Treatment Plants	3	3	3	3	3	3	3	3	3	3
<b>Culture and Recreation <sup>(4)</sup></b>										
Acreage	196.40	226.93	330.58	332.24	332.24	339.95	339.95	341.95	341.95	341.95
Parks	10	10	13	13	13	13	13	13	13	13
Baseball/softball/soccer fields	4	4	14	14	14	14	14	14	14	14
Community Centers	1	1	1	1	1	1	1	1	1	1
Golf Course	1	1	1	1	1	1	1	1	1	1

**Sources:** City of Gardner Finance Department and

<sup>(1)</sup> City of Gardner Police Department

<sup>(2)</sup> City of Gardner Street Department

<sup>(3)</sup> City of Gardner Utility Department

<sup>(4)</sup> City of Gardner Parks and Recreation Department

<sup>(5)</sup> Streets Dept. new inventory process begun in 2006 found unreported miles.

<sup>(6)</sup> Culture and Recreation acreage includes 19.21 acres undeveloped park land.

<sup>(7)</sup> In 2015, street miles reported was changed to street lane miles

**NOTE:** (a) In 2010, the City of Gardner entered into a contractual agreement with Johnson County Fire District No. 1 to provide all fire services.

INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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The Honorable Mayor and City Council Members  
**City of Gardner**

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gardner, Kansas (City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 24, 2016.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2015-001 and 2015-002 that we consider to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **City's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

May 24, 2016  
Wichita, Kansas

## City of Gardner

### SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2015

#### **Finding 2015-001 (Significant Deficiency) Accounting and Financial Reporting in the Airport Association, a Component Unit of the City of Gardner**

**Condition:** There is a lack of procedures and controls used to initiate, authorize, record and process accounting transactions related to accounts payable, accounts receivable, and capital assets. There is also a lack of segregation of duties related to overall accounting functions including cash receipting, deposits and check writing. Bank reconciliations are not performed and reviewed in a timely manner.

**Criteria:** Procedures and controls should be in place over the financial reporting process to ensure accounting transactions are properly initiated, authorized, recorded and processed. The employee who authorizes a transaction should not be the same employee who initiates or processes the transaction. Procedures should also be in place to allow for performing the bank reconciliation in a timely manner.

**Context:** By not having procedures and controls in place, inaccurate transactions could be recorded in the financial system.

**Effect:** These issues could lead to inaccurate financial information used in the preparation of the financial statements.

**Cause:** One employee is performing all functions of the financial report process.

**Recommendation:** We recommend the Airport Association implement procedures and controls over the financial reporting process to ensure transactions are properly initiated, authorized and recorded in the financial system.

**Management's Response (unaudited):** In September 2015, the Governing Body took action to dissolve the Gardner Airport Board which previously operated the Gardner Municipal Airport and instead include airport operations within City operations beginning January 1, 2016. As of January 1, 2016, all airport transactions are initiated, authorized, recorded and processed by City departments where adequate controls are in place to ensure the accuracy of these transactions and where there is a sufficient segregation of duties.

## City of Gardner

### SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2015

#### **Finding 2015-002 (Significant Deficiency) Inventory System at the Electric Utility, a Department of the City of Gardner**

**Condition:** There is a lack of controls over the inventory system; however, the City made certain improvements in the current year by monitoring and updating monthly inventory counts.

**Criteria:** Procedures and controls should be in place to track the purchase and usage of inventory to allow for an understanding of what inventory items are on hand and available for use and the value of these inventory items.

**Context:** By not having controls and procedures in place over the inventory system, items could be added or removed from inventory without being accounted for.

**Effect:** This issue could lead to an inaccurate valuation of inventory on the financial statements.

**Cause:** Employees at the electric utility remove items from inventory as well as make purchases of inventory items without recording the usage or addition.

**Recommendation:** We recommend the electric utility continue to make improvements to controls over inventory to allow for the adjustment of inventory when items are purchased and used.

**Management's Response (unaudited):** Inventory controls recently implemented include an inventory listing of items posted in the shop area; items added or removed from inventory are recorded on listing by city employee performing said act; the Electric Distribution Supervisor monthly reviews the listing and revises inventory quantities; a spot check is performed by the Electric Distribution Supervisor monthly; a semi-annual inventory count will be performed in July by the Electric Distribution Department with the assistance of the Fiscal Services Department to verify above processes are performing as expected.

Additionally, the Utilities Department is in the process of evaluating work management software systems that will enable the automatic recording of inventory transactions. A decision on the chosen software is expected in the second half of 2016 with a rollout of various departments late in 2016 or early 2017.