



COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Gardner, Kansas

For the fiscal year ended December 31, 2016



CITY OF GARDNER, KANSAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016



Prepared by the Finance Department

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CITY OF GARDNER, KANSAS

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FINANCIAL REPORT

Year Ended December 31, 2016

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended

December 31, 2016

INTRODUCTORY SECTION

June 13, 2017

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, 2016. This is the thirteenth 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 controls designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with 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 584,000.

Because of Gardner's location on the edge of the Kansas City metropolitan area, the city serves as a suburban rural living area for individuals employed in the metropolitan area and also continues to serve the surrounding rural agricultural community. Currently, Gardner is approximately 10.18 square miles in size.

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, general administrative services, and a municipal airport.

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, the only activity recorded by the Airport Association was related to the dissolution and transfer of assets to the City. Beginning in 2016, ongoing airport operations are reported in an enterprise fund of the City.

Economic Condition and Outlook

Between 1990 and the mid-2000s, Gardner experienced explosive growth, catapulting from 3,200 to nearly 20,000 citizens and became one of Kansas' top 25 largest cities. In 2008, Gardner's growth paralleled the nationwide recession and went dormant like many smaller suburban communities across the nation.

Today, the economic climate has improved. In the *Kansas City Business Journal's* March 2017 ranking of "Kansas City's fastest-growing cities", Gardner ranked fourth.

Gardner's award-winning school district includes seven elementary schools, three middle schools and one high school. The 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; a TRAILS facility for adults ages 18-21 with disabilities; and funding for other capital improvements and technology upgrades. These improvements are scheduled for completion at the beginning of the 2017-2018 school year.

The City has fully emerged from the economic downturn, as evidenced by the steady upward trend in valuation from 2013 through 2016, averaging 6.9% annually during that period. Early 2017 projections from the county appraiser indicated Gardner's first double-digit market valuation increase since the mid-2000s, at 11.26% for taxable properties and appraising the City's overall market value at \$1.57 billion.

There are strong reserves in the tax levy funds and utility funds. These reserves enable the City to maintain its services, infrastructure and assets while simultaneously preparing for new opportunities.

Opportunities for growth have increased in Gardner due to the construction of the 440-acre Burlington Northern Santa Fe (BNSF) Intermodal facility and an associated 1,700-acre logistics park on the City's western border that is an inland port, which provides business with a connection to the global supply chain. On the City's eastern border is New Century Air Center, which is a premier multi-modal business park containing over 64 companies and organizations, including names such as DuPont Nutrition and Health, Garmin International, Unilever, and CenturyLink.

These adjacent business catalysts, aforementioned financial capacity, and the ability to leverage its municipally owned utilities - combined with ample undeveloped land around Gardner's two interchanges on Interstate 35 - positions the city as a central point for trade and commerce and with strategic planning provides limitless opportunities for securing a prosperous and sustainable future.

These geographic and transportation-related attributes have and will continue to influence Gardner's development. In 2009, Gardner successfully recruited the area's first warehouse related to the yet constructed BNSF Intermodal logistics park, and outdoor equipment manufacturer, Coleman, constructed a 1.1 million square foot distribution facility. The recruitment was facilitated by the City's issuance of industrial revenue bonds on January 20, 2009 for construction of the facility and providing a 50% tax abatement for 10 years, per Kansas statutes and Resolution No. 1737 detailing the City's previous tax abatement policy. This previous abatement policy noted the Governing Body's goals of economic diversification, broadening of the tax base, stimulation of private investment, and enhancement and support of new development and the creation and quality of employment opportunities. As required both by Kansas law and the previous policy detailed in Resolution No. 1737, a fiscal impact analysis was presented at the January 2009 public hearing indicating that the public benefit to public costs ratio over a 10-year period for Gardner was 2.18:1, or the benefits were 218 % of public costs. The 10-year, 50 % tax abatement expires December 31, 2019. Per the associated Payment In Lieu of Tax (PILOT) agreement, the only requirements of the developer to receive the abatements were the investment of capital (build the warehouse) and for timely payment of the 50 % payment in lieu of taxes. To date, all PILOT payments were timely, and the

City has received over \$740,000 in property tax revenues during the 5-year time period of 2012-2016.

This development activity occurring prior to the BNSF intermodal being constructed alerted the community that economic conditions were changing. Recognizing the pending growth wave, a new leadership structure committed to facilitating the Governing Body's primary strategic goal of economic development. From 2013 through 2016, the Governing Body, citizens, staff, and community stakeholders serving on various task forces and advisory committees rolled up their sleeves to strategically plan Gardner's future.

Best practices were implemented to strategically prepare for growth. One of the first was to establish Priority-Based Budgeting, which is a multi-year "results based" planning process that aligns resources to implement short-term initiatives that support the Governing Body's long-term, strategic goals: promoting economic development, improving infrastructure and asset management, improving quality of life, and fiscal stewardship.

Visionary documents were created; a Comprehensive Plan and an Economic Development Strategy were created to define the strategy for development. The Comprehensive Plan is the "blueprint" for how the City develops. The Economic Development Strategy is a companion document focused on seven goals for attracting and sustaining development. A Growth Management Strategy was developed to identify areas for growth and prioritize those areas as best suited for short-term, mid-term and long-term annexation.

Implementation tools were developed for each of the visionary plans. The City's Land Development Code was revised to implement the Comprehensive Plan. A comprehensive Economic Development Incentive Policy serves as the practical guide to implement the Economic Development Strategy and details the financial tools and incentives the City will consider to funding development projects, including tax abatements and leveraging of the City's utilities.

Communication and engagement with the development community, citizens, and other stakeholders was enhanced. All of the aforementioned documents are posted on the City's new website <http://www.gardnerkansas.gov/>. The new website is only one of many major investments to enhance communication. Others include rebranding with a new logo and tagline and increased marketing, rehabilitating the I.T. network and Council Chambers A/V equipment, and implementing a Voice Response payment system to enable utility customers to pay their utility bills with 24/7 convenience. Gardner continues to partner with the Kansas City Area Development Council (KCADC) to engage its recognized expertise in facilitating economic development, especially related to transportation. KCADC's *KC SmartPort's* website includes this enticement: "Reach 85% U.S. population in two days or less." The City also partners with Southwest Johnson County Economic Development and the Gardner-Edgerton Chamber of Commerce to collaboratively encourage economic development and business recruitment, assistance,

and retention. Citizen engagement continues in the form of advisory committees for streets, parks and recreation, ADA, economic development, utilities, airport, and police, as well as Planning Commission, and the Boards of Zoning Appeals. The City also conducts an annual citizens' academy, "Gardner You" and a separate police citizens' academy.

The City completed assessments of the City's streets and pedestrian trails, leading voters to approve a 10-year, .5% special sales tax for infrastructure. The sales tax revenues will pay for a multi-year project to rehabilitate an estimated \$7 million in failing streets and concurrently invest in properly maintaining the 79% of "satisfactory/good" streets before they degrade to costlier repairs. Approximately \$.5 million will be used for rehabilitation of pedestrian trails and new pedestrian bridges. Completing these projects will enable the City to implement a comprehensive pavement management program for enhanced fiscal stewardship and sustainability.

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.

Assessments were conducted of the City's electric, water, and wastewater utility systems to identify immediate improvements, as well as serve as the first phase to develop a "Capital Improvement Element" (CIE). The CIE is a long-term infrastructure analysis aimed at aligning utility and transportation needs with anticipated population growth and the development vision documented in the Comprehensive Plan. The second phase of the CIE will be to update the water, wastewater, and transportation master plans using the information collected in the aforementioned assessments combined with a revised population projection. The third phase will be aligning resources and prepare a financing plan to implement the capital projects.

The Governing Body toured several of the City's aging facilities. Following their assessment, \$.54 million renovation was completed of the Aquatic Center that anchors the northwest corner of a future downtown district, a facility needs study was completed for a future justice center to replace the inadequate police facility and house municipal court operations, and fifteen acres of land was purchased for future city facilities.

During the economic downturn, vehicle and equipment purchases were delayed. During the rebound, the City's fleet was assessed resulting in the replacement of over one-half of the police vehicles with SUVs; a dump truck was also replaced. Much of the police department's equipment was replaced, including new uniforms, coats, guns, radios, body cameras, and body armor. Additionally, the police department added a canine officer and formed a bike patrol.

Investments were made to recruit, retain, and engage employees to enhance and sustain a high-performance workforce who would make all these opportunities into reality. A compensation study and employee engagement survey were performed resulting in pay

increases for merit and market comparison corrections, the development of career ladders to provide promotional opportunities, increased city contributions to health insurance to provide affordable choices, an enhanced wellness plan, leadership training and development, and enhanced efforts for communication to and appreciation of employees. Organizational restructuring occurred in utilities, public works, and business and economic development departments for cohesion, efficiency, and renewed focus in those respective areas.

Fiscal stewardship was enhanced. During this revolutionary period, the finance department refinanced City debt, consequently saving over \$2.4 million in interest cost, and was awarded \$2.5 million in grant funding. The City's outstanding debt decreased over \$28.2 million, or 34%.

Gardner is on the brink of a major transformation. As evidenced, the emerging economic transformation did not happen accidentally; it was strategically facilitated. In early 2017, a Kansas City television station reported the influx of activity noting \$21 million in new development is planned in the next 18 to 24 months, including an 84-room Hampton Inn with a 200-seat conference center, and a new pharmacy, fast food restaurant, and car dealership. It is estimated this new development will bring 100 new employees to Gardner. Additionally, the City projects 400 new, single-family homes will be built within 24 months.

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 December 2016 notes that Gardner's economy is "adequate. [...] Overall, the city's market value grew by 6.9% over the past year [...]". Standard & Poor's concurred Gardner benefits from the combination of interstate, air, and rail infrastructure and proximity to New Century Air Center and BNSF's intermodal facility.

Although Standard & Poor's (S&P) reports their opinion of the City's budget performance as "very weak" because of operating deficits, they also note the 2015 reduction in reserves was "approved in the budget", and 2016 included a "planned spend down" which is a reflection of the Governing Body's deliberate reduction of reserves for the aforementioned activities. S&P reported the City's strong management including "good" financial policies and practices, and "very strong liquidity" stating, "In our opinion, Gardner's liquidity is very strong, with total government available cash of 34.2% of total governmental fund expenditures and 126.6% of governmental debt service in 2015. In our view, the city has strong access to external liquidity if necessary." S&P also noted "very strong budgetary flexibility" because of the City's large reserves. These reserves, combined with committed, results-oriented leadership of both city staff and elected officials, provide capacity to continue strategic facilitation of development opportunities.

2016 Major Initiatives

The 2016 initiatives were developed to build upon the aforementioned activities, as the Governing Body and citizens continued to identify their greatest priority as diversifying the tax base. The focus was to continue facilitating economic opportunities through infrastructure development and asset management, including implementing recommendations documented in the previously completed utilities systems and pavement management assessments.

Development of the Capital Improvement Element (CIE) continued, as master plan updates for the water and wastewater utility systems began using the information from the initial utility assessments. A transportation master plan update began, and a new population study was completed. Sub-area plans were developed for the prime land area surrounding the City's two interchanges along Interstate 35. This work ensures that current information will be used to complete the CIE in 2017.

The first phase of the street rehabilitation program was completed. The first phase of pedestrian trail rehabilitation and installation of new pedestrian bridges was delayed until early 2017 to build adequate cash funding for the projects.

A Public Works/Parks facility needs study was originally planned 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 relates to 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. This study was deferred until future years because the City was awarded a "Planning Sustainable Places" grant to study downtown development, thus becoming a higher priority.

A covered salt storage facility was constructed to replace an open storage facility that was non-compliant with National Pollutant Discharge Elimination System requirements. Many of the components are reusable in the event of the public works facility relocation.

Funding was originally allocated for development of a plan for the municipal golf course; this 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. In early 2017, a joint recommendation to the Governing Body was made by the Parks and Recreation and Business and Economic Development advisory boards to repurpose this funding for a more broadly scoped sports tourism study, including the golf course.

Focus on community accessibility and inclusiveness continued, as a \$.395 million major renovation of the Gardner Senior Center was completed with \$.2 million funded by a

CDBG grant. Rehabilitation included improvements for ADA accessibility, upgrading appliances, flooring, HVAC, and overall remodeling.

Investment in the City's human assets continued in 2016, as the second phase of pay increases for merit and market comparison corrections and development of promotional opportunities for employees (i.e. career ladders) were implemented.

Future/Planned Initiatives

The aforementioned accomplishments, combined with the City's funding capacity, positions the City to sustain the level of excellence illustrated above while concurrently facilitating new opportunities. The 2017 and 2018 initiatives will continue focusing on promoting economic development by building funding and staffing capacity to enable strategic planning and infrastructure improvements while efficiently leveraging the City's resources to maximize each dollar.

Completion of the Capital Improvement Element (CIE) infrastructure analysis will be a priority project in 2017. Using the updated master plans and population study, the CIE will review the ability to serve existing and infill areas of the City, as well as determine possible costs to extend infrastructure to large areas of prime, undeveloped land around the City's two interchange on Interstate 35. Strategic development of the two interchange areas is important to securing the City's future.

Continued partnership with Southwest Johnson County Economic Development Corporation and the Gardner-Edgerton Chamber of Commerce is important for business recruitment and retention. These entities will work collaboratively with the City to create a "community profile" including a guide, maps, and professional photos and videos to more extensively promote Gardner.

Additional phases of the streets and pedestrian trails rehabilitation are planned and will be paid from the .5% special sales tax.

Audiovisual equipment will be replaced in the Council Chambers to enhance the City's ability to communicate and interact with residents by providing higher quality recordings of meetings and presentations.

Continued investment in vehicle replacements is planned. In 2017, approximately \$326,000 in General Fund vehicles will be replaced, including 3 additional police SUVs and an animal control vehicle. Approximately \$214,000 more in replacement vehicles for utility or internal service fund operations is anticipated.

Continued investment in employees is planned, including 2017 funding for the final phase of merit and market comparison corrections recommended in the 2015 compensation study. Future initiatives will include focus on both employee retention through

competitive wages and benefits and additional staffing to facilitate high-performance, efficiency, and succession planning.

Investment in the City's transportation network is important to facilitating development. Center Street (aka Gardner Road) is a major arterial roadway to the City's southern I-35 interchange at 191st and Gardner Road. Rehabilitation of Center Street is planned from I-35 to Grand to extend its useful life and avoid the cost of complete reconstruction. The project will leverage funding from the County Assistance Road System (CARS) program for half of the construction cost. Additionally, design for realignment of 191st and Gardner Road interchange is scheduled in 2017 to address current traffic safety issues and support development of the prime land area surrounding the interchange. Design for reconstruction of 175th and Waverly Road intersection is also planned for 2017. The intersection needs to be reconstructed to eliminate flooding and promote development in the area.

Capital projects identified in the previous utility assessments will be implemented to maintain utility operations. Wastewater projects include replacing pumps and parts for rotors at the wastewater treatment plant and upgrading the Supervisory Control and Data Acquisition (SCADA) system to monitor and control the processes in the wastewater treatment plant. Water projects include replacing the water plant generator and rebuilding flash mix transfer pumps. An electric "back feed" project in the Fairfield/Shean's Crossing area to add system redundancy and minimize power outages will be completed.

Grant-dependent initiatives include development of the West Fork Kill Creek Trail to provide connectivity to Gardner's largest park and sports complex, and an action plan will be developed for the City's Main Street Corridor to create a downtown "sense of place." Approximately \$80,000 in 2017 grant funding is anticipated from Johnson County Park and Recreation District for the trail project. Additional grant funding will be pursued for a second phase of the trail project in 2018. In late 2016, MARC "Sustainable Places" grant funding of \$112,500 was awarded for the Main Street Corridor project; the work will begin in mid-2017 and is planned for adoption in early 2018.

Other mobility and accessibility initiatives to ensure Gardner's inclusiveness of all citizens will be a priority for 2018. The initiatives were developed from recommendations made by the ADA Advisory Committee resulting from a self-evaluation of accessibility of selected City programs, services, and facilities. The committee prioritized approximately \$110,000 in projects to be phased over 2017-2018. Additionally, findings of the *Gardner Community Access Survey* conducted in collaboration with Wichita State University Hugo Wall School of Public Affairs indicated future resources should be focused on access to public buildings and parking, crosswalks, and sidewalks.

Financial Planning

A combination of revenues greater than estimated and expenses below budgeted levels contributed to the City's General Fund balance ending Fiscal Year 2016 at a healthy 40% 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 wastewater utility funds also ended Fiscal Year 2016 with healthy fund balances of 41%, 60%, and 12% of expenditures, respectively.

The City expects 2017-2021 to continue to be financially healthy years, as anticipated new development becomes reality, but it will require vigilance, continued strategic planning, and strong financial management practices made all the more necessary by "tax lid" legislation approved by the State of Kansas. Effective Jan. 1, 2018, the legislation prohibits 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 tax lid legislation may inhibit the City's ability to facilitate economic development projects such as providing development incentive funding or building infrastructure to prepare an area to be "shovel ready", as economic development opportunities typically confidential in nature and require 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, thus making elections for development funding impractical.

The challenge for growing cities such as Gardner will be prioritizing funding for competing initiatives and operations with mandated flat property tax revenues. This challenge manifested during the 2018 budget process, as the double-digit property valuation increase – combined with the City's share of a county-wide public safety tax approved in fall of 2016 – provides an opportunity to construct the \$13.75 million Justice Center, but is subject to voter approval.

If the voters approve, the Justice Center will be the focus of future financial planning. However, if voters do not approve, the mill levy must be reduced to maintain flat property tax revenues, thus limiting resources for increasing expenditures expected in a growing city, such as the aforementioned ADA improvements and continued investment in

facilitating development, infrastructure, vehicles and equipment, and maintaining a high-performance workforce.

The good news for Gardner is that property tax is only approximately 7% 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.

Future initiatives may be implemented through the continued realignment of existing resources, the use of excess reserve funds in the 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 the Governing Body continues planning major initiatives and capital projects, the results of the aforementioned election, studies and master plan updates are 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 cooperation and support of the Governing Body in maintaining the highest standards of professionalism in the management of Gardner's finances. In addition, special thanks are extended to Administration, other City departments, external auditors, and for the efficient, dedicated efforts of the entire staff of the City's accounting division.

Sincerely,



Cheryl Harrison-Lee
City Administrator

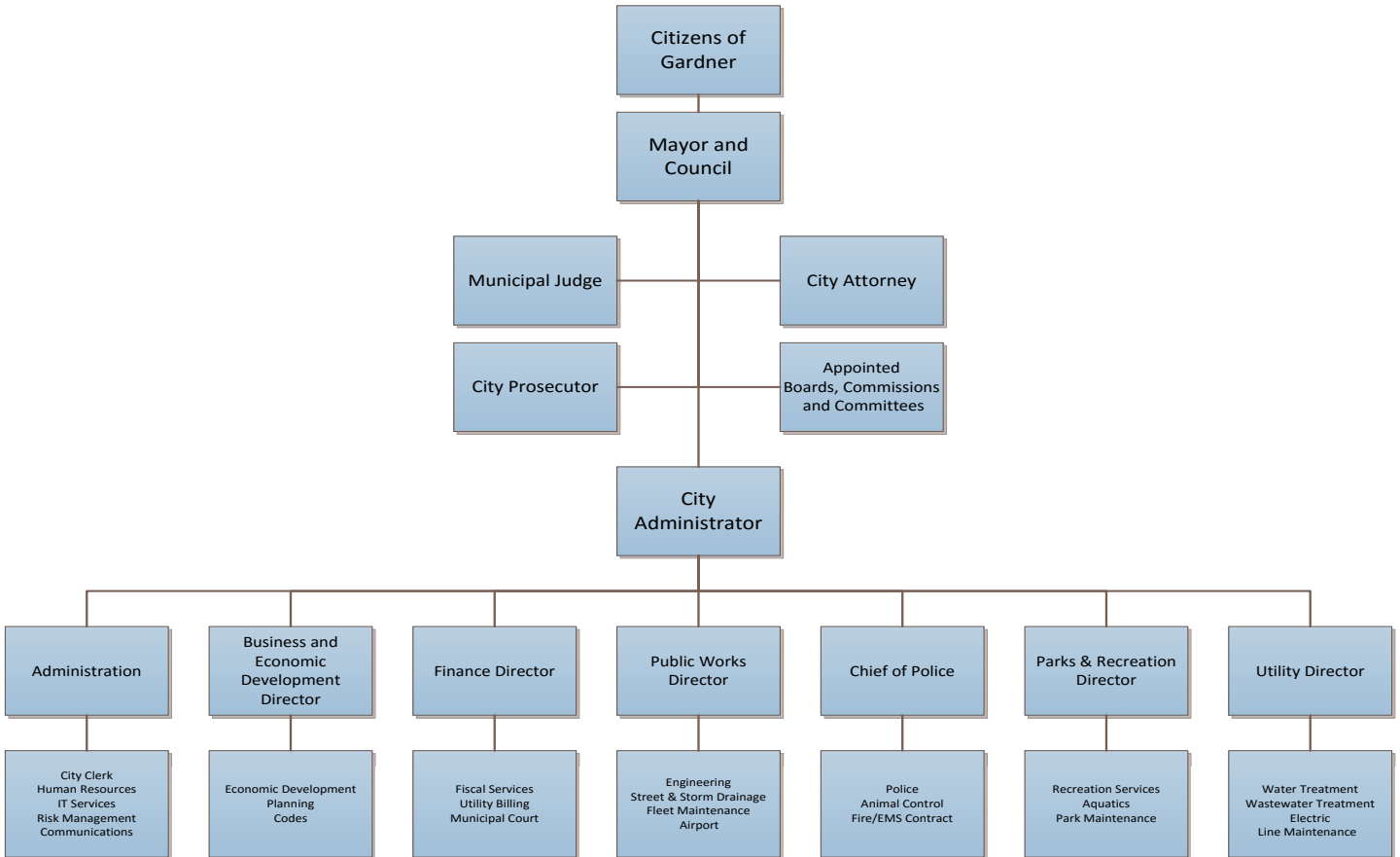


Laura Gourley
Finance Director

City of Gardner, Kansas

Organizational Chart

December 31, 2016



City of Gardner, Kansas

List of Elected and Appointed Officials

December 31, 2016

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	Christopher Mann
City Prosecutor	Ashley Repp
City Attorney	Ryan Denk
Business and Economic Development Director	Larry Powell
Finance Director	Laura Gourley
Public Works Director	Michael Kramer
Chief of Police	James Pruetting
Parks and Recreation Director	Scott Garrie
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 2015

Executive Director/CEO

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended

December 31, 2016

FINANCIAL SECTION

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, 2016, 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, 2016, 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 3 to the financial statements, in 2016, the City adopted Government Accounting Standards Board Statement No. 72: *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 15 to the financial statements, in 2016, the City adopted Government Accounting Standards Board Statement No. 77: *Tax Abatement Disclosures*. 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 June 13, 2017 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

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, 2016. 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 2016 by \$123,595,868 (*net position*). Of this amount, \$14,502,544 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$4,003,890 during the fiscal year.
- As of the close of 2016, the City's governmental funds reported combined ending fund balances of \$9,914,684. Approximately 53% of this total amount, \$5,280,652, 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 \$5,302,873 or 45% of the total general fund revenues of \$11,853,232.
- The City's total long-term debt decreased by \$3,255,675 during the fiscal year. This was due to portions of the City's debt paying off in 2016.
- The City recorded a prior period adjustment on the entity-wide Statement of Activities for the governmental activities, decreasing the net position by \$394,291 to reflect the elimination of a loan receivable due from the City's Discretely-Presented Component Unit, the Airport Association. Effective January 1, 2016 the City assumed ownership of the Airport, dissolving the Airport Association.

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 expenses 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 expenses 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 airport.

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 are 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 and capital asset ownership transfers.

The City has five enterprise funds: Electric Fund, Water Fund, Wastewater Fund, Stormwater 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 condition. For the City, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$123,595,868 at the close of the current fiscal year. The City's net position increased by \$4,003,890 from the prior year, with business-type activities accounting for \$6,553,472 of the increase, partially offset by a decrease of \$2,549,582 in governmental activities.

City of Gardner, Kansas Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$28,500,498	\$28,978,661	\$17,653,102	\$15,109,755	\$46,153,600	\$44,088,416
Capital assets	53,114,771	55,766,718	88,706,633	87,707,318	141,821,404	143,474,036
Total assets	81,615,269	84,745,379	106,359,735	102,817,073	187,975,004	187,562,452
Deferred outflow s	2,505,490	690,059	698,669	267,639	3,204,159	957,698
Long-term liabilities	32,658,559	30,400,763	29,445,606	32,469,295	62,104,165	62,870,058
Other liabilities	616,387	904,283	1,595,155	1,081,516	2,211,542	1,985,799
Total liabilities	33,274,946	31,305,046	31,040,761	33,550,811	64,315,707	64,855,857
Deferred inflow s	3,189,345	3,924,342	78,243	147,973	3,267,588	4,072,315
Net position:						
Net investment in						
Capital Assets	29,574,314	30,941,934	61,598,308	57,021,062	91,172,622	87,962,996
Restricted for:						
Debt service	15,796,587	16,797,819	-	-	15,796,587	16,797,819
Capital projects	1,802,849	1,289,912	-	-	1,802,849	1,289,912
Streets improvements	187,339	141,711	-	-	187,339	141,711
Economic development	94,979	189,474	-	-	94,979	189,474
Other purposes	38,948	38,874	-	-	38,948	38,874
Unrestricted	161,452	806,326	14,341,092	12,364,866	14,502,544	13,171,192
Total net position	\$47,656,468	\$50,206,050	\$75,939,400	\$69,385,928	\$123,595,868	\$119,591,978

The largest portion of the City's net position (74%) reflects its investment of \$91,172,622 in capital assets (e.g., land, buildings, intangibles, infrastructure, vehicles, machinery and equipment and construction in progress); 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 \$17,920,702 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 \$14,502,544 (\$161,452 governmental activities and \$14,341,092 business-type activities) is unrestricted and may be used to meet ongoing obligations to citizens and creditors.

Analysis of Changes in Net Position

As stated earlier, the City's net position increased by \$4,003,890 during the current fiscal year. The following table reflects the revenues and expenses for the City's activities for the year ended December 31, 2016, and illustrates the comparison between 2016 and the prior year:

City of Gardner, Kansas Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services	\$ 3,143,065	\$ 2,824,777	\$ 25,603,366	\$ 24,708,848	\$ 28,746,431	\$ 27,533,625
Operating grants and contributions	3,397,426	3,328,990	-	-	3,397,426	3,328,990
Capital grants and contributions	206,879	805,138	358,459	246,112	565,338	1,051,250
General Revenues:						
Property taxes	5,246,198	4,893,957	-	-	5,246,198	4,893,957
Sales taxes	3,827,653	3,535,132	-	-	3,827,653	3,535,132
Franchise taxes	269,736	312,625	-	-	269,736	312,625
Transient guest tax	74,272	62,892	-	-	74,272	62,892
Unrestricted investment earnings	9,533	9,867	10,284	10,442	19,817	20,309
Other	(11,558)	30,737	-	-	(11,558)	30,737
Total Revenue	<u>16,163,204</u>	<u>15,804,115</u>	<u>25,972,109</u>	<u>24,965,402</u>	<u>42,135,313</u>	<u>40,769,517</u>
Expenses:						
General government	4,598,982	3,896,677	-	-	4,598,982	3,896,677
Public safety	5,315,430	4,383,506	-	-	5,315,430	4,383,506
Public works	3,744,547	3,940,033	-	-	3,744,547	3,940,033
Culture and recreation	2,604,472	2,433,317	-	-	2,604,472	2,433,317
Interest on long-term debt	609,604	808,488	-	-	609,604	808,488
Electric	-	-	12,006,709	11,919,565	12,006,709	11,919,565
Water	-	-	4,032,587	3,692,470	4,032,587	3,692,470
Wastewater	-	-	4,591,624	4,675,174	4,591,624	4,675,174
Stormwater	-	-	28,298	28,298	28,298	28,298
Airport	-	-	204,879	-	204,879	-
Total Expenses	<u>16,873,035</u>	<u>15,462,021</u>	<u>20,864,097</u>	<u>20,315,507</u>	<u>37,737,132</u>	<u>35,777,528</u>
Increase (decrease) in net position before transfers	(709,831)	342,094	5,108,012	4,649,895	4,398,181	4,991,989
Transfers	(1,445,460)	829,600	1,445,460	(829,600)	-	-
Change in net position	(2,155,291)	1,171,694	6,553,472	3,820,295	4,398,181	4,991,989
Net position, 1/1	50,206,050	53,800,982	69,385,928	67,104,351	119,591,978	120,905,333
Prior period adjustment	(394,291)	(4,766,626)	-	(1,538,718)	(394,291)	(6,305,344)
Net position, 12/31	<u>\$ 47,656,468</u>	<u>\$ 50,206,050</u>	<u>\$ 75,939,400</u>	<u>\$ 69,385,928</u>	<u>\$ 123,595,868</u>	<u>\$ 119,591,978</u>

Governmental Activities

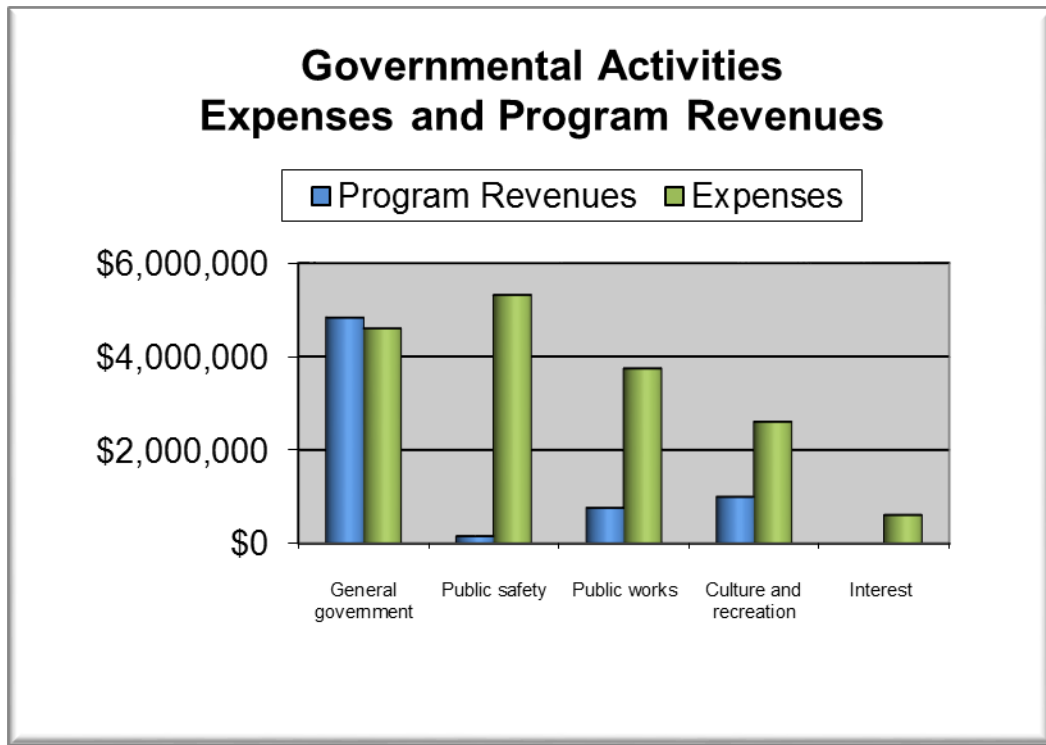
The City's net position related to governmental activities decreased by \$2,549,582 during the year. The decrease can be attributed to the transfer of governmental assets to business-type assets due to the change resulting from the City assuming ownership of the airport, dissolving the Airport Association.

Total governmental revenues increased \$359,089 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. In addition, an increase in property and sales tax revenues can be attributed to the improved economic conditions. This increase was offset by decreased Capital Grants and Contributions revenue due to decreased grant-funded street projects.

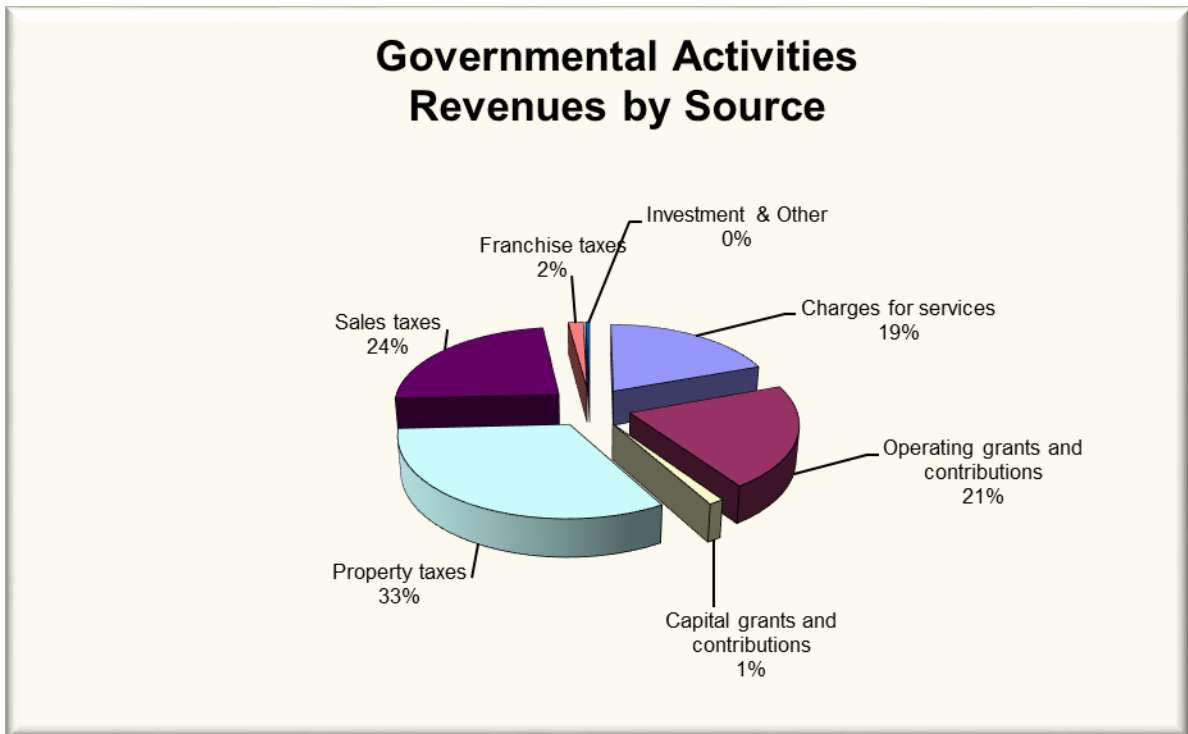
Total governmental expenses increased \$1,411,014 from the prior year. Increased costs for personnel-related expenses account for part of the increase, due in part to the implementation of a merit adjustment

for personnel, state-mandated increases for KPERs and KPF and overtime incurred to cover vacancies. Professional service fees also increased in 2016.

The chart below illustrates how the City's various governmental activities program revenues vs. program expenses fared in 2016.



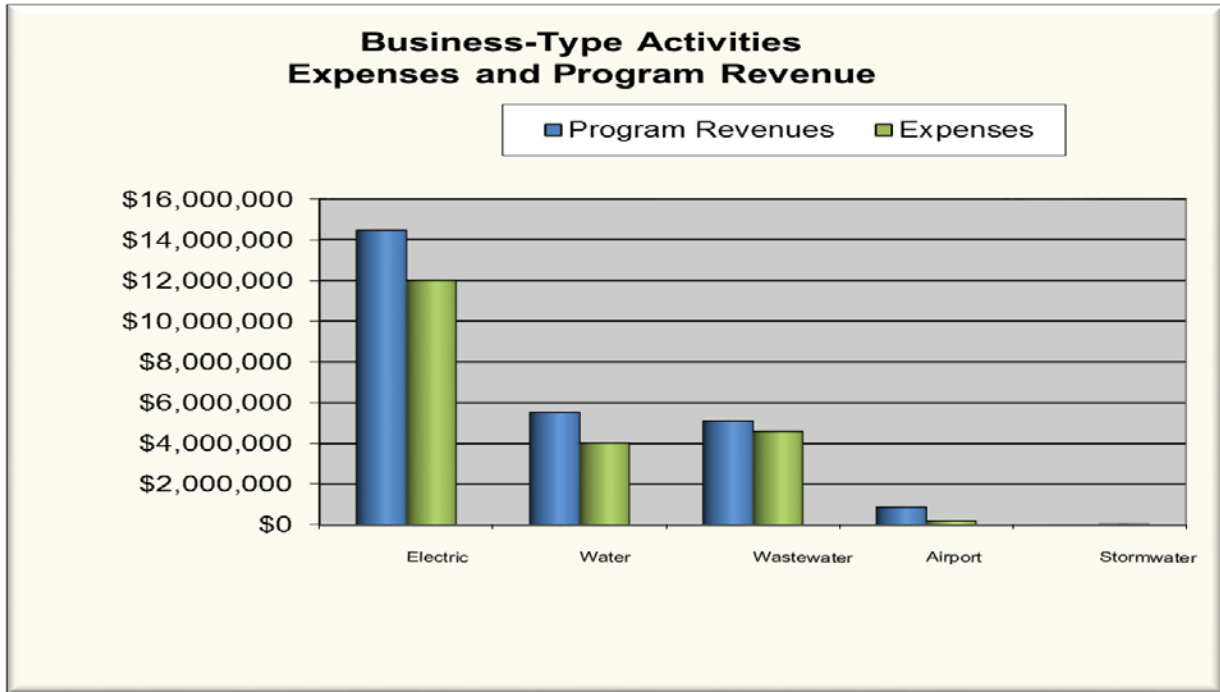
The chart below illustrates the City's overall program and general revenues for governmental activities:



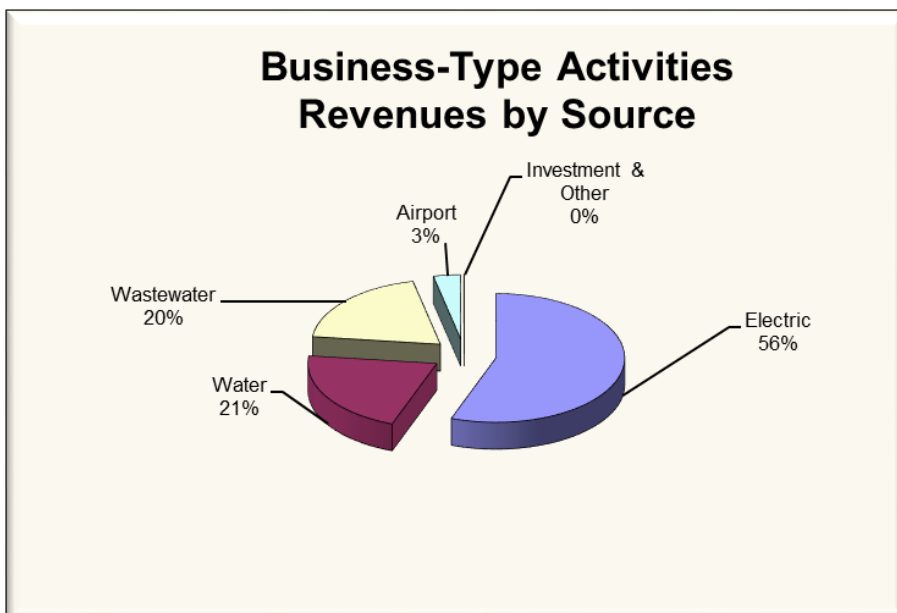
Business-Type Activities

The City’s net position related to business-type activities increased \$6,553,472, up from an increase of \$3,820,295 in net position from the prior year. Besides decreased spending on capital projects, the City also assumed ownership of the airport as of 1/1/16, which resulted in \$2,996,138 of newly acquired capital.

The City’s water, wastewater and electric base rates were unchanged in 2016. The program revenues vs. program expenses for business-type activities chart below illustrates the overall increase in net position for all business-type activities.



The chart below illustrates the City’s charges for services from business-type activities, which account for 98.58% 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 \$9,914,684, an increase of \$2,290,558 in comparison with the prior year. Approximately 53% of this total amount or \$5,302,873 constitutes fund balance that is available to meet the City's current and future needs. The remainder of the fund balance totaling \$4,611,811 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 \$5,302,873. 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 41% of total general fund expenditures of \$13,018,788.

The fund balance in the City's general fund had a decrease of \$605,548 during the current fiscal year. Total revenue in the general fund was \$11,853,232, an increase of \$1,276,543 over the previous year mostly due to an increase in sales tax revenue. This revenue increase was offset by increased expenses of \$1,337,711 due to the aforementioned personnel-related expenses and increased professional services fees.

The debt service fund had an ending fund balance of \$2,427,189, all of which is restricted for the payment of debt service. This is an increase of \$2,371,455 from the prior year. This is due to the issuance of partial net cash advance refunding general obligation bonds.

The capital projects fund had an ending fund balance of \$370,635. This is a decrease of \$319,690 from the prior year. The decrease is due mostly to a prior period adjustment recorded to eliminate a loan receivable due from the City's Discretely Presented Component Unit, the Airport Association. The City assumed ownership of the airport on January 1, dissolving the Airport Association.

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 \$14,338,494. The total increase in unrestricted net position was \$1,974,929 from the prior year.

The electric fund had total net position of \$36,249,784 at the end of the current fiscal year. This is an increase of \$1,694,164 from the previous year. Net position was up from prior years due to a decrease in wholesale energy costs.

The water fund had total net position of \$19,145,709 at the end of the current fiscal year. This is an increase of \$1,256,050 from the previous year. This can be attributed to increased operating revenue from charges for services.

The wastewater fund had total net position of \$16,850,152 at the end of the current fiscal year. This is an increase of \$635,172 from the previous year. This can be attributed to a decrease in amortization expense related to intangible assets.

The airport fund (a non-major proprietary fund) had total net position of \$2,996,138 at the end of the current fiscal year. This is a new fund to the City. On January 1 2016, the City assumed ownership of the Airport, dissolving the Airport Association.

The City's internal service funds had total net position of \$50,529 at the end of the current fiscal year.

Fiduciary funds

The City maintains three fiduciary funds: the Alcohol Safety Action Program, the Special Olympics Program, and the Mayor's Christmas Tree Program. At the end of 2016, the assets of the funds were \$56,640.

GENERAL FUND BUDGETARY HIGHLIGHTS:

The City's general fund budget was not amended during 2016; therefore, the original budget and the final budget are the same. During the year, total revenues were more than budgetary estimates by \$449,507. Due to the City's effective budget controls expenditures were \$4,011,073 less than budgeted, which resulted in a positive variance of \$4,460,580. A summary of differences between budgetary estimates for revenues and expenditures is as follows:

- Property tax collections were less than the original estimate by \$15,191.
- City sales and use tax revenues were more than estimated by \$284,115. This is due to a slight improvement in economic conditions.
- Licenses and permits were \$130,855 more than estimated. This can be attributed to a 25% increase in building and construction permits.
- General fund project reserves of \$3,179,641 remain available at the end of 2016. This is down 12% from the prior year. These large reserves will provide funding to undertake major initiatives planned for the future.
- Culture and Recreation expenditures were \$631,033 less than estimated due to the postponement of bike/pedestrian trail maintenance projects.

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, 2016, amounted to \$141,821,404 (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	
	2016	2015	2016	2015	2016	2015
Land	\$ 4,780,152	\$ 5,056,725	\$ 3,309,293	\$ 2,354,720	\$ 8,089,445	\$ 7,411,445
Construction in progress	421,016	368,241	2,900,248	1,061,421	3,321,264	1,429,662
Buildings	2,940,552	3,786,241	1,597,417	742,044	4,537,969	4,528,285
Improvements	1,044,298	1,234,347	5,394,021	5,675,006	6,438,319	6,909,353
Infrastructure	42,872,085	44,421,505	67,974,682	69,935,561	110,846,767	114,357,066
Intangibles	-	-	6,807,494	7,135,041	6,807,494	7,135,041
Machinery and equipment	507,187	579,422	563,774	576,795	1,070,961	1,156,217
Vehicles	549,481	320,237	159,704	226,730	709,185	546,967
	<u>\$ 53,114,771</u>	<u>\$ 55,766,718</u>	<u>\$ 88,706,633</u>	<u>\$ 87,707,318</u>	<u>\$141,821,404</u>	<u>\$143,474,036</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 \$51,184,886. Of this amount, \$24,615,000 was general obligation debt backed by the full faith and credit of the City. However, \$15,398,736 of the general obligation debt is supported by business-type revenues. Special assessment debt in the amount \$12,805,000 is debt for which the City is liable in the event of default by the property owners subject to the assessment. An additional \$10,957,771 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 wastewater system. The remainder of the City's debt represents PBC revenue bonds and capital lease obligations.

In 2016, the City issued bonds to finance various street and utility improvements within the City and partially refund existing general obligation debt. The refunding was undertaken to provide interest cost savings to the City.

City of Gardner's Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 9,216,264	\$ 9,310,684	\$15,398,736	\$18,049,316	\$24,615,000	\$27,360,000
Special assessment debt with government commitment	12,805,000	12,215,000	-	-	12,805,000	12,215,000
PBC revenue bonds	2,015,000	2,330,000	-	-	2,015,000	2,330,000
Construction loan payable	67,609	244,290	10,890,162	11,590,158	10,957,771	11,834,448
Certificates of participation	-	475,000	-	-	-	475,000
Capital lease obligations	792,115	226,113	-	-	792,115	226,113
	\$24,895,988	\$24,801,087	\$26,288,898	\$29,639,474	\$51,184,886	\$54,440,561

The City's total long-term debt decreased \$3,255,675 during the current fiscal year. This is due to debt retiring and smaller new debt issues in recent years.

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 \$54,443,006, 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, 2016

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Airport Association
Assets:				
Deposits and investments	\$ 7,471,840	\$ 13,103,566	\$ 20,575,406	\$ -
Receivables, net of allowance for uncollectibles:				
Taxes	3,669,408	-	3,669,408	-
Accounts Receivable	-	3,064,479	3,064,479	-
Intergovernmental	672,601	-	672,601	-
Special assessments	15,061,062	-	15,061,062	-
Other	13,801	644	14,445	-
Internal balances	(4,060)	4,060	-	-
Inventories	-	1,202,352	1,202,352	-
Restricted deposits and investments	1,615,846	278,001	1,893,847	-
Capital assets, net of accumulated depreciation, where applicable:				
Land	4,780,152	3,309,293	8,089,445	-
Construction in progress	421,016	2,900,248	3,321,264	-
Buildings	2,940,552	1,597,417	4,537,969	-
Improvements	1,044,298	5,394,021	6,438,319	-
Infrastructure	42,872,085	67,974,682	110,846,767	-
Intangible	-	6,807,494	6,807,494	-
Machinery and equipment	507,187	563,774	1,070,961	-
Vehicles	549,481	159,704	709,185	-
Total assets	81,615,269	106,359,735	187,975,004	-
Deferred outflows of resources:				
Unamortized portion of refunding gain	161,733	40,349	202,082	-
Pension related items	2,343,757	658,320	3,002,077	-
Total deferred outflows of resources	2,505,490	698,669	3,204,159	-
Liabilities:				
Accounts payable	380,288	1,118,086	1,498,374	-
Accrued payroll	22,978	9,707	32,685	-
Accrued interest payable	174,723	189,361	364,084	-
Liabilities payable from restricted assets	38,398	278,001	316,399	-
Noncurrent liabilities:				
Due within one year	2,626,874	3,869,795	6,496,669	-
Due in more than one year	30,031,685	25,575,811	55,607,496	-
Total liabilities	33,274,946	31,040,761	64,315,707	-
Deferred inflows of resources:				
Property tax receivable	3,011,973	-	3,011,973	-
Pension related items	177,372	78,243	255,615	-
Total deferred inflows of resources	3,189,345	78,243	3,267,588	-
Net position:				
Net investment in capital assets	29,574,314	61,598,308	91,172,622	-
Restricted for:				
Debt service	15,796,587	-	15,796,587	-
Capital projects	1,802,849	-	1,802,849	-
Street improvements	187,339	-	187,339	-
Economic development	94,979	-	94,979	-
Other purposes	38,948	-	38,948	-
Unrestricted	161,452	14,341,092	14,502,544	-
Total net position	\$ 47,656,468	\$ 75,939,400	\$ 123,595,868	\$ -

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

CITY OF GARDNER, KANSAS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

Functions/Programs						Net (Expense) Revenue and Changes in Net Position			
	Expenses	Indirect Expenses Allocation	Program Revenues			Governmental Activities	Primary Government		Component Unit Airport Association
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Business-Type Activities	Total	
Primary government:									
Governmental activities:									
General government	\$ 5,770,782	\$(1,171,800)	\$ 2,171,668	\$ 2,657,335	\$ -	\$ 230,021	\$ -	\$ 230,021	\$ -
Public safety	5,315,430	-	8,228	148,409	-	(5,158,793)	-	(5,158,793)	-
Public works	3,744,547	-	-	556,103	206,879	(2,981,565)	-	(2,981,565)	-
Culture and recreation	2,604,472	-	963,169	35,579	-	(1,605,724)	-	(1,605,724)	-
Interest on long-term debt	609,604	-	-	-	-	(609,604)	-	(609,604)	-
Total governmental activities	<u>18,044,835</u>	<u>(1,171,800)</u>	<u>3,143,065</u>	<u>3,397,426</u>	<u>206,879</u>	<u>(10,125,665)</u>	<u>-</u>	<u>(10,125,665)</u>	<u>-</u>
Business-type activities:									
Electric	11,586,309	420,400	14,440,663	-	5,000	-	2,438,954	2,438,954	-
Water	3,718,987	313,600	5,440,947	-	85,000	-	1,493,360	1,493,360	-
Wastewater	4,153,824	437,800	5,073,706	-	40,000	-	522,082	522,082	-
Stormwater	28,298	-	-	-	-	-	(28,298)	(28,298)	-
Airport	204,879	-	648,050	-	228,459	-	671,630	671,630	-
Total business-type activities	<u>19,692,297</u>	<u>1,171,800</u>	<u>25,603,366</u>	<u>-</u>	<u>358,459</u>	<u>-</u>	<u>5,097,728</u>	<u>5,097,728</u>	<u>-</u>
Total primary government	<u>\$ 37,737,132</u>	<u>\$ -</u>	<u>\$ 28,746,431</u>	<u>\$ 3,397,426</u>	<u>\$ 565,338</u>	<u>(10,125,665)</u>	<u>5,097,728</u>	<u>(5,027,937)</u>	<u>-</u>
Component unit:									
Airport Association	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
General revenues:									
Property taxes						5,246,198	-	5,246,198	-
Sales taxes						3,827,653	-	3,827,653	-
Franchise taxes						269,736	-	269,736	-
Excise taxes						-	-	-	-
Transient guest tax						74,272	-	74,272	-
Unrestricted investment earnings						9,533	10,284	19,817	-
Gain on sale of assets						-	-	-	-
Other						(11,558)	-	(11,558)	10,618
Transfers						(1,445,460)	1,445,460	-	-
Total general revenues and transfers						<u>7,970,374</u>	<u>1,455,744</u>	<u>9,426,118</u>	<u>10,618</u>
Change in net position						(2,155,291)	6,553,472	4,398,181	10,618
Net position, beginning of year						50,206,050	69,385,928	119,591,978	(10,618)
Prior period adjustment						(394,291)	-	(394,291)	-
Net position, end of year						<u>\$ 47,656,468</u>	<u>\$ 75,939,400</u>	<u>\$ 123,595,868</u>	<u>\$ -</u>

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

CITY OF GARDNER, KANSAS

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2016

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 4,635,438	\$ 933,777	\$ 389,834	\$ 1,368,051	\$ 7,327,100
Receivables (net of allowance for uncollectibles):					
Taxes	2,431,192	1,032,177	-	206,039	3,669,408
Special assessments	-	15,061,062	-	-	15,061,062
Intergovernmental	457,810	-	1,000	213,791	672,601
Airport Association	-	-	-	-	-
Other	13,801	-	-	-	13,801
Restricted deposits and investments	-	1,516,941	38,398	60,507	1,615,846
Due from other funds	15,219	-	-	-	15,219
Total assets	\$ 7,553,460	\$ 18,543,957	\$ 429,232	\$ 1,848,388	\$ 28,375,037
Liabilities					
Accounts payable	247,432	23,529	58,597	19,826	349,384
Accrued payroll	21,750	-	-	-	21,750
Due to other funds	1,609	-	-	14,575	16,184
Total liabilities	270,791	23,529	58,597	34,401	387,318
Deferred Inflows of Resources					
Unavailable revenue - special assessments	-	15,061,062	-	-	15,061,062
Deferred revenue - property taxes	1,979,796	1,032,177	-	-	3,011,973
Total deferred inflows of resources	1,979,796	16,093,239	-	-	18,073,035
Fund Balances					
Restricted					
Debt Service	-	2,427,189	-	-	2,427,189
Capital projects	-	-	370,635	1,492,721	1,863,356
Street improvements	-	-	-	187,339	187,339
Economic development	-	-	-	94,979	94,979
Other	-	-	-	38,948	38,948
Assigned					
Public Works	8,050	-	-	-	8,050
Business and Economic Development	6,408	-	-	-	6,408
Culture and Recreation	7,763	-	-	-	7,763
Unassigned	5,280,652	-	-	-	5,280,652
Total fund balances	5,302,873	2,427,189	370,635	1,813,987	9,914,684
Total liabilities, deferred inflows of resources and fund balances	\$ 7,553,460	\$ 18,543,957	\$ 429,232	\$ 1,848,388	\$ 28,375,037

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, 2016

Total fund balances in Governmental Funds Balance Sheet		\$ 9,914,684
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.		52,855,253
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		15,061,062
Deferred outflows of resources are not available and payable in the current period and therefore are not reported in the funds:		
Deferred refunding	161,733	
Deferred outflows related to pensions	2,255,651	
Total	2,417,384	2,417,384
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	(174,723)	
Liabilities payable from restricted assets	(38,398)	
Bonds:		
General obligation and special assessments bond payable, net of unamortized premium of \$345,252	(22,366,516)	
Net pension liability	(6,585,382)	
PBC lease revenue bonds	(2,015,000)	
Construction loans payable	(67,609)	
Land Lease Purchase	(678,000)	
Other post employment benefits	(232,407)	
Capital lease obligation	(20,735)	
Compensated absences	(292,749)	
Total	(32,471,519)	(32,471,519)
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		(165,175)
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.		
		44,779
Net position of governmental activities		\$ 47,656,468

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, 2016

	General	Debt Service	Capital Projects	Other Governmental funds	Total Governmental Funds
Revenues					
Taxes:					
Property tax	\$ 3,441,023	\$ 1,696,249	\$ -	\$ 108,926	\$ 5,246,198
Sales tax	2,729,115	-	-	1,098,538	3,827,653
Franchise tax	269,736	-	-	-	269,736
Transient guest tax	-	-	-	74,272	74,272
Special assessments	4,194	1,864,881	-	-	1,869,075
Intergovernmental	2,274,972	-	230,000	1,099,333	3,604,305
Licenses and permits	293,055	-	-	-	293,055
Charges for services	2,253,903	-	-	-	2,253,903
Fines and fees	512,927	-	-	78,986	591,913
Investment earnings	5,910	2,195	464	964	9,533
Other	68,397	-	-	-	68,397
Total revenues	<u>11,853,232</u>	<u>3,563,325</u>	<u>230,464</u>	<u>2,461,019</u>	<u>18,108,040</u>
Expenditures					
Current:					
General government	3,328,503	-	-	1,079,672	4,408,175
Public safety	5,087,946	-	-	-	5,087,946
Public works	1,944,363	-	-	-	1,944,363
Culture and recreation	2,272,346	-	-	-	2,272,346
Capital outlay	364,609	-	1,013,292	1,067,974	2,445,875
Debt service:					
Principal	20,062	2,260,063	-	691,681	2,971,806
Interest and fiscal charges	959	646,436	-	43,295	690,690
Other	-	102,952	13,000	39,786	155,738
Total expenditures	<u>13,018,788</u>	<u>3,009,451</u>	<u>1,026,292</u>	<u>2,922,408</u>	<u>19,976,939</u>
Excess of revenues over (under) expenditures	<u>(1,165,556)</u>	<u>553,874</u>	<u>(795,828)</u>	<u>(461,389)</u>	<u>(1,868,899)</u>
Other financing sources (uses)					
General obligation bonds issued	-	1,490,000	678,000	1,380,000	3,548,000
Issuance: Premium	-	64,139	-	60,561	124,700
Proceeds from sale of capital assets	2,108	-	-	-	2,108
Transfers in	729,500	263,442	196,171	525,000	1,714,113
Transfers out	(171,600)	-	(3,742)	(659,831)	(835,173)
Total other financing sources (uses)	<u>560,008</u>	<u>1,817,581</u>	<u>870,429</u>	<u>1,305,730</u>	<u>4,553,748</u>
Net change in fund balances	(605,548)	2,371,455	74,601	844,341	2,684,849
Fund balances, beginning of year	<u>5,908,421</u>	<u>55,734</u>	<u>690,325</u>	<u>969,646</u>	<u>7,624,126</u>
Prior period adjustment	-	-	(394,291)	-	(394,291)
Fund balances, end of year	<u>\$ 5,302,873</u>	<u>\$ 2,427,189</u>	<u>\$ 370,635</u>	<u>\$ 1,813,987</u>	<u>\$ 9,914,684</u>

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, 2016

Net change in fund balances - total governmental funds		\$ 2,684,849
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	2,452,910	
Depreciation Expense	(2,307,234)	
Net Change		145,676
Transfer of capital assets and long-term debt related to the change in reporting for the airport		(2,324,400)
Net gain (loss) on disposal of capital assets		(82,063)
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		(1,864,881)
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	(39,179)	
Accrued interest	9,135	
Premium amortization	112,190	
Deferred refunding	115,499	
Pensions	(172,142)	
Other postemployment benefit obligation	(39,288)	
Total		(13,785)
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.		
Debt issued or incurred:		
General obligation and special assessment bonds	(3,548,000)	
Premiums	(124,700)	
Principal repayments:		
General obligation and special assessment bonds payable	1,985,063	
PBC lease revenue bonds	315,000	
Certificates of participation	475,000	
Construction loans	176,681	
Capital lease obligation	20,062	
Total		(700,894)
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.		
		207
Change in net position of governmental activities		\$ (2,155,291)

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, 2016

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes:				
Property	\$ 3,456,214	\$ 3,456,214	\$ 3,441,023	\$ (15,191)
Sales	2,445,000	2,445,000	2,729,115	284,115
Franchise	333,000	333,000	269,736	(63,264)
Intergovernmental	2,270,908	2,270,908	2,279,166	8,258
Licenses and permits	162,200	162,200	293,055	130,855
Charges for services	2,241,200	2,241,200	2,253,903	12,703
Fines and fees	486,400	486,400	512,927	26,527
Investment earnings	6,600	6,600	5,907	(693)
Other	2,200	2,200	68,397	66,197
Total revenues	11,403,722	11,403,722	11,853,229	449,507
Expenditures				
General government	3,549,500	3,549,500	3,242,562	306,938
Public safety	5,077,100	5,077,100	5,087,946	(10,846)
Public works	2,234,300	2,234,300	1,944,363	289,937
Culture and recreation	2,896,000	2,896,000	2,264,967	631,033
Capital outlay	-	-	364,609	(364,609)
Debt service	-	-	21,021	(21,021)
Project reserve	3,179,641	3,179,641	-	3,179,641
Total expenditures	16,936,541	16,936,541	12,925,468	4,011,073
Excess of revenues over (under) expenditures	(5,532,819)	(5,532,819)	(1,072,239)	4,460,580
Other financing sources and (uses)				
Transfers in	769,600	769,600	729,500	(40,100)
Transfers out	(45,000)	(45,000)	(134,035)	(89,035)
Proceeds from sale of capital assets	-	-	2,108	2,108
Total other financing sources and (uses)	724,600	724,600	597,573	(127,027)
Net change in fund balances	(4,808,219)	(4,808,219)	(474,666)	4,333,553
Fund balances, beginning of year	5,054,488	5,054,488	5,755,318	700,830
Fund balances, end of year	\$ 246,269	\$ 246,269	5,280,652	\$ 5,034,383

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	22,221
GAAP fund balance - General Fund only	5,302,873
Fund balances for separately budgeted funds included with the General Fund on GAAP financials:	
Special Benefit Fee Fund	-
	<u>\$ 5,302,873</u>

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

CITY OF GARDNER, KANSAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016

	Major Funds		
	Electric	Water	Wastewater
Assets			
Current assets:			
Cash and cash equivalents	\$ 9,089,572	\$ 3,128,909	\$ 405,143
Accounts receivable, net	1,822,315	601,014	624,821
Other receivable	-	-	-
Inventories	987,231	135,383	64,409
Restricted deposits and investments	220,491	57,510	-
Due from other funds	19,602	828	244
Total current assets	<u>12,139,211</u>	<u>3,923,644</u>	<u>1,094,617</u>
Noncurrent assets:			
Capital assets:			
Land	678,878	964,968	710,874
Construction in progress	2,288,422	244,963	51,623
Buildings	867,093	-	-
Infrastructure	40,652,733	26,169,051	47,518,656
Intangible asset	401,622	265,000	7,090,821
Improvements	6,077,266	2,680,332	1,408,723
Machinery and equipment	858,794	35,867	361,021
Vehicles	406,052	269,600	430,158
Less accumulated depreciation and amortization	(25,099,289)	(9,885,122)	(20,574,935)
Total capital assets	<u>27,131,571</u>	<u>20,744,659</u>	<u>36,996,941</u>
Total noncurrent assets	<u>27,131,571</u>	<u>20,744,659</u>	<u>36,996,941</u>
Total assets	<u>39,270,782</u>	<u>24,668,303</u>	<u>38,091,558</u>
Deferred outflows of resources			
Unamortized portion of refunding gain	-	-	40,349
Pension related items	316,127	124,073	111,890
Total deferred outflows of resources	<u>316,127</u>	<u>124,073</u>	<u>152,239</u>
Liabilities			
Current liabilities:			
Accounts payable	435,779	579,480	89,269
Accrued payroll	3,918	2,248	2,059
Customer and developer deposits	220,491	57,510	-
Accrued interest payable	9,101	33,223	145,781
Due to other funds	75	1,720	14,175
Compensated absences	57,944	21,064	33,315
Current portion of bonds payable	315,000	685,000	2,105,000
Current portion of construction loans payable	-	-	569,016
Current portion of lease payable	-	-	-
Total current liabilities	<u>1,042,308</u>	<u>1,380,245</u>	<u>2,958,615</u>
Noncurrent liabilities:			
Other postemployment benefit obligation	27,886	35,371	15,950
Bonds payable, net	1,266,498	3,816,526	7,726,158
Pension liability	966,902	398,651	357,715
Construction loan payable	-	-	10,321,146
Total noncurrent liabilities	<u>2,261,286</u>	<u>4,250,548</u>	<u>18,420,969</u>
Total liabilities	<u>3,303,594</u>	<u>5,630,793</u>	<u>21,379,584</u>
Deferred inflows of resources			
Pension related items	33,531	15,874	14,061
Net position			
Net investment in capital assets	25,550,073	16,243,133	16,315,970
Unrestricted	10,699,711	2,902,576	534,182
Total net position	<u>\$ 36,249,784</u>	<u>\$ 19,145,709</u>	<u>\$ 16,850,152</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	
\$ 173,720	\$ 12,797,344	\$ 450,962	
16,329	3,064,479	-	
644	644	-	
15,329	1,202,352	-	
-	278,001	-	
-	20,674	-	
<u>206,022</u>	<u>17,363,494</u>	<u>450,962</u>	
954,573	3,309,293	-	
315,240	2,900,248	-	
1,745,363	2,612,456	-	
1,502,127	115,842,567	-	
-	7,757,443	-	
868,238	11,034,559	-	
-	1,255,682	418,977	
-	1,105,810	58,120	
(1,555,231)	(57,114,577)	(214,427)	
<u>3,830,310</u>	<u>88,703,481</u>	<u>262,670</u>	
<u>3,830,310</u>	<u>88,703,481</u>	<u>262,670</u>	
<u>4,036,332</u>	<u>106,066,975</u>	<u>713,632</u>	
-	40,349	-	
1,306	553,396	193,030	
<u>1,306</u>	<u>593,745</u>	<u>193,030</u>	
1,472	1,106,000	42,990	
47	8,272	2,663	
-	278,001	-	
1,256	189,361	-	
644	16,614	3,095	
489	112,812	33,368	
62,406	3,167,406	-	
-	569,016	-	
-	-	93,380	
<u>66,314</u>	<u>5,447,482</u>	<u>175,496</u>	
-	79,207	15,774	
281,924	13,091,106	-	
1,597	1,724,865	637,687	
-	10,321,146	-	
<u>283,521</u>	<u>25,216,324</u>	<u>653,461</u>	
<u>349,835</u>	<u>30,663,806</u>	<u>828,957</u>	
(202)	63,264	27,176	
3,485,980	61,595,156	169,290	
202,025	14,338,494	(118,761)	
<u>\$ 3,688,005</u>	<u>75,933,650</u>	<u>\$ 50,529</u>	
	5,750		
	<u>\$ 75,939,400</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, 2016

	Major Funds		
	Electric	Water	Wastewater
Operating revenues			
Charges for sales and services	\$ 14,440,663	\$ 5,440,811	\$ 5,073,706
Other	-	136	-
Total operating revenues	<u>14,440,663</u>	<u>5,440,947</u>	<u>5,073,706</u>
Operating expenses			
Administration	766,095	706,622	692,339
Wholesale energy cost	7,061,841	-	-
Generation	840,498	-	-
Treatment	-	1,986,475	1,240,784
Distribution and collection	1,887,009	443,066	383,561
Contractual services	-	-	-
Other supplies and expenses	-	-	-
Repairs and maintenance	-	-	-
Depreciation and amortization	1,361,919	716,308	1,557,622
Other	15,960	-	-
Total operating expenses	<u>11,933,322</u>	<u>3,852,471</u>	<u>3,874,306</u>
Operating income (loss)	<u>2,507,341</u>	<u>1,588,476</u>	<u>1,199,400</u>
Nonoperating revenues (expenses)			
Investment earnings	6,721	2,573	882
Interest expense	(44,605)	(168,759)	(664,978)
Other	(28,865)	(11,440)	(52,420)
Total nonoperating revenues (expenses)	<u>(66,749)</u>	<u>(177,626)</u>	<u>(716,516)</u>
Income (loss) before transfers and contributions	2,440,592	1,410,850	482,884
Capital contributions	5,000	85,000	40,000
Transfers in	-	-	200,000
Transfers out	(751,428)	(239,800)	(87,712)
Change in net position	1,694,164	1,256,050	635,172
Total net position, beginning of year	<u>34,555,620</u>	<u>17,889,659</u>	<u>16,214,980</u>
Total net position, end of year	<u>\$ 36,249,784</u>	<u>\$ 19,145,709</u>	<u>\$ 16,850,152</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
\$ 265,453	\$ 25,220,633	\$ 2,681,347
382,597	382,733	24,363
<u>648,050</u>	<u>25,603,366</u>	<u>2,705,710</u>
83,848	2,248,904	870,607
-	7,061,841	-
-	840,498	-
-	3,227,259	-
-	2,713,636	-
-	-	1,254,665
-	-	164,990
8,223	8,223	35,866
133,316	3,769,165	41,253
-	15,960	333,446
<u>225,387</u>	<u>19,885,486</u>	<u>2,700,827</u>
422,663	5,717,880	4,883
108	10,284	-
(7,790)	(886,132)	(4,430)
-	(92,725)	-
<u>(7,682)</u>	<u>(968,573)</u>	<u>(4,430)</u>
414,981	4,749,307	453
2,552,859	2,682,859	-
-	200,000	-
<u>-</u>	<u>(1,078,940)</u>	<u>-</u>
2,967,840	6,553,226	453
720,165	69,380,424	50,076
<u>\$ 3,688,005</u>	<u>75,933,650</u>	<u>\$ 50,529</u>
	6,553,226	
	246	
	<u>\$ 6,553,472</u>	

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, 2016

	Major Funds	
	Electric	Water
Cash flows from operating activities:		
Receipts from customers	\$ 14,194,486	\$ 5,387,737
Other	-	-
Payments to suppliers	(9,036,928)	(1,856,320)
Payments to employees	(1,378,881)	(737,621)
	3,778,677	2,793,796
Net cash provided by operating activities		
Cash flows from noncapital financing activities:		
Transfers from other funds	-	-
Transfers to other funds	(751,428)	(239,800)
	(751,428)	(239,800)
Net cash provided by (used in) noncapital financing activities		
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,227,000)	(271,595)
Principal paid on general obligation bonds	(954,316)	(1,050,000)
Principal paid on construction loan	-	-
Principal paid on capital lease	-	-
Interest paid on general obligation bonds, construction loan, and capital lease	(47,099)	(189,413)
Proceeds from general obligation bonds	855,000	-
Issuance costs and fees	(22,364)	-
	(1,395,779)	(1,511,008)
Net cash used in capital and related financing activities		
Cash flows from investing activities:		
Interest received	6,721	2,573
Net increase (decrease) in cash and cash equivalents	1,638,191	1,045,561
Cash and cash equivalents, beginning of year	7,671,872	2,140,858
Cash and cash equivalents, end of year	\$ 9,310,063	\$ 3,186,419

Wastewater	Nonmajor Funds Totals	Total	Internal Service Funds
\$ 5,019,588	\$ 631,721	\$ 25,233,532	\$ 2,683,570
-	-	-	24,363
(1,594,485)	(97,795)	(12,585,528)	(1,776,430)
(674,437)	(12,998)	(2,803,937)	(874,308)
2,750,666	520,928	9,844,067	57,195
200,000	-	200,000	-
(87,712)	-	(1,078,940)	-
112,288	-	(878,940)	-
(180,765)	(290,651)	(1,970,011)	-
(1,835,000)	(55,621)	(3,894,937)	-
(699,996)	-	(699,996)	-
-	-	-	(91,936)
(685,489)	(6,534)	(928,535)	(4,430)
-	-	855,000	-
-	-	(22,364)	-
(3,401,250)	(352,806)	(6,660,843)	(96,366)
882	108	10,284	-
(537,414)	168,230	2,314,568	(39,171)
942,557	5,490	10,760,777	490,133
\$ 405,143	\$ 173,720	\$ 13,075,345	\$ 450,962

See accompanying notes to the basic financial statements

CITY OF GARDNER, KANSAS

STATEMENT OF CASH FLOWS

(Continued)

PROPRIETARY FUNDS

Year Ended December 31, 2016

	Electric	Water
Cash consists of:		
Cash	\$ 9,089,572	\$ 3,128,909
Restricted deposits and investments	220,491	57,510
	9,310,063	3,186,419
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	2,507,341	1,588,476
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Items not requiring cash:		
Depreciation and amortization expense	1,361,919	716,308
Other postemployment benefit obligation	(775)	(6,854)
Loss (gain) on sale of asset	15,960	-
Pension expense	15,408	5,830
Changes in:		
Receivables	(223,318)	(65,596)
Inventories	113,071	8,455
Due from other funds	(7,959)	13,939
Accounts payable	22,024	540,999
Due to other funds	75	665
Accrued liabilities	(10,169)	(6,873)
Unearned revenue	-	-
Customer deposits	(14,900)	(1,553)
Net cash provided by operating activities	\$ 3,778,677	\$ 2,793,796

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.

Wastewater	Nonmajor Funds Totals	Total	Internal Service Funds
\$ 405,143	\$ 173,720	\$ 12,797,344	\$ 450,962
-	-	278,001	-
405,143	173,720	13,075,345	450,962
1,199,400	422,663	5,717,880	4,883
1,557,622	133,316	3,769,165	41,253
(671)	-	(8,300)	(2,651)
-	-	15,960	-
5,278	89	26,605	8,876
(54,360)	(16,329)	(359,603)	2,223
671	(15,329)	106,868	-
242	-	6,222	-
32,279	1,472	596,774	25,688
13,164	(5,490)	8,414	(1,706)
(2,959)	-	(20,001)	(21,371)
-	536	536	-
-	-	(16,453)	-
\$ 2,750,666	\$ 520,928	\$ 9,844,067	\$ 57,195

See accompanying notes to the basic financial statements

CITY OF GARDNER, KANSAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
December 31, 2016

	<u>Agency Funds</u>
Assets	
Deposits and investments	<u>\$ 56,640</u>
Liabilities	
Due to others	<u>\$ 56,640</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.

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.

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.

As a result, capital assets with a net book value of \$2,736,639, bonds payable of \$389,357 and premiums of \$11,918 were transferred from the general government to the Airport Fund. Capital assets of \$204,906 and inventory of \$12,588 were transferred from the Airport Association to the Airport Fund. The Airport Association contributed residual cash of \$181,837 to the Airport Fund.

A prior period adjustment was recorded in the Capital Projects Fund in the amount of \$394,291 to eliminate the receivable due from the Airport Association.

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 non-fiduciary 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 Finance Director. 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, pooled municipal investment pool, and treasury securities. The pooled municipal investment pool and treasury securities are recorded at fair value. The pool is not an SEC registered pool. The Pooled Money Investment Board (PMIB) provides the regulatory oversight for this pool. The reported value of the pool is the same as the fair value of the pool shares. 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.

For the year ended December 31, 2016, the City implemented GASB 72, Fair Value Measurement and Application, which establishes a framework for measuring fair value that requires or permits fair value measurement and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. There is a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The guidance requires three levels of fair value measurement based on the respective inputs.

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. See Note 3, Deposits and Investments for a detailed breakdown of the City's investments.

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, 2016:

Electric Fund	\$ 627,619
Water Fund	251,278
Wastewater Fund	224,422
Airport Fund	824

The property tax receivable allowance is equal to 7.8% of outstanding property taxes at December 31, 2016.

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), intangibles, vehicles 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 employees to accumulate up to one and one half times their annual vacation accrual at any time and can carry 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 accrues at the rate of 3.692 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.

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

For purposes of measuring the collective 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, 2016, 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.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

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.

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	\$	1,979,796
Debt service fund property taxes receivable		1,032,177
Debt service fund special assessments receivable		<u>15,061,062</u>
	\$	<u>18,073,035</u>

Net position

The government-wide statement of net position reports \$17,920,702 of restricted net position, of which \$187,339 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, 2016, 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. 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. 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 recognize revenue when the resources become applicable to the reporting period. The provisions of

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

this statement are effective for financial statement for the City's fiscal year ending December 31, 2017.

GASB Statement No. 83, Certain Asset Retirement Obligations, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability and a corresponding deferred outflow of resources for AROs when the liability is incurred and reasonably estimable. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for estimating the liability and the estimated remaining useful life of the associated tangible capital asset. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2019.

GASB Statement No. 84, Fiduciary Activities, improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when demands for resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2019.

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, and the law enforcement trust 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 to establish budgets for two new funds that were created in the City, after the 2016 budget was adopted. The Airport Fund budget amendment established a first year budget of \$786,800 where no previous budget existed. The Infrastructure Special Sales Tax Fund budget amendment established a first year budget of \$990,500 where no previous budget existed. The Airport Fund was created when the Airport Association was dissolved and the City took over the operations of the municipal airport. The Infrastructure Special Sales Tax Fund was created when the citizens approved a half-cent sales tax to fund improvements to streets and trails. Neither of the funds is considered a major fund for financial statement purposes.

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.

Fair Value Measurements

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

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3 - Deposits and Investments (Continued)

Deposits (Continued)

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

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

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

U.S. Treasury Securities - Bonds are valued at Level 2 using pricing models that maximize the use of observable inputs for similar securities.

At December 31, 2016, the City had the following investments:

Schedule of Investments at December 31, 2016					
	Interest Rates	Maturities	Par Value	Fair Value	Fair Value Hierarchy
City Investments:					
U.S. Treasury Securities - Bonds	0.47% - 1.04%	04/01/2017 - 10/01/2018	\$1,516,941	\$1,516,941	Level 2
Kansas Municipal Investment Pool	0.035% - 0.150%	On Demand	60,507	60,507	N/A
			<u>\$1,577,448</u>	<u>\$1,577,448</u>	

Investments

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 U.S. Treasury Securities – Bonds are rated AA+ by Standard and Poors and Aaa stable by Moody's.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3 - Deposits and Investments (Continued)

Investments (Continued)

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, 2016 the City was not exposed to custodial credit risk.

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

Reconciliation of Cash			
	Deposits Including Investments	Restricted Cash and Investments	Total
Government-type activities	\$ 7,471,840	\$ 1,615,846	\$ 9,087,686
Business-type activities	13,103,566	278,001	13,381,567
Agency funds	56,640	-	56,640
Total	\$ 20,632,046	\$ 1,893,847	\$ 22,525,893

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

Reconciliation of Deposits and Investments		
	Primary Government	Component Unit
Cash on hand	\$ 2,550	\$ -
Carrying amount of deposits	20,945,895	-
Carrying amount of investments	1,577,448	-
Total deposits and investments	\$ 22,525,893	\$ -
Deposits including investments	\$ 20,632,046	\$ -
Restricted cash and investments	1,893,847	-
Total deposits and investments	\$ 22,525,893	\$ -

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2016 was as follows:

	December 31,				December 31,
	2015	Increases	Decreases	Transfers	2016
Governmental activities:					
Capital assets, not being depreciated					
Land	\$ 5,056,725	\$ 678,000	\$ -	\$ (954,573)	\$ 4,780,152
Construction in progress	368,241	438,120	-	(385,345)	421,016
Total capital assets, not being depreciated	5,424,966	1,116,120	-	(1,339,918)	5,201,168
Capital assets, being depreciated					
Buildings	6,449,528	74,928	-	(1,546,603)	4,977,853
Improvements other than buildings	2,804,406	-	-	(91,697)	2,712,709
Infrastructure	65,152,581	1,276,644	(631)	(1,227,667)	65,200,927
Machinery and Equipment	2,120,082	12,503	(153,397)	46,046	2,025,234
Vehicles	1,247,488	397,458	(211,596)	-	1,433,350
Total capital assets being depreciated	77,774,085	1,761,533	(365,624)	(2,819,921)	76,350,073
Less accumulated depreciation for:					
Buildings	(2,663,287)	(124,500)	-	750,486	(2,037,301)
Improvements other than buildings	(1,570,059)	(115,013)	-	16,661	(1,668,411)
Infrastructure	(20,731,076)	(1,927,152)	631	328,755	(22,328,842)
Machinery and Equipment	(1,540,660)	(102,553)	148,332	(23,166)	(1,518,047)
Vehicles	(927,251)	(91,216)	134,598	-	(883,869)
Total accumulated depreciation	(27,432,333)	(2,360,434)	283,561	1,072,736	(28,436,470)
Total capital assets, being depreciated, net	50,341,752	(598,901)	(82,063)	(1,747,185)	47,913,603
Governmental activities capital assets, net	\$ 55,766,718	\$ 517,219	\$ (82,063)	\$ (3,087,103)	\$ 53,114,771

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - Capital Assets (Continued)

	December 31,				December 31,
	2015	Increases	Decreases	Transfers	2016
Business-type activities:					
Capital assets, not being depreciated					
Land	\$ 2,354,720	\$ -	\$ -	\$ 954,573	\$ 3,309,293
Construction in progress	1,061,421	1,853,460	-	(14,633)	2,900,248
Total capital assets, not being depreciated	<u>3,416,141</u>	<u>1,853,460</u>	<u>-</u>	<u>939,940</u>	<u>6,209,541</u>
Capital assets, being depreciated					
Buildings	867,093	198,760	-	1,546,603	2,612,456
Intangibles	7,757,443	-	-	-	7,757,443
Improvements other than buildings	10,904,012	38,850	-	91,697	11,034,559
Infrastructure	114,332,159	282,741	-	1,227,667	115,842,567
Machinery and equipment	1,395,913	142,532	(226,208)	(46,046)	1,266,191
Vehicles	1,165,912	-	(16,731)	-	1,149,181
Total capital assets being depreciated	<u>136,422,532</u>	<u>662,883</u>	<u>(242,939)</u>	<u>2,819,921</u>	<u>139,662,397</u>
Less accumulated depreciation for:					
Buildings	(125,049)	(83,024)	-	(806,966)	(1,015,039)
Intangibles	(622,402)	(327,547)	-	-	(949,949)
Improvements other than buildings	(5,229,006)	(373,502)	-	(38,030)	(5,640,538)
Infrastructure	(44,396,598)	(3,061,567)	-	(409,720)	(47,867,885)
Machinery and equipment	(819,118)	(103,323)	210,248	9,776	(702,417)
Vehicles	(939,182)	(67,026)	16,731	-	(989,477)
Total accumulated depreciation	<u>(52,131,355)</u>	<u>(4,015,989)</u>	<u>226,979</u>	<u>(1,244,940)</u>	<u>(57,165,305)</u>
Total capital assets being depreciated, net	<u>84,291,177</u>	<u>(3,353,106)</u>	<u>(15,960)</u>	<u>1,574,981</u>	<u>82,497,092</u>
Business-type activities capital assets, net	<u>\$ 87,707,318</u>	<u>\$ (1,499,646)</u>	<u>\$ (15,960)</u>	<u>\$ 2,514,921</u>	<u>\$ 88,706,633</u>

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

Governmental activities	
General Government	\$ 156,818
Public Safety	83,211
Public Works	1,792,062
Culture and Recreation	328,343
Total depreciation expense for governmental activities	<u>\$ 2,360,434</u>

Business-type activities	
Electric	\$ 1,403,796
Water	786,661
Wastewater	1,689,841
Stormwater	28,298
Airport	106,342
Internal Service Fund - Business Type Activity	1,051
Total depreciation expense for business-type activities	<u>\$ 4,015,989</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5 - Capital Leases

The City has entered into various leases for land and equipment, which have bargain purchase options and have been classified in the financial statements as capital assets.

In December 2016 the City entered into a \$678,000 Lease Purchase Agreement, Series 2016C, to fund the purchase of land for a future City facility, the specific uses of which are to be determined. Rental payments begin in April 2017 and thereafter on a semi-annual basis until maturity in 2026.

The following table details property under capital leases by major classification at December 31, 2016.

Assets Under Capital Lease

	Governmental Activities
Machinery and equipment	\$ 387,634
Land	678,000
Less accumulated depreciation	(92,304)
Total	\$ 973,330

The future minimum lease obligations and the net present value of these lease payments as of December 31, 2016 were as follows:

Future Minimum Lease Payments	
Year Ending December 31:	Governmental Activities
2017	193,054
2018	75,008
2019	74,620
2020	75,797
2021	75,011
2022-2026	376,925
Total minimum lease payments	870,415
Less amounts representing interest	(78,300)
Present value of minimum lease payments	\$ 792,115

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)

6 - 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)

6 - 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 1.0% contribution rate for the Death and Disability Program) and the statutory contribution rate was 9.18% for KPERS and 20.42% for KP&F for the fiscal year ended December 31, 2016.

Contributions to the pension plan from the City were \$575,228 for KPERS and \$406,278 for KP&F for the year ended December 31, 2016.

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)

6 - 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, 2016, the City reported a liability of \$5,347,762 for KPERS and \$3,600,172 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, 2016, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. 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, 2016. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2016, the City's proportion and change from its proportion measured as of June 30, 2015 were as follows:

	Governmental Activities	Business-Type Activities	Total net pension liability as of December 31, 2016	Proportion as of June 30, 2016	Change in proportion from June 30, 2015
KPERS (local)	\$ 3,274,800	\$ 2,072,962	\$ 5,347,762	0.345680%	0.049102%
KP&F	3,600,172	-	3,600,172	0.387631%	0.053266%
Total	<u>\$ 6,874,972</u>	<u>\$ 2,072,962</u>	<u>\$ 8,947,934</u>		

For the year ended December 31, 2016, the City recognized pension expense of \$657,684 for KPERS and \$531,437 for KP&F. At December 31, 2016, 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	\$ 209,227	\$ 11,825	\$ 95,894	\$ 37,781
Net difference between projected and actual earnings on pension plan investments	862,447	240,659	(1,386)	1,387
Changes in proportionate share	887,255	293,654	30,200	19,519
Changes in assumptions	-	-	52,664	19,556
City contributions subsequent to measurement date	384,828	112,182	-	-
Total	<u>\$ 2,343,757</u>	<u>\$ 658,320</u>	<u>\$ 177,372</u>	<u>\$ 78,243</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plans (Continued)

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

The \$497,010 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, 2017. 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:

	Deferred Outflows (Inflows) of Resources	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Year ended December 31:		
2017	\$ 341,662	\$ 87,222
2018	341,662	87,222
2019	587,283	156,713
2020	404,904	109,056
2021	106,046	27,682
	<u>\$ 1,781,557</u>	<u>\$ 467,895</u>

Actuarial assumptions

The total pension liability for KPERS in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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, 2015 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)

6 - 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, 2016 are summarized in the following table:

Asset class	Long-term target allocation	Long-term expected real rate of return
Global Equity	47.00 %	6.80 %
Fixed Income	13.00	1.25
Yield driven	8.00	6.55
Real return	11.00	1.71
Real estate	11.00	5.05
Alternatives	8.00	9.85
Short-term investments	2.00	(0.25)
Total	100.00 %	

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)

6 - 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	\$ 7,329,986	\$ 5,347,762	\$ 3,667,008
City's KP&F proportionate share of the net pension liability	4,938,704	3,600,172	2,469,274
	<u>\$ 12,268,690</u>	<u>\$ 8,947,934</u>	<u>\$ 6,136,282</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.

7 - Deferred Compensation Plan

The City offers 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 2016, the City's contributions were \$45,094.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - 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 2016, plan members receiving benefits contributed \$19,136 to the plan and the City contributed \$8,000 to the plan.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - 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	\$ 40,927
Interest on net OPEB obligation	12,950
Adjustment to annual required contribution	<u>(17,540)</u>
Annual OPEB cost (expense)	36,337
Contributions made	<u>(8,000)</u>
Increase in net OPEB obligation	28,337
Net OPEB obligation, January 1, 2016	<u>299,051</u>
Net OPEB obligation, December 31, 2016	<u>\$ 327,388</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2015 and 2016 are as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2014	\$38,260	7.84%	\$266,790
12/31/2015	38,261	15.68%	299,051
12/31/2016	36,337	22.01%	327,388

Funded Status and Funding Progress. As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$239,917. 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 \$239,917. The covered payroll (annual payroll of active employees covered by the plan) was \$6,713,194 and the ratio of the UAAL to the covered payroll was 3.6% 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)

8 - 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, 2015 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 5.25% to 7.00% in the first six years and an ultimate rate of 5.00% after six years. 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.

9 - 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 (Midwest Public Risk), 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)

10 - Capital Projects

The City is currently improving its water, wastewater 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, 2016 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	\$ 2,929,662	\$ 794,362
Electric Improvements	3,138,560	2,288,423
Water Improvements	1,079,026	271,597
Wastewater Improvements	251,681	51,623
Airport Improvements	357,646	315,240
Total	<u>\$ 7,756,575</u>	<u>\$ 3,721,245</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Debt

A. Governmental Activities Long-Term Debt

1. Changes in Governmental Activities Debt

The following table summarizes the changes in governmental activities long-term debt of the City for the year ended December 31, 2016.

Summary of Governmental Activities Debt for the year ended December 31, 2016						
	Outstanding January 1,	Reclass	Additions	Reductions	Outstanding December 31	Due Within One Year
Governmental activities:						
Bonds:						
General obligation	\$ 9,310,684	\$ (389,357)	\$ 1,380,000	\$ 1,085,063	\$ 9,216,264	\$ 780,094
Plus: issuance premium	332,742	-	124,700	112,190	345,252	-
Special assessment debt with government commitment	12,215,000	-	1,490,000	900,000	12,805,000	947,500
Construction loans payable	244,290	-	-	176,681	67,609	67,609
Certificates of participation	475,000	-	-	475,000	-	-
PBC lease revenue bonds	2,330,000	-	-	315,000	2,015,000	345,000
Capital lease obligations	226,113	-	678,000	111,998	792,115	181,115
Pension Liability	4,802,857	-	2,072,115	-	6,874,972	-
Compensated absences	267,844	-	319,538	281,826	305,556	305,556
Other postemployment benefit obligation	196,233	-	48,558	8,000	236,791	-
Total	<u>\$ 30,400,763</u>	<u>\$ (389,357)</u>	<u>\$ 6,112,911</u>	<u>\$ 3,465,758</u>	<u>\$ 32,658,559</u>	<u>\$ 2,626,874</u>

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.

2. Governmental Activities General Obligation Bonds

General obligation bonds payable at December 31, 2016 are comprised of the following issues:

Outstanding Governmental Activities General Obligation Bonds as of December 31, 2016				
	Original Issue Amount	Current Bonds Outstanding	Interest Rates	Original Term in Years
2008B	\$ 435,000	\$ 100,000	3.125-4.000%	10
2010A	2,770,000	2,090,000	2.000-3.600%	20
2013A	3,138,250	231,264	2.000-2.250%	10
2014A	1,975,000	1,775,000	2.000-3.125%	15
2014B	4,140,000	3,640,000	2.000-3.000%	15
2016A	1,380,000	1,380,000	3.00%	12
Total	<u>\$ 13,838,250</u>	<u>\$ 9,216,264</u>		

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Debt (Continued)

Governmental Activities General Obligation Bonds (Continued)

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects.

In December 2016, the City issued Series 2016A General Obligation Refunding and Improvement Bonds in the amount \$2,870,000. Of that, \$1,380,000 was issued to finance various street improvements within the City and \$1,490,000 was issued to effect a partial net cash advance refunding of the City’s existing Series 2008B Bonds (special assessments). The refunding will realize a net savings of \$81,968 equal to 4.97% of the refunded debt service.

The refunding of the Series 2008B is considered a partial net cash advance refunding, as the new 2016A bonds were issued more than 90 days prior to the call date of the Series 2008B bonds. A portion of the 2016A bond proceeds are being held in an escrow account to make interest payments due on the Series 2008B Bonds through October 1, 2018 (the “Call Date”). The escrow account will also pay the 2019 through 2028 maturities on the call date.

The future annual requirements for general obligation bonds outstanding as of December 31, 2016 are as follows:

Debt Service Requirements Governmental Activities for General Obligation Bonds			
	Principal	Interest	Total
2017	\$ 780,094	\$ 240,858	\$ 1,020,952
2018	782,683	231,900	1,014,583
2019	743,487	213,372	956,859
2020	690,000	194,282	884,282
2021	702,500	177,832	880,332
2022-2026	3,517,500	614,929	4,132,429
2027-2031	2,000,000	141,634	2,141,634
Total	\$ 9,216,264	\$ 1,814,807	\$ 11,031,071

3. Governmental Activities 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. As aforementioned, the City issued 2016A which included \$1,490,000 related to special assessment debt. Special assessment bonds at December 31, 2016 are comprised of the following issues:

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Debt (Continued)

Governmental Activities Special Assessment Bonds (Continued)

Outstanding Governmental Activities Special Assessment Bonds as of December 31, 2016				
	Original Issue Amount	Current Bonds Outstanding	Interest Rates	Original Term in Years
2003C	\$ 270,000	\$ 40,000	1.500%-4.400%	15
2008B	3,215,000	1,835,000	3.125%-4.500%	20
2009A	5,437,972	3,220,000	2.000%-4.000%	15
2011A	1,325,000	1,055,000	0.500%-4.000%	20
2012A	3,995,000	3,390,000	1.000%-3.000%	20
2014A	1,975,000	1,775,000	2.000%-3.125%	15
2016A	1,490,000	1,490,000	3.000%	12
	\$ 17,707,972	\$ 12,805,000		

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

Debt Service Requirements Governmental Activities for Special Assessment Bonds			
	Principal	Interest	Total
2017	\$ 947,500	\$ 390,739	\$ 1,338,239
2018	965,000	374,503	1,339,503
2019	992,500	346,459	1,338,959
2020	1,010,000	316,898	1,326,898
2021	1,057,500	285,588	1,343,088
2022-2026	4,842,500	899,421	5,741,921
2027-2031	2,725,000	256,395	2,981,395
2032-2036	265,000	7,950	272,950
Total	\$ 12,805,000	\$ 2,877,953	\$ 15,682,953

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Debt (Continued)

4. Construction Loans Payable

Construction loans payable at December 31, 2016 are comprised of the following:

Outstanding Governmental Activities Construction Loans as of December 31, 2016				
	Original Issue Amount	Current Loans Outstanding	Interest Rates	Original Term in Years
KDOT TR-0046 (Moonlight - Lincoln Lane)	1,533,638	67,609	3.37%	10

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

Debt Service Requirements Governmental Activities for Construction Loans			
	Principal	Interest	Total
2017	\$ 67,609	\$ 2,278	\$ 69,887

5. PBC Lease Revenue Bonds

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.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Debt (Continued)

PBC Lease Revenue Bonds (Continued)

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

Debt Service Requirements Governmental Activities for PBC lease revenue bonds			
	Principal	Interest	Total
Primary Government			
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
Total	\$ 2,015,000	\$ 132,880	\$ 2,147,880

B. Business-Type Activities Debt

1. Changes in Business-Type Activities Debt

The following table summarizes the changes in business-type activities long-term debt of the City for the year ended December 31, 2016.

Summary of Business-Type Activities Debt for the year ended December 31, 2016						
	Outstanding January 1,	Reclass	Additions	Reductions	Outstanding December 31	Due Within One Year
Business-type activities:						
General obligation bonds	\$ 18,049,316	\$ 389,357	\$ 855,000	\$ 3,894,937	\$ 15,398,736	\$ 3,167,406
Issuance premiums	1,108,699	-	6,501	255,424	859,776	-
Construction loans payable	11,590,158	-	-	699,996	10,890,162	569,016
Compensated absences	99,084	-	150,025	115,736	133,373	133,373
Pension Liability	1,519,220	-	553,742	-	2,072,962	-
Other postemployment benefit obligation	102,818	-	-	12,221	90,597	-
Total	\$ 32,469,295	\$ 389,357	\$ 1,565,268	\$ 4,978,314	\$ 29,445,606	\$ 3,869,795
Component unit:						
Loan payable to primary government	\$ 394,291	\$ -	\$ -	\$ 394,291	\$ -	\$ -

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Debt (Continued)

2. Business-Type Activities General Obligation Bonds

In December 2016, the City issued \$855,000 in general obligation bonds (Taxable Under Federal Law), Series 2016B to provide financing for certain utility improvements. These bonds mature in 2026 and have interest rates ranging from 2.0% to 3.25%.

General obligation bonds payable at December 31, 2016 are comprised of the following issues:

Outstanding Business-Type Activities General Obligation Bonds as of December 31, 2016					
	Original Issue Amount	Current Bonds Outstanding	Interest Rates	Original Term in Years	
2008A	\$ 3,080,000	\$ 715,000	3.000%-3.650%	20	
2008B	6,250,000	1,415,000	1.500%-4.400%	20	
2009A	2,267,028	740,000	2.000%-3.700%	10	
2012C	11,745,000	6,905,000	2.000%-4.000%	20	
2013A	4,246,816	293,736	2.000%	20	
2014A	945,000	850,000	2.000%-3.125%	11	
2015A	3,945,000	3,625,000	3.000%	10	
2016B	855,000	855,000	2.000%-3.250%	10	
Total	\$ 33,333,844	\$ 15,398,736			

The future annual requirements for general obligation bonds outstanding as of December 31, 2016 are as follows:

Debt Service Requirements for Business-Type Activities General Obligation Bonds				
	Principal	Interest	Total	
2017	\$ 3,167,406	\$ 522,586	\$ 3,689,992	
2018	3,192,317	425,501	3,617,818	
2019	2,164,013	307,803	2,471,816	
2020	1,980,000	231,757	2,211,757	
2021	2,055,000	159,557	2,214,557	
2022-2026	2,620,000	240,123	2,860,123	
2027-2031	220,000	13,632	233,632	
Total	\$ 15,398,736	\$ 1,900,959	\$ 17,299,695	

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Debt (Continued)

3. Construction Loans Payable

Construction loans payable at December 31, 2016 are comprised of the following:

Outstanding Business-Type Activities Loans as of December 31, 2016				
	Original Issue Amount	Current Bonds Outstanding	Interest Rate	Original Term in Years
Kansas Water Pollution Control Loan # C20 1721 01	\$ 3,483,009	\$ 1,762,278	2.40%	20
Kansas Water Pollution Control Loan # C20 1956 01	10,167,808	9,127,884	2.05%	20
Total	\$ 13,650,817	\$ 10,890,162		

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

Debt Service Requirements for Business-Type Activities Loans			
	Principal	Interest	Total
2017	\$ 569,016	\$ 226,396	\$ 795,412
2018	582,673	214,168	796,841
2019	596,661	201,646	798,307
2020	610,986	188,821	799,807
2021	625,655	175,689	801,344
2022-2026	3,361,014	670,078	4,031,092
2027-2031	3,006,268	322,862	3,329,130
2032 thereafter	1,537,889	47,650	1,585,539
Total	\$ 10,890,162	\$ 2,047,310	\$ 12,937,472

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - 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, 2016, the special assessment taxes levied are a lien on the property and are recorded as a special assessment receivable in the debt service fund with a corresponding amount recorded as deferred inflows of resources. Special assessments receivable at December 31, 2016 was \$15,061,062.

13 - Interfund Transactions

Interfund transfers for the year ended December 31, 2016 consisted of the following:

Fund	Transfers In	Transfers Out
Major funds:		
General Fund	\$ 729,500	\$ 171,600
Debt Service Fund	263,442	-
Capital Projects Fund	196,171	3,742
Electric Fund	-	751,428
Water Fund	-	239,800
Wastewater Fund	200,000	87,712
Non-major governmental funds	525,000	659,831
 Total transfers	 \$ 1,914,113	 \$ 1,914,113

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)

13 - 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	\$ 14,575
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Amounts owed from the general fund to:

Electric fund	\$ 1,422
Water	81
Wastewater	106
	<u>\$ 1,609</u>

Amounts owed from the internal service funds to:

Electric fund	\$ 2,964
Water fund	56
Wastewater fund	75
	<u>\$ 3,095</u>

Amounts owed from the electric fund to:

Water fund	\$ 12
Wastewater	63
	<u>\$ 75</u>

Amounts owed from the water fund to:

Electric fund	\$ 1,720
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Amounts owed from the wastewater fund to:

Electric fund	\$ 13,496
Water fund	679
	<u>\$ 14,175</u>

Amounts owed from the stormwater funds to:

General fund	\$ 644
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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.

14 - 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.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

14 - Commitments and Contingencies (Continued)

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, 2016, industrial revenue bonds of \$46,950,4311 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, 2016, the City's recorded encumbrances in governmental funds were as follows:

General	\$	22,221
Capital Projects		8,074
Nonmajor funds		10,008
	\$	<u>40,303</u>

15 – Tax Abatements

The City enters into property tax abatement agreements with local businesses pursuant to the provisions of Section 13 of Article 11 of the Kansas Constitution and K.S.A. 12-1740 et seq and 79-201a. Under this section of the Kansas Constitution, the governing body of any city may by resolution or ordinance, as the case requires, exempt from all ad valorem taxation all or any portion of the appraised valuation of buildings, land and tangible personal property, for economic development purposes. Such exemption shall be in effect not more than 10 years.

Resolution No. 1737 was passed by the City on November 19, 2007 and took effect January 1, 2008. The resolution established a policy relating to property tax abatements for new and existing businesses. The resolution recognized that it was essential to stimulate the economic growth and development of existing and new industry and businesses for the benefit of Gardner.

For the fiscal year ended December 31, 2016, the City abated property taxes totaling \$1,738,250 (for all taxing jurisdictions) under this program, including the following tax abatement agreement that is the sole property tax abatement currently in effect for the City:

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

15 – Tax Abatements (Continued)

- A 100-percent property tax abatement to a commercial distribution center, granted by the Kansas Board of Tax Appeals pursuant to K.S.A. 79-201a *Second* (Industrial Revenue Bond-Funded Property). In connection with the issuance of the industrial revenue bonds, the City and the Tenant also entered into a Payment in Lieu of Tax Agreement that provided for a payment in lieu of taxes in an amount equal to 50% of the amount of general ad valorem real and personal property taxes for such Tax Abated Project, to be distributed as and/or as a part of the general ad valorem tax collections for all taxing subdivisions in which the Facility is located.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GARDNER, KANSAS

**KPERS and KPF Defined Benefit Pension Plans
Schedule of City's Proportionate Share of the Net Pension Liability**

Last Four Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability (asset):				
KPERS (local group)	0.345680%	0.296578%	0.301717%	0.275540%
KP&F (police & firemen)	0.387631%	0.334365%	0.332422%	0.313729%
City's proportionate share of the net pension liability (asset)	\$ 8,947,934	\$ 6,322,077	\$ 5,893,730	\$ 6,744,453
City's covered payroll ^	\$ 7,675,340	\$ 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	116.58%	98.31%	95.93%	115.59%
Plan fiduciary net position as a percentage of the total pension liability	65.10%	64.95%	66.60%	59.94%

* GASB 68 requires presentation of ten years. As of December 31, 2016, only four 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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 981,506	\$ 871,712	\$ 738,362	\$ 610,709	\$ 551,764	\$ 463,747
Contributions in relation to the contractually required contribution	(981,506)	(871,712)	(738,362)	(610,709)	(551,764)	(463,747)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll ^	\$ 8,424,022	\$ 7,000,963	\$ 6,412,857	\$ 6,005,230	\$ 5,775,547	\$ 5,323,585
Contributions as a percentage of covered-employee payroll	11.651275%	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*	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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%
7/1/2015	-	239,917	239,917	0.0%	6,713,194	3.6%

*Annualized pay of active employees as of the valuation date.

Note 1 - Significant Factors Affecting Trends in Actuarial Information

Changes in Actuarial Liability for the valuation completed at July 1, 2015 are primarily due to:

- Retirement, Turnover and Disability assumptions were updated to reflect the latest statistics from KPERS and KP&F.
- The assumed healthy mortality was updated to reflect the Society of Actuaries Adjusted RPH-2014 Total Dataset Mortality table with MP-2015 full generational improvement. Disabled life mortality was updated in a similar fashion.
- Per capita retiree costs, trend rates and retiree contribution premiums were updated as part of the ongoing valuation analysis.
- Projected per capita retiree costs based on MPR and industry data, and retiree plan premiums, both increased less than expected.
- The assumed proportion of future participating retirees with a covered spouse was lowered from 30% to 25%.
- Considering MPR experience and experience of other plans in the region with similar cost sharing features, the assumed proportion of future employees electing retiree insurance coverage was lowered from 35% (retirement ages < 55), 45% (retirement ages 55 to 59) and 55% (retirement ages 60 to 64) to 30%, 40% and 50%, respectively.

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 175th 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.

Infrastructure Special Sales Tax Fund – This fund is used to account for the sales tax revenues that are restricted to expenditures relating to the rehabilitation of streets and pedestrian trails and bridges.

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.

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, including the payment of debt service on these projects.

CITY OF GARDNER, KANSAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2016

	Special Revenue					Total Special Revenue
	Economic Development Reserve	E. Santa Fe TIF District	Law Enforcement Trust	Special Alcohol/ Drug Program	Special Parks and Recreation	
Assets						
Deposits and investments	\$ 78,355	\$ -	\$ 7,781	\$ 17,174	\$ 13,993	\$ 117,303
Receivables:						
Taxes	16,974	-	-	-	-	16,974
Intergovernmental	-	-	-	-	-	-
Restricted deposits and investments	-	-	-	-	-	-
Total assets	\$ 95,329	\$ -	\$ 7,781	\$ 17,174	\$ 13,993	\$ 134,277
Liabilities						
Accounts payable	350	-	-	-	-	350
Due to other funds	-	-	-	-	-	-
Total liabilities	350	-	-	-	-	350
Fund Balances (Deficits)						
Restricted						
Capital projects	-	-	-	-	-	-
Street improvements	-	-	-	-	-	-
Economic development	94,979	-	-	-	-	94,979
Other	-	-	7,781	17,174	13,993	38,948
Total fund balances	94,979	-	7,781	17,174	13,993	133,927
Total liabilities and fund balances	\$ 95,329	\$ -	\$ 7,781	\$ 17,174	\$ 13,993	\$ 134,277

(Continued)

CITY OF GARDNER, KANSAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
December 31, 2016

	Capital Projects				Total Capital Projects	Debt Service	Total Nonmajor Governmental Funds
	Park Improvement	Infrastructure Special Sales Tax	Special Highway	Street Improvement		Park Sales Tax	
Assets							
Deposits and investments	\$ -	\$ 465,103	\$ 595,084	\$ 187,339	\$ 1,247,526	\$ 3,222	\$ 1,368,051
Receivables:							
Taxes	-	189,065	-	-	189,065	-	206,039
Intergovernmental	72,926	-	140,865	-	213,791	-	213,791
Restricted deposits and investments	-	60,507	-	-	60,507	-	60,507
Total assets	\$ 72,926	\$ 714,675	\$ 735,949	\$ 187,339	\$ 1,710,889	\$ 3,222	\$ 1,848,388
Liabilities							
Accounts payable	-	19,476	-	-	19,476	-	19,826
Due to other funds	14,575	-	-	-	14,575	-	14,575
Total liabilities	14,575	19,476	-	-	34,051	-	34,401
Fund Balances (Deficits)							
Restricted							
Capital projects	58,351	695,199	735,949	-	1,489,499	3,222	1,492,721
Street improvements	-	-	-	187,339	187,339	-	187,339
Economic development	-	-	-	-	-	-	94,979
Other	-	-	-	-	-	-	38,948
Total fund balances	58,351	695,199	735,949	187,339	1,676,838	3,222	1,813,987
Total liabilities and fund balances	\$ 72,926	\$ 714,675	\$ 735,949	\$ 187,339	\$ 1,710,889	\$ 3,222	\$ 1,848,388

CITY OF GARDNER, KANSAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2016

	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	\$ -	\$ 108,926	\$ -	\$ -	\$ -	\$ 108,926
Sales tax	-	-	-	-	-	-
Transient guest tax	74,272	-	-	-	-	74,272
Intergovernmental	-	-	5,730	35,579	35,579	76,888
Fines and Fees	-	-	-	-	-	-
Investment earnings	70	49	5	4	3	131
Total revenues	<u>74,342</u>	<u>108,975</u>	<u>5,735</u>	<u>35,583</u>	<u>35,582</u>	<u>260,217</u>
Expenditures						
Current:						
General government	57,927	217,385	-	32,000	-	307,312
Capital outlay	-	-	12,500	-	-	12,500
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Other	-	-	2,326	-	-	2,326
Total expenditures	<u>57,927</u>	<u>217,385</u>	<u>14,826</u>	<u>32,000</u>	<u>-</u>	<u>322,138</u>
Excess of revenues over (under) expenditures	<u>16,415</u>	<u>(108,410)</u>	<u>(9,091)</u>	<u>3,583</u>	<u>35,582</u>	<u>(61,921)</u>
Other financing sources (uses)						
General obligation bonds issued	-	-	-	-	-	-
Issuance Premium	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	(2,500)	-	-	(30,000)	(32,500)
Total other financing sources (uses)	<u>-</u>	<u>(2,500)</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>(32,500)</u>
Net change in fund balances	<u>16,415</u>	<u>(110,910)</u>	<u>(9,091)</u>	<u>3,583</u>	<u>5,582</u>	<u>(94,421)</u>
Fund balances, beginning 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>
Fund balances, end of year	<u>\$ 94,979</u>	<u>\$ -</u>	<u>\$ 7,781</u>	<u>\$ 17,174</u>	<u>\$ 13,993</u>	<u>\$ 133,927</u>

(Continued)

CITY OF GARDNER, KANSAS

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2016

	Capital Projects				Total Capital Projects	Debt	Total
	Park Improvement	Infrastructure Sales Tax	Special Highway	Street Improvement		Service Park Sales Tax	Nonmajor Governmental Funds
Revenues							
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,926
Sales tax	-	1,098,538	-	-	1,098,538	-	1,098,538
Transient guest tax	-	-	-	-	-	-	74,272
Intergovernmental	388,199	-	562,982	71,264	1,022,445	-	1,099,333
Fines and Fees	78,986	-	-	-	78,986	-	78,986
Investment earnings	-	122	491	164	777	56	964
Total revenues	<u>467,185</u>	<u>1,098,660</u>	<u>563,473</u>	<u>71,428</u>	<u>2,200,746</u>	<u>56</u>	<u>2,461,019</u>
Expenditures							
Current:							
General government	-	772,360	-	-	772,360	-	1,079,672
Capital outlay	-	1,036,353	19,121	-	1,055,474	-	1,067,974
Debt service:							
Principal	-	-	216,681	-	216,681	475,000	691,681
Interest and fiscal charges	-	-	24,295	-	24,295	19,000	43,295
Other	-	35,309	611	-	35,920	1,540	39,786
Total expenditures	<u>-</u>	<u>1,844,022</u>	<u>260,708</u>	<u>-</u>	<u>2,104,730</u>	<u>495,540</u>	<u>2,922,408</u>
Excess of revenues over (under) expenditures	<u>467,185</u>	<u>(745,362)</u>	<u>302,765</u>	<u>71,428</u>	<u>96,016</u>	<u>(495,484)</u>	<u>(461,389)</u>
Other financing sources (uses)							
General obligation bonds issued	-	1,380,000	-	-	1,380,000	-	1,380,000
Issuance Premium	-	60,561	-	-	60,561	-	60,561
Transfers in	-	-	-	-	-	525,000	525,000
Transfers out	(495,000)	-	(25,831)	(25,800)	(546,631)	(80,700)	(659,831)
Total other financing sources (uses)	<u>(495,000)</u>	<u>1,440,561</u>	<u>(25,831)</u>	<u>(25,800)</u>	<u>893,930</u>	<u>444,300</u>	<u>1,305,730</u>
Net change in fund balances	<u>(27,815)</u>	<u>695,199</u>	<u>276,934</u>	<u>45,628</u>	<u>989,946</u>	<u>(51,184)</u>	<u>844,341</u>
Fund balances, beginning of year	<u>86,166</u>	<u>-</u>	<u>459,015</u>	<u>141,711</u>	<u>686,892</u>	<u>54,406</u>	<u>969,646</u>
Fund balances, end of year	<u>\$ 58,351</u>	<u>\$ 695,199</u>	<u>\$ 735,949</u>	<u>\$ 187,339</u>	<u>\$ 1,676,838</u>	<u>\$ 3,222</u>	<u>\$ 1,813,987</u>

CITY OF GARDNER, KANSAS

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

SPECIAL BENEFIT FEE

Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
Revenues				
Investment earnings	\$ -	\$ -	\$ 3	\$ 3
Total revenues	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
Expenditures				
Project reserve	23	23	-	23
Total expenditures	<u>23</u>	<u>23</u>	<u>-</u>	<u>23</u>
Revenues over (under) expenditures	(23)	(23)	3	26
Other financing sources (uses)				
Transfers out	(37,600)	(37,600)	(37,565)	35
Total other financing sources (uses)	<u>(37,600)</u>	<u>(37,600)</u>	<u>(37,565)</u>	<u>35</u>
Net change in fund balance	(37,623)	(37,623)	(37,562)	61
Fund balances, beginning of year	37,623	37,623	37,562	(61)
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
Revenues				
Transient guest tax	\$ 49,400	\$ 49,400	\$ 74,272	\$ 24,872
Investment earnings	100	100	70	(30)
Total revenues	<u>49,500</u>	<u>49,500</u>	<u>74,342</u>	<u>24,842</u>
Expenditures				
Project reserve	22,905	22,905	-	22,905
Contractual services	<u>68,500</u>	<u>68,500</u>	<u>57,927</u>	<u>10,573</u>
Total expenditures	<u>91,405</u>	<u>91,405</u>	<u>57,927</u>	<u>33,478</u>
Revenues over (under) expenditures	(41,905)	(41,905)	16,415	58,320
Net change in fund balance	(41,905)	(41,905)	16,415	58,320
Fund balances, beginning of year	41,905	41,905	78,564	36,659
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,979</u>	<u>\$ 94,979</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, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 296,800	\$ 296,800	\$ 108,926	\$ (187,874)
Investment earnings	100	100	49	(51)
Total revenues	<u>296,900</u>	<u>296,900</u>	<u>108,975</u>	<u>(187,925)</u>
Expenditures				
Contractual services	400,014	400,014	217,385	182,629
Total expenditures	<u>400,014</u>	<u>400,014</u>	<u>217,385</u>	<u>182,629</u>
Revenues over (under) expenditures	(103,114)	(103,114)	(108,410)	(5,296)
Other financing sources (uses)				
Transfers out	(5,000)	(5,000)	(2,500)	2,500
Total other financing sources (uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>(2,500)</u>	<u>2,500</u>
Net change in fund balance	(108,114)	(108,114)	(110,910)	(2,796)
Fund balances, beginning of year	108,114	108,114	110,910	2,796
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental	\$ 400,400	\$ 400,400	\$ 388,199	\$ (12,201)
Park impact fees	<u>69,300</u>	<u>69,300</u>	<u>78,986</u>	<u>9,686</u>
Total revenues	<u>469,700</u>	<u>469,700</u>	<u>467,185</u>	<u>(2,515)</u>
Expenditures				
Project reserve	<u>62,761</u>	<u>62,761</u>	-	<u>62,761</u>
Total expenditures	<u>62,761</u>	<u>62,761</u>	<u>-</u>	<u>62,761</u>
Revenues over (under) expenditures	406,939	406,939	467,185	60,246
Other financing sources (uses)				
Transfers out	<u>(495,000)</u>	<u>(495,000)</u>	<u>(495,000)</u>	-
Total other financing sources (uses)	<u>(495,000)</u>	<u>(495,000)</u>	<u>(495,000)</u>	-
Net change in fund balance	(88,061)	(88,061)	(27,815)	60,246
Fund balances, beginning of year	<u>88,061</u>	<u>88,061</u>	<u>86,166</u>	<u>(1,895)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,351</u>	<u>\$ 58,351</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, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 185,000	\$ 185,000	\$ -	\$ (185,000)
Investment earnings	-	-	56	56
Total revenues	<u>185,000</u>	<u>185,000</u>	<u>56</u>	<u>(184,944)</u>
Expenditures				
Principal	494,000	494,000	475,000	19,000
Interest	-	-	19,000	(19,000)
Project reserve	39,201	39,201	-	39,201
Other expenditures	1,500	1,500	1,540	(40)
Total expenditures	<u>534,701</u>	<u>534,701</u>	<u>495,540</u>	<u>39,161</u>
Revenues over (under) expenditures	(349,701)	(349,701)	(495,484)	(145,783)
Other financing sources (uses)				
Transfers in	525,000	525,000	525,000	-
Transfers out	(250,700)	(250,700)	(80,700)	170,000
Total other financing sources (uses)	<u>274,300</u>	<u>274,300</u>	<u>444,300</u>	<u>170,000</u>
Net change in fund balance	(75,401)	(75,401)	(51,184)	24,217
Fund balances, beginning of year	75,401	75,401	54,406	(20,995)
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,222</u>	<u>\$ 3,222</u>

CITY OF GARDNER, KANSAS

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

INFRASTRUCTURE SPECIAL SALES TAX FUND

Year Ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ -	\$ 990,000	\$ 1,098,538	\$ 108,538
Investment earnings	-	500	122	(378)
Total revenues	<u>-</u>	<u>990,500</u>	<u>1,098,660</u>	<u>108,160</u>
Expenditures				
General Government	-	-	772,360	(772,360)
Capital Outlay	-	507,000	1,037,429	(530,429)
Other expenditures	-	483,500	35,309	448,191
Total expenditures	<u>-</u>	<u>990,500</u>	<u>1,845,098</u>	<u>(854,598)</u>
Revenues over (under) expenditures	-	-	(746,438)	(746,438)
Other financing sources (uses)				
General obligation bonds issued	-	-	1,380,000	1,380,000
Issuance: Premium	-	-	60,561	60,561
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,440,561</u>	<u>1,440,561</u>
Expenditures and other financing sources subject to legal budget	<u>-</u>	<u>990,500</u>	945,098	<u>45,402</u>
Expenditures and other financing sources not subject to legal budget			<u>900,000</u>	
Net change in fund balance	-	-	694,123	694,123
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 694,123</u>	<u>\$ 694,123</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>1,076</u>	
GAAP fund balance, end of year			<u>\$ 695,199</u>	

CITY OF GARDNER, KANSAS

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

DEBT SERVICE FUND

Year Ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 1,520,073	\$ 1,520,073	\$ 1,696,249	\$ 176,176
Special assessments	1,174,100	1,174,100	1,864,881	690,781
Investment earnings	2,500	2,500	2,195	(305)
Payments in lieu of taxes	45,306	45,306	-	(45,306)
Total revenues	<u>2,741,979</u>	<u>2,741,979</u>	<u>3,563,325</u>	<u>821,346</u>
Expenditures				
Principal	3,341,185	3,341,185	2,260,063	1,081,122
Interest	-	-	646,436	(646,436)
Other	-	-	102,952	(102,952)
Total expenditures	<u>3,341,185</u>	<u>3,341,185</u>	<u>3,009,451</u>	<u>331,734</u>
Revenues over (under) expenditures	(599,206)	(599,206)	553,874	1,153,080
Other financing sources				
General obligation bonds issued	-	-	1,490,000	1,490,000
Issuance: Premium	-	-	64,139	64,139
Transfers in	429,700	429,700	263,442	(166,258)
Total other financing sources	<u>429,700</u>	<u>429,700</u>	<u>1,817,581</u>	<u>1,387,881</u>
Expenditures and other financing sources subject to legal budget	<u>3,341,185</u>	<u>3,341,185</u>	<u>3,009,451</u>	<u>331,734</u>
Net change in fund balance	(169,506)	(169,506)	2,371,455	2,540,961
Fund balances, beginning of year	169,506	169,506	55,734	(113,772)
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,427,189</u>	<u>\$ 2,427,189</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
Revenues				
Special alcohol tax	\$ 32,200	\$ 32,200	\$ 35,579	\$ 3,379
Investment earnings	-	-	4	4
Total revenues	<u>32,200</u>	<u>32,200</u>	<u>35,583</u>	<u>3,383</u>
Expenditures				
Project reserve	10,486	10,486	-	10,486
Contractual services	<u>32,000</u>	<u>32,000</u>	<u>32,000</u>	-
Total expenditures	<u>42,486</u>	<u>42,486</u>	<u>32,000</u>	<u>10,486</u>
Revenues over (under) expenditures	(10,286)	(10,286)	3,583	13,869
Net change in fund balance	(10,286)	(10,286)	3,583	13,869
Fund balances, beginning of year	<u>10,286</u>	<u>10,286</u>	<u>13,591</u>	<u>3,305</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,174</u>	<u>\$ 17,174</u>

CITY OF GARDNER, KANSAS

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

SPECIAL HIGHWAY FUND

Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues				
State gasoline tax	\$ 527,600	\$ 527,600	\$ 556,103	\$ 28,503
Intergovernmental	440,000	440,000	6,879	(433,121)
Investment earnings	300	300	491	191
Total revenues	<u>967,900</u>	<u>967,900</u>	<u>563,473</u>	<u>(404,427)</u>
Expenditures				
Project reserve	144,570	144,570	-	144,570
Capital outlay	838,000	838,000	21,174	816,826
Principal & Interest	241,600	241,600	241,587	13
Total expenditures	<u>1,224,170</u>	<u>1,224,170</u>	<u>262,761</u>	<u>961,409</u>
Revenues over (under) expenditures	(256,270)	(256,270)	300,712	556,982
Other financing sources (uses)				
Transfers out	<u>(23,400)</u>	<u>(23,400)</u>	<u>(25,831)</u>	<u>(2,431)</u>
Total other financing sources (uses)	<u>(23,400)</u>	<u>(23,400)</u>	<u>(25,831)</u>	<u>(2,431)</u>
Net change in fund balance subject to legal budget	<u>(279,670)</u>	<u>(279,670)</u>	274,881	<u>554,551</u>
Expenditures not subject to legal budget			<u>6,879</u>	
Net change in fund balance	(279,670)	(279,670)	268,002	547,672
Fund balances, beginning of year	<u>279,670</u>	<u>279,670</u>	<u>459,015</u>	<u>179,345</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>727,017</u>	<u>\$ 727,017</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>8,932</u>	
GAAP fund balance, end of year			<u>\$ 735,949</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
Revenues				
Special alcohol tax	\$ 32,200	\$ 32,200	\$ 35,579	\$ 3,379
Investment earnings	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
Total revenues	<u>32,200</u>	<u>32,200</u>	<u>35,582</u>	<u>3,382</u>
Expenditures				
Project reserve	<u>7,312</u>	<u>7,312</u>	<u>-</u>	<u>7,312</u>
Total expenditures	<u>7,312</u>	<u>7,312</u>	<u>-</u>	<u>7,312</u>
Revenues over (under) expenditures	24,888	24,888	35,582	10,694
Other financing sources (uses)				
Transfers out	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net change in fund balance	(5,112)	(5,112)	5,582	10,694
Fund balances, beginning of year	<u>5,112</u>	<u>5,112</u>	<u>8,411</u>	<u>3,299</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,993</u>	<u>\$ 13,993</u>

CITY OF GARDNER, KANSAS

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

STREET IMPROVEMENT FUND

Year Ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Excise tax	\$ 44,000	\$ 44,000	\$ 71,264	\$ 27,264
Investment earnings	200	200	164	(36)
Total revenues	<u>44,200</u>	<u>44,200</u>	<u>71,428</u>	<u>27,228</u>
Expenditures				
Project reserve	147,412	147,412	-	147,412
Principal & Interest	-	-	-	-
Total expenditures	<u>147,412</u>	<u>147,412</u>	<u>-</u>	<u>147,412</u>
Revenues over (under) expenditures	(103,212)	(103,212)	71,428	174,640
Other financing sources (uses)				
Transfers out	(25,800)	(25,800)	(25,800)	-
Total other financing sources (uses)	<u>(25,800)</u>	<u>(25,800)</u>	<u>(25,800)</u>	<u>-</u>
Net change in fund balance	(129,012)	(129,012)	45,628	174,640
Fund balances, beginning of year	129,012	129,012	141,711	12,699
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,339</u>	<u>\$ 187,339</u>

Nonmajor Proprietary Funds

Enterprise Funds

Airport – The Airport Fund accounts for all revenues and expenses of the Airport Operations, as directed by the City of Gardner. Revenues are derived from the hangar and building space rental, the sale of fuel and land rental to bail hay 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 and grants. 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 and municipal airport.

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

December 31, 2016

	Stormwater	Airport	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ -	\$ 173,720	\$ 173,720
Accounts receivable, net	-	16,329	16,329
Other receivable	644	-	644
Inventories	-	15,329	15,329
Total current assets	644	205,378	206,022
Noncurrent assets:			
Capital assets:			
Land	-	954,573	954,573
Construction in progress	-	315,240	315,240
Buildings	-	1,745,363	1,745,363
Infrastructure	148,352	1,353,775	1,502,127
Improvements	737,691	130,547	868,238
Less accumulated depreciation and amortization	(194,176)	(1,361,055)	(1,555,231)
Total capital assets	691,867	3,138,443	3,830,310
Total noncurrent assets	691,867	3,138,443	3,830,310
Total assets	692,511	3,343,821	4,036,332
 Deferred outflows of resources			
Pension related items	-	1,306	1,306
Total deferred outflows of resources	-	1,306	1,306
 Liabilities			
Current liabilities:			
Accounts payable	-	1,472	1,472
Accrued payroll	-	47	47
Accrued interest payable	-	1,256	1,256
Due to other funds	644	-	644
Compensated absences	-	489	489
Current portion of bonds payable	-	62,406	62,406
Total current liabilities	644	65,670	66,314
Noncurrent liabilities:			
Bonds payable, net	-	281,924	281,924
Pension liability	-	1,597	1,597
Total noncurrent liabilities	-	283,521	283,521
Total liabilities	644	349,191	349,835
 Deferred inflows of resources			
Pension related items	-	(202)	(202)
 Net position			
Net investment in capital assets	691,867	2,794,113	3,485,980
Unrestricted	-	202,025	202,025
Total net position	\$ 691,867	\$ 2,996,138	\$ 3,688,005

CITY OF GARDNER, KANSAS

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

NON-MAJOR ENTERPRISE FUNDS

Year Ended December 31, 2016

	Stormwater	Airport	Total
Operating revenues			
Charges for sales and services	\$ -	\$ 265,453	\$ 265,453
Other	-	382,597	382,597
Total operating revenues	-	648,050	648,050
Operating expenses			
Administration	-	83,848	83,848
Repairs and maintenance	-	8,223	8,223
Depreciation and amortization	28,298	105,018	133,316
Total operating expenses	28,298	197,089	225,387
Operating income (loss)	(28,298)	450,961	422,663
Nonoperating revenues (expenses)			
Investment earnings	-	108	108
Interest expense	-	(7,790)	(7,790)
Total nonoperating revenues (expenses)	-	(7,682)	(7,682)
Income (loss) before transfers and contributions	(28,298)	443,279	414,981
Capital contributions	-	2,552,859	2,552,859
Change in net position	(28,298)	2,996,138	2,967,840
Total net position, beginning of year	720,165	-	720,165
Total net position, end of year	\$ 691,867	\$ 2,996,138	\$ 3,688,005

CITY OF GARDNER, KANSAS

COMBINING STATEMENT OF CASH FLOWS

NON-MAJOR ENTERPRISE FUNDS

Year Ended December 31, 2016

	<u>Stormwater</u>	<u>Airport</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ -	\$ 631,721	\$ 631,721
Payments to suppliers	-	(97,795)	(97,795)
Payments to employees	-	(12,998)	(12,998)
	<hr/>	<hr/>	<hr/>
Net cash provided by operating activities	-	520,928	520,928
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	-	(290,651)	(290,651)
Principal paid on general obligation bonds	-	(55,621)	(55,621)
Interest paid on general obligation bonds, construction loan, and capital lease	-	(6,534)	(6,534)
	<hr/>	<hr/>	<hr/>
Net cash used in capital and related financing activities	-	(352,806)	(352,806)
Cash flows from investing activities:			
Interest received	-	108	108
	<hr/>	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	-	168,230	168,230
Cash and cash equivalents, beginning of year	-	5,490	5,490
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 173,720</u>	<u>\$ 173,720</u>
Cash consists of:			
Cash	<u>\$ -</u>	<u>\$ 173,720</u>	<u>\$ 173,720</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	(28,298)	450,961	422,663
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Items not requiring cash:			
Depreciation and amortization expense	28,298	105,018	133,316
Pension expense	-	89	89
Changes in:			
Receivables	-	(16,329)	(16,329)
Inventories	-	(15,329)	(15,329)
Accounts payable	-	1,472	1,472
Due to other funds	-	(5,490)	(5,490)
Accrued liabilities	-	536	536
	<hr/>	<hr/>	<hr/>
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ 520,928</u>	<u>\$ 520,928</u>

Noncash capital and financing activities: In 2016, the Airport Fund received \$2,552,859, in capital contributions.

CITY OF GARDNER, KANSAS

COMBINING STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS

December 31, 2016

	Governmental Activities			Business-type Activities	Total
	Risk Management	Information Technology Services	Building Maintenance	Utility Billing Services	
Assets					
Current assets:					
Deposits and investments	\$ 47,210	\$ 35,265	\$ 62,265	\$ 306,222	\$ 450,962
Noncurrent assets:					
Capital assets:					
Machinery and equipment	-	393,674	14,794	10,509	418,977
Vehicles	-	-	14,749	43,371	58,120
Less accumulated depreciation	-	(140,075)	(23,624)	(50,728)	(214,427)
Total assets	<u>47,210</u>	<u>288,864</u>	<u>68,184</u>	<u>309,374</u>	<u>713,632</u>
Deferred outflows of resources					
Pension related items	14,492	55,108	18,506	104,924	193,030
Liabilities					
Current liabilities:					
Accounts payable	3,272	26,773	859	12,086	42,990
Compensated absences	2,263	4,747	5,797	20,561	33,368
Due to other funds	-	-	3,095	-	3,095
Accrued payroll	194	781	253	1,435	2,663
Current portion-lease payable	-	93,380	-	-	93,380
Noncurrent liabilities:					
Other postemployment benefit obligation	227	1,077	3,080	11,390	15,774
Pension liability	47,591	181,102	60,897	348,097	637,687
Total liabilities	<u>53,547</u>	<u>307,860</u>	<u>73,981</u>	<u>393,569</u>	<u>828,957</u>
Deferred inflows of resources					
Pension related items	2,001	7,625	2,571	14,979	27,176
Net position					
Net investment in capital assets	-	160,219	5,919	3,152	169,290
Unrestricted	6,154	(131,732)	4,219	2,598	(118,761)
Total net position	<u>\$ 6,154</u>	<u>\$ 28,487</u>	<u>\$ 10,138</u>	<u>\$ 5,750</u>	<u>\$ 50,529</u>

CITY OF GARDNER, KANSAS

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

INTERNAL SERVICE FUNDS

Year Ended December 31, 2016

	Governmental Activities			Business-type Activities	Total
	Risk Management	Information Technology Services	Building Maintenance	Utility Billing Services	
Operating revenues					
Charges for services	\$ 642,531	\$ 769,516	\$ 259,509	\$ 1,009,791	\$ 2,681,347
Other	24,363	-	-	-	24,363
Total operating revenues	666,894	769,516	259,509	1,009,791	2,705,710
Operating expenses					
Administration	58,552	257,048	74,342	480,665	870,607
Contractual services	573,926	300,909	123,809	256,021	1,254,665
Other supplies and expenses	8,721	130,181	13,450	12,638	164,990
Repairs and maintenance	-	15,245	17,171	3,450	35,866
Depreciation	-	37,985	2,217	1,051	41,253
Other	25,661	23,588	28,477	255,720	333,446
Total operating expenses	666,860	764,956	259,466	1,009,545	2,700,827
Operating income	34	4,560	43	246	4,883
Nonoperating revenues (expenses)					
Interest expense	-	(4,430)	-	-	(4,430)
Change in net position	34	130	43	246	453
Total net position, beginning of year	6,120	28,357	10,095	5,504	50,076
Total net position, end of year	\$ 6,154	\$ 28,487	\$ 10,138	\$ 5,750	\$ 50,529

CITY OF GARDNER, KANSAS

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

Year Ended December 31, 2016

	<u>Governmental Activities</u>			<u>Business-type Activities</u>	
	<u>Risk Management</u>	<u>Information Technology Services</u>	<u>Building Maintenance</u>	<u>Utility Billing Services</u>	<u>Total</u>
Cash flows from operating activities:					
Receipts from customers	\$ 644,358	\$ 769,516	\$ 259,905	\$ 1,009,791	\$ 2,683,570
Other	24,363	-	-	-	24,363
Payments to suppliers	(606,851)	(453,280)	(185,268)	(531,031)	(1,776,430)
Payments to employees	<u>(58,936)</u>	<u>(258,055)</u>	<u>(74,727)</u>	<u>(482,590)</u>	<u>(874,308)</u>
Net cash provided by operating activities	<u>2,934</u>	<u>58,181</u>	<u>(90)</u>	<u>(3,830)</u>	<u>57,195</u>
Cash flows from capital and related financing activities:					
Principal paid on capital lease	-	(91,936)	-	-	(91,936)
Interest paid on capital lease	<u>-</u>	<u>(4,430)</u>	<u>-</u>	<u>-</u>	<u>(4,430)</u>
Net cash used in capital and related financing activities	<u>-</u>	<u>(96,366)</u>	<u>-</u>	<u>-</u>	<u>(96,366)</u>
Net increase (decrease) in cash and cash equivalents	2,934	(38,185)	(90)	(3,830)	(39,171)
Cash and cash equivalents, beginning of year	<u>44,276</u>	<u>73,450</u>	<u>62,355</u>	<u>310,052</u>	<u>490,133</u>
Cash and cash equivalents, end of year	<u>\$ 47,210</u>	<u>\$ 35,265</u>	<u>\$ 62,265</u>	<u>\$ 306,222</u>	<u>\$ 450,962</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 34	\$ 4,560	\$ 43	\$ 246	\$ 4,883
Adjustments to reconcile operating income to net cash provided by operating activities:					
Items not requiring cash:					
Depreciation expense	-	37,985	2,217	1,051	41,253
Other postemployment benefit obligation	227	1,077	(34)	(3,921)	(2,651)
Pension expense	669	2,544	854	4,809	8,876
Changes in:					
Receivables	1,827	-	396	-	2,223
Accounts payable	2,126	19,187	199	4,176	25,688
Accrued liabilities	(1,949)	(7,172)	(2,059)	(10,191)	(21,371)
Due to other funds	<u>-</u>	<u>-</u>	<u>(1,706)</u>	<u>-</u>	<u>(1,706)</u>
Net cash provided by operating activities	<u>\$ 2,934</u>	<u>\$ 58,181</u>	<u>\$ (90)</u>	<u>\$ (3,830)</u>	<u>\$ 57,195</u>

CITY OF GARDNER, KANSAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
December 31, 2016

	Alcohol Safety Action Program	Special Olympics Program	Mayor's Christmas Tree Program	Total
Assets				
Deposits and investments	\$ 34,780	\$ 11,348	\$ 10,512	\$ 56,640
Liabilities				
Due to others	\$ 34,780	\$ 11,348	\$ 10,512	\$ 56,640

CITY OF GARDNER, KANSAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

Year Ended December 31, 2016

<u>Alcohol Safety Action Program</u>	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
Assets				
Deposits and investments	<u>\$ 34,690</u>	<u>\$ 90</u>	<u>\$ -</u>	<u>\$ 34,780</u>
Liabilities				
Due to others	<u>\$ 34,690</u>	<u>\$ 90</u>	<u>\$ -</u>	<u>\$ 34,780</u>
<u>Special Olympics Program</u>	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
Assets				
Deposits and investments	<u>\$ 13,868</u>	<u>\$ 1,004</u>	<u>\$ 3,524</u>	<u>\$ 11,348</u>
Liabilities				
Due to others	<u>\$ 13,868</u>	<u>\$ 1,004</u>	<u>\$ 3,524</u>	<u>\$ 11,348</u>
<u>Mayor's Christmas Tree Program</u>	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
Assets				
Deposits and investments	<u>\$ 11,212</u>	<u>\$ 6,250</u>	<u>\$ 6,950</u>	<u>\$ 10,512</u>
Liabilities				
Due to others	<u>\$ 11,212</u>	<u>\$ 6,250</u>	<u>\$ 6,950</u>	<u>\$ 10,512</u>

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended

December 31, 2016

STATISTICAL SECTION

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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.

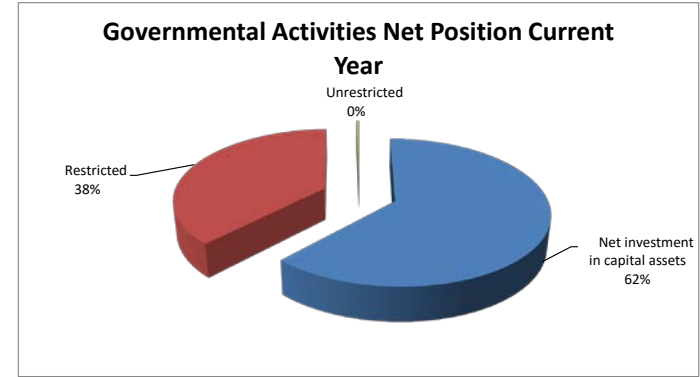
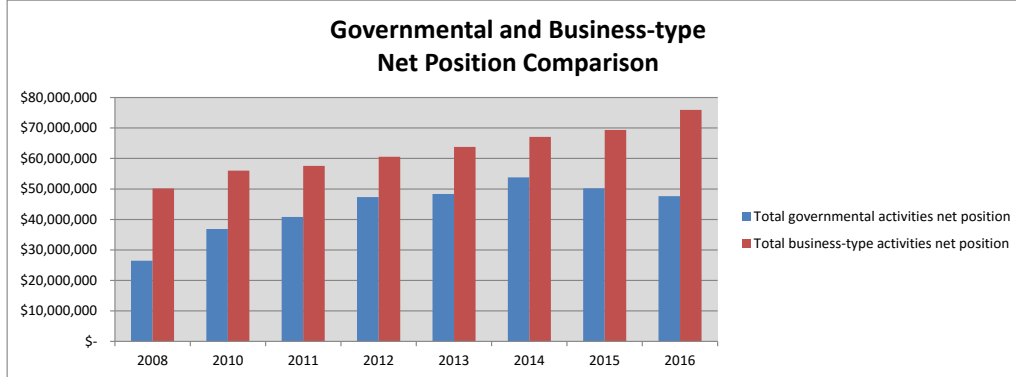
<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	102 - 105
Revenue Capacity These schedules contain information to help the reader assess the factors affecting 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.	106 - 114
Debt Capacity 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.	115 - 118
Demographic and Economic Information 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.	119 - 120
Operating Information 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.	121 - 123

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

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

	<u>Fiscal Year</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>	<u>2016</u>
Governmental activities										
Net investment in capital assets	\$ 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	\$ 29,574,314
Restricted	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	17,920,702
Unrestricted	(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	161,452
Total governmental activities net position	\$ 23,551,546	\$ 26,433,228	\$ 32,210,075	\$ 36,896,766	\$ 40,790,241	\$ 47,355,495	\$ 48,359,813	\$ 53,800,982	\$ 50,206,050	\$ 47,656,468
Business-type activities										
Net investment in capital assets	\$ 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	\$ 61,598,308
Unrestricted	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	14,341,092
Total business-type activities net position	\$ 50,393,674	\$ 50,163,457	\$ 52,790,358	\$ 56,009,954	\$ 57,566,769	\$ 60,549,985	\$ 63,785,174	\$ 67,104,351	\$ 69,385,928	\$ 75,939,400
Primary government										
Net investment in capital assets	\$ 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	\$ 91,172,622
Restricted	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	17,920,702
Unrestricted	7,237,062	10,555,567	10,373,182	13,152,025	13,582,090	14,085,799	13,975,184	17,130,656	13,171,192	14,502,544
Total primary government net position	\$ 73,945,220	\$ 76,596,685	\$ 85,000,433	\$ 92,906,720	\$ 98,357,010	\$ 107,905,480	\$ 112,144,987	\$ 120,905,333	\$ 119,591,978	\$ 123,595,868

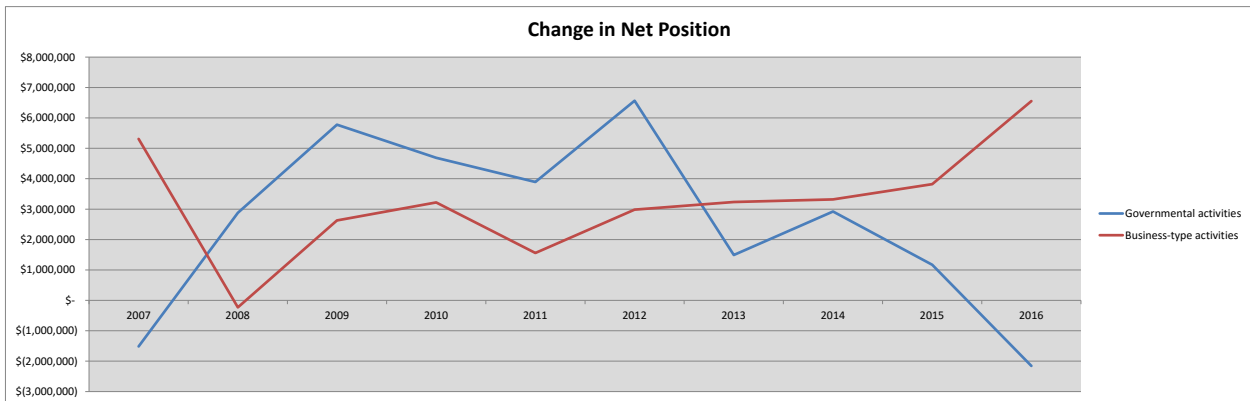
Source: City of Gardner Finance Department



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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 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	\$ 4,598,982
Public Safety	3,248,539	3,653,003	3,567,111	3,665,454	3,647,573	3,776,937	3,874,682	4,688,596	4,383,506	5,315,430
Public Works	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	3,744,547
Culture and recreation	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	2,604,472
Interest on long-term debt	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	609,604
Total governmental activities expenses	<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>	<u>16,873,035</u>
Business-type activities:										
Electric	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	12,006,709
Water	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	4,032,587
Wastewater	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	4,591,624
Stormwater	75,643	220,061	70,817	71,086	25,167	25,167	-	25,167	28,298	28,298
Airport	-	-	-	-	-	-	-	-	-	204,879
Total business-type activities expenses	<u>16,711,002</u>	<u>17,899,470</u>	<u>16,535,431</u>	<u>18,257,760</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>	<u>20,864,097</u>
Total primary government expenses	<u>\$ 29,544,714</u>	<u>\$ 32,082,370</u>	<u>\$ 30,057,629</u>	<u>\$ 31,214,362</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>	<u>\$ 37,737,132</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 712,907	\$ 606,513	\$ 622,807	\$ 502,102	\$ 553,992	\$ 604,625	\$ 748,785	\$ 1,607,129	\$ 1,907,297	\$ 2,171,668
Public Safety	10,344	13,021	13,141	10,458	10,577	10,199	7,853	9,253	7,439	8,228
Public Works	1,900	-	2,300	-	-	-	-	-	-	-
Culture and recreation	905,149	767,693	937,542	970,405	887,173	883,516	858,658	910,947	910,041	963,169
Operating grants and contributions	2,629,574	2,657,199	2,514,392	2,579,475	2,789,802	2,816,127	2,966,108	3,251,406	3,328,990	3,397,426
Capital grants and contributions	360,016	4,808,296	7,240,013	5,400,696	3,113,818	5,730,105	782,039	2,902,279	805,138	208,879
Total governmental activities program revenue:	<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>10,044,572</u>	<u>5,363,443</u>	<u>8,681,014</u>	<u>6,958,905</u>	<u>6,747,370</u>
Business-type activities:										
Charges for services:										
Electric	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	14,440,663
Water	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	5,440,947
Wastewater	3,835,313	2,821,531	3,062,919	4,007,841	3,474,928	3,682,494	4,275,217	4,808,675	5,023,691	5,073,706
Stormwater	-	-	-	-	-	-	61,208	-	-	-
Airport	-	-	-	-	-	-	-	-	-	648,050
Capital grants and contributions	59,606	356,751	506,591	78,263	100,187	92,762	-	-	246,112	358,459
Total business-type program revenues	<u>19,902,217</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>	<u>25,961,825</u>
Total primary government program revenues	<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>	<u>\$ 32,709,195</u>
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (10,125,665)
Business-type activities	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	5,097,728
Total primary government net expense	<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>	<u>\$ (5,027,937)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 5,246,198
Sales taxes	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	3,827,653
Franchise taxes	386,139	412,989	396,100	380,715	365,435	320,227	348,956	352,792	312,625	269,736
Excise taxes	819,908	395,182	456,384	95,710	53,434	312,441	-	-	-	-
Transient guest taxes	41,073	45,573	34,702	29,338	29,764	38,470	42,493	42,976	62,892	74,272
Other	-	-	-	3	-	-	-	75,467	30,737	(11,558)
Unrestricted investment earnings	993,815	296,824	49,100	49,689	32,136	31,905	33,418	11,456	9,867	9,533
Gain on disposal of asset	1,617	-	-	2,095	136,232	67,329	40,567	-	-	-
Transfers	(1,586,760)	577,858	546,714	1,003,312	987,168	1,004,818	1,029,100	413,163	829,600	(1,445,460)
Total governmental activities	<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>	<u>7,970,374</u>
Business-type activities:										
Unrestricted investment earnings	532,634	188,063	28,208	38,020	31,421	31,163	29,972	10,744	10,442	10,284
Transfers	1,586,760	(577,858)	(546,714)	(1,003,312)	(987,168)	(1,004,818)	(1,029,100)	(413,163)	(829,600)	1,445,460
Other	-	-	156,366	37,070	10,525	-	-	-	-	-
Total business-type activities	<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>	<u>1,455,744</u>
Total primary government	<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>	<u>\$ 9,426,118</u>
Change in Net Position										
Governmental activities	\$ (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	\$ (2,155,291)
Business-type activities	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	6,553,472
Total primary government	<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>	<u>\$ 4,398,181</u>

Source: City of Gardner Finance Department

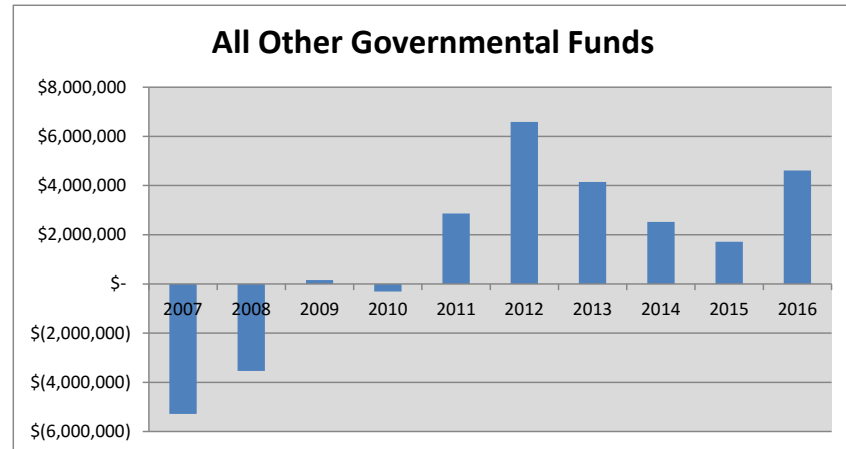
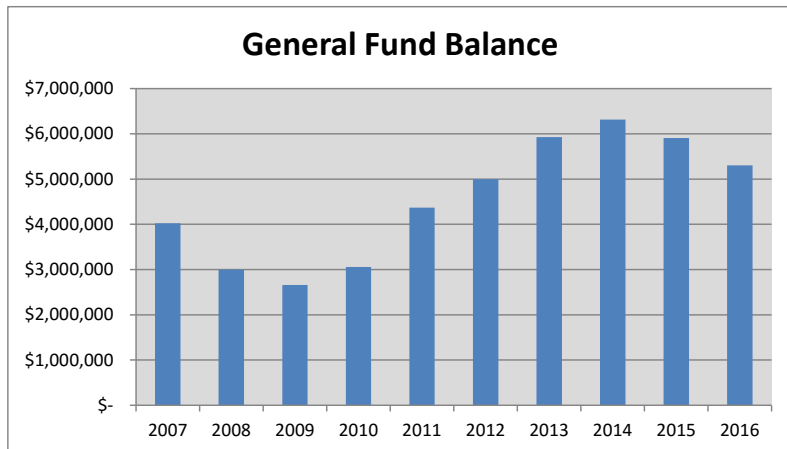


City of Gardner, Kansas
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>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>	<u>2016</u>
General Fund										
Reserved	\$ 15,151	\$ 34,779	\$ 39,182	\$ 250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	4,008,117	2,964,795	2,619,334	3,058,934	-	-	-	-	-	-
Restricted	-	-	-	-	24,281	-	-	-	-	-
Assigned	-	-	-	-	20,619	-	64,474	9,640	115,541	22,221
Unassigned	-	-	-	-	4,321,492	4,997,241	5,864,734	6,305,486	5,792,880	5,280,652
Total general fund	\$ 4,023,268	\$ 2,999,574	\$ 2,658,516	\$ 3,059,184	\$ 4,366,392	\$ 4,997,241	\$ 5,929,208	\$ 6,315,126	\$ 5,908,421	\$ 5,302,873
All Other Governmental Funds										
Reserved	\$ 2,164,409	\$ 1,058,524	\$ 1,479,432	\$ 451,339	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Debt service fund	237,844	310,091	78,023	105,384	-	-	-	-	-	-
Special revenue funds	6,525,624	5,383,372	5,119,227	3,565,909	-	-	-	-	-	-
Capital projects funds	(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	4,611,811
Assigned	-	-	-	-	260,317	-	-	-	-	-
Total all other governmental funds	\$ (5,283,849)	\$ (3,539,126)	\$ 161,642	\$ (312,264)	\$ 2,864,124	\$ 6,590,028	\$ 4,147,059	\$ 2,520,366	\$ 1,715,705	\$ 4,611,811

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)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 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	\$ 9,417,859
Licenses and permits	615,355	186,976	441,422	376,192	186,751	237,374	319,508	204,236	189,784	293,055
Fines and fees	240,072	305,001	263,248	217,900	289,358	335,319	415,312	451,700	524,540	591,913
Charges for services	654,973	792,935	727,625	800,534	825,751	844,814	744,055	1,867,940	2,103,849	2,253,903
Special assessments	345,883	300,420	387,736	974,839	951,328	966,502	1,401,884	977,266	1,129,613	1,869,075
Intergovernmental	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	3,604,305
Investment earnings	993,815	296,824	49,100	49,689	32,136	31,905	33,416	11,456	9,867	9,533
Other revenues	347,542	321,922	438,029	224,533	171,331	93,753	138,960	53,362	22,154	68,397
Total revenues	12,964,221	12,102,447	12,029,272	17,461,561	14,649,283	14,488,397	14,825,305	16,683,503	16,553,650	18,108,040
Expenditures										
General government	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	4,408,175
Public safety	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	5,087,946
Public works	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	1,944,363
Culture and recreation	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	2,272,346
Capital outlay	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	2,445,875
Debt service:										
Interest	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	690,690
Principal	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	2,971,806
Other	61,669	183,014	314,416	159,058	146,166	196,839	73,359	245,493	58,379	155,738
Total expenditures	27,581,881	18,343,492	17,552,533	24,924,876	16,925,398	20,208,059	21,417,383	27,069,443	18,603,199	19,976,939
Excess of revenues over (under) expenditures	(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)	(1,868,899)
Other Financing Sources (Uses)										
Bonds issued	-	5,460,000	5,689,822	2,794,765	1,325,000	3,995,000	3,256,418	8,090,000	-	3,548,000
Premium on G.O. Bonds	-	36,180	-	-	-	-	-	224,484	-	124,700
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	2,108
Capital leases	989,000	-	-	-	-	-	98,510	-	-	-
Insurance proceeds	3,053	997	-	8,457	8,261	-	-	-	-	-
Transfers in	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	1,714,113
Transfers out	(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)	(835,173)
Total other financing sources (uses)	2,975,109	6,962,074	8,882,971	7,390,077	6,759,711	10,076,415	4,676,077	9,170,970	838,183	4,553,748
Net change in fund balances	\$ (11,642,551)	\$ 721,029	\$ 3,359,710	\$ (73,238)	\$ 4,483,596	\$ 4,356,753	\$ (1,916,001)	\$ (1,214,970)	\$ (1,211,366)	\$ 2,684,849
Debt service as a percentage of noncapital expenditures	26.9%	24.1%	29.2%	42.0%	33.7%	46.2%	43.6%	53.6%	28.8%	19.7%

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	^(a) Electricity Consumed & Unbilled	^(a) Average Percent Unbilled	Gallons of Water Produced & Purchased	Gallons of Water Sold	^(a) Gallons of Water Unbilled	^(a) Average Percent Unbilled	Gallons of Wastewater Treated	Total Direct Rate					
										Electric		Water		Wastewater	
										Base ^(b) Rate	Usage ^(c) Rate	Base ^(b) Rate	Usage ^(c) Rate	Base ^(b) Rate	Usage ^(c) Rate
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
2016	150,351	136,060	14,291	9.51%	794	633	74	9.32%	668	\$ 6.72	\$ 0.1082	\$ 13.45	\$ 5.99	\$ 13.73	\$ 8.78

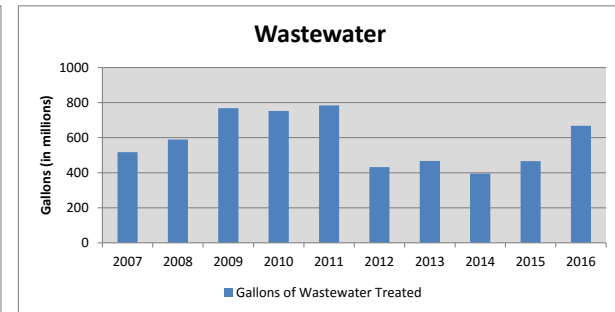
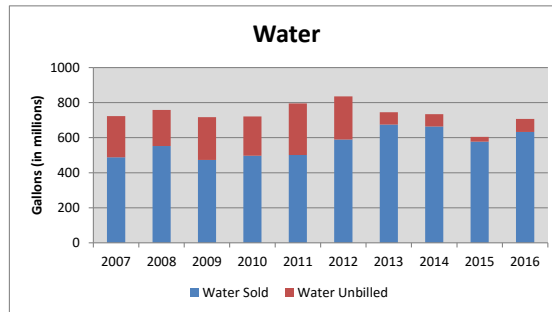
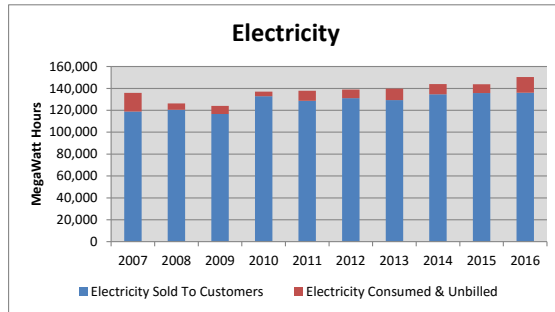
Notes: Electricity is presented in MegaWatt Hours and gallons are presented in millions.

^(a) 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.

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

^(c) Per 1,000 gallons.

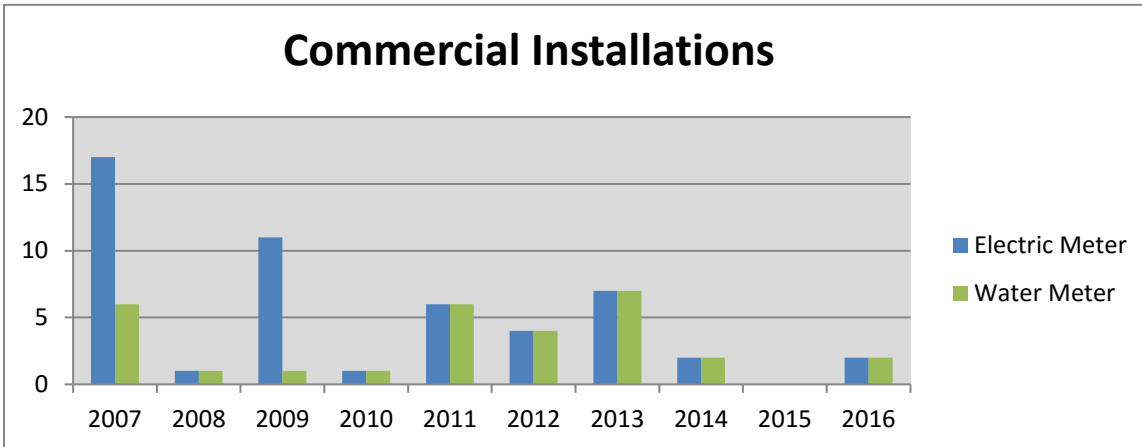
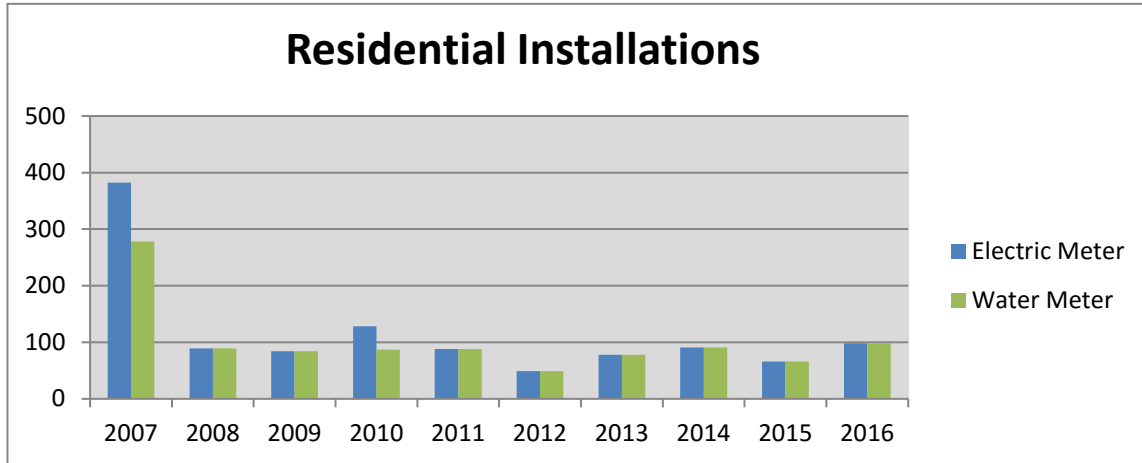
Source: City of Gardner Public Works Department & Gardner Energy



**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	
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
2016	98	2	98	2	200

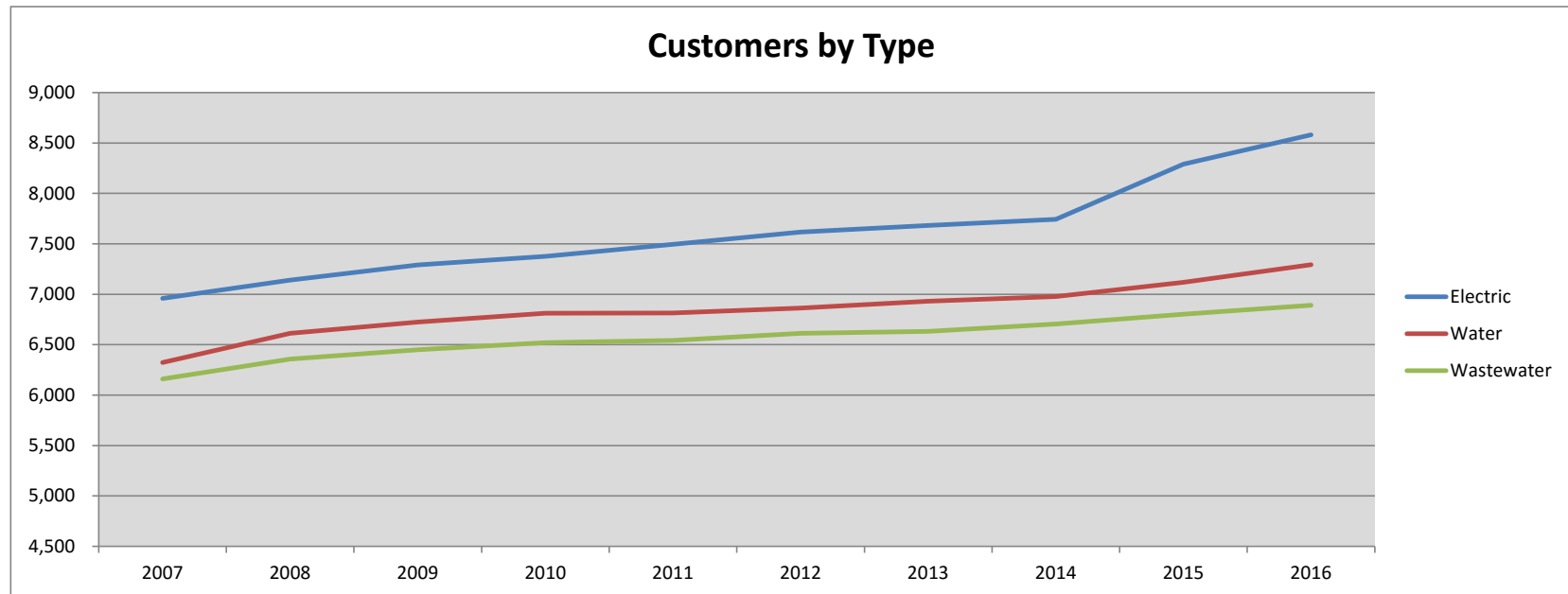
Source: City of Gardner Business and Economic Development Department



**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
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
2016	8,089	488	4	6,977	309	7	6,664	221	6	8,581	7,293	6,891

Source: City of Gardner Utility Department



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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Water Rates^(a)										
<i>(All Meter Sizes)</i>										
Base Rate	\$ 8.52	\$ 8.95	\$ 9.40	\$ 9.90	\$ 10.40	\$ 10.70	\$ 11.55	\$ 12.45	\$ 13.45	\$ 13.45
Usage Rate (per 1,000 gallons) First 40,000 gallons	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	3.26	3.42	3.60	3.80	3.90	4.20	-	-	-
Usage Rate (per 1,000 gallons) First 6,000 gallons	-	-	-	-	-	-	-	5.55	5.99	5.99
Usage Rate (per 1,000 gallons) 6,001-10,000 gallons	-	-	-	-	-	-	-	6.11	6.60	6.60
Usage Rate (per 1,000 gallons) 10,001-14,000 gallons	-	-	-	-	-	-	-	6.38	6.89	6.89
Usage Rate (per 1,000 gallons) 14,001-18,000 gallons	-	-	-	-	-	-	-	6.67	7.20	7.20
Usage Rate (per 1,000 gallons) 18,001 or more gallons	-	-	-	-	-	-	-	6.97	7.53	7.53
Wastewater Rates										
Base Rate	\$ 7.72	\$ 8.10	\$ 8.75	\$ 9.45	\$ 10.20	\$ 10.70	\$ 11.90	\$ 13.20	\$ 13.73	\$ 13.73
Usage Rate (per 1,000 gallons)	4.91	5.16	5.57	6.00	6.50	6.85	7.60	8.44	8.78	8.78
Electric Rates										
<i>Residential</i>										
Base Rate	\$ 6.20	\$ 6.40	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72
Usage Rate (per kWh)	0.09323	0.09603	0.10083	0.10083	0.10083	0.10083	0.10819	0.10819	0.10819	0.10819
<i>Commercial</i>										
Base Rate	\$ 6.80	\$ 7.00	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35
Usage Rate (per kWh)	0.09631	0.09920	0.10416	0.10416	0.10416	0.10416	0.11152	0.11152	0.11152	0.11152
<i>Commercial With Demand</i>										
Base Rate for Demand	\$ 15.45	\$ 15.90	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70
Usage Rate (per KW)	13.00	13.39	14.06	14.06	14.06	14.06	14.06	14.06	14.06	14.06
Usage Rate (per kWh) First 5,000 kWh	0.0472	0.0486	0.05099	0.05099	0.05099	0.05099	0.05708	0.05708	0.05708	0.05708
Usage Rate (per kWh) Over 5,000 kWh	0.0404	0.04165	0.04373	0.04373	0.04373	0.04373	0.05053	0.05053	0.05053	0.05053
<i>Commercial Large With Demand</i>										
Base Rate for Demand	\$ 20.60	\$ 21.20	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 2.26
Usage Rate (per KW)	13.00	13.39	14.06	14.06	14.06	14.06	14.06	14.06	14.06	14.06
Usage Rate (per kWh) First 5,000 kWh	0.04597	0.04735	0.04972	0.04972	0.04972	0.04972	0.05080	0.05080	0.05080	0.05080
Usage Rate (per kWh) Over 5,000 kWh	0.03991	0.04111	0.04317	0.04317	0.04317	0.04317	0.05053	0.05053	0.05053	0.05053
All Electric Rates										
<i>Residential</i>										
Base Rate	\$ 6.20	\$ 6.40	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20
Summer Usage Rate (per kWh)	0.09572	0.09859	0.10352	0.10352	0.10352	0.10352	0.11088	0.11088	0.11088	0.11088
Winter Usage Rate (per kWh) First 800 kWh	0.07852	0.08088	0.10352	0.10352	0.10352	0.10352	0.11088	0.11088	0.11088	0.11088
Winter Usage Rate (per kWh) Over 800 kWh	0.03807	0.03921	0.04117	0.04117	0.04117	0.04117	0.04853	0.04853	0.04853	0.04853
<i>Commercial</i>										
Base Rate	\$ 6.80	\$ 7.00	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35
Usage Rate (per KW)	4.90	5.05	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30
Summer Usage Rate (per kWh)	0.03201	0.03297	0.03462	0.03462	0.03462	0.03462	0.04198	0.04198	0.04198	0.04198
Winter Usage Rate (per kWh)	0.02920	0.03008	0.03158	0.03158	0.03158	0.03158	0.03894	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 2016								
	Electric Revenue			Water Revenue			Wastewater Revenue		
	Amount	%	Customer	Amount	%	Customer	Amount	%	Customer
Wal-Mart	\$ 341,164.37	2.49%	New Century Airport	\$ 387,127.32	8.16%	USD 231-WMS Main Service	\$ 29,621.66	0.68%	
Price Chopper	259,013.77	1.89%	USD 231-WMS Main Service	29,951.31	0.63%	R & B Autowash	23,802.76	0.54%	
USD 231 -425 Waverly	245,282.12	1.79%	R & B Autowash	22,106.55	0.47%	Wal-Mart	18,444.72	0.42%	
Coleman Company, Inc.	200,956.07	1.47%	USD 231 -495 E Grand	21,909.27	0.46%	Bristol Partners XVI, LLC -205 Moonlight -	14,002.04	0.32%	
ITW Labels	145,671.39	1.06%	USD 231-425 N Waverly Rd IRR	20,670.38	0.44%	Pinnacle Heath Care-427 W Main	13,308.42	0.30%	
COG-Kill Creek WWTP	141,515.87	1.03%	KS Resource Explore & Dev-16201 Waverly	19,189.94	0.40%	USD 231 -425 Waverly	13,115.26	0.30%	
USD 231-16200 Kill Creek Rd	124,365.63	0.91%	Wal-Mart	18,882.21	0.40%	Jacobs Properties-794 E. Main-HP	12,439.20	0.28%	
USD 231 -495 E Grand	123,919.36	0.90%	USD 231 -425 Waverly	18,784.32	0.40%	Trailswest Carwash	12,281.16	0.28%	
Medical Lodges of Gardner	82,941.24	0.61%	USD 231-16200 Kill Creek Rd-IRR	15,603.12	0.33%	Gardner Super 8 Motel	10,893.92	0.25%	
USD 231 775 N Center	80,424.56	0.59%	Bristol Partners XVI, LLC -205 Moonlight -HP	14,175.96	0.30%	The Winbury Group-925 E Lincoln Ln HP	10,112.50	0.23%	
Subtotal (10 largest)	1,745,254.38	12.74%	Subtotal (10 largest)	568,400.38	11.98%	Subtotal (10 largest)	158,021.64	3.60%	
Balance from other customers	11,951,630.76	87.26%	Balance from other customers	4,176,041.34	88.02%	Balance from other customers	4,226,984.65	96.40%	
Grand Totals	\$ 13,696,885.14	100.00%	Grand Totals	\$ 4,744,441.72	100.00%	Grand Totals	\$ 4,385,006.29	100.00%	

Customer	Fiscal Year 2007								
	Electric Revenue			Water Revenue			Wastewater Revenue		
	Amount	%	Customer	Amount	%	Customer	Amount	%	Customer
Wal Mart	\$ 314,660	2.91%	U.S.D. 231 - Pioneer Ridge Middle School	\$ 155,186	5.78%	U.S.D. 231 - Wheat Ridge Middle School	\$ 16,826	0.76%	
Price Chopper	215,791	1.99%	U.S.D. 231 - Wheat Ridge Middle School	20,412	0.76%	TradeNet Publishing	12,859	0.58%	
U.S.D. 231 - High School	205,498	1.90%	Wal Mart	20,087	0.75%	Pinnacle (Rehab Hospital)	11,071	0.50%	
TradeNet Publishing	138,561	1.28%	U.S.D. 231 - High School (baseball)	14,017	0.52%	R & B Autowash	10,895	0.49%	
U.S.D. 231 - Pioneer Ridge Middle School	133,867	1.24%	Pinnacle (Rehab Hospital)	9,919	0.37%	Jacobs Property	10,134	0.46%	
ITW Labels	109,900	1.02%	U.S.D. 231 - High School	9,837	0.37%	U.S.D. 231 - High School	8,621	0.39%	
U.S.D. 231 - Wheat Ridge Middle School	74,499	0.69%	TradeNet Publishing	9,693	0.36%	Wal Mart	7,055	0.32%	
U.S.D. 231 - Sunflower Elementary	73,742	0.68%	Jacobs Property	9,593	0.36%	Super 8 Motel	6,976	0.31%	
Medicalodge	72,598	0.67%	R & B Autowash	7,823	0.29%	Cedar Niles 66	6,029	0.27%	
U.S.D. 231 - Moonlight Elementary	66,457	0.61%	Vintage Park	5,122	0.19%	Sonic	3,770	0.17%	
Subtotal (10 largest)	1,405,573	12.99%	Subtotal (10 largest)	261,689	9.74%	Subtotal (10 largest)	94,236	4.23%	
Balance from other customers	9,415,260	87.01%	Balance from other customers	2,425,504	90.26%	Balance from other customers	2,131,740	95.77%	
Grand Totals	\$ 10,820,833	100.00%	Grand Totals	\$ 2,687,193	100.00%	Grand Totals	\$ 2,225,976	100.00%	

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

Source: City of Gardner Utility Department

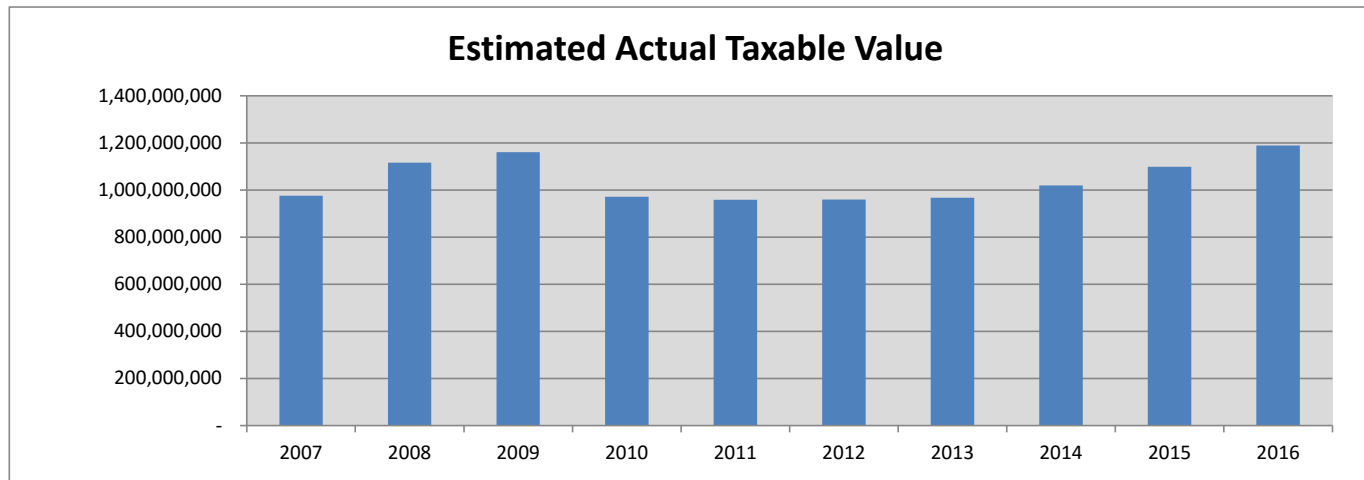
City of Gardner, Kansas
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

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
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%
2016	121,390,107	28,593,736	2,212,724	140,268	-	152,336,835	20.544 ^(a)	1,188,848,018	12.81%

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.

^(a) The significant change in the mill levy is due to a \$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.

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 ^{(a)(b)}	State of Kansas	Johnson County	Johnson County Library	Johnson County Parks and Recreation	Johnson County Community College	U.S.D. 231 (School District)	
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
2016	13.504	7.040	20.544	1.500	19.590	3.915	3.102	9.473	67.787	125.911

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.

(b) The significant change in the mill levy is due to a \$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.

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**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2016</u>			<u>2007</u>		
		<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Wal-Mart	Retail	\$ 4,006,001	1	2.63%	\$ 2,077,500	1	1.57%
Moonlight Apartments L.L.C.	Real Estate	2,402,005	2	1.58%	1,283,219	4	0.97%
Horizon Trails, LLC	Real Estate	1,539,735	3	1.01%			
Martens Rentals, L.L.C.	Real Estate	1,327,904	4	0.87%	1,727,546	2	1.30%
C.L.S. Investment Company	Real Estate	1,186,445	5	0.78%	1,290,404	3	0.97%
Bristol Partner XVI, LLC	Real Estate	1,026,250	6	0.67%	1,040,576	7	0.79%
Axiom-Aspen, LLC	Real Estate	1,014,300	7	0.67%			
Energy Center Industrial, LLC	Real Estate	931,500	8	0.61%			
DJC Properties, L.L.C.	Real Estate	927,959	9	0.61%	1,069,509	6	0.81%
First Choice Properties, Inc	Real Estate	868,135	10	0.57%	1,073,861	5	0.81%
Moonlight Plaza, LLC	Shopping Mall				803,255	8	0.61%
Woodstone Apartments, L.P.	Real Estate				758,851	9	0.57%
Walgreen Co	Retail				715,736	10	0.54%
Totals		<u>\$ 15,230,234</u>		<u>10.00%</u>	<u>\$ 11,840,457</u>		<u>8.93%</u>

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, 2007 through December 31, 2016

Year Ended December 31 ⁽¹⁾	Adjusted Tax Levy	Current Year Collections		Collections in Subsequent Years	Total Tax Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2016	4,417,972	4,370,729	98.93%	13,713	4,384,442	99.24%

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

For years ended December 31, 2007 through December 31, 2016

Year Ended December 31 ⁽¹⁾	Adjusted Tax Levy	Current Year Collections		Collections in Subsequent Years	Total Tax Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2016	136,471	136,471	100.00%	-	136,471	100.00%

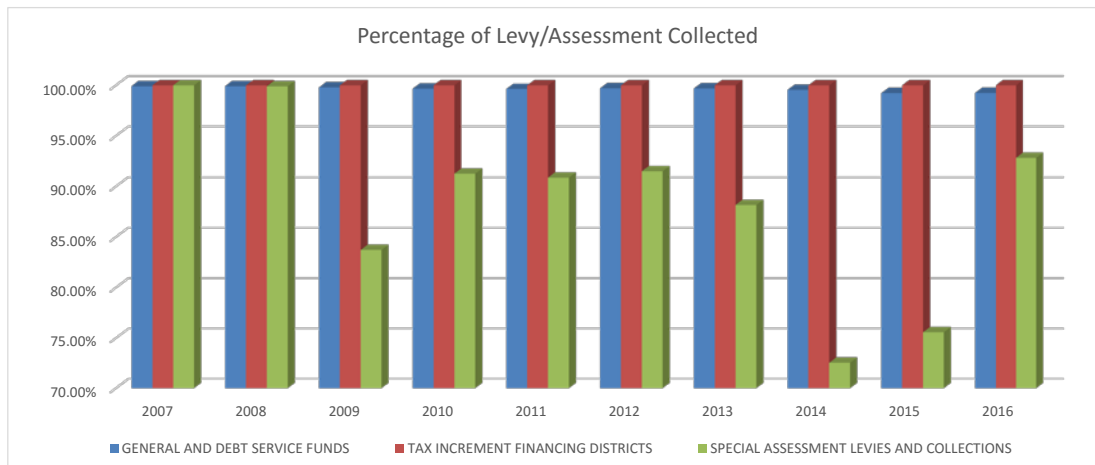
SPECIAL ASSESSMENT LEVIES AND COLLECTIONS

For years ended December 31, 2007 through December 31, 2016

Year Ended December 31 ⁽¹⁾	Assessments Certified to County	Current Year Collections		Collections in Subsequent Years	Total Assessment Collections	
		Amount	Percentage of Assessment		Amount	Percentage of Assessment
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%
2016	1,388,634	1,288,438	92.78%	576	1,289,014	92.83%

(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

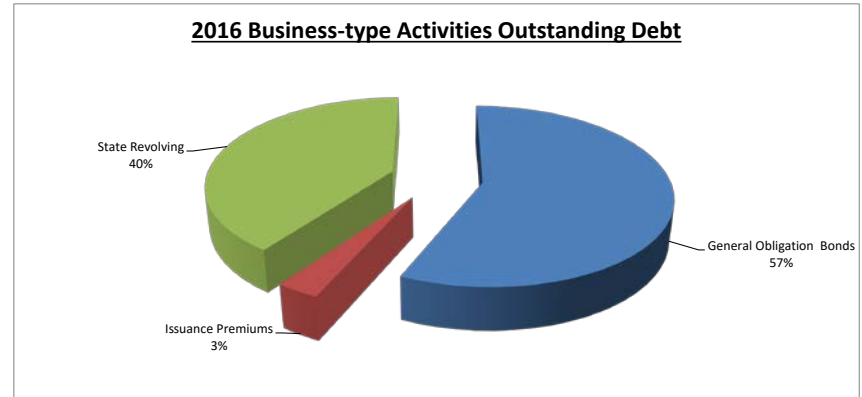
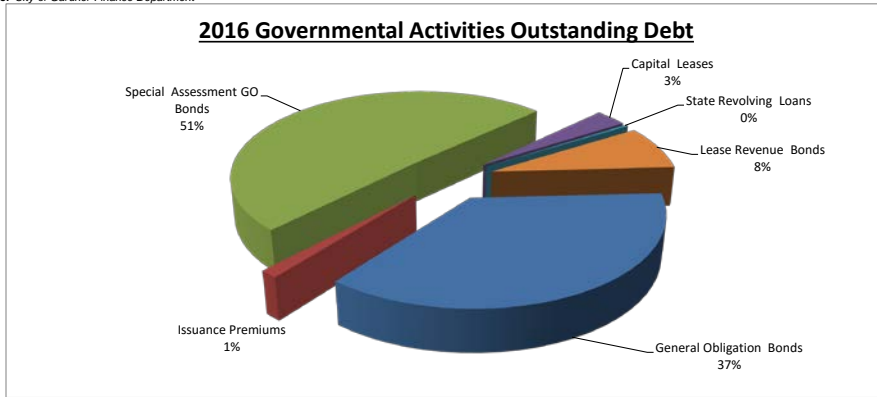


**City of Gardner, Kansas
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Government Activities								Business-type Activities					Total Primary Government	Percentage of Personal Income ^(a)	Per Capita ^(a)
	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			
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
^(b) 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
^(c) 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
2016	9,216,264	345,252	12,805,000	-	-	792,116	67,609	2,015,000	15,398,736	859,776	-	-	10,890,162	52,389,915	8.12%	2,482

^(a) See the Demographic and Economic Statistics schedule in this section for personal income and population data.
^(b) 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.
^(c) 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

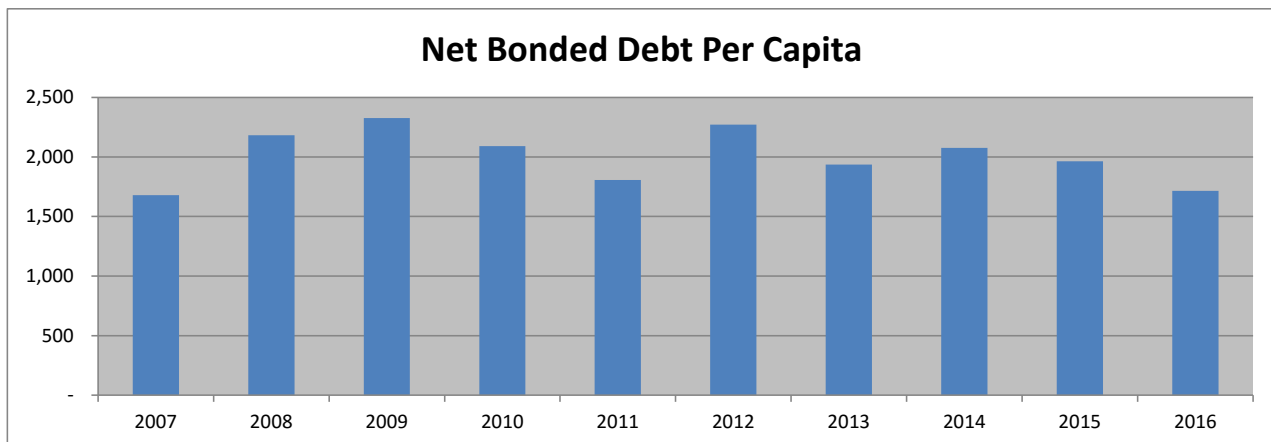
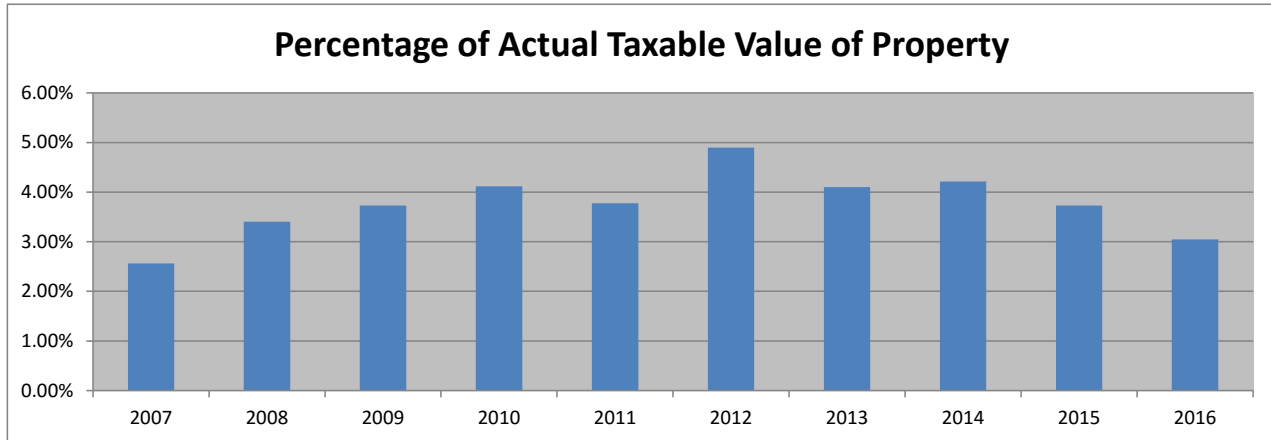
Fiscal Year	General Obligation Bonds	Issuance Premiums	Special Assessment GO Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value ^(a) of Property	Per Capita ^(b)
2007	26,645,000	60,664	2,270,000	237,844	28,737,820	2.56%	1,680
2008	34,375,000	160,583	5,255,000	310,091	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
2016	24,615,000	1,205,028	12,805,000	2,427,189	36,197,839	3.04%	1,715

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

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

^(b) 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, 2016

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^(a)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
GO Debt repaid with property taxes			
Unified School District No. 231	\$ 152,625,000	58.91%	\$ 89,911,845
Johnson County	5,585,336	1.71%	95,651
Johnson County Community College	12,130,000	1.71%	207,731
Johnson County Park and Recreation	28,678,846	1.71%	491,135
Other			
Johnson County: Public Building Commission	256,700,000	1.71%	<u>4,396,078</u>
Subtotal, overlapping debt			95,102,440
City Direct Debt			<u>25,241,241</u>
Total direct and overlapping debt			<u>\$ 120,343,681</u>

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

^(a) 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 Treasury and Financial Management and the City of Gardner Finance Department

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 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	\$ 54,443,006
Total net debt applicable to limit	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	15,602,174
Legal debt margin	\$ 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	\$ 38,840,832
Total net debt applicable to the limit as a percentage of debt limit	27.68%	37.15%	36.80%	33.05%	34.17%	44.09%	30.28%	32.02%	28.03%	28.66%

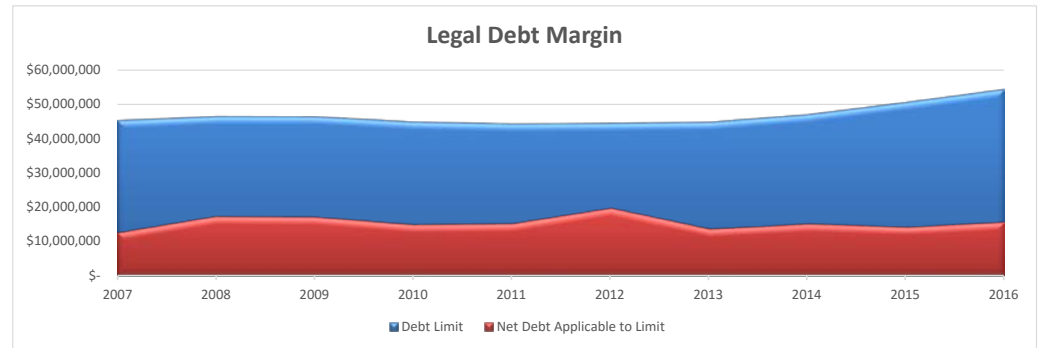
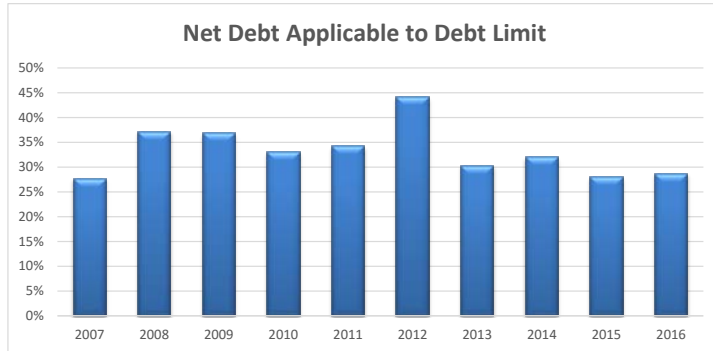
Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value ^(a)	\$ 181,476,685
Debt limit (30% of assessed value) ^(b)	54,443,006
Debt applicable to limit:	
G.O. Bonds and Temporary Notes Outstanding	37,420,000
Less: Amount set aside for utilities, refunding, and revenue-supported bonds	<u>(21,817,826)</u>
Total net debt applicable to limit	<u>15,602,174</u>
Legal debt margin	<u>\$ 38,840,832</u>

Notes: ^(a) Assessed value includes property tax collected for motor vehicles.

^(b) 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**

Calendar Year	Population ⁽¹⁾	Personal Income	Per Capita Personal Income ⁽⁴⁾	Median Age ⁽⁴⁾	School Enrollment ⁽³⁾	Unemployment Rate ⁽²⁾
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%
2016	21,110	639,907,430	30,313	31.9	6,041	3.1%

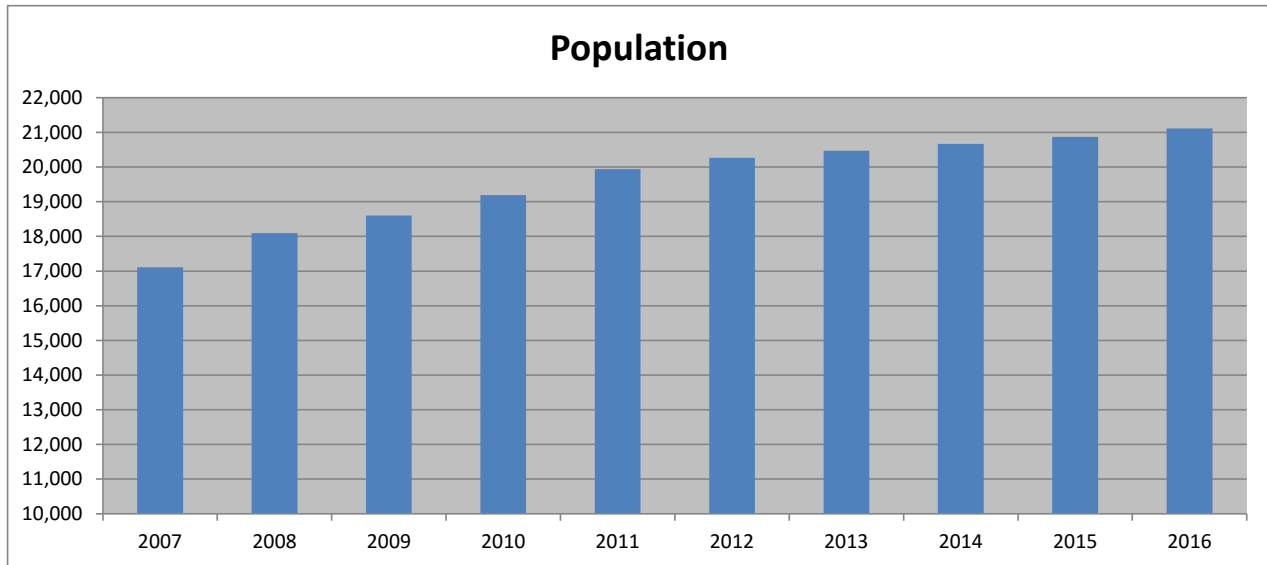
Sources: City of Gardner Finance Department and

⁽¹⁾ US Census Bureau - estimate as of July 1, xxxx

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

⁽³⁾ Unified School District No. 231

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



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

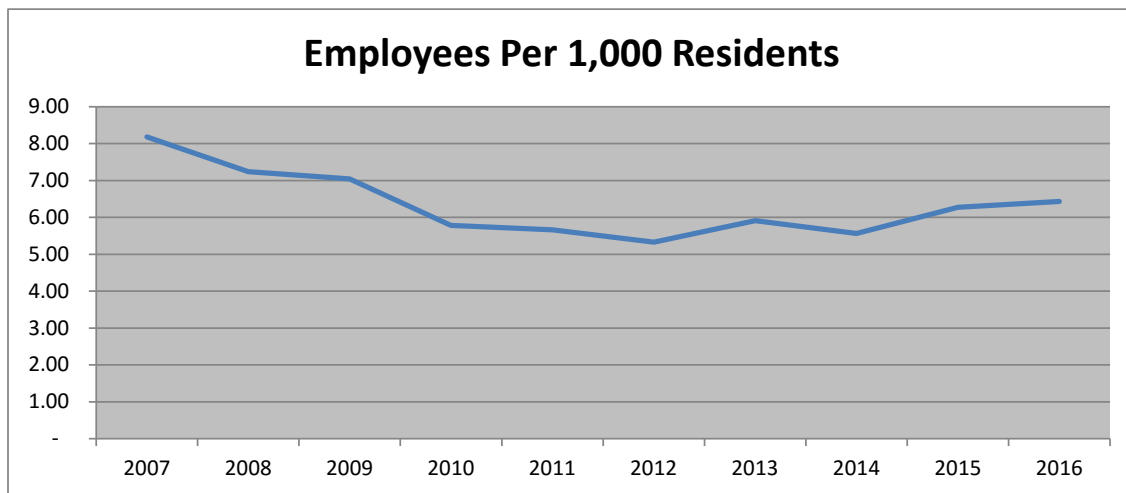
Employer	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Unified School District No. 231	826	1	23.82%	650	1	16.97%
Walmart	250	2	7.21%	350	2	9.14%
Meadowbrook Rehabilitation Hospital	180	3	5.19%	113	6	2.95%
Epic Landscape Productions	172	4	4.96%			
Coleman	167	5	4.82%			
City of Gardner	137	6	3.95%	138	5	3.60%
Price Chopper	135	7	3.89%	100	7	2.61%
TradeNet Publishing	130	8	3.75%	60	10	1.57%
Medical Lodge of Gardner	102	9	2.94%	90	8	2.35%
D.O.T. Label, Inc. (ITW)	87	10	2.51%	180	3	4.70%
Package Service Co, Inc				150	4	3.92%
Cramer Products, Inc.			0.00%	65	9	1.70%
Total	2,186		63.05%	1,896		49.50%

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>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>	<u>2016</u>
General government										
Administration	3	3	3	3	3	2	6	5	5	5
Human Resources/City Clerk	2	3	3	3	3	3	2	2	4	4
Information Systems	1	1	1	1	1	1	1	1	3	3
Finance										
Fiscal Services	5	4	4	4	4	4	5	5	7	7
Court	2	2	2	2	2	1	2	2	2	2
Utilities	8	8	8	8	8	8	8	8	9	9
Planning	4	4	4	1	1	1	3	3	5	5
Codes	7	5	5	2	2	1	3	3	3	2
Public Safety										
Administration	6	6	6	5	5	4	5	3	5	6
Operations	34	33	33	23	22	22	23	24	28	28
Animal Control	1	1	1	1	1	1	1	1	1	1
Public Works										
Administration	4	4	4	5	5	5	4	2	2	2
Fleet	1	1	1	1	1	1	1	1	1	1
Engineering	6	4	4	4	4	4	4	4	5	5
Building Maintenance	1	1	1	1	1	1	1	1	1	1
Streets & Line Maintenance	9	8	8	12	11	12	15	17	12	15
Electric	12	9	10	13	16	18	16	10	14	16
Water	10	10	10	5	5	4	5	6	6	6
Wastewater	10	10	9	5	5	5	5	6	6	6
Culture and Recreation										
Recreation Services	6	6	6	5	5	5	5	5	6	7
Park Maintenance	8	8	8	7	8	5	6	6	6	6
Total	140	131	131	111	113	108	121	115	131	137

Source: City of Gardner Human Resources Department



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

Function	2007^(a)	2008	2009	2010	2011^(b)	2012	2013	2014	2015	2016
General government ⁽¹⁾										
Building permits issued	677	524	511	503	570	578	534	607	594	744
Building inspections conducted	5,203	3,597	2,602	2,205	1,521	1,560	1,916	2,760	2,723	3,046
Police Department ⁽²⁾										
Violations	2,742	3,763	2,459	2,087	3,732	2,908	3,251	3,056	3,426	4,252
Fire responses	364	430	432	331	113	343	415	235	186	188
Medical responses	922	901	980	825	622	1,052	1,114	904	1,048	1,001
Public Works ⁽³⁾										
Street resurfacing (shown in linear feet)	19,183	5,280	3,370	1,100	13,610	270	3,453	2,420	-	29,276
Curb replacement (shown in linear feet)	8,627	-	1,165	-	315	260	2,575	1,945	648	16,310
Electric ⁽⁴⁾										
Average daily consumption (in kWh)	327,896	322,695	319,408	364,150	354,075	360,000	357,700	370,924	371,929	386,687
Electric meters installed	399	90	95	129	94	53	85	93	66	112
Water ⁽⁴⁾										
Average daily consumption (in thousands)	1,634	1,604	1,296	1,362	1,659	1,920	1,678	1,896	1,746	1,696
Water meters installed	284	90	85	88	94	53	85	93	66	178
Wastewater ⁽⁴⁾										
Average daily sewage treatment (in thousands)	1,415	1,614	2,103	2,060	2,147	1,184	1,280	1,083	1,277	1,295
Culture and Recreation ⁽⁵⁾										
Athletic Program Participants	2,182	2,428	2,984	4,462	5,133	5,205	4,838	4,894	5,085	4,758
Aquatic Admissions	100,247	103,206	97,984	89,163	78,102	84,313	64,636	66,179	65,301	71,627

Note: ^(a) 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: ^(b) 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

⁽¹⁾ City of Gardner Business and Economic Development Department

⁽²⁾ City of Gardner Police Department

⁽³⁾ City of Gardner Street Department

⁽⁴⁾ City of Gardner Utility Department

⁽⁵⁾ City of Gardner Parks and Recreation Department

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

<u>Function</u>	<u>2007^(b)</u>	<u>2008^(c)</u>	<u>2009</u>	<u>2010^(a)</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Public Safety ⁽¹⁾										
Stations	1	2	2	1	1	1	1	1	1	1
Patrol/AC Units	15	14	14	13	16	16	16	16	16	19
Fire Fleet	7	8	8	-	-	-	-	-	-	-
Public Works ⁽²⁾										
Streets (lane miles) ^(d)	87.40	91.93	93.53	99.33	108.7	108.7	109.61	109.61	191.00	192.00
Streetlights	1,085	1,134	1,139	1,139	1,214	1,214	1,264	1,264	1,750	1,750
Electric ⁽³⁾										
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)	46	46	49.5	49.75	51.5	56.5	58.8	58.8	58.4	45.0
Underground lines (miles)	51	51	52.5	52.5	53.5	55.2	55.8	56.3	56.8	97.0
Water ⁽³⁾										
Water mains (miles)	104.05	104.35	105.52	106.01	106.24	106.24	107.61	107.61	134.00	135.00
Treatment Plants	1	1	1	1	1	1	1	1	1	1
Wastewater ⁽³⁾										
Sanitary sewers (miles)	119.40	122.66	122.6	123.35	123.35	124.83	125.97	125.97	109.00	109.00
Storm sewers (miles)	39.72	41.16	42.59	42.64	42.64	42.64	43.92	43.92	45.00	45.00
Treatment Plants	3	3	3	3	3	3	3	3	3	3
Culture and Recreation ⁽⁴⁾										
Acreage	226.93	330.58	332.24	332.24	339.95	339.95	341.95	341.95	341.95	341.95
Parks	10	13	13	13	13	13	13	13	13	13
Baseball/softball/soccer fields	4	14	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

⁽¹⁾ City of Gardner Police Department

⁽²⁾ City of Gardner Street Department

⁽³⁾ City of Gardner Utility Department

⁽⁴⁾ City of Gardner Parks and Recreation Department

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.

(b) Streets Dept. new inventory process begun in 2006 found unreported miles.

(c) Culture and Recreation acreage includes 19.21 acres undeveloped park land.

(d) In 2015, street miles reported was changed to street lane miles

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*

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 13, 2017.

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. However, material weaknesses may exist that have not been identified.

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*.

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

June 13, 2017
Wichita, Kansas