



For the fiscal year ended
December 31, 2013

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Prepared by:
Finance Department
City of Gardner, Kansas

CITY OF GARDNER, KANSAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

Prepared by:

Finance Department
City of Gardner, Kansas

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COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Year Ended December 31, 2013

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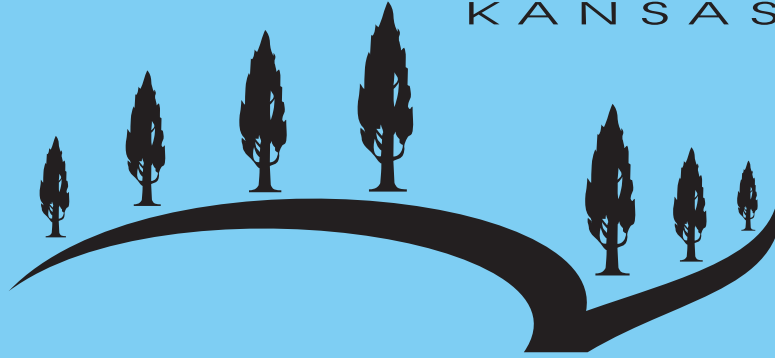
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GARDNER

KANSAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended
December 31, 2013

INTRODUCTORY SECTION



June 24, 2014

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, 2013. This is the tenth year that the City has prepared a CAFR, and staff has submitted this CAFR for a Certificate of Achievement for Excellence in Financial Reporting with the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that conforms to program standards. The CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for one year only. We believe this report conforms to the Certificate of Achievement program requirements.

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

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

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal requirements of Kansas Statutes. Activities of the General Fund, special revenue funds (unless exempted by a specific statute), enterprise funds, and the Debt Service Fund are included in the annual appropriated budget, as required by Kansas Statutes. Spending in funds which are not subject to said Statutes are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the City.

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

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

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

Profile of the Government

The City of Gardner was established on March 16, 1858 and came under the jurisdiction of the State of Kansas in 1861. The City was incorporated as a Municipal Corporation of the third class in January 1887 and as a Municipal Corporation of the second class in December 2002. The City is located in Johnson County, Kansas, along Interstate 35, about 30 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 560,000. Because of Gardner's location on the edge of the Kansas City metropolitan area, it serves as a suburban rural living area for individuals employed in the metropolitan area and also continues to serve the surrounding rural agricultural community.

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

The City is privileged to have a full range of services including police protection through its Police Department, fire services through Johnson County Fire District No.1, and ambulance services through 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, and codes enforcement, municipal court,

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

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 operates the municipal airport.

Economic Condition and Outlook

In the past decade, Gardner has experienced significant growth. This growth is expected to continue because the City benefits from its direct access to a unique combination of interstate, air and rail infrastructure: two intersections on Interstate 35, Burlington Northern Santa Fe's major rail transit route, New Century Air Center - a premier multimodal business park - on the City's eastern side, and the recently opened BNSF Intermodal facility on its western side. There is no other City in the region with this combination of access to multimodal infrastructure, ample developable land, professional staff, and a Governing Body clearly dedicated to development.

Gardner's location at the crossroads of multimodal transportation and its proximity to Kansas City will assuredly reap benefits, and the City is partnering with the Kansas City Area Development Council (KCADC) to engage its expertise and actively pursue economic development. As noted on the KCADC website "[...] Kansas City is currently experiencing an unparalleled period of growth in transportation and logistics-related investment. [...] KC's central location and physical transportation infrastructure allow it to provide excellent support to the growth of the global market."

The aforementioned \$250 million Burlington Northern Santa Fe intermodal facility and associated \$1.45 billion BNSF Logistics Park KC is an inland port which provides businesses with a connection to the global supply chain and multimodal transportation to import and export goods by rail or truck. The facility will impact the City's growth, as evidenced by Coleman constructing a 1.1 million square foot distribution facility in 2009 in anticipation of the intermodal facility's 2013 opening. Ancillary services to support the multimodal industry such as towing and hauling businesses located in Gardner in 2013.

In addition to increasing commercial business, an increase in residential housing is also expected. Employment projections for BNSF Logistics Park KC are 13,000 employees.

As previously stated, the City is also bordered on its eastern limits by New Century Air Center, which boasts premiere companies such as Unilever, Kimberly Clark, and DuPont. As premiere companies continue to locate and expand in the area due to their need to access the intermodal facility to transport their products, Gardner will increasingly benefit, as these companies actively encourage their employees to live and shop in the local community.

The City's population in 2013 was approximately 21,000. Located in one of the fastest growing areas of the state, the City's population grew 155% between 2004 and 2013. Between 2004 and 2013, the number of people employed within the City increased from 1,643 to 2,372 – a 44% increase.

Gardner's award-winning school district continues to expand, as a new combined middle and elementary school campus was opened in fall 2013. The City partnered with the school district on the project including extending water, sewer, and electric infrastructure to the area and paying 50% (\$2.6 million) of the costs to construct a street and extend infrastructure to access the campus.

Currently, Gardner is approximately 10.18 square miles in size. The City installed 1.14 miles of sewer lines, and 2.3 miles of new overhead and .6 miles of new underground electric distribution and transmission lines.

While the City's assessed valuation increased only 1% from 2012 to 2013, for 2014 the assessed valuation jumped 5.8%. The City has experienced assessed valuation growth of 108% since 2003. Wealth levels and housing values exceed state averages, and Johnson County's 2013 unemployment rate at 3.8% was lower than the state's rate of 4.9%, and far less than the national unemployment rate of 7.4%.

The City's current Standard & Poor's credit rating of AA-/Stable reflects healthy financial operations for the City. The associated bond rating report prepared by Standard & Poor's Ratings Services in March 2014 notes that Gardner's economy is "adequate [...]" based on projected per capita effective buying income and market value per capita [...]" and adds "[...] the City, however, benefits from its participation in the broad and diverse Kansas City MSA [...]". S&P also concurred that Gardner benefits from the unique combination of interstate, air, and rail infrastructure.

Standard & Poor's also referenced the City's "very strong budgetary flexibility" because of the City's large reserves. These reserves, combined with new leadership in both city staff and elected officials, are key components in approved funding for a slew of new initiatives beginning in 2013 to position the City to be a key player in the area.

2013 Major Initiatives

In 2013, Gardner experienced many progressive changes. A new leadership structure emerged as a new Mayor and Council members were elected and City Administrator Harrison-Lee began her first full year. This combination of visionary leadership and

practical experience led to the implementation of best practices for visioning, planning, budgeting, economic development, and creating a high-performance organization. Under this new leadership, the City embarked on developing a vision and strategic plan for Gardner through a series of citizen engagement meetings to gather input from the business community and an appointed, 18-member “Citizen Visioning Committee.”

In addition to the citizen engagement and Visioning Committee meetings, the Governing Body also engaged in facilitated work sessions regarding City demographics and trends, regional economic activity and Gardner’s role in that activity, educational sessions on the basics of governmental fund accounting and the best practice of Priority-Based Budgeting, and finally, a facilitated work session to identify the Governing Body’s strategic goals they would use to guide their vision of the City.

Following the identification of strategic goals, the City implemented for the first time the recognized best practice of Priority-Based Budgeting process to create the 2013/2014 budget and align the City’s resources with the Governing Body’s strategic goals.

In addition to implementing the visioning and new budget process, the City reorganized and increased staffing to gain efficiency and enhance both customer service and employee performance, hired 3 new Directors, and implemented a new employee appraisal process and merit pool to incent and reward high performance from its employees.

As a result of the previous downturn of the economy, 2013 capital projects were minimal, however, in a partnership between the City and the school district, a new, combined elementary, middle school, and sports activity campus opened in the fall of 2013. The infrastructure constructed to serve the campus was funded equally between the City at large and the school district through a benefit district and included construction of 4,000 feet of a new collector roadway with pedestrian and bicycle facilities, a traffic signal at the intersection of existing arterial Moonlight Road and the new Grand Street; a sanitary sewer connection between the school campus and the City’s existing sanitary sewer; and a water line to provide service to the new schools. In addition to the infrastructure funded as part of the benefit district, the City constructed capacity improvements to the existing sanitary sewer system in order to serve the new school campus.

A second partnership with a neighboring city came to fruition in 2013 as the award-winning, joint Edgerton/Gardner Big Bull Creek Wastewater Treatment Plant was placed in operation. The project included a treatment plant with a capacity of 500,000 gallons per day, with the ability to expand to 3,000,000 gallons per day in later phases. Also included were two lift stations that will belong to Edgerton and one lift station that will belong to Gardner, with both gravity sewers and force mains associated with all three lift stations.

The City began work on enhancing and expanding its digital communications presence including implementing a new electronic activities and events calendar to replace the previously printed Activity Guide with up-to-date information on programs and events

offered by the City's Parks and Recreation Department; an updated registration software was also introduced to allow for registration of events and activities online. A digital publication service was implemented to allow citizens to view the City's budget and other publications online in a "book" format. Social media presence was also enhanced with the creation of Facebook pages for the Gardner Police Department and Parks and Recreation Department to highlight their roles within the community.

Finally, the City began planning for a formal Capital Improvement Plan (CIP) process with a Governing Body tour of City facilities and potential areas of economic development.

Future/Planned Initiatives

The long-awaited construction of one of the City's busiest intersections at Center Street and Main Street will be completed in mid-summer 2014. Construction will include the addition of turn lanes, traffic signal modifications, and associated site improvements to improve safety and relieve congestion. A grant through KDOT will pay for one-hundred percent of the total actual cost of construction for a maximum of \$870,000.

During the aforementioned Priority-Based Budgeting process used to create the 2014 budget, the Governing Body identified economic development as their greatest priority. Consequently, the future initiatives reflect intense focus on economic development including the development of both a new Comprehensive Development Plan and Economic Development Strategy to guide and facilitate economic development; both of these projects involve significant commitment in both funding and citizen engagement to successfully complete. Funding was also included for economic development technical studies.

Other significant projects include a complete revision of the City's information technology infrastructure including all components necessary to implement a business continuity/disaster recovery plan. The Governing Body also approved funding for the complete redesign and implementation of a new City website to include citizen engagement capabilities.

The Governing Body continued its commitment to citizen engagement in other areas as a Citizens Police Academy was initiated, and a Comprehensive Plan Advisory Committee was formed to gather citizen input and facilitate the development of the Comprehensive Plan. Other citizen engagement included additional facilitated sessions with Gardner's faith-based community to gather their input for community needs to be included in the 2015 budget, and the creation of an Economic Development Advisory Taskforce to assist with the development of the Economic Development Strategy. The City also conducted a citizen survey to assist in identifying priorities for future initiatives.

Finally, due to Gardner's proximity to the BNSF intermodal facility and increased train traffic, the City will construct a "quiet zone" by modifying an existing intersection in the residential area of town nearest the facility to alleviate increased train whistles.

Financial Planning

The City expects 2014-2018 to be financially healthy years as revenues for both property and sales tax are consistently trending upward and some large debt obligations will pay off. A combination of revenue greater than projected and expenses that were strategically reduced below budgeted levels contributed to the City's General Fund balance increasing to an extremely robust 59% of expenditures at the end of fiscal 2013. These large reserves, combined with recovering utility fund balances, increased economic development interest and activity, steady building permits, and greater focus on financial planning including a cost allocation study, a funding capacity study, and the formation of a formal Capital Improvements Plan will facilitate the Governing Body's confidence to commit funding to major initiatives for 2015 and beyond.

The City's future 2014/2015 budget will contain continued significant funding to facilitate various aspects of economic development including the development of a downtown district plan to create a sustainable, resilient community through diversification of non-residential uses and a "sense of place" experience for Gardner. Other funded components to create the downtown experience include City funding to expand and complement a Kansas Department of Transportation study to identify possible solutions to 56 Highway bisecting Gardner, which currently prohibits creating a downtown experience. Further, because the City's current parks maintenance facility is a historic, WPA building that is perfect for adaptive reuse and is geographically located in the pending downtown district plan, funding is included for a facility needs study to identify solutions to replacing the parks maintenance facility and facilitate repurposing of the historic building and also to replace the aging police station.

The budget will also include funding for downtown decorative lighting to enhance ambiance and the "sense of place" experience, and in conjunction with a CDBG grant, the City will allocate funds to install ADA compliant ramps in downtown sidewalks to make downtown accessible to everyone.

Because the City's Aquatics Center anchors one corner of the pending downtown district plan, debt financing for \$636,000 in renovations will be included in the financial planning. Additional debt financing for \$544,600 in renovations for Westside Park is also planned.

Other economic development related initiatives include funding for an assessment and study of infrastructure needs to promote development and prepare for "shovel ready" grant opportunities at the City's 175th and I-35 interchange, which is an area identified as having strong potential for major development. Funding is also included for a land development code update to implement the vision of the new Comprehensive Plan. A land development code ensures quality development and facilitates a responsive, proactive business climate.

Other future funding will be allocated for marketing and rebranding to refresh the City's image and communicate the City's interest in economic development and creating a business friendly climate.

Funding will be committed to establish the National League of Cities model for a Youth Leadership Council to facilitate the City's youth to be a stronger "ready workforce" by focusing their attention on science, technology, engineering, and math skills and developing their leadership skills. A ready workforce is necessary for economic development, and engaged youth also develop a sense of civic duty and commitment to their community.

The City will continue to improve fiscal stewardship by creating business plans and metrics and conducting an analysis of the utility system capacity.

The City is not proposing any increases in the 2015 mill levy; all of these future initiatives will be implemented through both the realignment of existing resources, the use of excess reserve funds in the General Fund, and debt financing for some capital projects.

Reviewing projections for 2014-2018 reveals that property tax revenues are anticipated to increase in the General Fund as property tax values are accelerating and development continues. A significant increase in property tax revenue will occur when the City's tax increment financing district pays off in 2016; an extremely significant boost in sales tax will also occur at that time. For the 5-year period of 2014-2018, the City shows an overall projected 20% increase in valuation, at a moderate annual increase of approximately 4% each year. Sales tax during that same period is projected to increase significantly due to the aforementioned pay off of the tax increment financing district which contains the City's largest retailer; the overall projected increase from 2014 to 2018 is 53%.

As Gardner provides electric, water, and wastewater services through its own municipal operations, financial planning for these significant assets is of great importance. During a period extending from 2013 into 2014, the Governing Body spent many months gathering input on a wide variety of topics related to utility operations and deliberating the best option that would simultaneously continue to provide quality utility services at competitive rates, focus on best practices and incur further efficiencies, and allow leveraging of these assets to gain a competitive edge in economic development. In mid-2014, they reached consensus to create a new organizational structure and place all 3 of the utilities within a single department under the management of a new Utilities Director. A Public Utility Commission composed of resident ratepayers would be formed to work in conjunction with Utility Department leadership to study issues related to the utilities and to develop recommendations to the Governing Body. Assessments of the utility systems and plants are planned. Capital projects will be determined following the results of the assessments.

As the Governing Body continues implementing major initiatives and capital projects, the results of studies and assessments become known, and as development continues,

projections past 2015 will likely be completely revised. Management will continue to monitor the reserves and will take whatever actions are necessary to maintain the desired reserve level, as evidenced by past financial performance and the aforementioned investment grade Standard & Poor's credit rating of AA-/Stable.

Acknowledgements

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

Sincerely,



Cheryl Harrison-Lee
City Administrator

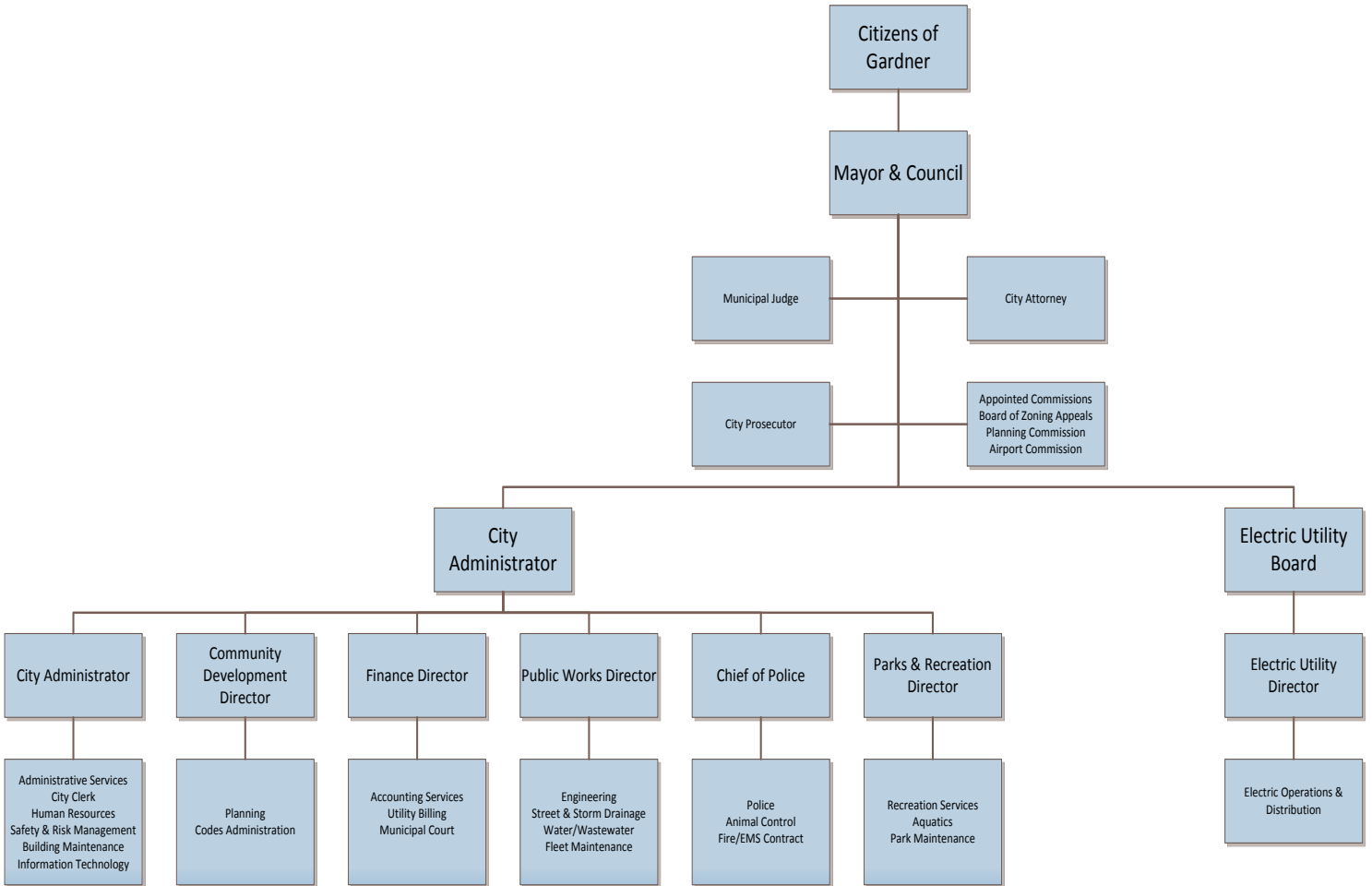


Laura Gourley
Finance Director

City of Gardner, Kansas

Organizational Chart

December 31, 2013



City of Gardner, Kansas

List of Elected and Appointed Officials

December 31, 2013

Elected Officials

		Term of Office
Mayor	Chris Morrow	2013-2017
Council President	Kristy Harrison	2013-2017
Council Vice President	Larry Fotovich	2011-2015
Councilmember	Heath Freeman	2012-2015
Councilmember	Steve Shute	2013-2017
Councilmember	Tory Roberts	2013-2015

Appointed Officials

City Administrator	Cheryl Harrison-Lee
Municipal Judge	Robin Lewis
City Prosecutor	Chris Reece
City Attorney	Ryan Denk
Finance Director	Laura Gourley
Public Works Director	Brian Faust
Police Chief	Gerald Cullumber
Parks and Recreation Director	Jeff Stewart
Electric Director	Bill Krawczyk



Government Finance Officers Association

**Certificate of
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**City of Gardner
Kansas**

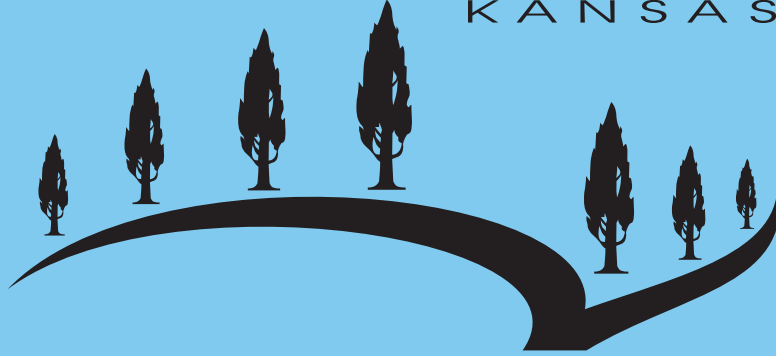
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO

GARDNER

KANSAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended
December 31, 2013

FINANCIAL SECTION

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 the City of Gardner, Kansas (City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*, 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, 2013, and the respective changes in financial position, and, where applicable, cash

flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2014 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 the City's internal control over financial reporting and compliance.

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

June 24, 2014
Wichita, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Gardner (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2013. 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 2013 by \$112,144,987 (*net position*). Of this amount, \$13,975,184 (*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 \$4,239,507 during the fiscal year.
- As of the close of 2013, the City's governmental funds reported combined ending fund balances of \$10,076,267. Approximately 58 percent of this total amount, \$5,864,734, 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 \$5,929,208 or 63% of the total general fund revenues of \$9,448,767.
- The City's total long-term debt decreased by \$3,253,419 during the fiscal year. Aggressive debt retirement contributed to the decrease.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The basic financial statements of the City include the government-wide financial statements and the fund financial statements. The notes to the financial statements follow the basic financial statements and are essential for the reader's understanding of the financial statements. Other supplementary information, including the statistical section, is also included at the end of this report to provide additional information for the reader.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund and capital projects fund, all of which are considered to be major funds. Data from the remaining governmental funds are combined into a

single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

Notes to the Financial Statements

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

Other Information

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

ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the City, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$112,144,987 at the close of the current fiscal year. The City's net position increased by \$4,239,507 from the prior year, with governmental activities accounting for \$1,004,318 of the increase, and business-type activities accounting for \$3,235,189 of the increase.

City of Gardner, Kansas Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$31,529,942	\$34,713,779	\$12,784,293	\$12,690,240	\$44,314,235	\$47,404,019
Capital assets	55,537,613	54,631,020	93,241,071	90,335,595	148,778,684	144,966,615
Total assets	87,067,555	89,344,799	106,025,364	103,025,835	193,092,919	192,370,634
Deferred outflows	62,552	-	112,725	-	175,277	-
Long-term liabilities	34,071,909	36,915,003	39,995,757	40,212,707	74,067,666	77,127,710
Other liabilities	924,515	5,074,301	2,357,158	2,263,143	3,281,673	7,337,444
Total liabilities	34,996,424	41,989,304	42,352,915	42,475,850	77,349,339	84,465,154
Deferred inflows	3,773,870	-	-	-	3,773,870	-
Net position:						
Invested in capital assets, net of related debt	23,990,859	17,955,758	53,358,039	51,630,963	77,348,898	69,586,721
Restricted for:						
Debt service	18,156,526	18,307,114	-	-	18,156,526	18,307,114
Capital projects	2,242,140	4,874,557	-	-	2,242,140	4,874,557
Streets improvements	213,522	849,816	-	-	213,522	849,816
Economic development	173,807	158,243	-	-	173,807	158,243
Other purposes	34,910	43,230	-	-	34,910	43,230
Unrestricted	3,548,049	5,166,777	10,427,135	8,919,022	13,975,184	14,085,799
Total net position	\$48,359,813	\$47,355,495	\$63,785,174	\$60,549,985	\$112,144,987	\$107,905,480

The largest portion of the City's net position (69%) reflects its investment of \$77,348,898 in capital assets (e.g., land, buildings, infrastructure, construction in progress, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these are not available for future spending.

An additional \$20,820,905 of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of the City's net position of \$13,975,184 (\$3,548,049 governmental activities and \$10,427,135 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 \$4,239,507 during the current fiscal year. The following table reflects the revenues and expenses for the City's activities for the year ended December 31, 2013, and illustrates the comparison between 2013 and the prior year:

City of Gardner, Kansas Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for services	\$ 1,615,296	\$ 1,498,340	\$ 23,042,223	\$ 22,847,089	\$ 24,657,519	\$ 24,345,429
Operating grants and contributions	2,966,108	2,816,127	-	-	2,966,108	2,816,127
Capital grants and contributions	782,039	5,730,105	-	92,762	782,039	5,822,867
General Revenues:						
Property taxes	4,821,475	4,845,216	-	-	4,821,475	4,845,216
Sales taxes	3,190,773	3,123,255	-	-	3,190,773	3,123,255
Franchise taxes	348,956	320,227	-	-	348,956	320,227
Excise taxes	-	312,441	-	-	-	312,441
Transient guest tax	42,493	38,470	-	-	42,493	38,470
Unrestricted Investment earnings	33,418	31,905	29,972	31,163	63,390	63,068
Gain on sale of assets	40,567	67,329	-	-	40,567	67,329
Total Revenue	13,841,125	18,783,415	23,072,195	22,971,014	36,913,320	41,754,429
Expenses:						
General government	2,817,304	2,697,372	-	-	2,817,304	2,697,372
Public safety	3,874,682	3,776,937	-	-	3,874,682	3,776,937
Public works	2,631,533	2,846,701	-	-	2,631,533	2,846,701
Culture and recreation	2,460,190	2,593,737	-	-	2,460,190	2,593,737
Interest on long-term debt	1,595,184	1,308,232	-	-	1,595,184	1,308,232
Electric	-	-	11,779,932	11,996,928	11,779,932	11,996,928
Water	-	-	3,345,254	3,447,469	3,345,254	3,447,469
Wastewater	-	-	3,657,553	3,513,416	3,657,553	3,513,416
Stormwater	-	-	25,167	25,167	25,167	25,167
Total Expenses	13,378,893	13,222,979	18,807,906	18,982,980	32,186,799	32,205,959
Increase (decrease) in net position before transfers	462,232	5,560,436	4,264,289	3,988,034	4,726,521	9,548,470
Transfers	1,029,100	1,004,818	(1,029,100)	(1,004,818)	-	-
Change in net position	1,491,332	6,565,254	3,235,189	2,983,216	4,726,521	9,548,470
Net position, 1/1/2013	47,355,495	40,790,241	60,549,985	57,566,769	107,905,480	98,357,010
Prior period adjustment	(487,014)	-	-	-	(487,014)	-
Net position, 12/31/13	\$ 48,359,813	\$ 47,355,495	\$ 63,785,174	\$ 60,549,985	\$ 112,144,987	\$ 107,905,480

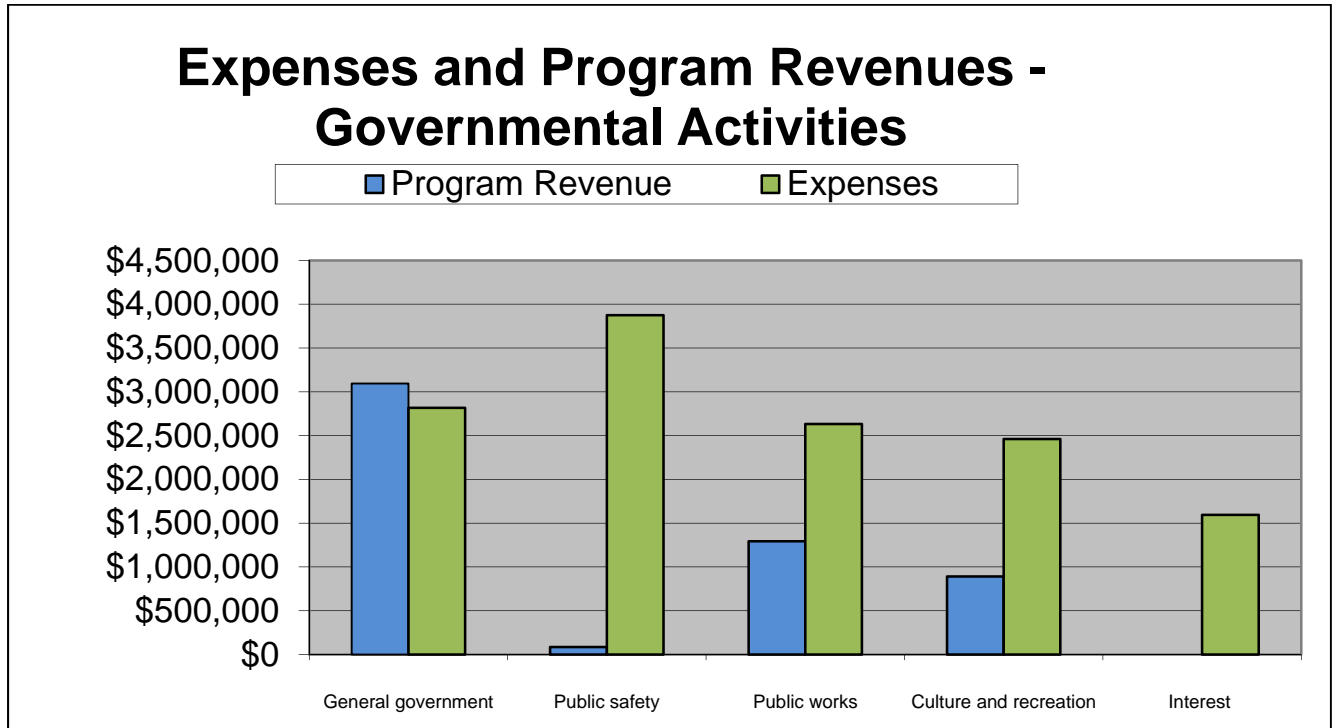
Governmental Activities

The City's net position related to governmental activities increased by \$1,004,318, which is down from an increase of \$6,565,254 in net position from 2012. In 2012 the City had just over \$5 million of newly assessed revenue from a completed benefit district.

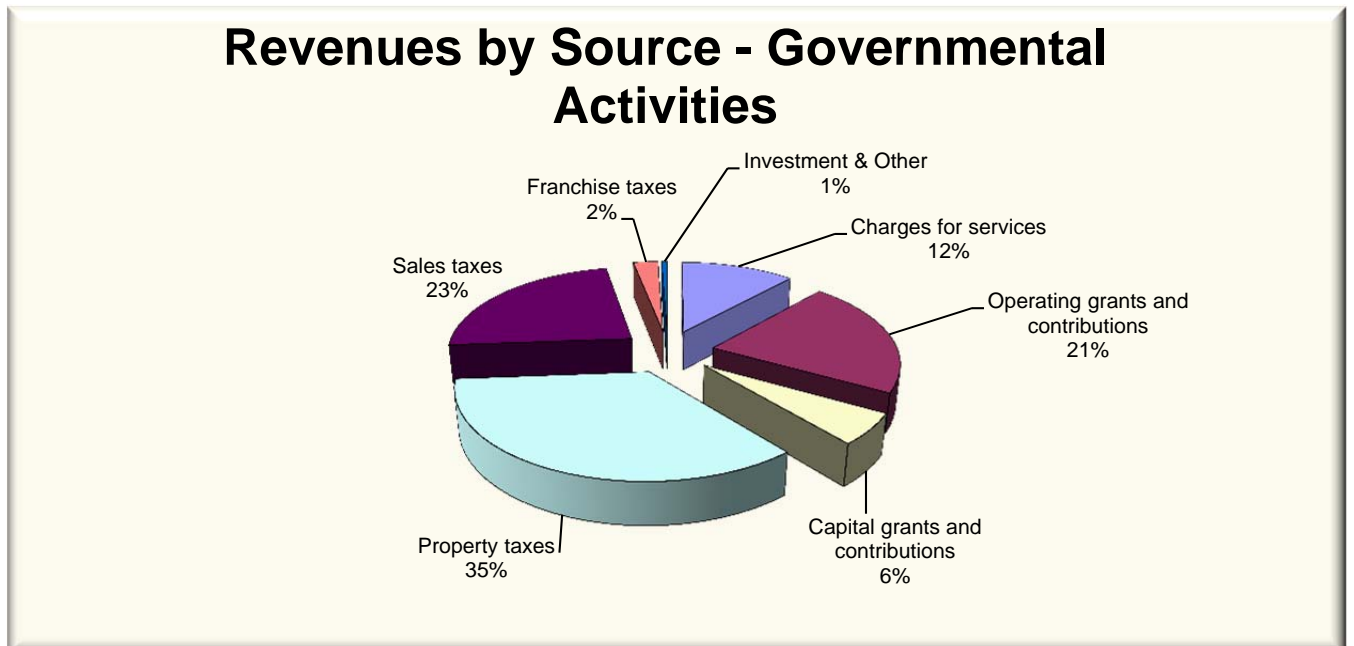
Total governmental revenues decreased \$4,942,290 over the prior year. The decrease is due to a decrease in capital grants and contributions of \$4,948,066 from the aforementioned 2012 assessed benefit district.

Total governmental expenses on the whole were unchanged from the prior year and yet well below expected due to good financial management practices.

The chart below illustrates how the City's various governmental activities program revenues vs. program expenses fared in 2013.

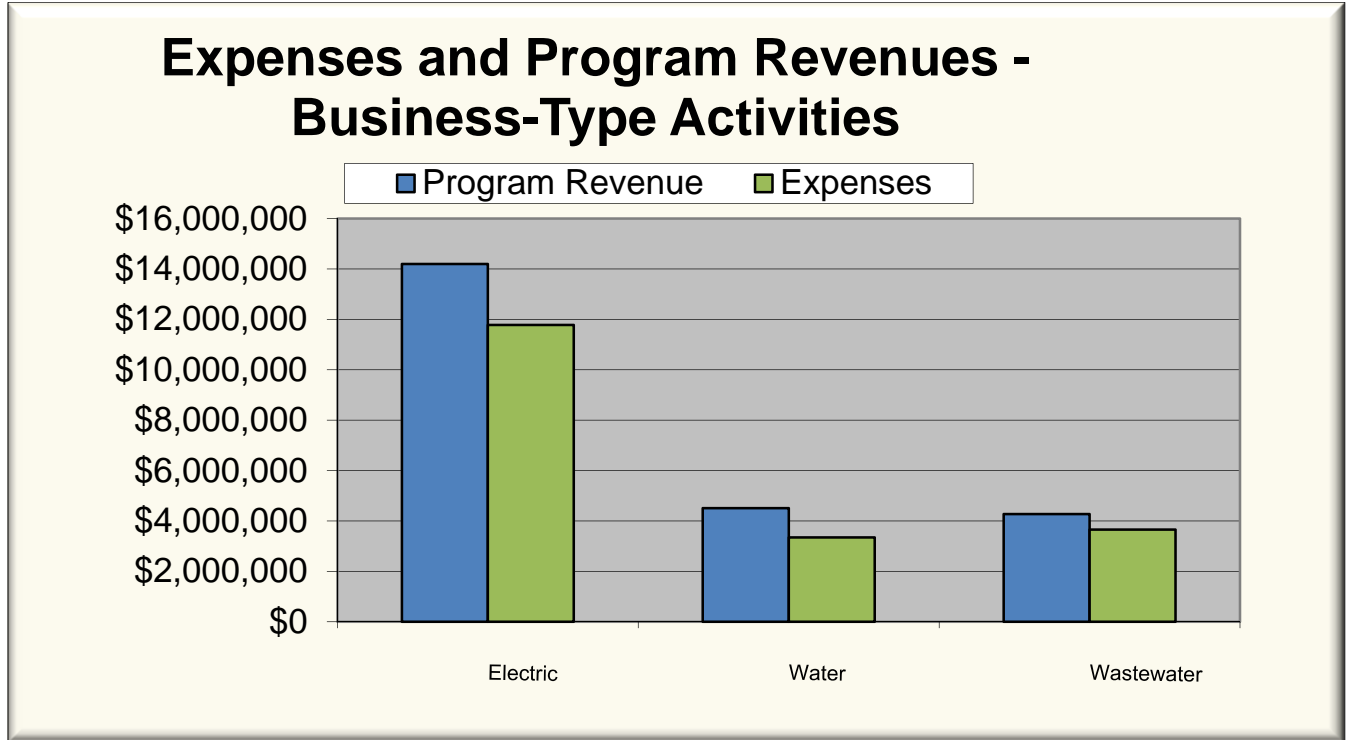


The chart below illustrates the City's overall program and general revenues for governmental activities:

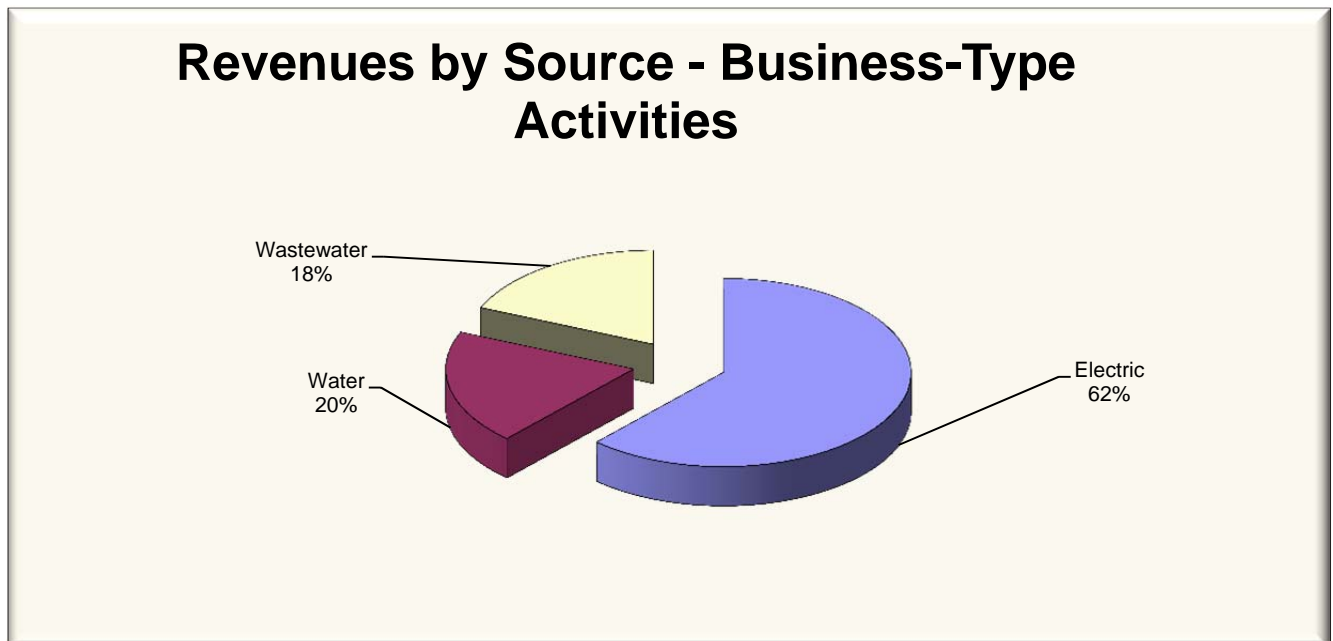


Business Type Activities

The City's net position related to business-type activities increased by \$3,235,189, up from an increase of \$2,983,216 in net position from 2012. The City implemented utility rate increases of 8% in water rates and 5% in the wastewater base rate; electric rates were unchanged. The program revenues vs. program expenses for business-type activities chart below illustrates an overall increase in net position for electric, water, and wastewater.



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



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 Fund, Capital Projects Fund and Special Revenue Funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,076,267, a decrease of \$1,511,001 in comparison with the prior year. Approximately 59% of this total amount or \$5,929,208 constitutes fund balance that is available to meet the City's current and future needs. The remainder of the fund balance totaling \$4,147,059 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 \$5,929,208. 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 64% of total general fund expenditures of \$9,198,376.

The fund balance in the City's general fund has increased by \$931,968 during the current fiscal year due to higher than expected City and County sales tax collections and court fine collections.

The capital projects fund has a fund balance of \$1,992,048. This is a decrease of \$2,518,593 from the prior year. The decrease is due to increased capital project spending for the construction of a new street to service the City's new elementary and middle school campus.

The debt service fund has a fund balance of \$1,351,864, of which all is restricted for the payment of debt service. The increase in the fund balance during the current year in the debt service was \$858,836. Half of the increase can be attributed to the collection of delinquent special assessment taxes. The other half is the result of the City's issuance of bonds to refund outstanding bond issues.

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 the business-type activities amounted to \$10,528,921. The total increase in unrestricted net position was \$1,624,736.

The Electric Fund had total net position of \$32,587,957 at the end of the current fiscal year. This is an increase of \$1,622,768 from the previous year. Even though operating revenues were down from the prior year, expenses were also lower for generation and distribution.

The Water Fund had total net position of \$16,125,921 at the end of the current fiscal year. This is an increase of \$672,380 from the previous year. This can be attributed to increased operating revenue from charges for services due to the aforementioned rate increase and decreased treatment costs.

The Wastewater Fund had total net position of \$14,401,211 at the end of the current fiscal year. This is an increase of \$904,465 from the previous year. The increase is due to increased operating revenue again due to the aforementioned rate increase.

The City's Internal Service Funds had total net position of \$33,399 at the end of the current fiscal year.

Fiduciary funds

The City maintains a fiduciary fund for the assets of the Alcohol Safety Action Program. This fund accounts for the amount collected from municipal court to be remitted to the State of Kansas. At the end of 2013, the assets of the fund were \$34,646.

GENERAL FUND BUDGETARY HIGHLIGHTS:

The City's budget was not amended during 2013; therefore, the original budget and the final budget are the same. During the year, total revenues were more than budgetary estimates by \$786,700. Due to the City's effective budget controls, expenditures were \$3,197,712 less than budgeted, which resulted in a positive variance of \$3,984,412. A summary of differences between budgetary estimates for revenues and expenditures is as follows:

- Property tax collections were more than the original estimate by \$113,424.
- City sales and use tax revenues were more than estimated by \$158,199. This is due to a slight improvement in economic conditions.
- Intergovernmental revenues were more than the original budget by \$314,030. Revenues for County sales and use tax were up as a result of a stabilizing economy.
- Licenses and permits were more than the original estimate by \$104,405. Building & Construction permits were up \$81,417 from the prior year.
- Fines and fees were more than the original estimate by \$136,512. Court fines and fee collections were up from the prior year by \$81,043.
- General fund project reserves of \$2,510,663 remain available at the end of 2013. This is up 16% from the prior year.

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, 2013, amounted to \$148,778,684 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, vehicles, roads, water lines, sewer collectors and electric lines.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 4,102,151	\$ 4,435,434	\$ 2,354,720	\$ 2,273,030	\$ 6,456,871	\$ 6,708,464
Water Rights	-	-	475,000	475,000	475,000	475,000
Construction in progress	16,267,209	13,185,229	11,482,421	5,443,328	27,749,630	18,628,557
Buildings	3,235,377	3,310,425	785,397	691,661	4,020,774	4,002,086
Improvements	854,687	944,242	6,390,413	6,513,486	7,245,100	7,457,728
Infrastructure	30,311,866	31,991,378	70,419,946	73,939,638	100,731,812	105,931,016
Machinery and equipment	372,559	382,858	559,560	576,654	932,119	959,512
Vehicles	393,764	381,454	405,307	422,798	799,071	804,252
Intangibles	-	-	368,307	-	368,307	-
	\$ 55,537,613	\$ 54,631,020	\$ 93,241,071	\$ 90,335,595	\$ 148,778,684	\$ 144,966,615

More detailed information about the City's capital assets is presented in Note 6 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 \$72,263,565. Of this amount, \$27,335,000 was general obligation debt backed by the full faith and credit of the City. However, \$21,181,700 of the general obligation debt is supported by business-type revenues. Special assessment debt in the amount \$12,385,000 is debt for which the City is liable in the event of default by the property owners subject to the assessment. An additional \$20,671,076 of the City's debt is from construction loans with the Kansas Department of Health and Environment and the Kansas Department of Transportation for improvements to the water, wastewater and road systems. The remainder of the City's debt represents bond anticipation notes, PBC revenue bonds, certificates of participation and capital lease obligations.

In 2013, the City issued bonds to refund five outstanding bond issues by means of a current refunding transaction and a crossover advance refunding transaction. These transactions are being undertaken to provide interest cost savings to the City.

**City of Gardner's Long-Term Debt
December 31, 2013**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 6,153,300	\$ 7,049,550	\$ 21,181,700	\$ 25,850,450	\$ 27,335,000	\$ 32,900,000
Special assessment debt with government commitment	12,385,000	13,425,000	-	-	12,385,000	13,425,000
Bond anticipation notes payable	4,915,000	4,915,000	1,330,000	1,330,000	6,245,000	6,245,000
PBC revenue bonds	2,880,000	3,105,000	-	-	2,880,000	3,105,000
Construction loan payable	4,515,624	4,581,094	16,155,452	11,780,890	20,671,076	16,361,984
Certificates of Participation	2,670,000	3,480,000	-	-	2,670,000	3,480,000
Capital lease obligations	77,489	-	-	-	77,489	-
	\$ 33,596,413	\$ 36,555,644	\$ 38,667,152	\$ 38,961,340	\$ 72,263,565	\$ 75,516,984

The City's total long-term debt decreased \$3,253,419 during the current fiscal year. This is due to the City's aggressive debt retirement.

The City was assigned an 'AA-' rating from Standard & Poor's for its general obligation bonds. State statutes limit the amount of general obligation debt a government entity may issue to 30 percent of its total assessed valuation. The current debt limitation for the City is \$44,867,292, 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 13 to the basic financial statements and information regarding bond anticipation notes in Note 14.

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.

CITY OF GARDNER, KANSAS

STATEMENT OF NET POSITION

December 31, 2013

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		Airport
				Association
Assets:				
Deposits and investments	\$ 6,444,404	\$ 7,495,768	\$ 13,940,172	\$ 94,040
Receivables, net of allowance for uncollectibles:				
Taxes	4,508,154	--	4,508,154	--
Accounts	--	2,840,575	2,840,575	15,187
Intergovernmental	593,967	--	593,967	--
Special assessments	17,175,986	--	17,175,986	--
Airport Association	497,399	--	497,399	--
Other	9,972	11,124	21,096	--
Internal balances	(38,239)	38,239	--	--
Prepaid items	--	1,000	1,000	8,789
Inventories	--	1,528,750	1,528,750	25,991
Restricted deposits and investments	2,338,299	868,837	3,207,136	--
Capital assets, net of accumulated depreciation, where applicable:				
Land	4,102,151	2,354,720	6,456,871	669,833
Water rights	--	475,000	475,000	--
Construction in progress	16,267,209	11,482,421	27,749,630	35,854
Buildings	3,235,377	785,397	4,020,774	1,040,266
Improvements	854,687	6,390,413	7,245,100	25,654
Infrastructure	30,311,866	70,419,946	100,731,812	1,002,621
Machinery and equipment	372,559	559,560	932,119	--
Vehicles	393,764	405,307	799,071	--
Intangibles	--	368,307	368,307	--
Total assets	<u>87,067,555</u>	<u>106,025,364</u>	<u>193,092,919</u>	<u>2,918,235</u>
Deferred outflows of resources:				
Unamortized portion of refunding gain	<u>62,552</u>	<u>112,725</u>	<u>175,277</u>	<u>--</u>
Liabilities:				
Accounts payable	403,711	1,505,814	1,909,525	43,587
Accrued expenses	116,803	64,281	181,084	--
Accrued interest payable	371,324	303,256	674,580	--
Liabilities payable from restricted assets	32,677	483,807	516,484	--
Noncurrent liabilities:				
Due within one year	9,017,669	6,754,332	15,772,001	45,000
Due in more than one year	25,054,240	33,241,425	58,295,665	452,399
Total liabilities	<u>34,996,424</u>	<u>42,352,915</u>	<u>77,349,339</u>	<u>540,986</u>
Deferred inflows of resources:				
Property tax receivable	<u>3,773,870</u>	<u>--</u>	<u>3,773,870</u>	<u>--</u>
Net position:				
Net investment in capital assets	23,990,859	53,358,039	77,348,898	2,276,829
Restricted for:				
Debt service	18,156,526	--	18,156,526	--
Capital projects	2,242,140	--	2,242,140	--
Street improvements	213,522	--	213,522	--
Economic development	173,807	--	173,807	--
Other purposes	34,910	--	34,910	--
Unrestricted	3,548,049	10,427,135	13,975,184	100,420
Total net position	<u>\$ 48,359,813</u>	<u>\$ 63,785,174</u>	<u>\$ 112,144,987</u>	<u>\$ 2,377,249</u>

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Airport Association
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 2,817,304	\$ 748,785	\$ 2,344,847	\$ --	\$ 276,328	\$ --	\$ 276,328	\$ --
Public safety	3,874,682	7,853	78,259	--	(3,788,570)	--	(3,788,570)	--
Public works	2,631,533	--	510,955	782,039	(1,338,539)	--	(1,338,539)	--
Culture and recreation	2,460,190	858,658	32,047	--	(1,569,485)	--	(1,569,485)	--
Interest on long-term debt	1,595,184	--	--	--	(1,595,184)	--	(1,595,184)	--
Total governmental activities	<u>13,378,893</u>	<u>1,615,296</u>	<u>2,966,108</u>	<u>782,039</u>	<u>(8,015,450)</u>	<u>--</u>	<u>(8,015,450)</u>	<u>--</u>
Business-type activities:								
Electric	11,779,932	14,196,340	--	--	--	2,416,408	2,416,408	--
Water	3,345,254	4,509,458	--	--	--	1,164,204	1,164,204	--
Wastewater	3,657,553	4,275,217	--	--	--	617,664	617,664	--
Stormwater	25,167	61,208	--	--	--	36,041	36,041	--
Total business-type activities	<u>18,807,906</u>	<u>23,042,223</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,234,317</u>	<u>4,234,317</u>	<u>--</u>
Total primary government	<u>\$ 32,186,799</u>	<u>\$ 24,657,519</u>	<u>\$ 2,966,108</u>	<u>\$ 782,039</u>	<u>(8,015,450)</u>	<u>4,234,317</u>	<u>(3,781,133)</u>	<u>--</u>
Component unit:								
Airport Association	\$ 364,969	\$ 321,556	\$ --	\$ --	--	--	--	(43,413)
General revenues:								
Property taxes					4,821,475	--	4,821,475	--
Sales taxes					3,190,773	--	3,190,773	--
Franchise taxes					348,956	--	348,956	--
Transient guest tax					42,493	--	42,493	--
Unrestricted investment earnings					33,418	29,972	63,390	--
Gain on sale of assets					40,567	--	40,567	--
Transfers					1,029,100	(1,029,100)	--	--
Total general revenues and transfers					<u>9,506,782</u>	<u>(999,128)</u>	<u>8,507,654</u>	<u>--</u>
Change in net position					1,491,332	3,235,189	4,726,521	(43,413)
Net position, beginning of year					47,355,495	60,549,985	107,905,480	1,965,950
Prior period adjustment					(487,014)	--	(487,014)	454,712
Net position, end of year					<u>\$ 48,359,813</u>	<u>\$ 63,785,174</u>	<u>\$ 112,144,987</u>	<u>\$ 2,377,249</u>

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2013

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:					
Deposits and investments	\$ 5,177,929	\$ 578,094	\$ 333,861	\$ 349,410	\$ 6,439,294
Receivables (net of allowance for uncollectibles):					
Taxes	3,270,943	972,989	87	264,135	4,508,154
Special assessments	--	17,175,986	--	--	17,175,986
Intergovernmental	353,455	--	--	240,512	593,967
Airport Association	--	--	497,399	--	497,399
Other	9,926	--	46	--	9,972
Restricted deposits and investments	32,677	773,625	1,211,924	320,073	2,338,299
Due from other funds	267,431	--	--	--	267,431
Total assets	\$ 9,112,361	\$ 19,500,694	\$ 2,043,317	\$ 1,174,130	\$ 31,830,502
Liabilities, deferred inflows of resources and fund balances:					
Liabilities:					
Accounts payable	\$ 214,621	\$ 15	\$ 51,269	\$ 125,414	\$ 391,319
Accrued payroll	113,436	--	--	--	113,436
Other	33,107	--	--	--	33,107
Due to other funds	20,947	--	--	245,569	266,516
Total liabilities	382,111	15	51,269	370,983	804,378
Deferred inflows of resources:					
Unavailable revenue: special assessments	--	17,175,986	--	--	17,175,986
Deferred revenue: property taxes	2,801,042	972,829	--	--	3,773,871
Total deferred inflows of resources	2,801,042	18,148,815	--	--	20,949,857
Fund balances:					
Restricted:					
Debt service	--	1,351,864	--	--	1,351,864
Capital projects	--	--	1,992,048	380,908	2,372,956
Street improvements	--	--	--	213,522	213,522
Economic development	--	--	--	173,807	173,807
Other	--	--	--	34,910	34,910
Assigned	64,474	--	--	--	64,474
Unassigned	5,864,734	--	--	--	5,864,734
Total fund balances	5,929,208	1,351,864	1,992,048	803,147	10,076,267
Total liabilities, deferred inflows of resources and fund balances	\$ 9,112,361	\$ 19,500,694	\$ 2,043,317	\$ 1,174,130	\$ 31,830,502

CITY OF GARDNER, KANSAS

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

December 31, 2013

Total fund balances in Governmental Funds Balance Sheet	\$ 10,076,267
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	55,537,613
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	17,175,986
Deferred refunding on bonds payable are not due and payable in the current period and therefore not reported as deferred outflows in the funds.	62,552
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(34,443,233)
Internal service funds are used by management to charge the costs of building maintenance, risk management, and information technology services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	<u>(49,372)</u>
Net position of governmental activities	<u><u>\$ 48,359,813</u></u>

See accompanying notes to the basic financial statements.

CITY OF GARDNER, KANSAS

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

Year Ended December 31, 2013

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property	\$ 3,387,614	\$ 1,181,710	\$ --	\$ 252,151	\$ 4,821,475
Sales	1,731,199	--	--	1,459,574	3,190,773
Franchise	348,956	--	--	--	348,956
Transient guest	--	--	--	42,493	42,493
Special assessments	--	1,401,884	--	--	1,401,884
Intergovernmental	2,392,007	--	278,133	698,333	3,368,473
Licenses and permits	319,508	--	--	--	319,508
Charges for services	744,055	--	--	--	744,055
Fines and fees	415,312	--	--	--	415,312
Investment earnings	20,081	7,303	3,209	2,823	33,416
Other	90,035	48,925	--	--	138,960
Total revenues	<u>9,448,767</u>	<u>2,639,822</u>	<u>281,342</u>	<u>2,455,374</u>	<u>14,825,305</u>
Expenditures:					
Current:					
General government	1,888,571	--	--	840,286	2,728,857
Public safety	3,793,325	--	--	--	3,793,325
Public works	1,439,557	--	--	--	1,439,557
Culture and recreation	1,868,548	--	--	--	1,868,548
Capital outlay	187,354	--	3,366,574	232,789	3,786,717
Debt service:					
Principal	21,021	5,579,087	--	924,000	6,524,108
Interest and fiscal charges	--	992,711	73,726	136,475	1,202,912
Other	--	71,259	--	2,100	73,359
Total expenditures	<u>9,198,376</u>	<u>6,643,057</u>	<u>3,440,300</u>	<u>2,135,650</u>	<u>21,417,383</u>
Excess (deficiency) of revenues over (under) expenditures	<u>250,391</u>	<u>(4,003,235)</u>	<u>(3,158,958)</u>	<u>319,724</u>	<u>(6,592,078)</u>
Other financing sources (uses):					
General obligation bonds issued	--	3,256,418	--	--	3,256,418
Construction loan	--	--	251,482	--	251,482
Capital lease obligation	98,510	--	--	--	98,510
Proceeds from sale of capital assets	40,567	--	--	--	40,567
Transfers in	942,500	1,605,653	--	435,000	2,983,153
Transfers out	(400,000)	--	(16,117)	(1,537,936)	(1,954,053)
Total other financing sources (uses)	<u>681,577</u>	<u>4,862,071</u>	<u>235,365</u>	<u>(1,102,936)</u>	<u>4,676,077</u>
Net change in fund balances	<u>931,968</u>	<u>858,836</u>	<u>(2,923,593)</u>	<u>(783,212)</u>	<u>(1,916,001)</u>
Fund balances, beginning of year	4,997,240	493,028	4,510,641	1,586,359	11,587,268
Prior period adjustment	--	--	405,000	--	405,000
Fund balances, end of year	<u>\$ 5,929,208</u>	<u>\$ 1,351,864</u>	<u>\$ 1,992,048</u>	<u>\$ 803,147</u>	<u>\$ 10,076,267</u>

See accompanying notes to basic 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, 2013

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

Net change in fund balances - total governmental funds	\$ (1,916,001)
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.	1,812,029
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net position	(28,476)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,060,603)
The amortization of refunding costs increases the long term liabilities in the statement of net position but do not provide current financial resources to governmental funds	15,623
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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	3,034,624
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.	(358,414)
Internal service funds are used by management to charge the costs of building maintenance, risk management, and information technology services to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(7,450)
Change in net position of governmental activities	<u>\$ 1,491,332</u>

See accompanying notes to the basic financial statements

CITY OF GARDNER, KANSAS

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

GENERAL FUND

Year Ended December 31, 2013

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes:			
Property	\$ 3,274,190	\$ 3,387,614	\$ 113,424
Sales	1,573,000	1,731,199	158,199
Franchise	386,000	348,956	(37,044)
Intergovernmental	1,699,000	2,013,030	314,030
Licenses and permits	157,700	262,105	104,405
Charges for services	828,500	744,055	(84,445)
Fines and fees	278,800	415,312	136,512
Investment earnings	15,000	19,108	4,108
Other	12,524	90,035	77,511
Total revenues	<u>8,224,714</u>	<u>9,011,414</u>	<u>786,700</u>
Expenditures:			
General government	1,810,200	1,953,045	(142,845)
Public safety	4,002,700	3,793,326	209,374
Public works	1,784,700	1,439,557	345,143
Culture and recreation	2,152,300	1,868,548	283,752
Capital outlay	--	187,354	(187,354)
Debt service	200,000	21,021	178,979
Project reserve	2,510,663	--	2,510,663
Total expenditures	<u>12,460,563</u>	<u>9,262,851</u>	<u>3,197,712</u>
Excess of revenues over (under) expenditures	<u>(4,235,849)</u>	<u>(251,437)</u>	<u>3,984,412</u>
Other financing sources and (uses):			
Transfers in	992,500	992,500	--
Capital lease obligation	--	98,510	98,510
Proceeds from sale of capital assets	--	40,567	40,567
Total other financing sources and (uses)	<u>992,500</u>	<u>1,131,577</u>	<u>139,077</u>
Net change in fund balances	<u>(3,243,349)</u>	<u>880,140</u>	<u>4,123,489</u>
Fund balances, beginning of year	3,740,844	4,577,174	836,330
Fund balances, end of year	<u>\$ 497,495</u>	<u>\$ 5,457,314</u>	<u>\$ 4,959,819</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>64,474</u>	
GAAP fund balance - General Fund only		5,521,788	
Fund balances for separately budgeted funds included with the General Fund on GAAP financials:			
Park Improvement Reserve Fund		228,427	
Airport Fund		41,571	
Special Benefit Fee Fund		<u>137,422</u>	
		<u>\$ 5,929,208</u>	

See accompanying notes to financial statements

CITY OF GARDNER, KANSAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

December 31, 2013

	Major Funds	
	Electric	Water
Assets:		
Current assets:		
Cash and cash equivalents	\$ 5,704,062	\$ 1,286,997
Accounts receivable, net	1,854,821	467,334
Other receivable	1,748	9,069
Prepaid items	1,000	--
Inventories	1,446,720	82,030
Restricted deposits and investments	412,837	70,970
Due from other funds	48,595	719
Total current assets	<u>9,469,783</u>	<u>1,917,119</u>
Noncurrent assets:		
Capital assets:		
Land	678,879	964,968
Water rights	--	475,000
Construction in progress	719,419	13,001
Buildings	867,093	--
Infrastructure	40,246,562	25,274,289
Intangible Asset	401,622	--
Improvements	6,056,474	2,680,332
Machinery and equipment	737,834	170,572
Vehicles	365,688	284,208
Less accumulated depreciation and amortization	(20,853,746)	(7,762,634)
Total capital assets	<u>29,219,825</u>	<u>22,099,736</u>
Total noncurrent assets	<u>29,219,825</u>	<u>22,099,736</u>
Total assets	<u>38,689,608</u>	<u>24,016,855</u>
Deferred outflows of resources:		
Unamortized portion of refunding gain	<u>46,438</u>	<u>--</u>
Liabilities:		
Current liabilities:		
Accounts payable	951,440	59,755
Accrued expenses	29,480	14,288
Customer and developer deposits	412,837	70,970
Accrued interest payable	28,887	90,244
Due to other funds	155	1,757
Bond anticipation notes payable	--	--
Compensated absences	60,923	28,704
Current portion of bonds payable	2,746,926	611,615
Current portion of construction loans payable	--	291,165
Total current liabilities	<u>4,230,648</u>	<u>1,168,498</u>
Noncurrent liabilities:		
Other postemployment benefit obligation	19,043	17,989
Bonds payable, net	1,898,398	2,298,053
Construction loan payable	--	4,406,394
Total noncurrent liabilities	<u>1,917,441</u>	<u>6,722,436</u>
Total liabilities	<u>6,148,089</u>	<u>7,890,934</u>
Net position:		
Net investment in capital assets	24,620,939	14,492,509
Unrestricted	7,967,018	1,633,412
Total net position	<u>\$ 32,587,957</u>	<u>\$ 16,125,921</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

Wastewater	Nonmajor Fund Stormwater	Total	Internal Service Funds
\$ 462,564	\$ --	\$ 7,453,623	\$ 47,255
518,420	--	2,840,575	--
307	--	11,124	--
--	--	1,000	--
--	--	1,528,750	--
385,030	--	868,837	--
313	--	49,627	--
<u>1,366,634</u>	<u>--</u>	<u>12,753,536</u>	<u>47,255</u>
710,873	--	2,354,720	--
--	--	475,000	--
10,750,001	--	11,482,421	--
--	--	867,093	--
43,290,822	23,080	108,834,753	--
--	--	401,622	--
1,408,723	737,691	10,883,220	--
274,384	--	1,182,790	129,853
470,523	--	1,120,419	14,749
(15,638,478)	(112,413)	(44,367,271)	(71,971)
<u>41,266,848</u>	<u>648,358</u>	<u>93,234,767</u>	<u>72,631</u>
<u>41,266,848</u>	<u>648,358</u>	<u>93,234,767</u>	<u>72,631</u>
<u>42,633,482</u>	<u>648,358</u>	<u>105,988,303</u>	<u>119,886</u>
<u>66,287</u>	<u>--</u>	<u>112,725</u>	<u>--</u>
472,422	--	1,483,617	35,387
12,645	--	56,413	10,805
--	--	483,807	--
184,125	--	303,256	--
20,677	--	22,589	27,953
1,330,000	--	1,330,000	--
29,758	--	119,385	--
1,187,409	--	4,545,950	--
467,832	--	758,997	--
<u>3,704,868</u>	<u>--</u>	<u>9,104,014</u>	<u>74,145</u>
18,007	--	55,039	12,342
13,585,622	--	17,782,073	--
10,990,061	--	15,396,455	--
<u>24,593,690</u>	<u>--</u>	<u>33,233,567</u>	<u>12,342</u>
<u>28,298,558</u>	<u>--</u>	<u>42,337,581</u>	<u>86,487</u>
13,472,720	648,358	53,234,526	72,631
928,491	--	10,528,921	(39,232)
<u>\$ 14,401,211</u>	<u>\$ 648,358</u>	<u>63,763,447</u>	<u>\$ 33,399</u>
		21,727	
		<u>\$ 63,785,174</u>	

See accompanying notes to basic financial statements

CITY OF GARDNER, KANSAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended December 31, 2013

	Major Funds	
	Electric	Water
Operating revenues:		
Charges for sales and services	\$ 14,196,340	\$ 4,509,458
Other	--	--
Total operating revenues	<u>14,196,340</u>	<u>4,509,458</u>
Operating expenses:		
Administration	590,382	440,730
Wholesale energy cost	7,110,021	--
Generation	724,203	--
Treatment	--	1,550,492
Distribution and collection	1,639,486	335,306
Contractual services	--	--
Other supplies and expenses	--	--
Repairs and maintenance	124	--
Depreciation and amortization	1,519,449	753,203
Other	(25,996)	(12,589)
Total operating expenses	<u>11,557,669</u>	<u>3,067,142</u>
Operating income (loss)	<u>2,638,671</u>	<u>1,442,316</u>
Nonoperating revenues (expenses):		
Investment earnings	20,115	5,491
Interest expense	(221,518)	(278,308)
Other	--	181
Total nonoperating revenues (expenses)	<u>(201,403)</u>	<u>(272,636)</u>
Income (loss) before transfers and contributions	2,437,268	1,169,680
Transfers in	--	--
Transfers out	<u>(814,500)</u>	<u>(497,300)</u>
Change in net position	1,622,768	672,380
Total net position, beginning of year	<u>30,965,189</u>	<u>15,453,541</u>
Total net position, end of year	<u>\$ 32,587,957</u>	<u>\$ 16,125,921</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

Wastewater	Nonmajor Fund Stormwater	Total	Internal Service Funds
\$ 4,275,217	\$ --	\$ 22,981,015	\$ 1,777,329
--	61,208	61,208	12,426
<u>4,275,217</u>	<u>61,208</u>	<u>23,042,223</u>	<u>1,789,755</u>
410,419	--	1,441,531	491,158
--	--	7,110,021	--
--	--	724,203	--
764,492	--	2,314,984	--
207,968	--	2,182,760	--
--	--	--	942,976
--	--	--	93,202
--	--	124	177,938
1,531,937	25,167	3,829,756	14,460
11,675	--	(26,910)	77,936
<u>2,926,491</u>	<u>25,167</u>	<u>17,576,469</u>	<u>1,797,670</u>
<u>1,348,726</u>	<u>36,041</u>	<u>5,465,754</u>	<u>(7,915)</u>
4,366	--	29,972	--
(715,023)	--	(1,214,849)	--
(16,304)	--	(16,123)	--
<u>(726,961)</u>	<u>--</u>	<u>(1,201,000)</u>	<u>--</u>
621,765	36,041	4,264,754	(7,915)
400,000	--	400,000	--
<u>(117,300)</u>	<u>--</u>	<u>(1,429,100)</u>	<u>--</u>
904,465	36,041	3,235,654	(7,915)
<u>13,496,746</u>	<u>612,317</u>	<u>60,527,793</u>	<u>41,314</u>
<u>\$ 14,401,211</u>	<u>\$ 648,358</u>	<u>63,763,447</u>	<u>\$ 33,399</u>
		3,235,654	
		(465)	
		<u>\$ 3,235,189</u>	

See accompanying notes to the basic financial statements

CITY OF GARDNER, KANSAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended December 31, 2013

	Major Funds	
	Electric	Water
Cash flows from operating activities:		
Receipts from customers	\$ 14,031,465	\$ 4,471,489
Other	--	--
Payments to suppliers	(8,347,107)	(1,758,298)
Payments to employees	(1,530,886)	(654,113)
Net cash provided by operating activities	4,153,472	2,059,078
Cash flows from noncapital financing activities:		
Transfers from other funds	--	--
Transfers to other funds	(814,500)	(497,300)
Net cash provided by (used in) noncapital financing activities	(814,500)	(497,300)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,289,035)	(31,439)
Principal paid on general obligation bonds	(4,026,600)	(2,226,300)
Principal paid on construction loan	--	(281,264)
Interest paid on general obligation bonds, construction loan, and capital lease	(155,517)	(224,128)
Proceeds from construction loan	--	--
Proceeds from general obligation bonds	2,450,550	1,135,000
Proceeds from sale of assets	30,300	1,832
Other financing revenues (costs)	(18,553)	(19,969)
Net cash used in capital and related financing activities	(3,008,855)	(1,646,268)
Cash flows from investing activities:		
Interest received	20,114	5,491
Net increase (decrease) in cash and cash equivalents	350,231	(78,999)
Cash and cash equivalents, beginning of year	5,766,668	1,436,966
Cash and cash equivalents, end of year	\$ 6,116,899	\$ 1,357,967

Wastewater	Nonmajor Fund Stormwater	Total	Internal Service Funds
\$ 4,221,936	\$ --	\$ 22,724,890	\$ 1,777,329
--	--	--	12,453
(1,127,052)	--	(11,232,457)	(1,296,748)
(605,706)	--	(2,790,705)	(489,070)
2,489,178	--	8,701,728	3,964
400,000	--	400,000	--
(117,300)	--	(1,429,100)	--
282,700	--	(1,029,100)	--
(6,045,070)	--	(7,365,544)	--
(2,292,600)	--	(8,545,500)	--
(256,137)	--	(537,401)	--
(603,987)	--	(983,632)	--
4,911,965	--	4,911,965	--
291,200	--	3,876,750	--
3,830	--	35,962	--
(126,774)	--	(165,296)	--
(4,117,573)	--	(8,772,696)	--
3,751	--	29,356	--
(1,341,944)	--	(1,070,712)	3,964
2,189,538	--	9,393,172	43,291
\$ 847,594	\$ --	\$ 8,322,460	\$ 47,255

See accompanying notes to the basic financial statements

CITY OF GARDNER, KANSAS

STATEMENT OF CASH FLOWS
(Continued)

PROPRIETARY FUNDS

Year Ended December 31, 2013

	Major Funds	
	Electric	Water
Cash consists of:		
Cash	\$ 5,704,062	\$ 1,286,997
Restricted deposits and investments	412,837	70,970
	<u>6,116,899</u>	<u>1,357,967</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	2,638,671	1,442,316
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Items not requiring cash:		
Depreciation and amortization expense	1,519,449	753,203
Other postemployment benefit obligation	1,698	(4,330)
Loss (gain) on sale of asset	127,512	(1,747)
Changes in:		
Receivables	(172,851)	(39,217)
Inventories	(498,641)	--
Due from other funds	(13,299)	323
Prepaid expenses	483	--
Accounts payable	519,492	(101,671)
Due to other funds	22	(771)
Accrued liabilities	9,661	10,047
Customer deposits	21,275	925
Net cash provided by operating activities	<u>\$ 4,153,472</u>	<u>\$ 2,059,078</u>

<u>Wastewater</u>	<u>Nonmajor Fund Stormwater</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 462,564	\$ --	\$ 7,453,623	\$ 47,255
385,030	--	868,837	--
<u>847,594</u>	<u>--</u>	<u>8,322,460</u>	<u>47,255</u>
1,348,726	36,041	5,465,754	(7,915)
1,531,937	25,167	3,829,756	14,460
9,834	--	7,202	2,143
(3,745)	--	122,020	--
(53,361)	--	(265,429)	--
--	--	(498,641)	--
80	--	(12,896)	--
--	--	483	--
(368,256)	--	49,565	(4,037)
19,619	(61,208)	(42,338)	(2,768)
4,344	--	24,052	2,081
--	--	22,200	--
<u>\$ 2,489,178</u>	<u>\$ --</u>	<u>\$ 8,701,728</u>	<u>\$ 3,964</u>

See accompanying notes to the basic financial statements

CITY OF GARDNER, KANSAS

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

December 31, 2013

	<u>Agency Fund</u> <u>Alcohol Safety</u> <u>Action Program</u>
<u>ASSETS</u>	
Deposits and investments	\$ 34,646
<u>LIABILITIES</u>	
Due to others	\$ 34,646

See accompanying notes to basic financial statements

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

1 - Summary of Significant Accounting Policies

Reporting Entity

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

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

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The agency fund does not have a measurement focus and uses the accrual basis of accounting to report its financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. A 90-day availability period is used for revenue recognition for all governmental funds revenues except property taxes for which a 60-day availability period is used. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This fund accounts for the general operating transactions of the City including public safety, public works, parks, recreation, 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 accounts for the amounts collected from the municipal court to be remitted to the State of Kansas.

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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pooled Cash and Investments

Cash and investments of the individual funds are combined to form a pool that is managed by the Director of Finance. Each fund's equity in the pool is included in "deposits and investments" in the financial statements. These pooled deposits and investments consist of operating accounts, money market mutual funds, pooled municipal investment pool and United States Treasury Notes. The money market mutual funds, pooled municipal investment pool and treasury bills 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 fiscal year ended December 31, 2013, interest earnings of \$63,388 were allocated to the various funds.

Statement of Cash Flows

For purposes of the statement of cash flows, the City considers deposits and highly liquid investments with an original maturity of three months or less to be cash equivalents. At December 31, 2013, cash equivalents consisted of money market mutual funds and treasury bills included in pooled cash described above.

Allowances for Uncollectibles

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 238 days comprise the trade accounts receivable allowance for uncollectibles. The allowance for trade uncollectibles is as follows at December 31, 2013:

Electric Fund	\$	475,146
Water Fund		188,724
Wastewater Fund		161,367

The property tax receivable allowance is equal to 6.26% of outstanding property taxes at December 31, 2013.

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.

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. The assessed value at January 1, 2012 upon which the 2013 levy was based was approximately \$128,572,819.

Property taxes are legally restricted for use in financing operations of the ensuing year. Accordingly, the City defers revenue recognition until the year for which they are to be used. Property taxes are levied on November 1 of each year. Property owners have the option of paying one-half of the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the following year. Property taxes become delinquent on December 20 of each fiscal year if the taxpayer has not remitted at least one-half of the amount due. The Johnson County Treasurer is the tax collection agent for all taxing entities within the County. Property taxes levied in prior years that remain uncollected are recorded as receivables, net of estimated uncollectibles.

Inventories

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

Capital Assets

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

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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

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

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

The City acquired water rights during 2008 for \$475,000 which is reported in the water fund and business-type activities column in the government-wide financial statements as a capital asset. The water rights acquired are considered to have an indefinite life. As a result, no amortization will be taken on the acquired rights. The City acquired electric utility customers during 2013 for which is reported in the electric fund and business-type activities column in the government-wide financial statements as a capital asset. The city is amortizing this asset based on the revenue generated from the acquired customers.

Compensated Absences

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

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

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

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.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Long-Term Obligations (Continued)

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, 2013, fund balances for governmental funds are made up of the following:

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

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

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. Intent is expressed by (1) the City Council or (2) a body or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes.

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.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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 one item that qualifies for reporting in this category. It 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.

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 two types of items, unavailable revenue and deferred revenue, 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 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.

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

General fund property taxes receivable	\$ 2,801,042
Debt service fund property taxes receivable	972,829
Debt service fund special assessments receivable	<u>17,175,986</u>
	<u>\$ 20,949,857</u>

Net position

The government-wide statement of net position reports \$20,820,905 of restricted net position, of which \$213,522 is restricted by enabling legislation.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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.

Pending Governmental Accounting Standards Board Statements

At December 31, 2013, 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. 68, Accounting and Financial Reporting for Pensions, was issued in June 2012. This statement establishes accounting and financial reporting by state and local governments for pensions, including entities that participate in cost-sharing multiple-employer plans. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. Also, this statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For example, cost-sharing employers participating in KPERS, such as the City of Gardner, will be required to record its proportionate share, as defined in Statement No 68, of the KPERS unfunded pension liability. While management of the City has not yet estimated its share of the KPERS liability, it is presumed that the amount will be material to the the City's financial statements. The provisions of this statement are effective for financial statements for the City of Gardner's fiscal year ending December 31, 2015.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 69, Government Combinations and Disposals of Government Operations, was issued in January 2013. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The provisions of this statement are effective for financial statements for the City of Gardner's fiscal year ending December 31, 2014 with earlier application encouraged.

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

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$34,443,233 difference are as follows:

General obligation bonds payable	\$ (18,538,300)
Issuance premium	(147,910)
PBC lease revenue bonds	(2,880,000)
Bond anticipation notes payable	(4,915,000)
Construction loans payable	(4,515,624)
Certificates of participation	(2,670,000)
Accrued interest payable	(371,324)
Other postemployment benefit obligations	(168,633)
Capital lease obligation	(77,489)
Compensated absences	(158,953)
	<hr/>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	\$ (34,443,233)
	<hr/> <hr/>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$1,812,029 difference are as follows:

Capitalized assets acquired	\$	3,675,691
Leased capital asset		98,510
Depreciation expense		<u>(1,962,172)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$	<u>1,812,029</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

Another element of that reconciliation states that “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.” The details of this \$3,034,624 difference are as follows:

Debt issued or incurred:	
Construction loans	\$ (251,482)
General obligation and special assessment bonds	(3,138,250)
Capital lease obligation	(98,510)
Principal repayments:	
General obligation and special assessment bonds	5,074,500
PBC lease revenue bonds	225,000
Certificates of participation	810,000
Construction loans	392,345
Capital lease obligation	<u>21,021</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u>\$ 3,034,624</u>

Another element of that reconciliation states that “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.” The details of this \$358,414 difference are as follows:

Compensated absences	\$ 16,192
Accrued interest	51,172
Other postemployment benefit obligation	(24,306)
Premiums	<u>(401,472)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (358,414)</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3 - Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

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 reappropriated 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. There were no budget amendments in 2013.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3 - Stewardship, Compliance and Accountability (Continued)

Deficit Net Position

The building maintenance fund had deficit net position of \$18,809 as of December 31, 2013.

4 - Deposits and Investments

Deposits

Custodial Credit Risk-Deposits

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

The Airport Association does not have a policy covering custodial credit risk. At December 31, 2013, the Airport Association's deposits were not exposed to custodial credit risk.

Investments

At December 31, 2013, the City had the following investments:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
Money market mutual funds	< 1 year	\$ 215,791
T-Bills	<1 year	10,000,000
Pooled municipal investment pool	<1 year	<u>1,596,953</u>
Total Investments		<u>\$ 11,812,744</u>

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.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - Deposits and Investments (Continued)

Investments (Continued)

Credit risk

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

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. As of December 31, 2013 the City had \$10,000,000 exposed to custodial credit risk.

The State Treasurer's Investment Pool (Pool) operates in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. The Pool has a credit rating of AAAs/S1+ from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The pool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

5 - Loan Receivable

During 2004, 2007, 2008 and 2013 the City made loans to the Airport Association for airport improvements. At December 31, 2013, the receivable balance was \$497,399 and is included in noncurrent liabilities on the Airport Association component unit column of the statement of net position. The final principal and interest payments are to be made in 2024.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,435,434	\$ 35,050	\$ (368,333)	\$ 4,102,151
Construction in progress	<u>13,185,229</u>	<u>3,500,402</u>	<u>(418,422)</u>	<u>16,267,209</u>
Total capital assets not being depreciated	<u>17,620,663</u>	<u>3,535,452</u>	<u>(786,755)</u>	<u>20,369,360</u>
Capital assets being depreciated:				
Buildings	4,855,346	47,579	--	4,902,925
Improvements	2,203,517	--	--	2,203,517
Infrastructure	46,775,557	--	(134,356)	46,641,201
Machinery and equipment	1,621,641	98,510	--	1,720,151
Vehicles	<u>1,160,219</u>	<u>92,660</u>	<u>(71,214)</u>	<u>1,181,665</u>
Total capital assets being depreciated	<u>56,616,280</u>	<u>238,749</u>	<u>(205,570)</u>	<u>56,649,459</u>
Less accumulated depreciation for:				
Buildings	(1,544,921)	(122,627)	--	(1,667,548)
Improvements	(1,259,275)	(89,555)	--	(1,348,830)
Infrastructure	(14,784,179)	(1,560,831)	15,675	(16,329,335)
Machinery and equipment	(1,238,783)	(108,809)	--	(1,347,592)
Vehicles	<u>(778,765)</u>	<u>(80,350)</u>	<u>71,214</u>	<u>(787,901)</u>
Total accumulated depreciation	<u>(19,605,923)</u>	<u>(1,962,172)</u>	<u>86,889</u>	<u>(21,481,206)</u>
Total capital assets being depreciated, net	<u>37,010,357</u>	<u>(1,723,423)</u>	<u>(118,681)</u>	<u>35,168,253</u>
Governmental activities capital assets, net	<u>\$ 54,631,020</u>	<u>\$ 1,812,029</u>	<u>\$ (905,436)</u>	<u>\$ 55,537,613</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 2,273,030	\$ 81,690	\$ --	\$ --	\$ 2,354,720
Water rights	475,000	--	--	--	475,000
Construction in progress	5,443,328	6,699,632	--	(660,539)	11,482,421
Total capital assets not being depreciated	8,191,358	6,781,322	--	(660,539)	14,312,141
Capital assets being depreciated:					
Buildings	752,569	--	--	114,524	867,093
Intangibles	--	401,622	--	--	401,622
Improvements	10,592,426	--	--	290,794	10,883,220
Infrastructure	110,615,579	38,122	(2,074,169)	255,221	108,834,753
Machinery and equipment	1,146,619	67,129	(20,451)	--	1,193,297
Vehicles	1,078,928	77,349	(35,858)	--	1,120,419
Total capital assets being depreciated	124,186,121	584,222	(2,130,478)	660,539	123,300,404
Less accumulated depreciation for:					
Buildings	(60,908)	(20,788)	--	--	(81,696)
Intangibles	--	(33,315)	--	--	(33,315)
Improvements	(4,078,940)	(413,867)	--	--	(4,492,807)
Infrastructure	(36,675,941)	(2,920,927)	1,182,061	--	(38,414,807)
Machinery and equipment	(562,609)	(81,524)	10,396	--	(633,737)
Vehicles	(656,130)	(94,756)	35,774	--	(715,112)
Total accumulated depreciation	(42,034,528)	(3,565,177)	1,228,231	--	(44,371,474)
Total capital assets being depreciated, net	82,151,593	(2,980,955)	(902,247)	660,539	78,928,930
Business-type activities capital assets, net	\$ 90,342,951	\$ 3,800,367	\$ (902,247)	\$ --	\$ 93,241,071

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 151,353
Public safety	71,530
Public works	1,146,860
Culture and recreation	<u>592,429</u>
Total depreciation expense - governmental activities	<u>\$ 1,962,172</u>
Business-type activities:	
Electric	\$ 1,418,289
Water	734,605
Wastewater	1,386,064
Stormwater	25,167
Capital assets held by the government's internal service funds are charged to the business-type activities based on their usage of the assets	<u>1,052</u>
Total depreciation expense - business-type activities	<u>\$ 3,565,177</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Capital Assets (Continued)

Capital asset activity for the Airport Association component unit for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Transfers	Ending Balance
Capital assets not being depreciated:				
Land	\$ 301,500	\$ 368,333	\$ --	\$ 669,833
Construction in progress	418,412	36,425	(418,983)	35,854
Total capital assets not being depreciated	719,912	404,758	(418,983)	705,687
Capital assets being depreciated:				-
Buildings	1,745,363	--	--	1,745,363
Equipment	13,390	--	--	13,390
Improvements	54,433	--	--	54,433
Infrastructure	778,922	134,356	418,983	1,332,261
Total capital assets being depreciated	2,592,108	134,356	418,983	3,145,447
Less accumulated depreciation for:				
Buildings	(656,768)	(48,329)	--	(705,097)
Equipment	(13,390)	--	--	(13,390)
Improvements	(26,059)	(2,720)	--	(28,779)
Infrastructure	(279,180)	(50,460)	--	(329,640)
Total accumulated depreciation	(975,397)	(101,509)	--	(1,076,906)
Total capital assets being depreciated, net	1,616,711	32,847	418,983	2,068,541
Airport Association capital assets, net	\$ 2,336,623	\$ 437,605	\$ --	\$ 2,774,228

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7 - Capital Lease

During 2013, the City entered into a capital lease agreement for \$98,510 of equipment, included in Machinery and Equipment for Governmental Activities on the Statement of Net Position. Related accumulated depreciation was \$4,926 at December 31, 2013. The lease requires five annual payments of \$21,021, with the first payment on May 31, 2013. The lease obligation is included in Noncurrent Liabilities for Government Activities on the Statement of Net Position (Note 13).

8 - 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.* KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611S. Kansas Avenue, Suite 100; Topeka, Kansas 66603-3803) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for all employees hired prior to July 1, 2009. K.S.A. 74-49,210 establishes the KPERS member-employee contribution rate at 6% for employees hired after July 1, 2009. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for January through December 2013 was 8.94%. The City employer contributions to KPERS for the years ending December 31, 2013, 2012, and 2011 were \$363,966, \$319,211, and \$279,196, respectively, equal to the statutorily required contributions for each year. The KP&F uniform participating employer rate established for fiscal years beginning in 2013 is 17.26%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The contributions to KP&F for the years ending December 31, 2013, 2012, and 2011 were \$242,229, \$232,555, and \$202,805, respectively, equal to the statutory required contributions for each year.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9 - Defined Contribution Plan

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

The plan assets are placed in a trust for the exclusive benefit of the employees and are not the property of the City or subject to the claims of the City's general creditors. The City does not perform the investing function related to this plan and has no fiduciary accountability for the plan. Accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements. For 2013, the City's contributions were \$31,500.

10 - 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 130 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.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Other Postemployment Healthcare Benefits (Continued)

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 2013, plan members receiving benefits contributed \$20,000 to the plan and the City contributed \$3,000 to the plan.

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	\$ 33,393
Interest on net OPEB obligation	10,179
Adjustment to annual required contribution	<u>(12,612)</u>
Annual OPEB cost (expense)	30,960
Contributions made	<u>(3,000)</u>
Increase in net OPEB obligation	27,960
Net OPEB obligation, January 1, 2013	<u>203,570</u>
Net OPEB obligation, December 31, 2013	<u><u>\$ 231,530</u></u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Other Postemployment Healthcare Benefits (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011, 2012 and 2013 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Cost Contributed	Net OPEB Obligation
2011	\$ 45,197	26.55%	\$ 177,296
2012	31,274	15.98	203,570
2013	30,960	9.69	231,530

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$160,208. 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 \$160,208. The covered payroll (annual payroll of active employees covered by the plan) was \$4,527,176 and the ratio of the UAAL to the covered payroll was 3.5% 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, 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.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Other Postemployment Healthcare Benefits (Continued)

In the July 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was applied. The actuarial assumptions included a 5.00% 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 5.5% to 8.5% in the first seven years and an ultimate rate of 5.00% after seven years. It also assumed an inflation rate of 6.5 percent. The UAAL is being amortized on a level dollar closed basis over a period of 30 years with the remaining amortization period of 28 years.

11 - Risk Management

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

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

12 - Capital Projects

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Capital Projects (Continued)

Following is a summary of project-to-date costs to December 31, 2013 on the capital projects compared to the amount authorized:

	<u>Costs to Date</u>	<u>Amount Authorized</u>
Governmental improvements	\$ 16,267,209	\$ 18,932,949
Electric improvements	719,419	904,560
Sewer improvements	10,750,001	11,333,000
Water improvements	<u>13,001</u>	<u>33,950</u>
	<u>\$ 27,749,630</u>	<u>\$ 31,204,459</u>

13 - Long-Term Debt

General Obligation Bonds

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

13 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

General obligation bonds payable at December 31, 2013 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2013	Outstanding December 31, 2013
General Obligation Bonds:					
Governmental activities:					
2001A refunding	3.5%-4.6%	\$ 394,661	11/1/2016	\$ 130,000	\$ --
2003C refunding and improvement	1.5%-3.6%	2,821,000	10/1/2013	275,000	--
2004D refunding and improvement	3.5%-4.5%	830,000	10/1/2024	40,000	420,000
2005A improvement	3.0%-3.75%	3,355,000	10/1/2015	1,140,000	--
2006A improvement	4.0%-4.125%	3,545,000	10/1/2016	1,970,000	--
2008A improvement	3.00%-3.65%	1,810,000	10/1/2018	15,000	95,000
2008B improvement	3.125%-4.00%	435,000	10/1/2018	45,000	235,000
2009C refunding and improvement	1.50%-2.55%	251,850	9/1/2015	43,700	90,850
2010A refunding and improvement	2.00%-3.60%	2,770,000	10/1/2030	110,000	2,440,000
2013A refunding	2.00%-2.25%	3,138,250	10/1/2024	265,800	2,872,450
				<u>\$ 4,034,500</u>	<u>\$ 6,153,300</u>
Business-type activities:					
2002B refunding and improvement	2.0%-4.2%	4,550,000	9/1/2016	\$ 1,540,000	\$ --
2004D refunding and improvement	3.5%-3.85%	495,000	10/1/2014	55,000	60,000
2005A improvement	3.0%-3.75%	1,320,000	10/1/2015	445,000	--
2006A improvement	4.0%-4.125%	7,150,000	10/1/2016	3,260,000	--
2008A improvement	3.00%-3.65%	2,910,000	10/1/2018	290,000	1,590,000
2008B improvement	3.125%-4.00%	6,250,000	10/1/2018	610,000	3,370,000
2008D refunding	3.25%-5.40%	1,410,000	11/1/2016	245,000	110,000
2009A improvement	2.00%-3.7%	2,267,028	10/1/2019	215,000	1,415,000
2009C refunding and improvement	1.50%-2.90%	2,628,150	9/1/2016	441,300	1,024,150
2012 C refunding KDHE loan	2.0% - 4.0%	11,745,000	9/1/2021	1,085,000	10,095,000
2013A refunding	2.00%2.25%	3,876,750	10/1/2016	359,200	3,517,550
				<u>\$ 8,545,500</u>	<u>\$ 21,181,700</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

13 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

The future annual requirements for general obligation bonds outstanding as of December 31, 2013 are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 944,050	\$ 160,708	\$ 4,545,950	\$ 691,548
2015	1,200,650	137,097	3,964,350	582,210
2016	795,284	111,144	3,444,716	470,926
2017	350,000	93,743	2,615,000	368,648
2018	340,000	84,743	2,620,000	281,158
2019-2023	1,120,000	310,668	3,991,684	363,633
2024-2028	895,000	149,476	--	--
2029-2033	508,316	19,620	--	--
	<u>\$ 6,153,300</u>	<u>\$ 1,067,199</u>	<u>\$ 21,181,700</u>	<u>\$ 2,758,123</u>

The City issued \$7,015,000 in General Obligation Current and Crossover Refunding Bonds, Series 2013A, for the purpose of refunding a portion of the City's outstanding General Obligation Bonds, Series 2001A, Series 2002B, Series 2004D, Series 2005A and Series 2006A. The City completed the refunding to reduce the total debt service payments over the next 12 years by \$1,490,969 and to obtain an economic gain of \$497,407.

A portion of the issuance of the Series 2013A General Obligation Crossover Refunding Bonds was conducted as a "crossover" advance refunding, in which the proceeds of the Bonds (new issue) are placed in an escrow account with a major bank and will be invested in State and Local Government Securities. These investments and their earnings are structured to pay interest on the portion of the 2013A Bonds allocable to the Series 2004D until October 1, 2014 (the call date of the Refunded Bonds), at which time the escrow account will crossover and prepay the entire remaining principal of the Refunded Bonds.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

13 - Long-Term Debt (Continued)

Special Assessment Bonds

The City's special assessment debt was issued to provide funds for the construction of infrastructure in new commercial and residential developments. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. Special assessment bonds at December 31, 2013 are comprised of the following issues:

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity Date</u>	<u>Principal Payments During 2013</u>	<u>Outstanding December 31, 2013</u>
Special Assessment Bonds:					
Governmental activities:					
2001A refunding	3.5%-4.6%	\$ 480,339	11/1/2016	\$ 160,000	\$ --
2003C refunding and improvement	1.5%-4.4%	670,000	10/1/2018	65,000	100,000
2004D refunding and improvement	3.5%-4.1%	1,835,000	10/1/2019	165,000	555,000
2008B improvement	3.125%-4.5%	3,215,000	10/1/2028	170,000	2,400,000
2009A improvement	2.00%-4.00%	5,437,972	10/1/2024	320,000	4,220,000
2011A improvement	.5%-4.00%	1,325,000	10/1/2031	55,000	1,220,000
2012A improvement	1.0%-3.0%	3,995,000	8/1/2032	105,000	3,890,000
				<u>\$ 1,040,000</u>	<u>\$ 12,385,000</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

13 - Long-Term Debt (Continued)

Special Assessment Bonds (Continued)

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

	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,300,000	\$ 388,811
2015	920,000	364,723
2016	860,000	341,758
2017	875,000	320,541
2018	910,000	293,098
2019-2023	3,950,000	1,061,058
2024-2028	2,700,000	438,041
2029-2033	870,000	95,248
	<u>\$ 12,385,000</u>	<u>\$ 3,303,278</u>

Defeased Debt

The City has defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 2013, \$765,000 of the bonds that are considered defeased are outstanding.

Construction Loans Payable

During 1996, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Public Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$2,223,206 to finance improvements to the wastewater system. The loan will be repaid over twenty years at an interest rate of 3.22%. The total outstanding balance of \$418,476 is shown as a liability in the wastewater fund.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

13 - Long-Term Debt (Continued)

Construction Loans Payable (Continued)

During 2005, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Public Water Supply Loan Fund. The agreement enabled the City to borrow \$7,582,910 to finance improvements to the water system. The loan will be repaid over twenty years at an interest rate of 3.14%. The total outstanding balance of \$4,697,560 is shown as a liability in the water fund.

During 2006, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$3,483,009 to finance improvements to the wastewater system. The loan will be repaid over twenty years at an interest rate of 2.40%. The total outstanding balance of \$2,160,722 is shown as a liability in the wastewater fund.

During 2006, the City entered into a loan agreement with the Kansas Department of Transportation. The agreement enabled the City to borrow \$692,706 to finance significant street improvement projects. The loans will be repaid over ten years at an interest rate of 3.61%. The outstanding balance of \$145,937 is shown as a liability in the governmental activities column of the statement of net position.

During 2007, the City entered into a loan agreement with the Kansas Department of Transportation. The agreement enabled the City to borrow \$1,533,638 to finance significant street improvement projects. The loans will be repaid over ten years at an interest rate of 3.37%. The outstanding balance of \$579,349 is shown as a liability in the governmental activities column of the statement of net position.

During 2009, the City entered into a loan agreement with the Kansas Department of Transportation. The agreement enabled the City to borrow up to \$858,303 to finance a significant street improvement. The loan will be repaid over twenty years at an interest rate of 3.93%. The outstanding balance of \$732,694 is shown as a liability in the governmental activities column of the statement of net position.

During 2009, the City entered into a loan agreement with the Kansas Department of Transportation. The agreement enabled the City to borrow up to \$5,141,697 to finance a significant street improvement project. The loan will be repaid over twenty years at an interest rate of 3.93%. As of December 31, 2013, the City has drawn \$3,572,944 on this loan. Payments of \$122,007 were made in 2013, leaving a total outstanding balance of \$3,057,644, which is shown as a liability in the governmental activities column of the statement of net position. The debt service requirements to the maturity date will not be determinable until the final draw has been made.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

13 - Long-Term Debt (Continued)

Construction Loans Payable (Continued)

During 2012, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$9,584,000 to finance improvements to the wastewater system. The loan will be repaid over twenty years at an interest rate of 2.05%. As of December 31, 2013, the City has drawn the full amount available and is expected to request additional funding. Only interest payments were made in 2013, leaving a total outstanding balance of \$8,878,694, which is shown as a liability in the wastewater fund. The debt service requirements to the maturity date will not be determined until the final draw has been made.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 418,645	\$ 131,048	\$ 758,997	\$ 341,413
2015	412,002	168,796	960,325	426,631
2016	362,478	152,667	988,303	398,652
2017	261,173	138,505	858,849	371,113
2018	201,655	127,966	893,228	346,644
2019-2023	1,141,983	505,942	4,854,023	1,285,279
2024-2028	1,401,462	246,643	6,841,727	908,607
2029 thereafter	316,226	11,442	--	--
	<u>\$ 4,515,624</u>	<u>\$ 1,483,009</u>	<u>\$ 16,155,452</u>	<u>\$ 4,078,339</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

13 - Long-Term Debt (Continued)

PBC Lease Revenue Bonds

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 260,000	\$ 58,775	\$ 318,775
2015	290,000	53,575	343,575
2016	315,000	47,775	362,775
2017	345,000	41,475	386,475
2018	375,000	34,575	409,575
2019-2021	1,295,000	56,825	1,351,825
	<u>\$ 2,880,000</u>	<u>\$ 293,000</u>	<u>\$ 3,173,000</u>

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

Certificates of Participation

The City has issued \$7,150,000 of certificates of participation series 2006D with interest rates ranging from 3.75% to 4% and with a final maturity in 2016. Principal payments are scheduled annually ranging from \$475,000 to \$1,195,000. Future maturities of the certificates of participation are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,000,000	\$ 106,800	\$ 1,106,800
2015	1,195,000	66,800	1,261,800
2016	475,000	19,000	494,000
	<u>\$ 2,670,000</u>	<u>\$ 192,600</u>	<u>\$ 2,862,600</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

13 - Long-Term Debt (Continued)

Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 7,049,550	\$ 3,138,250	\$ 4,034,500	\$ 6,153,300	\$ 944,050
Issuance premiums	39,887	118,168	10,145	147,910	--
Special assessment debt with government commitment	13,425,000	--	1,040,000	12,385,000	1,300,000
Bond anticipation notes payable	4,915,000	--	--	4,915,000	4,915,000
Construction loans payable	4,656,487	251,482	392,345	4,515,624	418,645
Certificates of participation	3,480,000	--	810,000	2,670,000	1,000,000
PBC lease revenue bonds	3,105,000	--	225,000	2,880,000	260,000
Capital lease obligation	-	98,510	21,021	77,489	21,021
Compensated absences	175,145	213,533	229,725	158,953	158,953
Other postemployment benefit obligation	144,327	27,306	3,000	168,633	--
Governmental activities long- term liabilities	<u>\$ 36,990,396</u>	<u>\$ 3,847,249</u>	<u>\$ 6,765,736</u>	<u>\$ 34,071,909</u>	<u>\$ 9,017,669</u>
Business-type activities:					
General obligation bonds	\$ 25,850,450	\$ 3,876,750	\$ 8,545,500	\$ 21,181,700	\$ 4,545,950
Bond anticipation notes payable	1,330,000	--	--	1,330,000	1,330,000
Construction loans payable	11,780,890	4,911,963	537,401	16,155,452	758,997
Issuance premiums	1,145,828	143,952	143,457	1,146,323	--
Compensated absences	104,146	152,896	137,657	119,385	119,385
Other postemployment benefit obligation	59,243	3,654	--	62,897	--
Business-type activities long term liabilities	<u>\$ 40,270,557</u>	<u>\$ 9,89,215</u>	<u>\$ 9,364,015</u>	<u>\$ 39,995,757</u>	<u>\$ 6,754,332</u>
Component unit:					
Loan payable to primary government	<u>\$ 92,397</u>	<u>\$ 405,002</u>	<u>\$ --</u>	<u>\$ 497,399</u>	<u>\$ 45,000</u>

For the governmental activities, compensated absences and the other postemployment benefit obligation are generally liquidated by the general fund.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

14 - Bond Anticipation Notes Payable

The City issues bond anticipation notes to provide temporary financing for capital improvement projects. These bond anticipation notes were refinanced on a long-term basis subsequent to year end. Bond anticipation notes payable at December 31, 2013 were as follows:

Issue	Original Amount	Interest Rate	Maturity Date	
2012B	\$ 6,245,000	1.00%	4/15/2014	
	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities: Bond anticipation notes	\$ 4,915,000	\$ --	\$ --	\$ 4,915,000
Business-type activities: Bond anticipation notes	<u>1,330,000</u>	<u>--</u>	<u>--</u>	<u>1,330,000</u>
Total	<u>\$ 6,245,000</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,245,000</u>

15 - 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, special assessments receivable are 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, 2013, the special assessment taxes levied are a lien on the property and are recorded as a special assessments receivable in the debt service fund with a corresponding amount recorded as deferred inflows of resources. Special assessments receivable at December 31, 2013 was \$17,175,986.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

16 - Interfund Transactions

Interfund transfers for the year ended December 31, 2013 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major funds:		
General fund	\$ 942,500	\$ 400,000
Debt Service fund	1,605,653	--
Capital Projects fund	--	16,117
Electric fund	--	814,500
Water fund	--	497,300
Wastewater fund	400,000	117,300
Nonmajor governmental funds	<u>435,000</u>	<u>1,537,936</u>
 Total transfers	 <u><u>\$ 3,383,153</u></u>	 <u><u>\$ 3,383,153</u></u>

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)

16 - 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	\$ 245,569
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Amounts owed from the general fund to:

Electric fund	\$ 20,070
Water fund	653
Wastewater fund	224
	<u>\$ 20,947</u>

Amounts owed from the internal service funds to:

General fund	\$ 21,862
Electric fund	6,091
	<u>\$ 27,953</u>

Amounts owed from the electric fund to:

Water fund	\$ 66
Wastewater fund	89
	<u>\$ 155</u>

Amounts owed from the water fund to:

Electric fund	<u>\$ 1,757</u>
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Amounts owed from the wastewater fund to:

Electric fund	<u>\$ 20,677</u>
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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 nonmajor governmental funds include amounts owed to the General Fund for the reimbursement of certain indirect costs.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

17 - Commitments and Contingencies

Litigation

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

Industrial Revenue Bonds

The City has issued industrial revenue bonds to finance the purchase of land and construction of a facility leased to a business that relocated to the City. The lease agreement provides for rentals sufficient to service the related bonds. The debt service on this issue is paid solely from lease agreements; this issue does not constitute a debt of the City. The lessee has the option of purchasing the leased property at any time during the lease period for an amount sufficient to retire the related outstanding bonds. At the end of the lease period, which conforms to bond maturity schedules, the lessee may either purchase the property for a nominal amount or renew the lease annually at a nominal amount. As of December 31, 2013, industrial revenue bonds of \$46,950,431 are outstanding.

Encumbrances

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities, but, rather, as restricted, committed, or assigned fund balance. At December 31, 2013, the City's recorded encumbrances in governmental funds were as follows:

General	\$	64,474
Capital projects		52,078
Other governmental funds		<u>7,150</u>
	\$	<u><u>123,702</u></u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

18 - Prior Period Adjustment

A prior period adjustment has been recorded on the entity-wide Statement of Activities for the governmental activities, reducing the net position by \$487,014 to reflect a change in the beginning balance of capital assets. The adjustment was made due to assets belonging to the Airport Association Component Unit being improperly recorded as governmental capital assets.

Three prior period adjustments have been made to the Airport Association Component Unit for a total increase in net position by \$454,712: to record additional capital assets that were recorded as governmental capital assets in the prior period and to record payables related to amounts owed to the primary government that were not reflected in prior periods.

A prior period adjustment was recorded in the Capital Projects Fund in the amount of \$405,000 to reflect a receivable due from the Airport Association.

19 - Subsequent Events

Subsequent to year end, the City issued \$4,895,000 in General Obligation Bonds, Series 2014A, for the purpose refunding the City's outstanding General Obligation Temporary Notes, Series 2012B.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GARDNER, KANSAS

Schedule of Funding Progress

Health Insurance Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2007	\$ --	\$ 340,969	\$ 340,969	0.0%	\$5,473,665	6.2%
7/1/2009	--	296,691	296,691	0.0%	5,944,323	5.0%
7/1/2011	--	160,208	160,208	0.0%	4,527,176	3.5%

Note 1 - Significant Factors Affecting Trends in Actuarial Information

Changes in Actuarial Liability for the valuation completed at July 1, 2011 are primarily due to:

- The assumed Medical / Rx trend rates were changed from 10%, 9.5%, 9%, 8.5%, 8%, 7.5%, 7%, 6.5%, 6%, 5.5% (Ultimate) to 8.5%, 8%, 7.5%, 7%, 6.5%, 6%, 5.5%, 5% (Ultimate). The assumed Dental trend was lowered from 5.0% to 4.0%.
- The turnover rates and retirement age assumptions were updated to reflect the latest statistics available from the applicable statewide pension valuations.
- The assumed enrollment rate for future retirees was lowered from 55% to 45% for those retiring at ages 55 to 59, from 40% to 35% for those retiring prior to age 55, and from 70% to 55% for those retiring at ages 60 to 64.
- The valuation interest rate was lowered from 5.75% to 5.00% based on our analysis and correspondence with the investment advisor of MPR concerning anticipated asset allocation and expected returns of the Health & Dental Fund.
- Expected Medical/Rx costs and retiree premiums each increased about 10% per year.

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.

Capital Improvement Reserve Fund – This fund is used to account for intergovernmental revenues that the City may expend to finance multi-year capital projects.

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

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

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

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

Debt Service Fund

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

CITY OF GARDNER, KANSAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2013

	Special Revenue					
	Law Enforcement Trust	Capital Improvement Reserve	Special Alcohol/Drug Program	Special Parks and Recreation	E. Santa Fe TIF District	Economic Development Reserve
<u>ASSETS</u>						
Deposits and investments	\$ 5,925	\$ 33,591	\$ 14,094	\$ 14,925	\$ --	\$ 57,791
Receivables:						
Taxes	2	10	4	4	103,543	17
Intergovernmental	--	--	--	--	--	12,446
Restricted deposits and investments	--	--	--	--	104,282	--
Due from other funds	--	--	--	--	--	--
Total assets	<u>\$ 5,927</u>	<u>\$ 33,601</u>	<u>\$ 14,098</u>	<u>\$ 14,929</u>	<u>\$ 207,825</u>	<u>\$ 70,254</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ --	\$ 13,557	\$ 44	\$ --	\$ 104,272	\$ --
Due to other funds	--	--	--	--	--	--
Total liabilities	<u>--</u>	<u>13,557</u>	<u>44</u>	<u>--</u>	<u>104,272</u>	<u>--</u>
Fund balances:						
Restricted:						
Capital projects	--	20,044	--	--	--	--
Street improvements	--	--	--	--	--	--
Economic development	--	--	--	--	103,553	70,254
Other	5,927	--	14,054	14,929	--	--
Assigned	--	--	--	--	--	--
Total fund balances	<u>5,927</u>	<u>20,044</u>	<u>14,054</u>	<u>14,929</u>	<u>103,553</u>	<u>70,254</u>
Total liabilities and fund balances	<u>\$ 5,927</u>	<u>\$ 33,601</u>	<u>\$ 14,098</u>	<u>\$ 14,929</u>	<u>\$ 207,825</u>	<u>\$ 70,254</u>

(Continued)

CITY OF GARDNER, KANSAS

COMBINING BALANCE SHEET

(Continued)

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2013

	Total Special Revenue	Street Improvement	Capital Projects Special Highway	City Hall	Debt Service Park Sales Tax	Total Nonmajor Governmental Funds
<u>ASSETS</u>						
Deposits and investments	\$ 126,326	\$ 213,461	\$ 9,520	\$ 103	\$ --	\$ 349,410
Receivables:						
Taxes	103,580	61	3	--	160,491	264,135
Intergovernmental	12,446	--	228,066	--	--	240,512
Restricted deposits and investments	104,282	--	--	--	215,791	320,073
Due from other funds	--	--	--	--	--	--
Total assets	<u>\$ 346,634</u>	<u>\$ 213,522</u>	<u>\$ 237,589</u>	<u>\$ 103</u>	<u>\$ 376,282</u>	<u>\$ 1,174,130</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 117,873	\$ --	\$ 7,541	\$ --	\$ --	\$ 125,414
Due to other funds	--	--	--	--	245,569	245,569
Total liabilities	<u>117,873</u>	<u>--</u>	<u>7,541</u>	<u>--</u>	<u>245,569</u>	<u>370,983</u>
Fund balances:						
Restricted:						
Capital projects	20,044	--	230,048	103	130,713	380,908
Street improvements	--	213,522	--	--	--	213,522
Economic development	173,807	--	--	--	--	173,807
Other	34,910	--	--	--	--	34,910
Assigned	--	--	--	--	--	--
Total fund balances	<u>228,761</u>	<u>213,522</u>	<u>230,048</u>	<u>103</u>	<u>130,713</u>	<u>803,147</u>
Total liabilities and fund balances	<u>\$ 346,634</u>	<u>\$ 213,522</u>	<u>\$ 237,589</u>	<u>\$ 103</u>	<u>\$ 376,282</u>	<u>\$ 1,174,130</u>

CITY OF GARDNER, KANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2013

	Law Enforcement Trust	Capital Improvement Reserve	Special Alcohol/ Drug Program	Special Parks and Recreation	E. Santa Fe TIF District	Economic Development Reserve
Revenues:						
Property tax	\$ --	\$ --	\$ --	\$ --	\$ 252,151	\$ --
Sales tax	--	--	--	--	531,028	--
Transient guest tax	--	--	--	--	--	42,493
Intergovernmental	742	17	29,933	29,932	--	--
Investment earnings	19	169	12	42	300	178
Total revenues	<u>761</u>	<u>186</u>	<u>29,945</u>	<u>29,974</u>	<u>783,479</u>	<u>42,671</u>
Expenditures:						
Current:						
General government	--	--	34,000	--	777,087	29,199
Capital outlay	--	61,780	--	--	--	--
Debt service:						
Principal	--	--	--	--	--	--
Interest and fiscal charges	--	--	--	--	(700)	--
Other	--	--	--	--	--	--
Total expenditures	<u>--</u>	<u>61,780</u>	<u>34,000</u>	<u>--</u>	<u>776,387</u>	<u>29,199</u>
Excess of revenues over (under) expenditures	<u>761</u>	<u>(61,594)</u>	<u>(4,055)</u>	<u>29,974</u>	<u>7,092</u>	<u>13,472</u>
Other financing sources (uses):						
Transfers in	--	--	--	--	--	--
Transfers out	--	--	--	(35,000)	(5,000)	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>(35,000)</u>	<u>(5,000)</u>	<u>--</u>
Net change in fund balances	761	(61,594)	(4,055)	(5,026)	2,092	13,472
Fund balances, beginning of year	5,166	81,638	18,109	19,955	101,461	56,782
Fund balances, end of year	<u>\$ 5,927</u>	<u>\$ 20,044</u>	<u>\$ 14,054</u>	<u>\$ 14,929</u>	<u>\$ 103,553</u>	<u>\$ 70,254</u>

(Continued)

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2013

	Total Special Revenue	Capital Projects			Debt Service	Total Nonmajor Governmental Funds
		Street Improvement	Special Highway	City Hall	Park Sales Tax	
Revenues:						
Property tax	\$ 252,151	\$ --	\$ --	\$ --	\$ --	\$ 252,151
Sales tax	531,028	--	--	--	928,546	1,459,574
Transient guest tax	42,493	--	--	--	--	42,493
Intergovernmental	60,624	--	637,709	--	--	698,333
Investment earnings	720	1,636	275	--	192	2,823
Total revenues	<u>887,016</u>	<u>1,636</u>	<u>637,984</u>	<u>--</u>	<u>928,738</u>	<u>2,455,374</u>
Expenditures:						
Current:						
General government	840,286	--	--	--	--	840,286
Capital outlay	61,780	--	171,009	--	--	232,789
Debt service:						
Principal	--	--	114,000	--	810,000	924,000
Interest and fiscal charges	(700)	--	--	--	137,175	136,475
Other	--	--	--	--	2,100	2,100
Total expenditures	<u>901,366</u>	<u>--</u>	<u>285,009</u>	<u>--</u>	<u>949,275</u>	<u>2,135,650</u>
Excess of revenues over (under) expenditures	<u>(14,350)</u>	<u>1,636</u>	<u>352,975</u>	<u>--</u>	<u>(20,537)</u>	<u>319,724</u>
Other financing sources (uses):						
Transfers in	--	--	--	--	435,000	435,000
Transfers out	(40,000)	(637,930)	(405,206)	--	(454,800)	(1,537,936)
Total other financing sources (uses)	<u>(40,000)</u>	<u>(637,930)</u>	<u>(405,206)</u>	<u>--</u>	<u>(19,800)</u>	<u>(1,102,936)</u>
Net change in fund balances	(54,350)	(636,294)	(52,231)	--	(40,337)	(783,212)
Fund balances, beginning of year	283,111	849,816	282,279	103	171,050	1,586,359
Fund balances, end of year	<u>\$ 228,761</u>	<u>\$ 213,522</u>	<u>\$ 230,048</u>	<u>\$ 103</u>	<u>\$ 130,713</u>	<u>\$ 803,147</u>

CITY OF GARDNER, KANSAS

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

LAW ENFORCEMENT TRUST

Year Ended December 31, 2013

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Investment earnings	\$ --	\$ 19	\$ 19
Intergovernmental	--	742	742
	<u> </u>	<u> </u>	<u> </u>
Total revenues	--	761	761
	<u> </u>	<u> </u>	<u> </u>
Expenditures:			
Equipment	600	--	600
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	600	--	600
	<u> </u>	<u> </u>	<u> </u>
Excess (deficit) of revenues over (under) expenditures	(600)	761	1,361
Fund balances, beginning of year	600	5,166	4,566
	<u> </u>	<u> </u>	<u> </u>
Fund balances, end of year	\$ --	\$ 5,927	\$ 5,927
	<u> </u>	<u> </u>	<u> </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, 2013

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Special alcohol tax	\$ 30,000	\$ 29,933	\$ (67)
Investment earnings	100	12	(88)
Total revenues	<u>30,100</u>	<u>29,945</u>	<u>(155)</u>
Expenditures:			
Project reserve	13,204	--	13,204
Contractual services	34,000	34,000	--
Total expenditures	<u>47,204</u>	<u>34,000</u>	<u>13,204</u>
Net change in fund balances	(17,104)	(4,055)	13,049
Fund balances, beginning of year	<u>17,104</u>	<u>18,109</u>	<u>1,005</u>
Fund balances, end of year	<u><u>\$ --</u></u>	<u><u>\$ 14,054</u></u>	<u><u>\$ 14,054</u></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, 2013

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Special alcohol tax	\$ 30,000	\$ 29,932	\$ (68)
Investment earnings	100	42	(58)
Total revenues	<u>30,100</u>	<u>29,974</u>	<u>(126)</u>
Expenditures:			
Project reserve	<u>14,052</u>	<u>--</u>	<u>14,052</u>
Total expenditures	<u>14,052</u>	<u>--</u>	<u>14,052</u>
Excess (deficit) of revenues over (under) expenditures	16,048	29,974	13,926
Other financing uses:			
Transfers out	<u>(35,000)</u>	<u>(35,000)</u>	<u>--</u>
Net change in fund balances	(18,952)	(5,026)	13,926
Fund balances, beginning of year	<u>18,952</u>	<u>19,955</u>	<u>1,003</u>
Fund balances, end of year	<u>\$ --</u>	<u>\$ 14,929</u>	<u>\$ 14,929</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, 2013

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	\$ 1,068,000	\$ 783,179	\$ (284,821)
Investment earnings	300	300	--
Total revenues	<u>1,068,300</u>	<u>783,479</u>	<u>(284,821)</u>
Expenditures:			
Contractual services	1,063,300	777,087	286,213
Interest and Fiscal Charges	--	(700)	700
Total expenditures	<u>1,063,300</u>	<u>776,387</u>	<u>286,913</u>
Excess (deficit) of revenues over (under) expenditures	5,000	7,092	2,092
Other financing uses:			
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>--</u>
Net change in fund balances	--	2,092	2,092
Fund balances, beginning of year	<u>77,752</u>	<u>101,461</u>	<u>23,709</u>
Fund balances, end of year	<u><u>\$ 77,752</u></u>	<u><u>\$ 103,553</u></u>	<u><u>\$ 25,801</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, 2013

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Transient guest tax	\$ 29,000	\$ 42,493	\$ 13,493
Investment earnings	100	178	78
Total revenues	<u>29,100</u>	<u>42,671</u>	<u>13,571</u>
Expenditures:			
Project reserve	43,167	8,500	34,667
Dues/Subscriptions	--	699	(699)
Contractual services	33,700	20,000	13,700
Total expenditures	<u>76,867</u>	<u>29,199</u>	<u>47,668</u>
Net change in fund balances	(47,767)	13,472	61,239
Fund balances, beginning of year	<u>47,767</u>	<u>56,782</u>	<u>9,015</u>
Fund balances, end of year	<u>\$ --</u>	<u>\$ 70,254</u>	<u>\$ 70,254</u>

CITY OF GARDNER, KANSAS

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

STREET IMPROVEMENT FUND

Year Ended December 31, 2013

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Excise tax	\$ 69,700	\$ --	\$ (69,700)
Investment earnings	2,500	1,636	(864)
Total revenues	<u>72,200</u>	<u>1,636</u>	<u>(70,564)</u>
Expenditures:			
Capital outlay	--	--	--
Project reserve	275,806	--	275,806
Total expenditures	<u>275,806</u>	<u>--</u>	<u>275,806</u>
Excess (deficit) of revenues over (under) expenditures	(203,606)	1,636	205,242
Other financing uses:			
Transfers out	(674,000)	(637,930)	36,070
Net change in fund balances	(877,606)	(636,294)	241,312
Fund balances, beginning of year	<u>877,606</u>	<u>849,816</u>	<u>(27,790)</u>
Fund balances, end of year	<u>\$ --</u>	<u>\$ 213,522</u>	<u>\$ 213,522</u>

CITY OF GARDNER, KANSAS

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

SPECIAL HIGHWAY FUND

Year Ended December 31, 2013

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
State gasoline tax	\$ 480,000	\$ 510,955	\$ 30,955
Intergovernmental - grants	--	126,754	126,754
Investment earnings	800	275	(525)
	<u>480,800</u>	<u>637,984</u>	<u>157,184</u>
Total revenues			
Expenditures:			
Project reserve	53,272	--	53,272
Capital outlay	112,000	32,669	79,331
Principal	400,000	500,006	(100,006)
Other financing uses:			
Transfers out	22,200	19,200	3,000
	<u>22,200</u>	<u>19,200</u>	<u>3,000</u>
Net change in fund balances subject to legal budget	<u>\$ (106,672)</u>	86,109	<u>\$ 192,781</u>
Expenditures not subject to legal budget		<u>126,754</u>	
Net change in fund balance		(40,645)	
Fund balances, beginning of year		<u>251,506</u>	
Fund balances, end of year		210,861	
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>19,187</u>	
GAAP fund balance, end of year		<u>\$ 230,048</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, 2013

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	\$ 890,000	\$ 928,546	\$ 38,546
Investment earnings	700	192	(508)
Total revenues	<u>890,700</u>	<u>928,738</u>	<u>38,038</u>
Expenditures:			
Principal	610,000	810,000	(200,000)
Interest	137,200	137,175	25
Project reserve	48,918	--	48,918
Other expenditures	1,400	2,100	(700)
Total expenditures	<u>797,518</u>	<u>949,275</u>	<u>(151,757)</u>
Excess (deficit) of revenues over (under) expenditures	<u>93,182</u>	<u>(20,537)</u>	<u>(113,719)</u>
Other financing sources (uses):			
Transfers in	435,000	435,000	--
Transfers out	(654,800)	(454,800)	200,000
Total other financing sources (uses)	<u>(219,800)</u>	<u>(19,800)</u>	<u>200,000</u>
Net changes in fund balances	(126,618)	(40,337)	86,281
Fund balances, beginning of year	<u>126,618</u>	<u>171,050</u>	<u>44,432</u>
Fund balances, end of year	<u>\$ --</u>	<u>\$ 130,713</u>	<u>\$ 130,713</u>

CITY OF GARDNER, KANSAS

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

DEBT SERVICE FUND

Year Ended December 31, 2013

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	\$ 1,078,219	\$ 1,181,710	\$ 103,491
Special assessments	1,108,545	1,401,884	293,339
Investment earnings	2,000	7,303	5,303
Payments in lieu of taxes	35,141	--	(35,141)
Other	--	48,925	48,925
Total revenues	<u>2,223,905</u>	<u>2,639,822</u>	<u>415,917</u>
Expenditures:			
Principal	3,942,340	2,699,087	1,243,253
Interest	--	992,711	(992,711)
Other	--	71,259	(71,259)
Total expenditures	<u>3,942,340</u>	<u>3,763,057</u>	<u>179,283</u>
Other financing sources (uses):			
Bond proceeds	--	3,256,418	3,256,418
Transfers in	1,451,600	1,605,653	154,053
Net change in fund balances subject to legal budget	<u>\$ (266,835)</u>	<u>3,738,836</u>	<u>\$ 4,005,671</u>
Expenditures not subject to legal budget		<u>2,880,000</u>	
Net change in fund balances		<u>858,836</u>	
Fund balances, beginning of year		<u>493,028</u>	
Fund balances, end of year		<u>\$ 1,351,864</u>	

CITY OF GARDNER, KANSAS

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

SPECIAL BENEFIT FEE FUND

Year Ended December 31, 2013

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Investment earnings	\$ 700	\$ 521	\$ (179)
Total revenues	<u>700</u>	<u>521</u>	<u>(179)</u>
Expenditures:			
Project reserve	<u>137,593</u>	<u>--</u>	<u>137,593</u>
Total expenditures	<u>137,593</u>	<u>--</u>	<u>137,593</u>
Excess (deficit) of revenues over (under) expenditures	(136,893)	521	137,414
Other financing uses:			
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>--</u>
Net change in fund balances	(186,893)	(49,479)	137,414
Fund balances, beginning of year	<u>186,893</u>	<u>186,901</u>	<u>8</u>
Fund balances, end of year	<u><u>\$ --</u></u>	<u><u>\$ 137,422</u></u>	<u><u>\$ 137,422</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, 2013

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 291,400	\$ 378,977	\$ 87,577
Park impact fees	68,300	57,403	(10,897)
Investment earnings	100	423	323
Total revenues	<u>359,800</u>	<u>436,803</u>	<u>77,003</u>
Expenditures:			
Project reserve	<u>67,323</u>	<u>--</u>	<u>67,323</u>
Total expenditures	<u>67,323</u>	<u>--</u>	<u>67,323</u>
Excess of revenues over expenditures	292,477	436,803	144,326
Other financing uses:			
Transfers out	<u>(400,000)</u>	<u>(400,000)</u>	<u>--</u>
Net change in fund balances	(107,523)	36,803	144,326
Fund balances, beginning of year	<u>107,523</u>	<u>191,624</u>	<u>84,101</u>
Fund balances, end of year	<u>\$ --</u>	<u>\$ 228,427</u>	<u>\$ 228,427</u>

Internal Service Funds

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

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

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

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

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

CITY OF GARDNER, KANSAS

COMBINING STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS

December 31, 2013

	Governmental Activities			Business-type Activities	Total
	Information Technology Services	Building Maintenance	Risk Management	Utility Billing Services	
Assets:					
Current assets:					
Deposits and investments	\$ --	\$ --	\$ 5,110	\$ 42,145	\$ 47,255
Noncurrent assets:					
Capital assets:					
Machinery and equipment	104,550	14,794	--	10,509	129,853
Vehicles	--	14,749	--	--	14,749
Less accumulated depreciation	(52,268)	(15,499)	--	(4,204)	(71,971)
Total assets	<u>52,282</u>	<u>14,044</u>	<u>5,110</u>	<u>48,450</u>	<u>119,886</u>
Liabilities:					
Current liabilities:					
Accounts payable	9,226	3,034	930	22,197	35,387
Due to other funds	2,451	25,502	--	--	27,953
Accrued expenses	1,528	1,409	--	7,868	10,805
Noncurrent liabilities:					
Other postemployment benefit obligation	1,576	2,908	--	7,858	12,342
Total liabilities	<u>14,781</u>	<u>32,853</u>	<u>930</u>	<u>37,923</u>	<u>86,487</u>
Net position:					
Net investment in capital assets	52,282	14,044	--	6,305	72,631
Unrestricted	(14,781)	(32,853)	4,180	4,222	(39,232)
Total net position	<u>\$ 37,501</u>	<u>\$ (18,809)</u>	<u>\$ 4,180</u>	<u>\$ 10,527</u>	<u>\$ 33,399</u>

CITY OF GARDNER, KANSAS

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

INTERNAL SERVICE FUNDS

Year Ended December 31, 2013

	Governmental Activities			Business-type Activities	Total
	Information Technology Services	Building Maintenance	Risk Management	Utility Billing Services	
Operating revenues:					
Charges for services	\$ 344,619	\$ 318,470	\$ 442,600	\$ 671,640	\$ 1,777,329
Other	--	--	12,426	--	12,426
Total operating revenues	<u>344,619</u>	<u>318,470</u>	<u>455,026</u>	<u>671,640</u>	<u>1,789,755</u>
Operating expenses:					
Administration	47,645	66,346	--	377,167	491,158
Contractual services	134,919	163,953	454,437	189,667	942,976
Other supplies and expenses	53,309	25,262	589	14,042	93,202
Repairs and maintenance	107,773	63,118	--	7,047	177,938
Depreciation	10,455	2,954	--	1,051	14,460
Other	--	--	--	77,936	77,936
Total operating expenses	<u>354,101</u>	<u>321,633</u>	<u>455,026</u>	<u>666,910</u>	<u>1,797,670</u>
Operating income	<u>(9,482)</u>	<u>(3,163)</u>	<u>--</u>	<u>4,730</u>	<u>(7,915)</u>
Change in net position	(9,482)	(3,163)	--	4,730	(7,915)
Total net position, beginning of year	<u>46,983</u>	<u>(15,646)</u>	<u>4,180</u>	<u>5,797</u>	<u>41,314</u>
Total net position, end of year	<u>\$ 37,501</u>	<u>\$ (18,809)</u>	<u>\$ 4,180</u>	<u>\$ 10,527</u>	<u>\$ 33,399</u>

CITY OF GARDNER, KANSAS

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

Year Ended December 31, 2013

	Governmental Activities			Business-type Activities	Total
	Information Technology Services	Building Maintenance	Risk Management	Utility Billing Services	
Cash flows from operating activities:					
Receipts from customers	\$ 344,619	\$ 318,470	\$ 442,600	\$ 671,640	\$ 1,777,329
Other	--	--	12,453	--	12,453
Payments to suppliers	(297,269)	(253,054)	(455,063)	(291,362)	(1,296,748)
Payments to employees	(47,350)	(65,416)	--	(376,304)	(489,070)
Net cash provided by operating activities	--	--	(10)	3,974	3,964
Net increase in cash and cash equivalents	--	--	(10)	3,974	3,964
Cash and cash equivalents, beginning of year	\$ --	\$ --	\$ 5,120	\$ 38,171	\$ 43,291
Cash and cash equivalents, end of year	\$ --	\$ --	\$ 5,110	\$ 42,145	\$ 47,255
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	(9,482)	(3,163)	--	4,730	(7,915)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Items not requiring cash:					
Depreciation expense	10,455	2,954	--	1,051	14,460
Other postemployment benefit obligation	251	1,363	--	529	2,143
Changes in:					
Due from other funds	--	--	--	--	--
Accounts payable	(2,109)	1,977	(10)	(3,895)	(4,037)
Accrued liabilities	285	237	--	1,559	2,081
Due to other funds	600	(3,368)	--	--	(2,768)
Net cash provided by operating activities	\$ --	\$ --	\$ (10)	\$ 3,974	\$ 3,964

CITY OF GARDNER, KANSAS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

Year Ended December 31, 2013

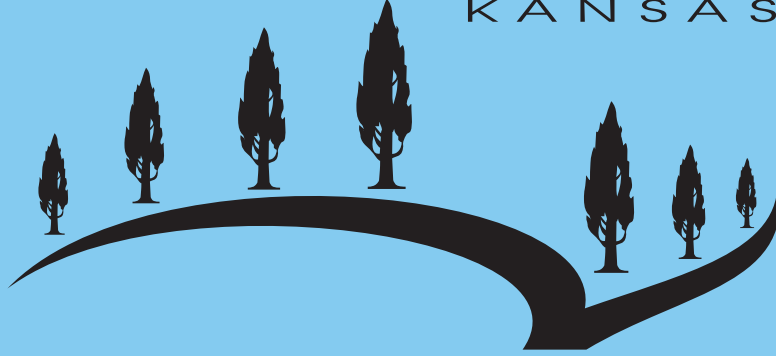
Alcohol Safety Action Program:

	Balance January 1, 2013	Additions	Deductions	Balance December 31, 2013
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets:				
Deposits and investments	\$ 34,355	\$ 591	\$ 300	\$ 34,646
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities:				
Due to others	\$ 34,355	\$ 591	\$ 300	\$ 34,646
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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GARDNER

KANSAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended
December 31, 2013

STATISTICAL SECTION

STATISTICAL SECTION

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.

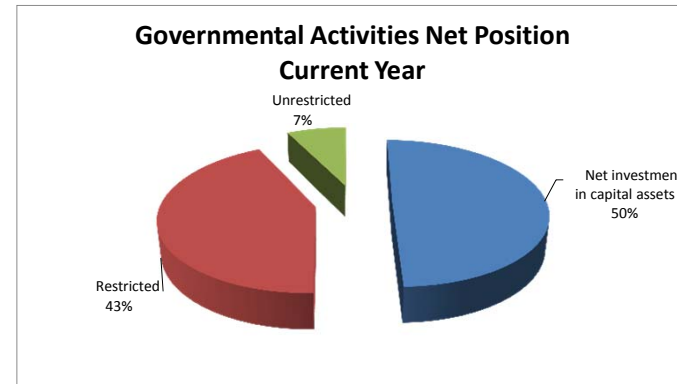
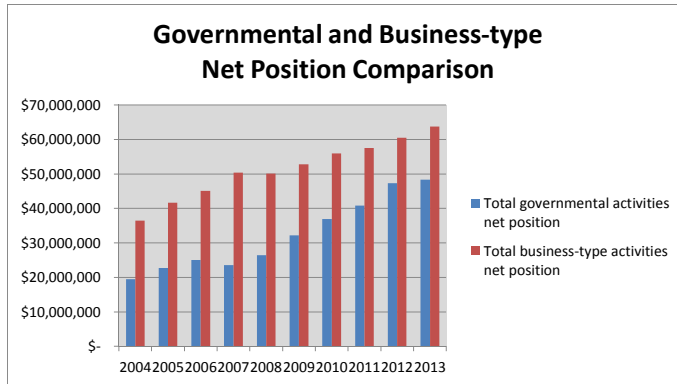
<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	94 - 97
Revenue Capacity These schedules contain information to help the reader assess the factors affecting 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.	98 - 106
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.	107 - 110
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.	111 - 112
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.	113 - 115

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

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$ 9,085,457	\$ 14,068,012	\$ 12,854,680	\$ 15,189,970	\$ 11,793,968	\$ 11,427,079	\$ 17,247,111	\$ 20,316,915	\$ 17,955,758	\$ 23,990,859
Restricted	209,186	8,375,348	8,637,479	8,508,190	11,654,614	17,997,310	16,045,557	16,127,894	24,232,960	20,820,905
Unrestricted	10,187,715	285,475	3,572,437	(146,614)	2,984,646	2,785,686	3,604,098	4,345,432	5,166,777	3,548,049
Total governmental activities net position	\$ 19,482,358	\$ 22,728,835	\$ 25,064,596	\$ 23,551,546	\$ 26,433,228	\$ 32,210,075	\$ 36,896,766	\$ 40,790,241	\$ 47,355,495	\$ 48,359,813
Business-type activities										
Net investment in capital assets	\$ 26,593,163	\$ 37,238,650	\$ 36,644,874	\$ 43,009,998	\$ 42,592,536	\$ 45,202,862	\$ 46,462,027	\$ 48,330,111	\$ 51,630,963	\$ 53,358,039
Unrestricted	9,868,088	4,437,961	8,438,191	7,383,676	7,570,921	7,587,496	9,547,927	9,236,658	8,919,022	10,427,135
Total business-type activities net position	\$ 36,461,251	\$ 41,676,611	\$ 45,083,065	\$ 50,393,674	\$ 50,163,457	\$ 52,790,358	\$ 56,009,954	\$ 57,566,769	\$ 60,549,985	\$ 63,785,174
Primary government										
Net investment in capital assets	\$ 35,678,620	\$ 51,306,662	\$ 49,499,554	\$ 58,199,968	\$ 54,386,504	\$ 56,629,941	\$ 63,709,138	\$ 68,647,026	\$ 69,586,721	\$ 77,348,898
Restricted	209,186	8,375,348	8,637,479	8,508,190	11,654,614	17,997,310	16,045,557	16,127,894	24,232,960	20,820,905
Unrestricted	20,055,803	4,723,436	12,010,628	7,237,062	10,555,567	10,373,182	13,152,025	13,582,090	14,085,799	13,975,184
Total primary government net position	\$ 55,943,609	\$ 64,405,446	\$ 70,147,661	\$ 73,945,220	\$ 76,596,685	\$ 85,000,433	\$ 92,906,720	\$ 98,357,010	\$ 107,905,480	\$ 112,144,987

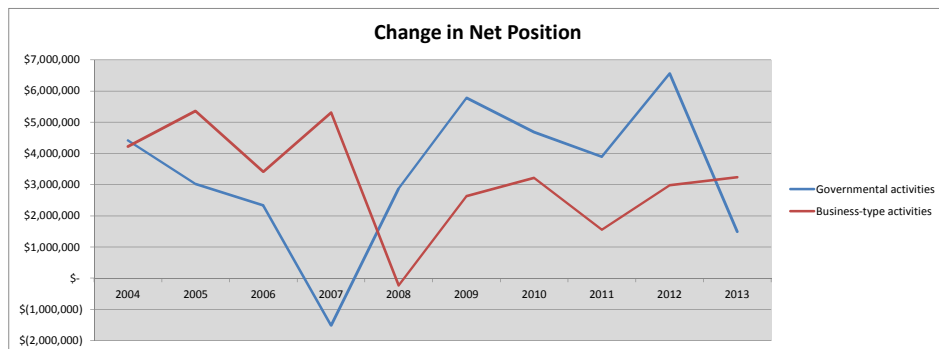
Source: City of Gardner Finance Department



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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 2,481,063	\$ 2,487,540	\$ 2,283,679	\$ 3,378,759	\$ 3,467,896	\$ 3,164,663	\$ 2,822,418	\$ 2,620,535	\$ 2,697,372	\$ 2,817,304
Public Safety	1,793,104	2,133,175	2,698,278	3,248,539	3,653,003	3,567,111	3,565,454	3,647,573	3,776,937	3,874,682
Public Works	2,702,878	1,814,204	1,953,847	2,730,439	3,274,927	2,674,913	2,614,530	2,650,257	2,846,701	2,631,533
Culture and recreation	1,008,522	1,191,341	1,280,138	2,025,252	2,280,655	2,271,682	2,211,773	2,424,862	2,593,737	2,460,190
Interest on long-term debt	679,071	912,018	1,098,258	1,450,723	1,506,419	1,843,829	1,742,427	1,397,634	1,308,232	1,595,184
Total governmental activities expenses	8,664,638	8,538,278	9,314,200	12,833,712	14,182,900	13,522,198	12,956,602	12,740,861	13,222,979	13,378,893
Business-type activities:										
Electric	5,235,673	7,065,972	9,369,802	10,369,407	10,655,734	9,911,349	11,572,594	12,052,825	11,996,928	11,779,932
Water	1,809,446	2,045,852	2,353,432	2,606,773	2,829,545	2,874,987	2,952,669	3,235,397	3,447,469	3,345,254
Wastewater	2,980,535	3,176,131	3,215,418	3,659,179	4,194,130	3,678,278	3,661,411	3,590,360	3,513,416	3,657,553
Stormwater	--	--	--	75,643	220,061	70,817	71,086	25,167	25,167	25,167
Total business-type activities expenses	10,025,654	12,287,955	14,938,652	16,711,002	17,899,470	16,535,431	18,257,760	18,903,749	18,982,960	18,807,906
Total primary government expenses	\$ 18,690,292	\$ 20,826,233	\$ 24,252,852	\$ 29,544,714	\$ 32,082,370	\$ 30,057,629	\$ 31,214,362	\$ 31,644,610	\$ 32,205,959	\$ 32,186,799
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,241,976	\$ 1,348,564	\$ 1,132,996	\$ 712,907	\$ 606,513	\$ 622,807	\$ 502,102	\$ 553,992	\$ 604,625	\$ 748,785
Public Safety	5,655	4,737	11,443	10,344	13,021	13,141	10,458	10,577	10,199	7,853
Public Works	275	--	--	1,900	--	2,300	--	--	--	--
Culture and recreation	428,120	446,685	436,514	905,149	767,693	937,542	970,405	887,173	883,516	858,658
Operating grants and contributions	2,352,704	2,139,253	2,216,293	2,529,574	2,657,199	2,514,392	2,579,475	2,789,802	2,816,127	2,966,108
Capital grants and contributions	2,817,443	1,087,882	218,234	360,016	4,808,296	7,240,013	5,400,696	3,113,818	5,730,105	782,039
Total governmental activities program revenues	6,846,173	5,027,121	4,015,480	4,519,890	8,852,722	11,330,195	9,463,136	7,355,362	10,044,572	5,363,443
Business-type activities:										
Charges for services:										
Electric	7,887,555	10,240,759	10,229,014	11,805,651	11,688,030	12,661,952	14,329,969	14,089,709	15,060,888	14,196,340
Water	3,725,407	3,639,347	3,511,004	4,201,647	3,192,736	3,293,010	3,989,505	3,740,962	4,103,707	4,509,459
Wastewater	3,419,810	3,518,583	3,304,989	3,835,313	2,821,531	3,062,919	4,007,841	3,474,928	3,682,494	4,275,217
Stormwater	--	--	--	--	--	--	--	--	--	61,208
Capital grants and contributions	--	50,000	589,004	59,606	356,751	506,991	78,263	100,187	92,762	--
Total business-type program revenues	15,032,772	17,448,689	17,634,011	19,902,217	18,059,048	19,524,472	22,405,578	21,405,786	22,939,851	23,042,223
Total primary government program revenues	\$ 21,878,945	\$ 22,475,810	\$ 21,649,491	\$ 24,422,107	\$ 26,911,770	\$ 30,854,667	\$ 31,868,714	\$ 28,761,148	\$ 32,984,423	\$ 28,405,666
Net (Expense)/Revenue										
Governmental activities	\$ (1,818,465)	\$ (3,511,157)	\$ (5,298,720)	\$ (8,313,822)	\$ (5,330,178)	\$ (2,192,003)	\$ (3,493,466)	\$ (5,385,499)	\$ (3,178,407)	\$ (8,015,450)
Business-type activities	5,007,118	5,160,734	2,695,359	3,191,215	159,578	2,989,041	4,147,818	2,502,037	3,956,871	4,234,317
Total primary government net expense	\$ 3,188,653	\$ 1,649,577	\$ (2,603,361)	\$ (5,122,607)	\$ (5,170,600)	\$ 797,038	\$ 654,352	\$ (2,883,462)	\$ 778,464	\$ (3,781,133)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 2,030,664	\$ 2,311,209	\$ 2,676,275	\$ 3,290,415	\$ 3,667,858	\$ 3,788,866	\$ 3,798,207	\$ 4,675,379	\$ 4,845,216	\$ 4,821,475
Sales taxes	1,483,480	1,566,055	2,636,630	2,854,565	2,815,576	2,696,984	2,821,088	2,999,426	3,123,255	3,190,773
Franchise taxes	305,843	337,916	350,024	386,139	412,989	396,100	380,715	365,435	320,227	348,956
Excise taxes	1,211,458	1,455,739	1,289,599	819,908	395,182	456,384	95,710	53,434	312,441	--
Transient guest taxes	31,150	34,338	40,880	41,073	45,573	34,702	29,338	29,764	38,470	42,493
Other	--	--	--	--	--	--	3	--	--	--
Unrestricted investment earnings	181,268	497,681	831,916	993,815	296,824	49,100	49,689	32,136	31,905	33,418
Gain on disposal of asset	--	--	1,617	--	--	--	2,095	136,232	67,329	40,567
Transfers	989,891	329,158	(190,643)	(1,586,760)	577,858	546,714	1,003,312	987,168	1,004,818	1,029,100
Total governmental activities	6,233,754	6,532,096	7,634,481	6,800,772	8,211,860	7,968,850	8,180,157	9,278,974	9,743,661	9,506,782
Business-type activities:										
Unrestricted investment earnings	205,001	532,024	520,452	532,634	188,063	28,208	38,020	31,421	31,163	29,972
Transfers	(989,891)	(329,158)	190,643	1,586,760	(577,858)	(546,714)	(1,003,312)	(987,168)	(1,004,818)	(1,029,100)
Other	--	--	--	--	--	156,366	37,070	10,525	--	--
Total business-type activities	(784,890)	202,866	711,095	2,119,394	(389,795)	(362,140)	(928,222)	(945,222)	(973,655)	(999,128)
Total primary government	\$ 5,448,864	\$ 6,734,962	\$ 8,345,576	\$ 8,920,166	\$ 7,822,065	\$ 7,606,710	\$ 7,251,935	\$ 8,333,752	\$ 8,770,006	\$ 8,507,654
Change in Net Position										
Governmental activities	\$ 4,415,289	\$ 3,020,939	\$ 2,335,761	\$ (1,513,050)	\$ 2,881,682	\$ 5,776,847	\$ 4,686,691	\$ 3,893,475	\$ 5,665,254	\$ 1,491,332
Business-type activities	4,222,228	5,363,600	3,406,454	5,310,609	(230,217)	2,626,901	3,219,596	1,556,815	2,983,216	3,235,189
Total primary government	\$ 8,637,517	\$ 8,384,539	\$ 5,742,215	\$ 3,797,559	\$ 2,651,465	\$ 8,403,748	\$ 7,906,287	\$ 5,450,290	\$ 9,548,470	\$ 4,726,521

Source: City of Gardner Finance Department



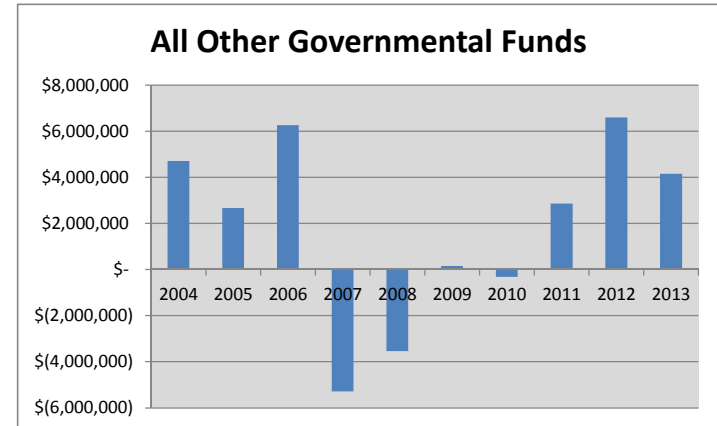
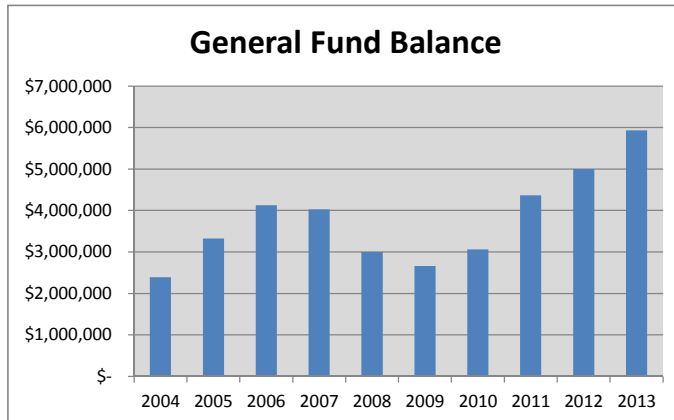
City of Gardner, Kansas
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund										
Reserved	\$ --	\$ --	\$ 1,019,948	\$ 15,151	\$ 34,779	\$ 39,182	\$ 250	\$ --	\$ --	\$ --
Unreserved	2,392,171	3,321,238	3,107,516	4,008,117	2,964,795	2,619,334	3,058,934	--	--	--
Restricted	--	--	--	--	--	--	--	24,281	--	--
Assigned	--	--	--	--	--	--	--	20,619	--	64,474
Unassigned	--	--	--	--	--	--	--	4,321,492	4,997,241	5,864,734
Total general fund	<u>\$ 2,392,171</u>	<u>\$ 3,321,238</u>	<u>\$ 4,127,464</u>	<u>\$ 4,023,268</u>	<u>\$ 2,999,574</u>	<u>\$ 2,658,516</u>	<u>\$ 3,059,184</u>	<u>\$ 4,366,392</u>	<u>\$ 4,997,241</u>	<u>\$ 5,929,208</u>
All Other Governmental Funds										
Reserved	\$ --	\$ --	\$ 9,998,577	\$ 2,164,409	\$ 1,058,524	\$ 1,479,432	\$ 451,339	\$ --	\$ --	\$ --
Unreserved, reported in:										
Debt service fund	313,625	258,152	184,701	237,844	310,091	78,023	105,384	--	--	--
Special revenue funds	4,953,169	5,597,454	6,771,640	6,525,624	5,383,372	5,119,227	3,565,909	--	--	--
Capital projects funds	(565,001)	(3,188,976)	(10,700,412)	(14,211,726)	(10,291,113)	(6,515,040)	(4,434,896)	--	--	--
Restricted	--	--	--	--	--	--	--	2,603,807	6,590,028	4,147,059
Assigned	--	--	--	--	--	--	--	260,317	--	--
Total all other governmental funds	<u>\$ 4,701,793</u>	<u>\$ 2,666,630</u>	<u>\$ 6,254,506</u>	<u>\$ (5,283,849)</u>	<u>\$ (3,539,126)</u>	<u>\$ 161,642</u>	<u>\$ (312,264)</u>	<u>\$ 2,864,124</u>	<u>\$ 6,590,028</u>	<u>\$ 4,147,059</u>

Note: In 2004, in order to avoid arbitrage penalties, the City decided to fund Capital Projects with pooled cash during the beginning stages of construction.

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 5,031,445	\$ 5,670,919	\$ 6,952,528	\$ 7,351,027	\$ 7,291,605	\$ 7,338,334	\$ 7,095,720	\$ 8,123,438	\$ 8,639,609	\$ 8,403,697
Licenses and permits	886,846	942,495	750,727	615,355	186,976	441,422	376,192	186,751	237,374	319,508
Fines and fees	265,911	282,659	316,720	240,072	305,001	263,248	217,900	269,358	335,319	415,312
Charges for services	335,289	423,579	337,022	654,973	792,935	727,625	800,534	825,751	844,814	744,055
Special assessments	466,514	298,989	229,317	345,883	300,420	387,736	974,839	951,328	966,502	1,401,884
Intergovernmental	2,611,934	3,262,304	2,352,409	2,415,554	2,606,764	2,383,778	7,722,154	4,069,190	3,339,121	3,368,473
Investment earnings	181,268	497,682	831,916	993,815	296,824	49,100	49,689	32,136	31,905	33,416
Loan revenue	37,465	35,378	41,875	--	--	--	--	--	--	--
Other revenues	221,921	147,338	257,407	347,542	321,922	438,029	224,533	171,331	93,753	138,960
Total revenues	10,038,593	11,561,343	12,069,921	12,964,221	12,102,447	12,029,272	17,461,561	14,649,283	14,488,397	14,825,305
Expenditures										
General government	2,220,815	2,170,591	2,068,118	3,055,358	3,210,270	2,901,931	2,588,787	2,397,137	2,443,979	2,728,857
Public safety	1,727,208	2,059,613	2,526,659	3,040,870	3,411,999	3,286,448	3,224,327	3,557,178	3,678,525	3,793,325
Public works	1,072,924	925,613	1,161,471	1,554,889	1,694,200	1,482,616	1,459,363	1,417,646	1,547,336	1,439,557
Culture and recreation	835,493	935,986	1,122,244	1,670,953	1,843,126	1,781,799	1,843,546	1,881,715	1,925,478	1,868,548
Capital outlay	4,248,331	9,831,552	11,992,665	14,508,283	4,431,783	3,563,318	9,102,539	2,870,018	1,795,401	3,786,717
Debt service:										
Interest	506,669	774,222	914,694	1,529,276	1,410,869	1,501,306	1,453,142	1,266,297	1,162,286	1,202,912
Principal	4,062,598	694,737	1,156,069	2,160,583	2,158,231	2,720,699	5,094,114	3,389,241	7,458,215	6,524,108
Other	12,127	96,444	202,359	61,669	183,014	314,416	159,058	146,166	196,839	73,359
Total expenditures	14,686,165	17,488,758	21,144,279	27,581,881	18,343,492	17,552,533	24,924,876	16,925,398	20,208,059	21,417,383
Excess of revenues over (under) expenditures	(4,647,572)	(5,927,415)	(9,074,358)	(14,617,660)	(6,241,045)	(5,523,261)	(7,463,315)	(2,276,115)	(5,719,662)	(6,592,078)
Other Financing Sources (Uses)										
Bonds issued	725,000	3,355,000	3,545,000	--	5,460,000	5,689,822	2,794,765	1,325,000	3,995,000	3,256,418
Premium on G.O. Bonds	--	--	--	--	36,180	--	--	--	--	--
Certificates of participation issued	--	--	7,150,000	--	--	--	--	--	--	--
Loan proceeds	--	--	1,053,190	--	--	--	--	--	--	--
Refunding bonds issued	105,000	--	--	--	--	--	--	--	--	--
Special assessment bonds issued	1,835,000	--	--	--	--	--	--	--	--	--
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
Capital leases	--	--	97,958	989,000	--	--	--	--	--	98,510
Insurance proceeds	--	--	19,302	3,053	997	--	8,457	8,261	--	--
Payments to escrow agent	(105,000)	--	--	--	--	--	--	--	--	--
Transfers in	2,982,920	2,625,016	2,796,990	2,441,559	2,513,128	3,181,035	3,420,400	3,126,455	3,027,043	2,983,153
Transfers out	(1,378,863)	(1,158,697)	(1,193,980)	(1,392,261)	(1,699,863)	(2,558,856)	(2,417,088)	(2,114,147)	(2,022,225)	(1,954,053)
Total other financing sources (uses)	4,164,057	4,821,319	13,468,460	2,975,109	6,962,074	8,882,971	7,390,077	6,759,711	10,076,415	4,676,077
Net change in fund balances	\$ (483,515)	\$ (1,106,096)	\$ 4,394,102	\$ (11,642,551)	\$ 721,029	\$ 3,359,710	\$ (73,238)	\$ 4,483,596	\$ 4,356,753	\$ (1,916,001)
Debt service as a percentage of noncapital expenditures	36.7%	17.8%	22.4%	26.9%	24.1%	29.2%	42.0%	33.7%	46.2%	43.8%

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

Fiscal Year	Electricity Generated & Purchased	Electricity Sold To Customers	^(b) 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 ^(d) Rate	Usage ^(e) Rate	Base ^(d) Rate	Usage ^(e) Rate	Base ^(d) Rate	Usage ^(e) Rate
2004	94,470	81,988	12,482	13.21%	598	463	135	22.59%	499	\$ 5.00	\$ 0.0839	\$ 8.70	\$ 3.94	\$ 7.00	\$ 4.45
^(b,c) 2005	103,687	97,863	5,824	5.62%	691	469	223	32.21%	554	\$ 6.00	\$ 0.0862	\$ 8.27	\$ 3.75	\$ 7.35	\$ 4.68
2006	117,288	111,371	5,917	5.04%	712	494	218	30.62%	476	\$ 6.00	\$ 0.0905	\$ 8.52	\$ 3.86	\$ 7.72	\$ 4.91
2007	135,953	118,858	17,095	12.57%	723	488	235	32.50%	517	\$ 6.20	\$ 0.0932	\$ 8.52	\$ 3.86	\$ 7.72	\$ 4.91
2008	126,224	120,486	5,738	4.55%	758	552	206	27.18%	589	\$ 6.40	\$ 0.0960	\$ 8.95	\$ 4.05	\$ 8.10	\$ 5.16
2009	124,014	116,584	7,430	5.99%	717	473	244	34.03%	768	\$ 6.72	\$ 0.1008	\$ 9.40	\$ 4.25	\$ 8.75	\$ 5.57
2010	137,083	132,915	4,168	3.04%	721	497	224	31.07%	752	\$ 6.72	\$ 0.1008	\$ 9.90	\$ 4.45	\$ 9.45	\$ 6.00
2011	137,841	128,646	9,195	6.67%	795	501	294	36.98%	784	\$ 6.72	\$ 0.1008	\$ 10.40	\$ 4.65	\$ 10.20	\$ 6.50
2012	138,940	131,151	7,789	5.61%	835	589	246	29.46%	432	\$ 6.72	\$ 0.1008	\$ 10.70	\$ 4.80	\$ 10.70	\$ 6.85
2013	139,849	129,350	10,499	7.51%	745	675	70	9.40%	467	\$ 6.72	\$ 0.1082	\$ 11.55	\$ 5.15	\$ 11.90	\$ 7.60

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.

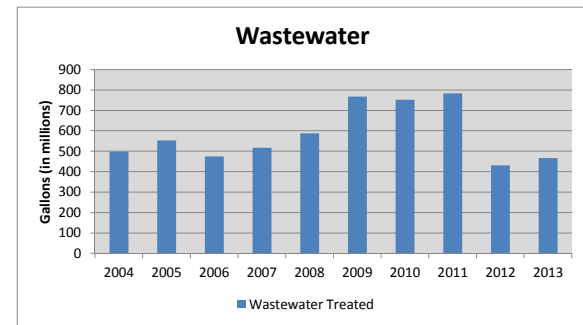
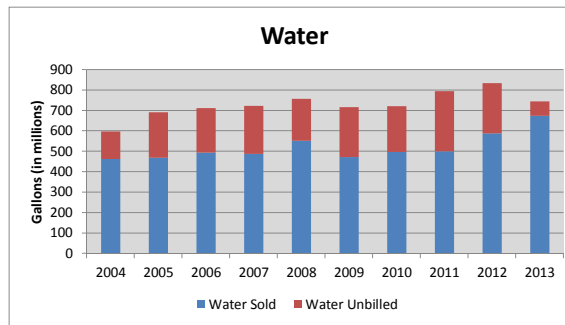
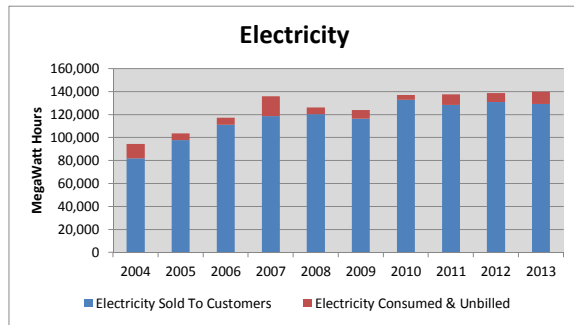
^(b) In 2005, the City implemented interdepartmental billing, thus reducing the amount of unbilled electric usage.

^(c) In 2005, the increase to gallons of wastewater treated was due to a significant increase in rainfall.

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

^(e) Per 1,000 gallons.

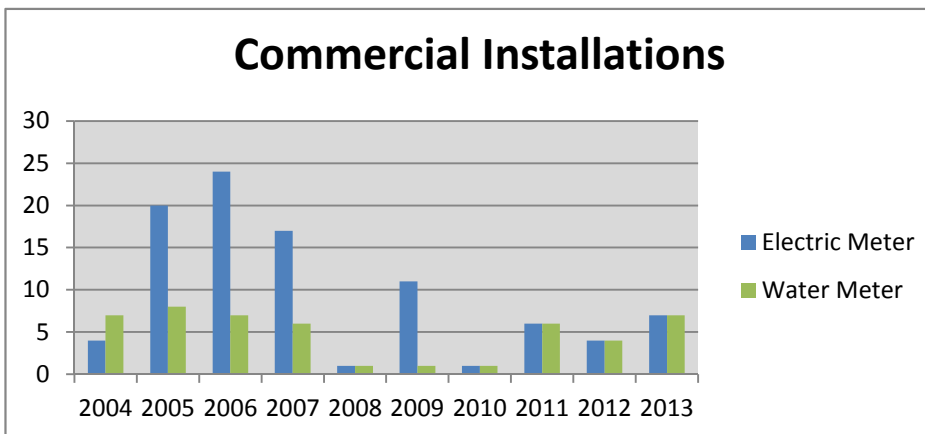
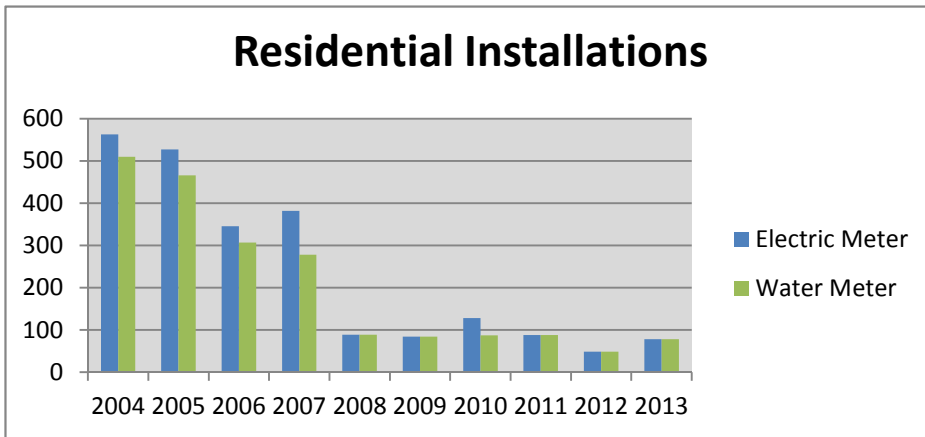
Source: City of Gardner Public Works Department & Gardner Energy



**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	
2004	563	4	510	7	1,084
2005	527	20	466	8	1,021
2006	345	24	307	7	683
2007	382	17	278	6	683
2008	89	1	89	1	180
2009	84	11	84	1	180
2010	128	1	87	1	217
2011	88	6	88	6	188
2012	49	4	49	4	106
2013	78	7	78	7	170

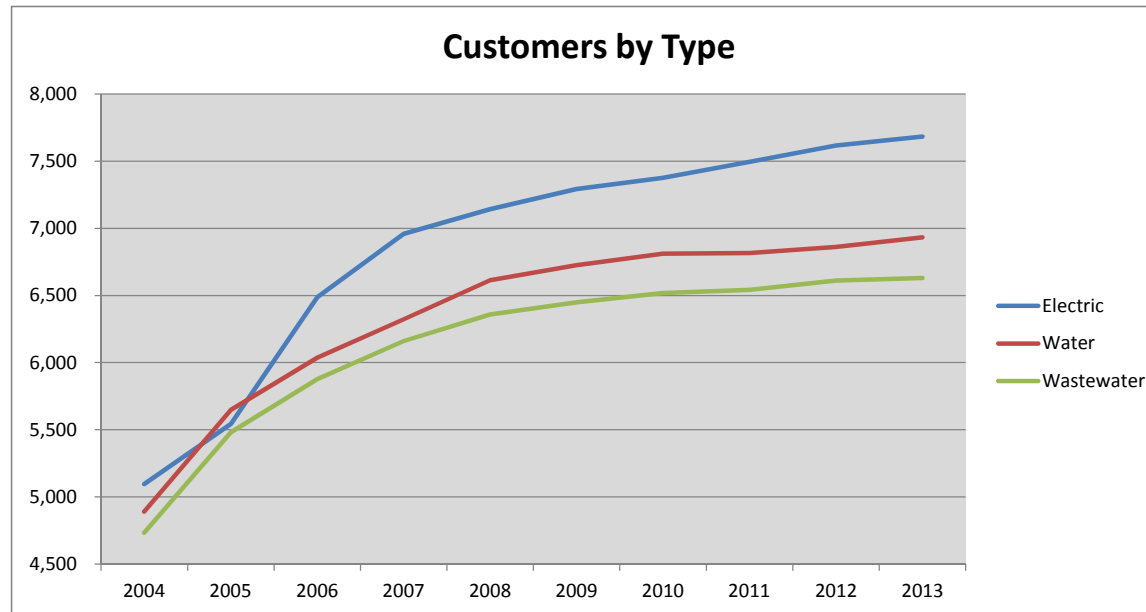
Source: City of Gardner Community Development Department



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
2004	4,821	269	7	4,699	185	7	4,549	179	7	5,097	4,891	4,735
2005	5,254	283	6	5,439	204	6	5,278	198	6	5,543	5,649	5,482
2006	6,156	325	6	5,812	220	6	5,657	214	6	6,487	6,038	5,877
2007	6,547	407	5	6,065	253	5	5,958	197	5	6,959	6,323	6,160
2008	6,726	410	5	6,360	248	5	6,146	207	5	7,141	6,613	6,358
2009	6,867	418	6	6,476	243	5	6,239	206	5	7,291	6,724	6,450
2010	6,944	425	6	6,546	260	5	6,309	205	5	7,375	6,811	6,519
2011	7,064	424	6	6,554	256	5	6,333	204	5	7,494	6,815	6,542
2012	7,163	448	6	6,598	259	5	6,398	209	5	7,617	6,862	6,612
2013	7,214	462	6	6,655	270	7	6,408	216	7	7,682	6,932	6,631

Source: City of Gardner Utility Department



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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Water Rates										
<i>(All Meter Sizes)</i>										
Base Rate	\$ 8.70	\$ 8.27	\$ 8.52	\$ 8.52	\$ 8.95	\$ 9.40	\$ 9.90	\$ 10.40	\$ 10.70	\$ 11.55
Usage Rate (per 1,000 gallons) First 40,000 gallons	3.94	3.75	3.86	3.86	4.05	4.25	4.45	4.65	4.80	5.15
Usage Rate (per 1,000 gallons) Over 40,000 gallons	3.15	3.00	3.10	3.10	3.26	3.42	3.60	3.80	3.90	4.20
Wastewater Rates										
Base Rate	\$ 7.00	\$ 7.35	\$ 7.72	\$ 7.72	\$ 8.10	\$ 8.75	\$ 9.45	\$ 10.20	\$ 10.70	\$ 11.90
Usage Rate (per 1,000 gallons)	4.45	4.68	4.91	4.91	5.16	5.57	6.00	6.50	6.85	7.60
Electric Rates										
<i>Residential</i>										
Base Rate	\$ 5.00	\$ 6.00	\$ 6.00	\$ 6.20	\$ 6.40	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72
Usage Rate (per kWh)	0.08390	0.08620	0.09051	0.09323	0.09603	0.10083	0.10083	0.10083	0.10083	0.10819
<i>Commercial</i>										
Base Rate	\$ 6.00	\$ 6.60	\$ 6.80	\$ 6.80	\$ 7.00	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35
Usage Rate (per kWh)	0.0890	0.9350	0.0963	0.09631	0.09920	0.10416	0.10416	0.10416	0.10416	0.11152
<i>Commercial With Demand</i>										
Base Rate for Demand	\$ 100.00	\$ 15.00	\$ 15.00	\$ 15.45	\$ 15.90	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70
Usage Rate (per KW)	10.00	12.00	12.60	13.00	13.39	14.06	14.06	14.06	14.06	14.06
Usage Rate (per kWh) First 5,000 kWh	0.0432	0.0436	0.0458	0.0472	0.0486	0.05099	0.05099	0.05099	0.05099	0.05708
Usage Rate (per kWh) Over 5,000 kWh	0.0370	0.0374	0.0393	0.0404	0.04165	0.04373	0.04373	0.04373	0.04373	0.05053
<i>Commercial Large With Demand</i>										
Base Rate for Demand	\$ 100.00	\$ 20.00	\$ 20.00	\$ 20.60	\$ 21.20	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26
Usage Rate (per KW)	10.00	12.00	12.60	13.00	13.39	14.06	14.06	14.06	14.06	14.06
Usage Rate (per kWh) First 5,000 kWh	0.04000	0.04250	0.04463	0.04597	0.04735	0.04972	0.04972	0.04972	0.04972	0.05080
Usage Rate (per kWh) Over 5,000 kWh	0.03470	0.03690	0.03875	0.03991	0.04111	0.04317	0.04317	0.04317	0.04317	0.05053
All Electric Rates										
<i>Residential</i>										
Base Rate	\$ 5.00	\$ 6.00	\$ 6.00	\$ 6.20	\$ 6.40	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.20
Summer Usage Rate (per kWh)	0.08390	0.08850	0.09293	0.09572	0.09859	0.10352	0.10352	0.10352	0.10352	0.11088
Winter Usage Rate (per kWh) First 800 kWh	0.06800	0.07260	0.07623	0.07852	0.08088	0.10352	0.10352	0.10352	0.10352	0.11088
Winter Usage Rate (per kWh) Over 800 kWh	0.02700	0.03520	0.03696	0.03807	0.03921	0.04117	0.04117	0.04117	0.04117	0.04853
<i>Commercial</i>										
Base Rate	\$ 6.00	\$ 6.60	\$ 6.60	\$ 6.80	\$ 7.00	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35
Usage Rate (per KW)	-	4.55	4.78	4.90	5.05	5.30	5.30	5.30	5.30	5.30
Summer Usage Rate (per kWh)	0.08900	0.02960	0.03108	0.03201	0.03297	0.03462	0.03462	0.03462	0.03462	0.04198
Winter Usage Rate (per kWh)	0.02700	0.02700	0.02835	0.02920	0.03008	0.03158	0.03158	0.03158	0.03158	0.03894

Source: City of Gardner Utility Department

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

Customer	Fiscal Year 2013							
	Electric Revenue		Customer	Water Revenue		Customer	Wastewater Revenue	
	Amount	%		Amount	%		Amount	%
Wal-Mart	\$ 335,211.52	2.43%	New Century Airport	\$ 222,922.00	5.30%	USD 231- WMS Main	\$ 30,264.75	0.81%
Price Chopper	\$ 269,235.79	1.95%	USD 231- High School Irrigation	\$ 36,549.60	0.87%	Jacobs Properties	\$ 28,786.20	0.77%
USD 231 - High School Main	\$ 219,907.92	1.59%	USD 231- Pioneer Ridge Irrigation	\$ 22,580.25	0.54%	R&B Autowash	\$ 15,800.15	0.42%
Coleman	\$ 217,917.67	1.58%	USD 231- WMS Main	\$ 18,283.05	0.43%	Wal-Mart	\$ 14,272.25	0.38%
USD 231 - Poineer Ridge	\$ 150,377.23	1.09%	Jacobs Properties	\$ 17,374.35	0.41%	USD 231- High School Main	\$ 13,528.90	0.36%
ITW Labels	\$ 144,012.90	1.04%	USD 231- Grand Star Elementary	\$ 12,292.44	0.29%	Medical Lodges	\$ 11,762.10	0.32%
Tradenet	\$ 122,808.48	0.89%	USD 231- High School Irrigation	\$ 10,721.40	0.25%	Bristol Partners- 205 N Moonlight	\$ 10,221.80	0.27%
USD 231 - WMS Main	\$ 86,546.13	0.63%	USD 231- High School Main	\$ 10,563.75	0.25%	CMG Operations	\$ 10,174.05	0.27%
USD 231 - Sunflower Elementary	\$ 80,537.77	0.58%	R&B Autowash	\$ 10,269.20	0.24%	Pinnacle Healthcare	\$ 9,554.50	0.26%
Century Link- 107 S Elm	\$ 70,537.49	0.51%	Wal-Mart	\$ 10,018.05	0.24%	Sonic	\$ 7,937.85	0.21%
Subtotal (10 largest)	1,697,092.90	12.29%	Subtotal (10 largest)	371,574.09	8.83%	Subtotal (10 largest)	152,302.55	4.08%
Balance from other customers	12,108,412.74	87.71%	Balance from other customers	3,836,558.20	91.17%	Balance from other customers	3,581,683.29	95.92%
Grand Totals	\$ 13,805,505.64	100.00%	Grand Totals	\$ 4,208,132.29	100.00%	Grand Totals	\$ 3,733,985.84	100.00%

Customer	Fiscal Year 2004							
	Electric Revenue		Customer	Water Revenue		Customer	Wastewater Revenue	
	Amount	%		Amount	%		Amount	%
Mid-America Plastics	443,911.83	6.55%	New Century Air Center	\$ 162,699.25	7.86%	Jacobs Property	10,194.40	0.76%
U.S.D. 231 - 425 N Waverly DAC	190,471.36	2.81%	Medical Lodges	9,108.30	0.44%	Medical Lodge of Gardner	9,242.10	0.68%
Price Chopper	185,395.99	2.74%	Mid America Plastics	8,361.75	0.40%	Mid-America Plastics	8,454.45	0.63%
Dot Label	100,881.88	1.49%	Jacobs Properties	7,766.40	0.38%	Gardner Super 8	7,195.10	0.53%
U.S.D. 231 - WMS Main Service	74,912.21	1.11%	U.S.D. 231 - 425 N Waverly DAC	7,464.00	0.36%	CLC HealthCare	6,736.75	0.50%
Tradenet	67,543.22	1.00%	U.S.D. 231 - WMS Main Service	7,251.00	0.35%	Cedar Niles	6,665.55	0.49%
U.S.D. 231 - Gardner Elementary	59,712.17	0.88%	Gardner Super 8	5,829.15	0.28%	U.S.D. 231 - 425 N Waverly DAC	6,411.90	0.48%
U.S.D. 231 - Moonlight Elementary	58,948.98	0.87%	Cedar Niles	5,707.86	0.28%	CLC HealthCare Addition	5,112.50	0.38%
Medical Lodges	44,520.78	0.66%	CLC HealthCare	5,474.74	0.26%	Price Chopper	4,787.65	0.35%
U.S.D. 231 - Sunflower Elementary	43,741.35	0.65%	CLC HealthCare Addition	4,254.15	0.21%	Tradenet Publishing	3,016.55	0.22%
Subtotal (10 largest)	1,270,039.77	18.75%	Subtotal (10 largest)	223,916.60	10.82%	Subtotal (10 largest)	67,816.95	5.02%
Balance from other customers	5,502,474	81.25%	Balance from other customers	1,845,920	89.18%	Balance from other customers	1,281,970	94.98%
Grand Totals	\$ 6,772,514	100.00%	Grand Totals	\$ 2,069,836	100.00%	Grand Totals	\$ 1,349,787	100.00%

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

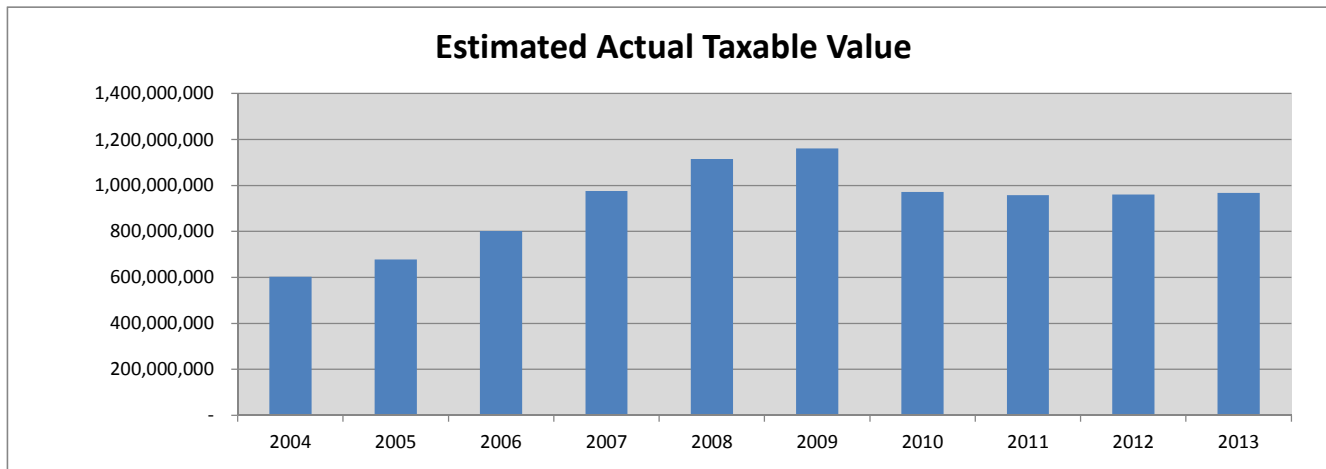
Source: City of Gardner Utility Department

**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
2004	53,793,458	12,073,033	1,492,565	72,441	--	67,431,497	23.914	603,016,135	11.18%
2005	61,026,225	12,090,961	2,290,585	325,419	--	75,733,190	23.994	678,670,888	11.16%
2006	73,120,689	13,675,841	2,279,893	112,374	--	89,188,797	24.092	801,727,555	11.12%
2007	87,598,362	18,592,967	2,717,458	108,681	--	109,017,468	24.080	976,309,650	11.17%
2008	97,621,749	23,111,451	3,371,852	104,208	165,123	124,374,383	24.108	1,115,603,821	11.15%
2009	101,303,291	23,619,198	2,637,597	96,501	--	127,656,587	24.606	1,160,488,730	11.00%
2010	99,793,594	21,148,834	2,277,327	90,384	--	123,310,139	31.119	971,642,165	12.69%
2011	98,455,518	21,904,442	1,683,579	94,002	--	122,137,541	31.132	958,093,470	12.75%
2012	98,872,623	21,627,029	1,603,987	101,109	--	122,204,748	31.140	959,973,643	12.73%
2013	99,823,425	22,122,018	1,276,279	111,138	--	123,332,860	31.133	967,523,973	12.75%

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

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



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

Fiscal Year	Direct Rates			Overlapping Rates						Total Direct & Overlapping Rates
	Gardner General Operating	Bond and Interest	Total Direct Rate - Gardner City ^(a)	State of Kansas	Johnson County	Johnson County Library	Johnson County Parks and Recreation	Johnson County Community College	U.S.D. 231 (School District)	
2004	20.882	3.032	23.914	1.500	16.381	2.954	2.365	9.432	72.957	129.503
2005	20.952	3.042	23.994	1.500	16.041	2.956	2.367	9.438	73.008	129.304
2006	21.038	3.054	24.092	1.500	17.922	2.955	2.286	8.960	78.016	135.731
2007	21.028	3.052	24.080	1.500	17.949	2.960	2.290	8.872	76.546	134.197
2008	21.053	3.050	24.108	1.500	17.767	3.057	2.341	8.768	76.568	134.109
2009	21.551	3.055	24.606	1.500	17.716	3.151	2.346	8.784	78.539	136.642
2010	21.563	9.556	31.119	1.500	17.748	3.158	2.350	8.799	81.536	146.210
2011	23.107	8.025	31.132	1.500	17.700	3.145	2.343	8.776	82.595	147.191
2012	23.113	8.027	31.140	1.500	17.717	3.149	2.344	8.785	82.406	147.041
2013	23.108	8.025	31.133	1.500	17.745	3.155	2.347	9.551	79.170	144.601

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

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

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

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

Taxpayer	Type of Business	2013			2004		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Wal-Mart	Retail	\$ 1,807,251	1	1.47%			
Moonlight Apartments L.L.C.	Real Estate	1,789,284	2	1.45%			
C.L.S. Investment Company	Real Estate	1,249,315	3	1.01%	1,164,364	3	1.73%
Martens Rentals, L.L.C.	Real Estate	1,244,923	4	1.01%	1,603,940	1	2.38%
Horizon Trails, LLC	Real Estate	1,240,390	5	1.01%			
Kansas Gas Service	Utility	1,076,326	6	0.87%			
Energy Center Industrial, LLC	Real Estate	927,001	7	0.75%			
DJC Properties, L.L.C.	Real Estate	991,061	8	0.80%	857,783	4	1.27%
Fountain Gate Village, LLC	Real Estate	838,213	9	0.68%			
Bristol Partner XVI, LLC	Real Estate	810,500	10	0.66%			
Woodstone Apartments, L.P.	Real Estate				650,705	5	0.96%
United Telephone Company	Utility				1,278,360	2	1.90%
Moonlight Plaza, LLC	Shopping Mall				649,603	6	0.96%
Kansas City Power & Light	Utility				591,646	7	0.88%
Gardner, LLC	Manufacturing-Plastics				587,650	8	0.87%
Lincoln Terrace Townhomes	Townhomes				452,319	9	0.67%
Cramer Products, Inc	Real Estate				415,623	10	0.62%
Totals		<u>\$ 11,974,264</u>		<u>9.71%</u>	<u>\$ 8,251,993</u>		<u>0</u>

Source: Johnson County Clerk's Office

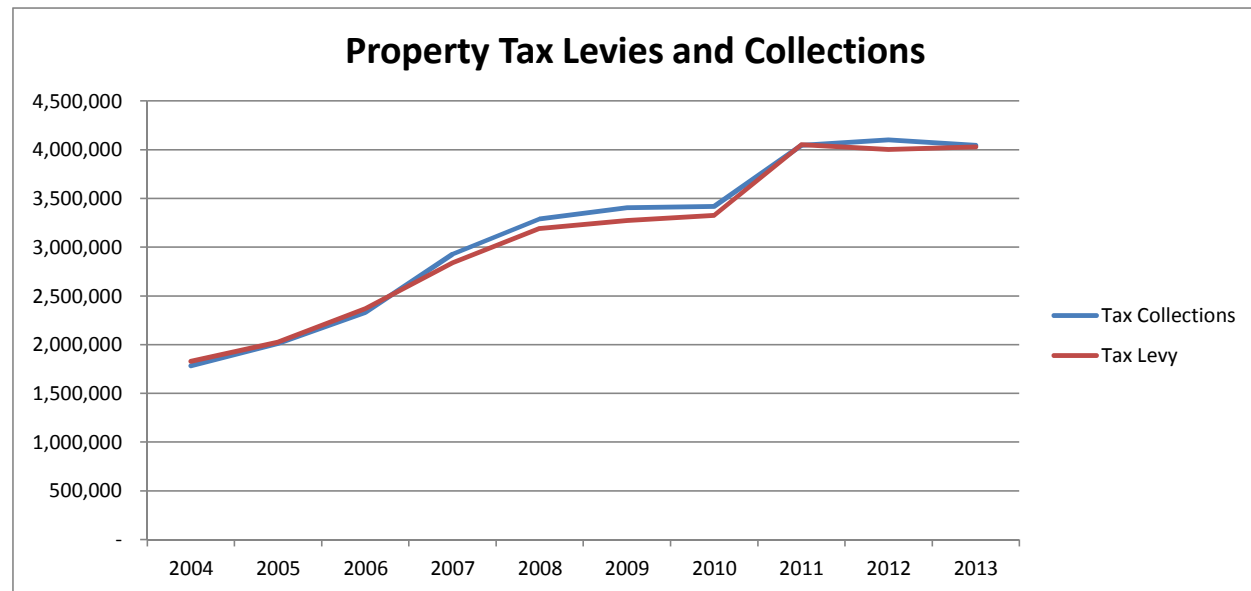
**City of Gardner, Kansas
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year ^(a)	Total Tax Levy	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date	
		Amount	% of Levy		Amount	Percent of Levy ^(b)
2004	1,828,908	1,722,406	94.18%	58,935	1,781,341	97.40%
2005	2,025,782	1,942,719	95.90%	71,178	2,013,897	99.41%
2006	2,367,003	2,241,942	94.72%	90,252	2,332,194	98.53%
2007	2,841,373	2,867,390	100.92%	60,612	2,928,002	103.05%
2008	3,189,929	3,230,252	101.26%	58,855	3,289,107	103.11%
2009	3,273,190	3,331,589	101.78%	73,794	3,405,382	104.04%
2010	3,324,290	3,313,165	99.67%	106,107	3,419,272	102.86%
2011	4,052,212	3,924,028	96.84%	119,902	4,043,931	99.80%
2012	4,001,706	3,890,430	97.22%	210,838	4,101,268	102.49%
2013	4,028,109	3,968,414	98.52%	76,997	4,045,411	100.43%

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

^(b) Due to system limitations, delinquencies cannot be broken out by tax levy year which could result in total collections greater than 100%.

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	Special Assessment GO Bonds	Certificates of Participation	Bond Anticipation Notes	Capital Leases	State Revolving Loans	Lease Revenue Bonds	General Obligation Bonds	Bond Anticipation Notes	Capital Leases	State Revolving Loans			
2004	4,129,800	3,200,000	10,817,768	--	94,749	--	3,960,000	16,025,200	11,622,232	--	19,643,931	69,493,680	11.28%	5,246
2005	6,873,400	3,035,000	11,642,768	11,642,768	54,412	--	3,905,000	15,466,600	8,477,232	--	18,976,298	80,073,478	13.95%	5,419
^(b) 2006	9,757,850	2,790,000	7,150,000	9,700,000	108,152	911,889	3,840,000	20,337,150	6,790,000	--	24,996,620	86,381,661	13.33%	5,333
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	6,865,000	176,030	25,349,440	84,114,885	11.74%	4,916
2008	10,483,950	5,255,000	6,140,000	11,715,000	911,755	1,799,761	3,660,000	23,891,050	--	135,533	25,433,886	89,425,935	12.35%	4,942
^(c) 2009	9,377,200	10,307,972	5,665,000	5,515,000	830,353	4,065,034	3,545,000	23,524,828	--	92,781	24,183,410	87,106,578	11.82%	4,683
^(d) 2010	9,626,450	9,605,000	5,045,000	5,180,000	--	5,082,322	3,410,000	20,728,550	--	47,647	22,832,614	81,557,583	15.60%	4,265
2011	8,444,150	10,215,000	4,235,000	3,960,000	--	4,876,446	3,250,000	17,735,850	--	--	21,509,041	74,225,487	14.74%	3,708
2012	7,049,550	13,425,000	3,480,000	4,915,000	--	4,581,094	3,105,000	25,850,450	--	--	11,780,890	74,186,984	14.11%	3,586
2013	6,153,300	12,385,000	2,670,000	4,915,000	77,489	4,515,624	2,880,000	21,181,700	1,330,000	--	16,155,452	72,263,565	13.15%	3,530

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

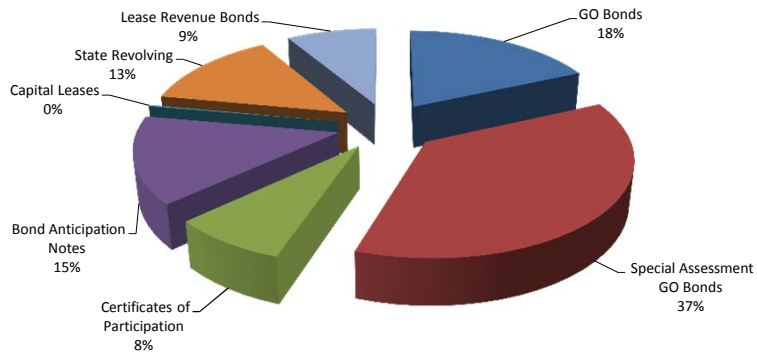
^(b) In 2006, the City issued Certificates of Participation in the amount of \$7,150,000 for the purpose of the construction of a new park complex.

^(c) 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.

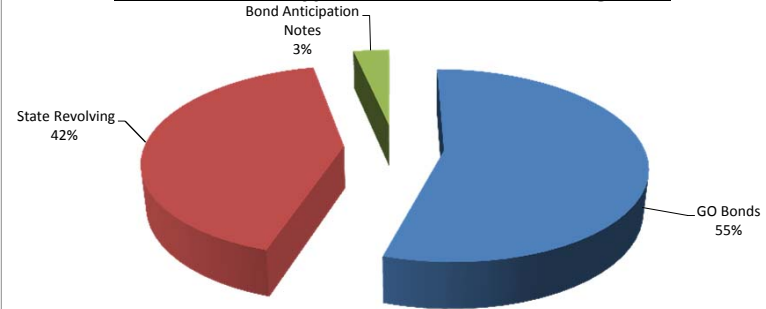
^(d) In 2010, the Cities fire services moved to Johnson County Fire District No 1. The County purchased a fire pumper the City was leasing.

Source: City of Gardner Finance Department

2013 Governmental Activities Outstanding Debt



2013 Business-type Activities Outstanding Debt



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

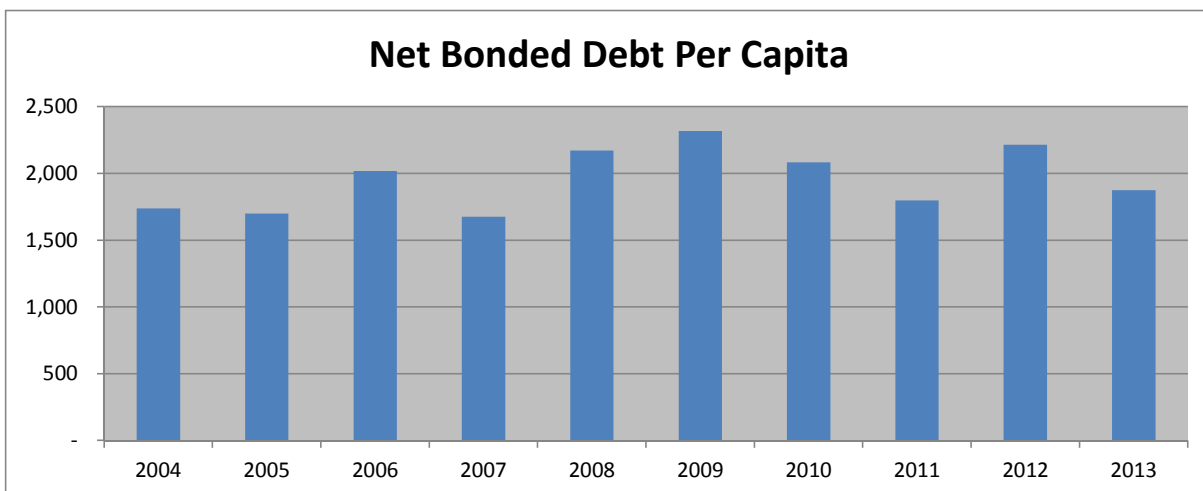
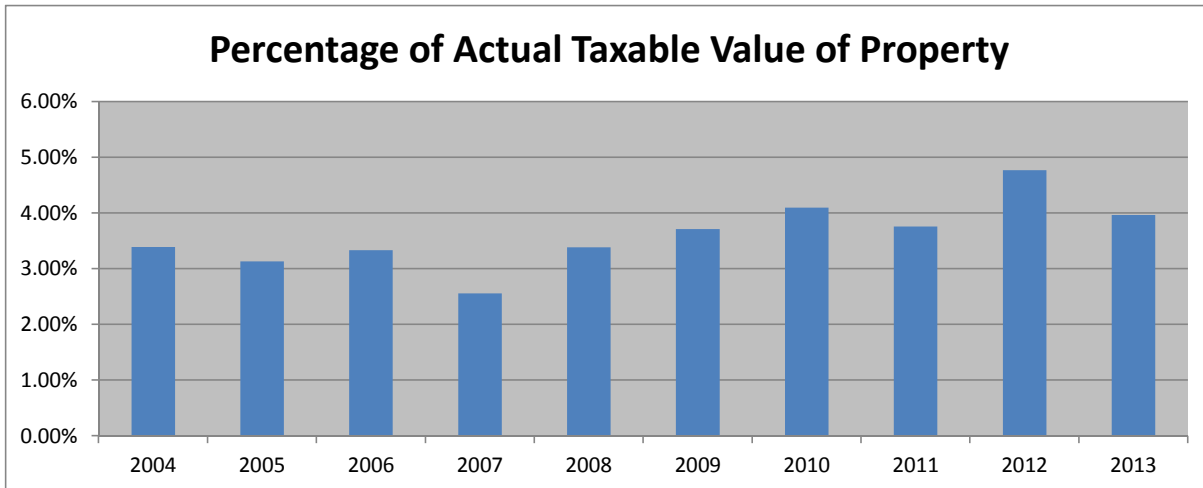
Fiscal Year	General Obligation Bonds	Special Assessment GO Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value ^(a) of Property	Per Capita ^(b)
2004	20,155,000	3,200,000	313,625	23,041,375	3.40%	1,739
2005	22,340,000	3,035,000	258,152	25,116,848	3.13%	1,700
2006	30,095,000	2,790,000	184,701	32,700,299	3.33%	2,019
2007	26,645,000	2,270,000	237,844	28,677,156	2.56%	1,676
2008	34,375,000	5,255,000	310,091	39,319,909	3.39%	2,173
2009	32,902,028	10,307,972	78,023	43,131,977	3.72%	2,319
2010	30,355,000	9,605,000	105,384	39,854,616	4.10%	2,084
2011	26,180,000	10,215,000	373,870	36,021,130	3.76%	1,799
2012	32,900,000	13,425,000	493,029	45,831,971	4.77%	2,215
2013	27,335,000	12,385,000	1,351,864	38,368,136	3.97%	1,874

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, 2013

<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	\$ 145,220,000	56.87%	\$ 82,580,034
Johnson County	10,219,128	1.70%	173,266
Johnson County Park and Recreation	2,315,000	1.70%	39,251
Other			
Johnson County: Public Building Commission	215,410,000	1.70%	<u>3,652,296</u>
Subtotal, overlapping debt			86,444,847
City Direct Debt			<u>28,681,413</u>
Total direct and overlapping debt			<u>\$ 115,126,260</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.

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

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$ 29,025,556	\$ 33,798,595	\$ 40,485,098	\$ 45,321,494	\$ 46,494,676	\$ 46,444,391	\$ 44,909,263	\$ 44,334,725	\$ 44,524,646	\$ 44,867,292
Total net debt applicable to limit	12,405,932	14,375,447	13,046,486	12,546,504	17,272,700	17,092,536	14,841,700	15,147,850	19,631,650	13,584,740
Legal debt margin	\$ 16,619,624	\$ 19,423,148	\$ 27,438,612	\$ 32,774,990	\$ 29,221,976	\$ 29,351,855	\$ 30,067,563	\$ 29,186,875	\$ 24,892,996	\$ 31,282,552
Total net debt applicable to the limit as a percentage of debt limit	42.74%	42.53%	32.23%	27.68%	37.15%	36.80%	33.05%	34.17%	44.09%	30.28%

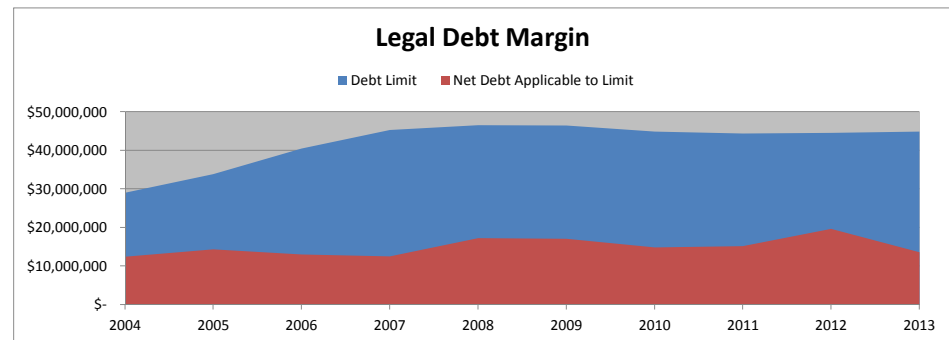
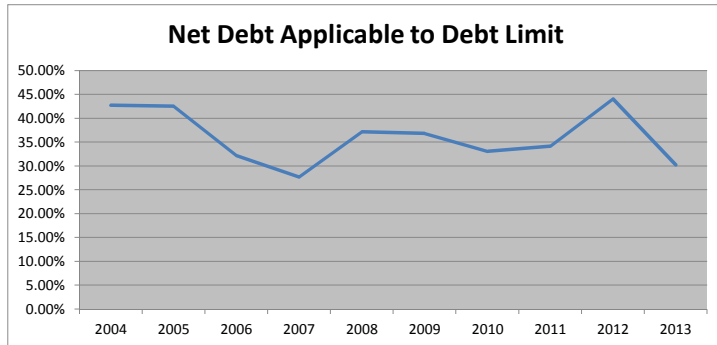
Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value ^(a)	\$ 149,557,639
Debt limit (30% of assessed value) ^(b)	44,867,292
Debt applicable to limit:	
G.O. Bonds and Temporary Notes Outstanding	45,965,000
Less: Amount set aside for utilities, refunding, and revenue-supported bonds	(32,380,260)
Total net debt applicable to limit	13,584,740
Legal debt margin	\$ 31,282,552

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**

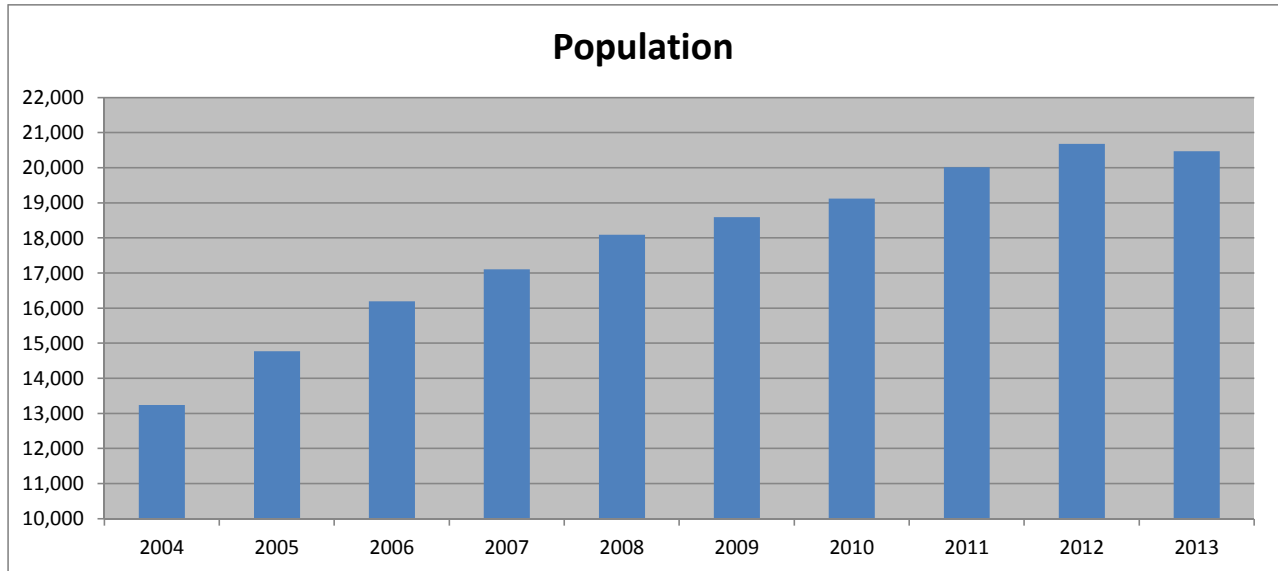
Calendar Year	Population ⁽¹⁾	Personal Income	Per Capita Personal Income ⁽²⁾	Median Age ⁽²⁾	School Enrollment ⁽³⁾	Unemployment Rate ⁽²⁾
2004	13,247	615,959,006	46,498	31.2	3,401	4.9%
2005	14,776	573,914,616	38,841	31.5	3,593	4.5%
2006	16,199	648,105,791	40,009	31.4	3,811	4.3%
2007	17,110	716,515,470	41,877	31.6	4,293	3.9%
2008	18,096	724,002,864	40,009	31.6	4,491	4.3%
2009	18,600	736,727,400	39,609	31.6	4,721	6.6%
2010	19,123	522,765,451	27,337	30.0	4,977	6.5%
2011	20,020	503,703,200	25,160	30.0	5,229	5.4%
2012	20,688	525,702,768	25,411	30.4	5,411	4.5%
2013	20,473	543,988,083	26,571	30.7	5,452	3.8%

Sources: City of Gardner Finance Department and

⁽¹⁾ City of Gardner Community Development Department

⁽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



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

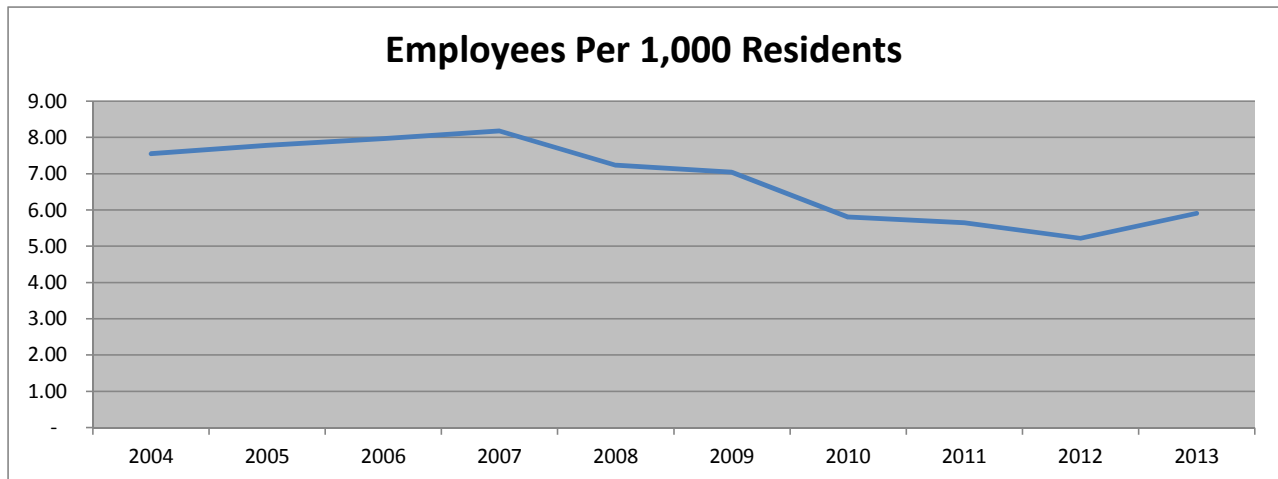
<u>Employer</u>	<u>2013</u>			<u>2004</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Unified School District No. 231	750	1	31.62%	525	1	31.95%
Wal-Mart	240	2	10.12%			
Coleman	167	3	7.04%			
TradeNet Publishing	140	4	5.90%	108	4	6.57%
City of Gardner	134	5	5.65%	103	5	6.27%
Price Chopper	115	6	4.85%	100	6	6.09%
Meadowbrook Rehabilitation Hospital	104	7	4.38%	116	3	7.06%
Medical Lodge of Gardner	52	8	2.19%	85	7	5.17%
Cramer Products, Inc.	50	9	2.11%	55	8	3.35%
D.O.T. Label, Inc. (ITW)	50	9	2.11%	130	2	7.91%
Gardner Bank	23		0.97%	41	9	
Metcalf Bank (First Bank in 2003)	20		0.84%	40	10	2.43%
Total	1,845		77.78%	1,303		76.81%

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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General government										
Administration	2	3	3	3	3	3	3	3	2	6
Human Resources/City Clerk	2	2	2	2	3	3	3	3	3	2
Information Systems	--	--	1	1	1	1	1	1	1	1
Finance										
Accounting	5	5	5	5	4	4	4	4	4	5
Court	2	2	2	2	2	2	2	2	1	2
Utilities	8	8	8	8	8	8	8	8	8	8
Planning	4	4	5	4	4	4	1	1	1	3
Codes	5	5	6	7	5	5	2	2	1	3
Public Safety										
Administration	4	4	5	6	6	6	5	5	4	5
Operations	21	24	28	34	33	33	23	22	22	23
Animal Control	1	1	1	1	1	1	1	1	1	1
Public Works										
Administration	5	5	5	4	4	4	5	5	5	4
Fleet	1	1	1	1	1	1	1	1	1	1
Engineering	3	5	6	6	4	4	4	4	4	4
Building Maintenance	--	--	1	1	1	1	1	1	1	1
Streets & Line Maintenance	8	11	12	9	8	8	12	11	12	15
Electric	9	10	10	12	9	10	13	16	18	16
Water	6	8	9	10	10	10	5	5	4	5
Wastewater	6	7	9	10	10	9	5	5	5	5
Culture and Recreation										
Recreation Services	3	4	4	6	6	6	5	5	5	5
Park Maintenance	5	6	6	8	8	8	7	8	5	6
Total	100	115	129	140	131	131	111	113	108	121

Source: City of Gardner Human Resources Department



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

<u>Function</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u> ^(a)	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u> ^(b)	<u>2012</u>	<u>2013</u>
General government ⁽¹⁾										
Building permits issued	505	475	300	255	98	96	266	99	62	95
Building inspections conducted	8,142	9,669	7,419	4,862	3,432	2,579	2,400	1,521	1,560	1,916
Police Department ⁽²⁾										
Traffic violations	2,931	3,366	3,799	2,742	3,763	2,459	2,087	3,732	2,908	3,251
Fire responses	298	333	319	364	430	432	331	113	343	415
Medical responses	640	824	871	922	901	980	825	622	1,052	1,114
Public Works ⁽³⁾										
Street resurfacing (shown in linear feet)	12,766	8,420	11,080	19,183	5,280	3,370	1,100	13,610	270	3,453
Curb replacement (shown in linear feet)	2,897	2,547	4,340	8,627	--	1,165	--	315	260	2,575
Electric ⁽⁴⁾										
Average daily consumption (in kWh)	224,965	287,326	292,556	327,896	322,695	319,408	364,150	354,075	360,000	357,700
Electric meters installed	567	547	369	399	90	95	129	94	53	85
Water ⁽⁴⁾										
Average daily consumption (in thousands)	1,402	1,457	1,543	1,634	1,604	1,296	1,362	1,659	1,920	1,678
Water meters installed	514	477	317	284	90	85	88	94	53	85
Wastewater ⁽⁴⁾										
Average daily sewage treatment (in thousands)	1,367	1,518	1,304	1,415	1,614	2,103	2,060	2,147	1,184	1,280
Culture and Recreation ⁽⁵⁾										
Athletic Program Participants	1,823	1,863	2,132	2,182	2,428	2,984	4,462	5,133	5,205	4,838
Aquatic Admissions	14,057	21,969	27,174	100,247	103,206	97,984	89,163	78,102	84,313	64,636

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 Community Development Department

⁽²⁾ City of Gardner Public Safety 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**

Function	2004	2005	2006	2007⁽⁵⁾	2008⁽⁶⁾	2009	2010^(a)	2011	2012	2013
Public Safety ⁽¹⁾										
Stations	1	1	1	1	2	2	1	1	1	1
Patrol/AC Units	11	11	14	15	14	14	13	16	16	16
Fire Fleet	4	5	5	7	8	8	--	--	--	--
Public Works ⁽²⁾										
Streets (miles)	53.23	60.84	66.34	87.40	91.93	93.53	99.33	108.7	108.7	109.61
Streetlights	964	1,022	1,070	1,085	1,134	1,139	1,139	1,214	1,214	1,264
Electric ⁽³⁾										
Generators	2	2	2	2	2	2	2	2	2	2
Substations	2	2	3	3	3	3	3	3	3	3
Overhead lines (miles)	34	38	45	46	46	49.5	49.75	51.5	56.5	58.8
Underground lines (miles)	40	44	50	51	51	52.5	52.5	53.5	55.2	55.8
Water ⁽³⁾										
Water mains (miles)	86.26	93.86	99.93	104.05	104.35	105.52	106.01	106.24	106.24	107.61
Treatment Plants	2	2	1	1	1	1	1	1	1	1
Wastewater ⁽³⁾										
Sanitary sewers (miles)	93.27	107.68	112.54	119.40	122.66	122.6	123.35	123.35	124.83	125.97
Storm sewers (miles)	27.72	33.68	38.26	39.72	41.16	42.59	42.64	42.64	42.64	43.92
Treatment Plants	3	3	3	3	3	3	3	3	3	3
Culture and Recreation ⁽⁴⁾										
Acreage	96.04	177.06	196.40	226.93	330.58	332.24	332.24	339.95	339.95	341.95
Parks	9	10	10	10	13	13	13	13	13	13
Baseball/softball/soccer fields	4	4	4	4	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 Public Safety Department

⁽²⁾ City of Gardner Street Department

⁽³⁾ City of Gardner Utility Department

⁽⁴⁾ City of Gardner Parks and Recreation Department

⁽⁵⁾ Streets Dept. new inventory process begun in 2006 found unreported miles.

⁽⁶⁾ Culture and Recreation acreage includes 19.21 acres undeveloped park land.

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.

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*

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, City Administrator and City Council
City of Gardner, Kansas:

We have audited, in accordance with the 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gardner, Kansas (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 24, 2014.

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 a 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 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. 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 results 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 24, 2014
Wichita, KS