

CITY OF
GARDNER
KANSAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the fiscal year ended
December 31, 2012**

CITY OF GARDNER, KANSAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

Prepared by:

Finance Department
City of Gardner, Kansas

CITY OF GARDNER, KANSAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Year Ended December 31, 2012

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i - vii
Organizational Chart	viii
List of Elected and Appointed Officials	ix
Certificate of Achievement for Excellence in Financial Reporting	x
FINANCIAL SECTION:	
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 15
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	21

CITY OF GARDNER, KANSAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Year Ended December 31, 2012

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	22
Statement of Net Position – Proprietary Funds	23 - 24
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	25 - 26
Statement of Cash Flows – Proprietary Funds	27 - 30
Statement of Fiduciary Net Position – Fiduciary Fund	31
Notes to Basic Financial Statements	32 - 72
Required Supplementary Information:	
Schedule of Funding Progress – Health Insurance Postemployment Benefits	73
Other Supplementary Information:	
Combining Balance Sheet – Nonmajor Governmental Funds	74 - 75
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	76 - 77
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Law Enforcement Trust Fund	78
Park Sales Tax Fund	79
Special Alcohol/Drug Program Fund	80
Street Improvement Fund	81
Special Highway Fund	82
Special Parks and Recreation Fund	83
East Santa Fe TIF District	84
Economic Development Reserve Fund	85
Debt Service Fund	86
Special Benefit Fee Fund	87
Park Improvement Reserve Fund	88

CITY OF GARDNER, KANSAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Year Ended December 31, 2012

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Combining Statement of Net Position – Internal Service Funds	89
Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Internal Service Funds	90
Combining Statement of Cash Flows – Internal Service Funds	91
Statement of Cash Flows – Airport Association Component Unit	92
Statement of Changes in Assets and Liabilities – Agency Fund	93

STATISTICAL SECTION (UNAUDITED):

Net Position by Component	94
Changes in Net Position	95
Fund Balances of Governmental Funds	96
Changes in Fund Balances, Governmental Funds	97
Utilities Produced, Consumed and Treated	98
Annual Electric and Water Meter Installations	99
Number of Electric, Water, and Wastewater Customers by Type	100
Electric, Water, and Wastewater Rates	101
Ten Largest Electric, Water, and Wastewater Customers	102
Assessed Value and Estimated Actual Value of Taxable Property	103
Direct and Overlapping Property Tax Rates	104
Principal Property Tax Payers	105
Property Tax Levies and Collections	106
Ratios of Outstanding Debt by Type	107
Ratios of General Bonded Debt Outstanding	108
Direct and Overlapping Governmental Activities Debt	109
Legal Debt Margin Information	110
Demographics and Economic Statistics	111
Principal Employers	112
Full-time Equivalent City Government Employees by Function	113
Operating Indicators by Function	114
Capital Asset Statistics by Function	115

CITY OF GARDNER, KANSAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Year Ended December 31, 2012

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	116 - 117
Schedule of Prior Year Findings and Responses	118

CITY OF
GARDNER
KANSAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended
December 31, 2012

INTRODUCTORY SECTION

INTRODUCTORY SECTION



June 25, 2013

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 (the City) for the fiscal year ended December 31, 2012. This is the ninth 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. The 2010 census shows that Johnson County overtook Sedgwick County as the largest county in Kansas. 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 also provides municipal electric, water, and wastewater services, street maintenance, and engineering through its Public Works department. 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 multi-modal business park – on the City's eastern side, and the nearly completed 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.

The City welcomed an estimated 668 new residents to the community in 2012 or about 1.8 new neighbors a day on average. There are over 20,000 people who now call Gardner home. Located in one of the fastest growing areas of the state, the City's population grew 120% between 2000 and 2012. Between 2003 and 2012, the number of people employed within the City increased from 1,643 to 2,272 – a 38% increase.

Enrollment in Gardner's award-winning school district continues to increase. In 2011, the City annexed an additional 40 acres of land for the construction of a new combined middle and elementary school campus for Unified School District No. 231.

A bond rating report prepared by Moody's Investors Service in March 2013 summarizes, "Residential development has been the primary driver of growth, as new residents, particularly young families, were attracted to affordable housing and high-quality schools within commuting distance to employment centers in the greater Kansas City, Missouri metropolitan area. While overall growth has slowed, we believe the city will continue to experience stable growth due to its location along I-35, which provides a direct route to Kansas City and other cities in the region."

Currently, Gardner is approximately 10.18 square miles in size. The City installed 1.48 miles of sewer lines, and 5 miles of new overhead and 2 miles of new underground electric distribution and transmission lines.

The City's assessed valuation increased 1% from 2011 to 2012; the City has experienced assessed valuation growth of 37% since 2006, and 106% since 2003. Wealth levels and housing values exceed state averages, and Johnson County's 2012 unemployment rate at 4.5% was lower than the state's rate of 5.5%, and far less than the national unemployment rate of 7.8%.

As a result of Management's due diligence, the City's current Moody's credit rating of Aa3 reflects healthy financial operations for the City. In the aforementioned bond rating report prepared by Moody's in March of 2013, Moody's noted Gardner's strengths including "stable financial operations with healthy reserves" and "above average residential wealth indices." Moody's explained in their report that although overall growth has slowed, continued commercial growth is expected because BNSF Railway Company is currently constructing a 1,000 acre intermodal and warehousing facility in the neighboring city of Edgerton which is expected to open for operations in the fall of 2013. Moody's report states, "While the intermodal facility will not be within the city limits, the entire region is expected to benefit from the additional jobs that will be created when the project is completed and fully operational."

In spite of the previous challenges created by the national economic downturn - which appear to be resolving - the City of Gardner continues to be a prosperous community. In addition to the

aforementioned high-quality schools, affordable housing, sound management and governing body leadership, Gardner also possesses a strong community spirit. With these combined attributes and under new leadership instilling best practices, Gardner will become a city of choice for both residents and the development community.

2012 Major Initiatives

Funding was approved in 2011 for the improvement of one of the City's busiest intersections at Center Street and Main Street. Construction of this project is funded by Kansas Department of Transportation (KDOT) through the Federal Funds Exchange Program. The City of Gardner is responsible for funding the engineering design, right-of-way acquisition, utility relocation, and construction observation. The concept plan for the intersection was developed in the US-56 Corridor Study and is intended to enhance safety as well as increase traffic capacity. In 2012, the City began right-of-way and easement acquisitions in anticipation of construction that will begin in the fall of 2013.

The City completed installation of nearly 200 new street light fixtures as part of a grant funded by the American Recovery and Reinvestment Act (ARRA). The new street light fixtures use new technology that will reduce energy costs and ultimately reduce CO₂ emissions.

In early 2012, the City agreed to partner with the neighboring City of Edgerton to construct a wastewater treatment plant in the Bull Creek basin. The facility will support the Burlington Northern Santa Fe (BNSF) Intermodal Facility/Logistics Park, surrounding communities and future development areas. Gardner and Edgerton will be evenly splitting the construction costs. Edgerton will own the plant and treat Gardner's wastewater which is needed to make the plant run efficiently until the area fully develops. The construction of this wastewater treatment plant will enable Gardner to delay the significantly larger cost to expand the City's existing Kill Creek Wastewater Treatment Plant. Added benefits of partnering with Edgerton in the construction of this treatment plant also include reducing the peak load and delaying planned expansions to some of Gardner's lift stations, and opening the southwestern portion of Gardner for development. Construction of the plant is 60 percent finished with an estimated mid-summer 2013 completion date.

Engineering design and project bidding was completed in late 2012 for extending public infrastructure that will serve a new elementary and middle school campus. The City and the Unified School District No. 231 (USD 231) created a benefit district and entered into a funding agreement to construct the new roadway, water line, and sanitary sewer improvements needed to service the new schools.

Future/Planned Initiatives

As a result of the previous downturn of the economy, current capital projects are minimal. However, with the BNSF Intermodal facility nearly completed in the neighboring city of Edgerton, the City is already experiencing an increase in commercial activity, as evidenced by commercial building permits issued for a new convenience store, trucking company, and bank.

The City has also seen increased interest in development of distribution warehouses, as the BNSF project is adjacent to the western city limits, and there is ample land available for development. Because distribution warehouses are a logical use for land near an intermodal facility, City officials expected requests for warehouse development, and proactively approved a revised tax abatement policy detailing the City's criterion for abatements, targeting certain areas of the city for warehouses, and requiring

review of the financial capacity and stability of the applicant to reasonably ensure the completion of quality projects in exchange for the abatement of future tax dollars. As the distribution warehouses will develop in “green fields” there will be future infrastructure projects to serve them.

As aforementioned, the City completed preliminary design, right-of-way acquisitions and relocated utilities in late 2012 in anticipation of construction of the Center Street and Main Street intersection to begin in early 2013. 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.

As the aforementioned new school campus will open in the fall of 2013, the City will have a condensed timeline to construct the infrastructure needed to serve it. The new infrastructure that will be constructed and funded equally between the City at large and the school district through a benefit district consists of a new collector roadway (Grand Street) 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 to be constructed as part of the USD 231 benefit district, there are needed capacity improvements to the existing sanitary sewer system in order to serve the new school campus. The City is accelerating the previously planned White Drive Sanitary Sewer project to replace the sewer main between the BNSF railway tracks and approximately Washington Street and Brookside Park.

Progress continues on the joint Edgerton/Gardner Big Bull Creek Wasterwater Treatment Plant. The project includes 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 are 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. All construction should be complete by July of 2013.

Financial Planning

The City expects 2013-2017 to be financially healthier years as revenues for both property and sales tax appear to be increasing. A combination of sales tax revenue which was better than expected and expenses that ended the year below budgeted levels contributed to the City’s General Fund balance increasing to \$4,997,241, or a healthy 55% of revenues, at the end of fiscal 2012.

In 2013, under the leadership of the City’s new City Administrator, Cheryl Harrison-Lee, and newly elected Mayor Chris Morrow, the City is implementing the best practice of Priority-Based budgeting which allocates resources in the budget with desired outcomes and results identified by the Governing Body.

Following a series of workshops with the business community and a subsequent, facilitated work session to reach consensus, the Governing Body identified four strategic goals to be used to guide funding decisions in the City’s 2014 – and future – budget. The Governing Body’s four strategic goals are to promote economic development, improve the citizens’ quality of life, fiscal stewardship, and infrastructure/asset management.

The City's future 2014 budget will include significant funding to facilitate various aspects of economic development including approved allocation for a Comprehensive Development Plan and the development of an economic development strategy. This is a continuation of the Governing Body's intense focus on economic development, as in 2013 they approved the appointment of a new Community Development Director and several new positions to rebuild the Community Development Department which was previously down-sized due to the economic downturn.

Other significant projects with approved budget allocation will be a complete revision of the City's information technology infrastructure including all components necessary to implement a business continuity/disaster recovery plan.

Additionally, current and future savings will be realized as a significant number of employees have migrated to a high-deductible health care plan. Health care costs will continue to be a topic of discussion for future budgets, and the City has taken steps to both keep their employees healthy and mitigate ongoing costs. These proactive measures included incenting employees to migrate to the high-deductible plan with City funding into employees' Health Savings Accounts and allowing employees to see their physicians for "wellness" examinations without having to use their accrued leave time.

Finally, as the BNSF intermodal facility nears completion, the City will undertake the construction of a "quiet zone" by modifying an existing intersection in the residential area of town nearest the facility to alleviate increased train whistles.

The City is not proposing any increases in the 2014 mill levy; all of these initiatives will be implemented through both the realignment of existing resources and the use of excess reserve funds in the General Fund.

Reviewing projections for 2013-2017 reveals that property tax revenues are anticipated to slowly increase in the General Fund; between 2013-2017 the City shows a projected increase from 1% to 3% increase in valuation. However, there is a gap in revenues to expenditure that may reduce fund balance below the City's policy of 25% for 2016-2017. Always mindful of projections, management will continue to realign their business plans. Many changes are expected during the 5-year period, not only as a result of moving to priority-based budgeting to facilitate the Governing Body's strategic goals, but also as a result of changes to the City's executive team. The City will have new directors in Public Works to replace the retired director and a new Police Chief to replace the previous long-serving, deceased Chief, in addition to the previously appointed Community Development Director. Obviously, revisions can be expected in the business plans of these departments and their associated budgets, so the projections of the fund balance in the General Fund below a desired 25% may be easily resolved.

The City continues to assess its utility rates in relation to current and future costs. In recent years, the City began transferring money from operating revenues to debt service to cover declining growth-related revenues caused by the significant decrease in new construction. The Water Fund projects approximately 8% rate increases per year from 2013-2016 before dropping off to zero in 2017 when much of the infrastructure debt associated with the aforementioned rapid growth is paid off. The Wastewater Fund is in a similar situation; the Wastewater Fund projects approximately 8-11% increases per year from 2013-2016 before dropping to zero in 2017.

As new leadership tasked with new strategic goals facilitates the Governing Body through a Capital Improvements discussion, and as increased warehouse and other development activity becomes reality, projections past 2014 will likely be completely revised. Management will continue to monitor the reserves and will take whatever corrective actions are necessary to maintain the desired reserve level, as evidenced by past financial performance and the aforementioned investment grade Moody's credit rating of Aa3.

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

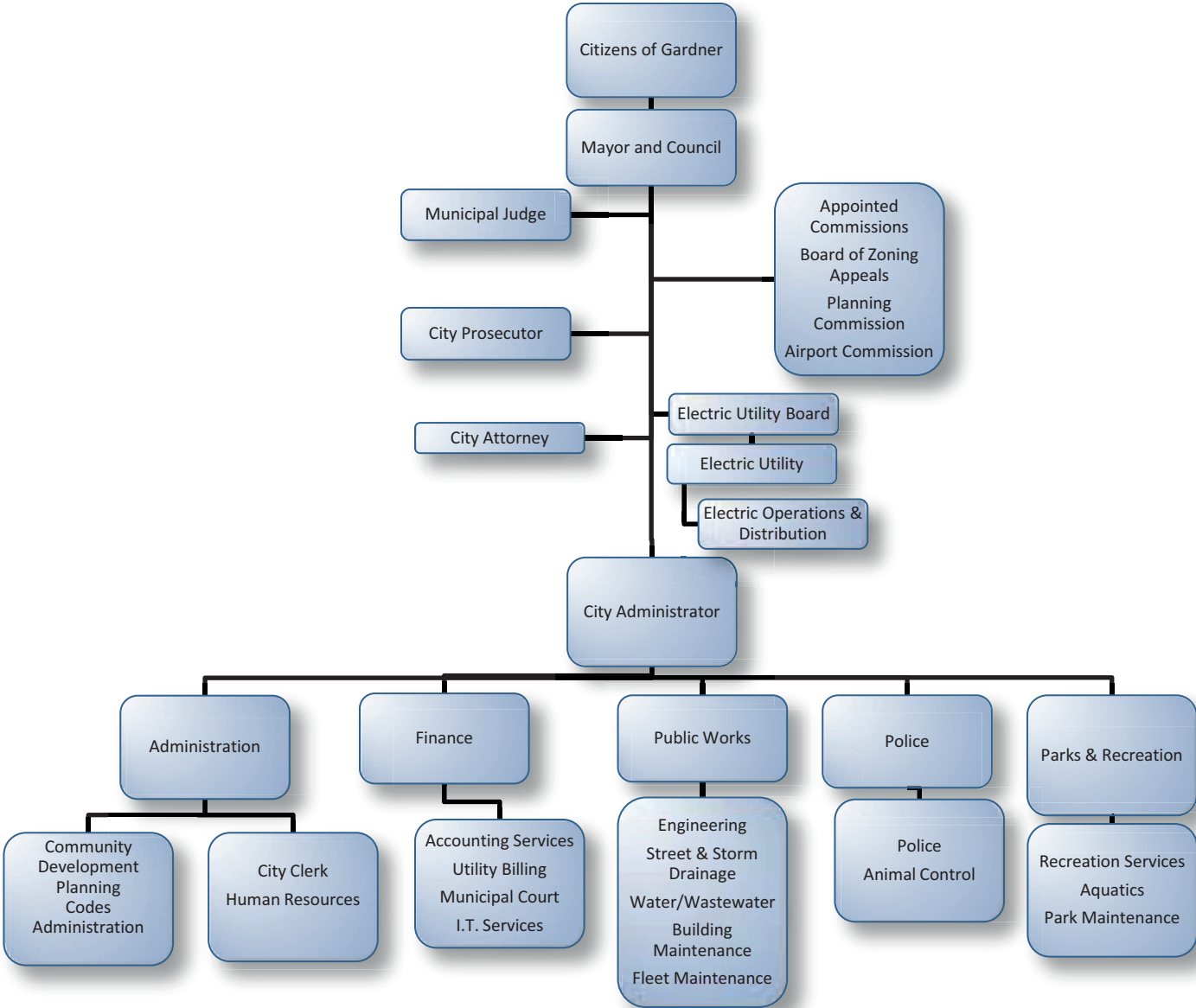


Laura Gourley
Finance Director

City of Gardner, Kansas

Organizational Chart

December 31, 2012



CITY OF GARDNER, KANSAS

ORGANIZATIONAL CHART

December 31, 2012

Elected Officials

Mayor	David Drovetta	2009-2013
Council President	Kristy Harrison	2010-2013
Council Vice President	Chris Morrow	2011-2015
Council Member	Larry Fotovich	2011-2015
Council Member	Heath Freeman	2012-2015
Council Member	Randy Gregorcyk	2012-2013

Appointed Officials

City Administrator	Cheryl Harrison-Lee
Municipal Judge	Robin Lewis
City Prosecutor	Chris Reece
City Attorney	James R. Hubbard
Finance Director	Laura Gourley
Public Works Director	David Greene
Interim Police Chief	James Moore
Parks and Recreation Director	Jeff Stewart

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Gardner
Kansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

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



Christopher P. Morrell

President

Jeffrey R. Emer

Executive Director

CITY OF
GARDNER
KANSAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the fiscal year ended
December 31, 2012**

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*, 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, 2012, 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 25, 2013 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 25, 2013
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, 2012. 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 of the City exceeded its liabilities at the close of 2012 by \$107,905,480 (*net position*). Of this amount, \$14,085,799 (*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 \$9,548,470 during the fiscal year.
- As of the close of 2012, the City's governmental funds reported combined ending fund balances of \$11,587,269. Approximately 43 percent of this total amount, \$4,997,241, 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 \$4,997,241 or 55% of the total general fund revenues of \$9,127,808.
- The City's total long-term debt decreased by \$38,503 during the fiscal year. A combination of aggressive debt retirement and few new projects 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 and liabilities. Net position, the difference between assets and liabilities, is an important measure 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 fiscal entity with a set of self-balancing accounts recording financial resources, together with all related liabilities and equity, and the changes therein. These accounting entities 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 13 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 other 10 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. In the case of the City, assets exceeded liabilities (net position) by \$107,905,480 at the close of 2012. The City's net position increased by \$9,548,470 from the prior year, with governmental activities accounting for \$6,565,254 of the increase, and business-type activities accounting for \$2,983,216 of the increase.

City of Gardner, Kansas Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$34,713,779	\$25,409,661	\$12,690,240	\$11,070,695	\$47,404,019	\$36,480,356
Capital assets	54,631,020	55,123,626	90,335,595	87,576,071	144,966,615	142,699,697
Total assets	89,344,799	80,533,287	103,025,835	98,646,766	192,370,634	179,180,053
Long-term liabilities	36,915,003	35,329,165	40,212,707	39,382,734	77,127,710	74,711,899
Other liabilities	5,074,301	4,413,881	2,263,143	1,697,263	7,337,444	6,111,144
Total liabilities	41,989,304	39,743,046	42,475,850	41,079,997	84,465,154	80,823,043
Net position:						
Net investment in						
Capital assets	17,955,758	20,316,915	51,630,963	48,330,111	69,586,721	68,647,026
Restricted for:						
Debt service	18,307,114	13,873,779	-	-	18,307,114	13,873,779
Capital projects	4,874,557	698,492	-	-	4,874,557	698,492
Streets improvements	849,816	1,335,404	-	-	849,816	1,335,404
Economic development	158,243	145,918	-	-	158,243	145,918
Other purposes	43,230	74,301	-	-	43,230	74,301
Unrestricted	5,166,777	4,345,432	8,919,022	9,236,658	14,085,799	13,582,090
Total net position	\$47,355,495	\$40,790,241	\$60,549,985	\$57,566,769	\$107,905,480	\$98,357,010

The largest portion of the City's net position (65%) reflects its investment of \$69,586,721 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 \$24,232,960 of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of the City's net position of \$14,085,799 (\$5,166,777 governmental activities and \$8,919,022 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 \$9,548,470 during the 2012 fiscal year. The following table reflects the revenues and expenses for the City's activities for the year ended December 31, 2012, and illustrates the comparison between 2012 and the prior year:

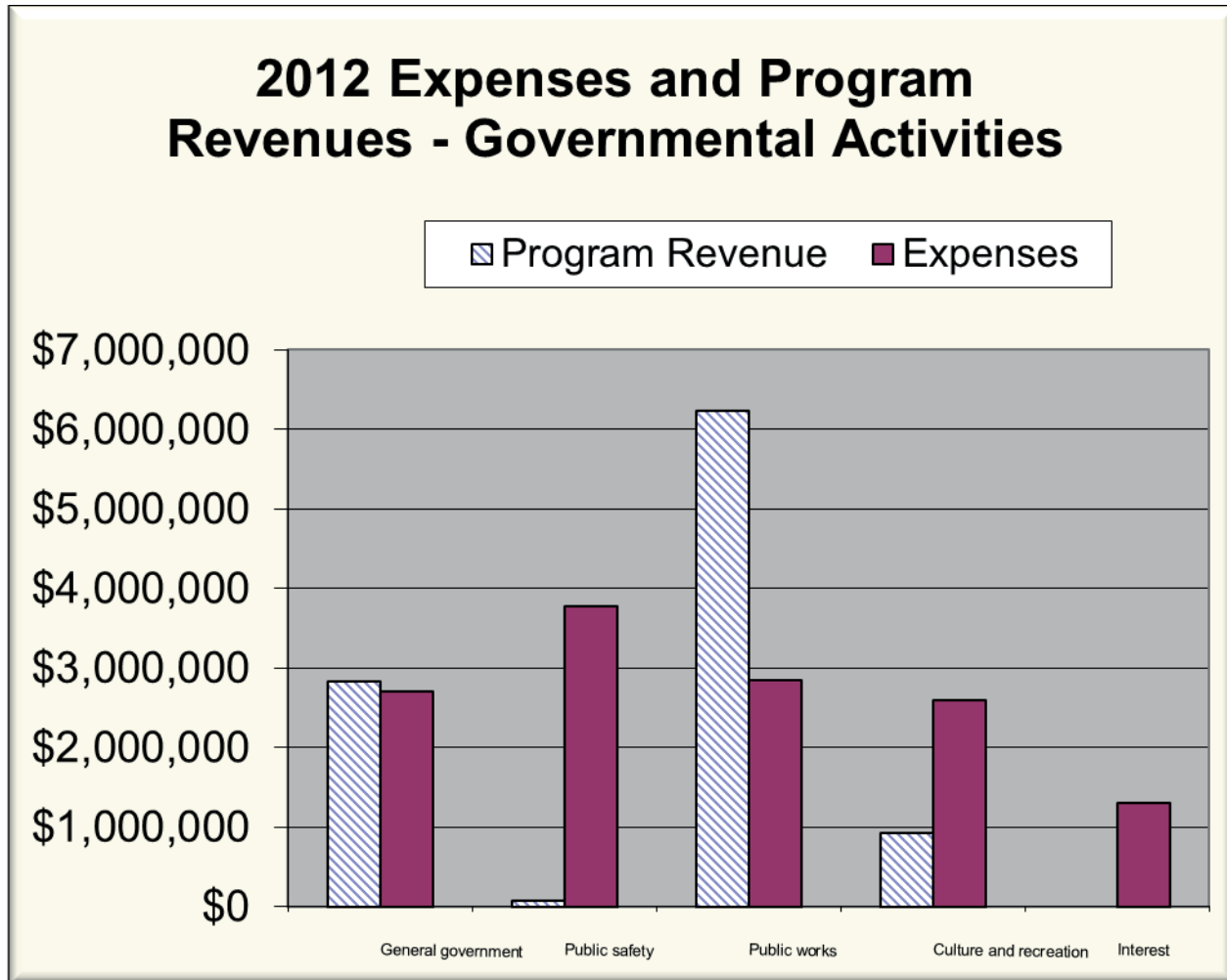
City of Gardner, Kansas						
Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for services	\$1,498,340	\$1,451,742	\$22,847,089	\$21,305,599	\$24,345,429	\$22,757,341
Operating grants and contributions	2,816,127	2,789,802	-	-	2,816,127	2,789,802
Capital grants and contributions	5,730,105	3,113,818	92,762	100,187	5,822,867	3,214,005
General Revenues:						
Property taxes	4,845,216	4,675,379	-	-	4,845,216	4,675,379
Sales taxes	3,123,255	2,999,426	-	-	3,123,255	2,999,426
Franchise taxes	320,227	365,435	-	-	320,227	365,435
Excise taxes	312,441	53,434	-	-	312,441	53,434
Transient guest tax	\$38,470	29,764	-	-	38,470	29,764
Other	-	-	-	10,525	-	10,525
Unrestricted Investment earnings	31,905	32,136	31,163	31,421	63,068	63,557
Gain on sale of assets	67,329	136,232	-	-	67,329	136,232
Total Revenue & transfers	18,783,415	15,647,168	22,971,014	21,447,732	41,754,429	37,094,900
Expenses:						
General government	2,697,372	2,620,535	-	-	2,697,372	2,620,535
Public safety	3,776,937	3,647,573	-	-	3,776,937	3,647,573
Public works	2,846,701	2,650,257	-	-	2,846,701	2,650,257
Culture and recreation	2,593,737	2,424,862	-	-	2,593,737	2,424,862
Interest on long-term debt	1,308,232	1,397,634	-	-	1,308,232	1,397,634
Electric	-	-	11,996,928	12,052,825	11,996,928	12,052,825
Water	-	-	3,447,469	3,235,397	3,447,469	3,235,397
Wastewater	-	-	3,513,416	3,590,360	3,513,416	3,590,360
Storm Water	-	-	25,167	25,167	25,167	25,167
Total Expenses	13,222,979	12,740,861	18,982,980	18,903,749	32,205,959	31,644,610
Increase in net position before transfers	5,560,436	2,906,307	3,988,034	2,543,983	9,548,470	5,450,290
Transfers	1,004,818	987,168	(1,004,818)	(987,168)	-	-
Increase in net position	6,565,254	3,893,475	2,983,216	1,556,815	9,548,470	5,450,290
Net position, Jan 1	40,790,241	36,896,766	57,566,769	56,009,954	98,357,010	92,906,720
Net position, Dec 31	\$47,355,495	\$40,790,241	\$60,549,985	\$57,566,769	\$107,905,480	\$98,357,010

Governmental Activities

Governmental revenues increased \$3,136,247 from the prior year. The key component of this increase was \$2,616,287 from a newly assessed benefit district. Contributing to the revenue increase was an increase in excise tax of \$259,007 from newly plotted land for an elementary and middle school campus. Additionally, property and sales tax revenues have increased due to a stabilizing economy.

Total governmental expenses increased by \$482,118 from the prior year. Expenses increased slightly in all areas due to projects being completed that had been delayed during the downturn of the economy.

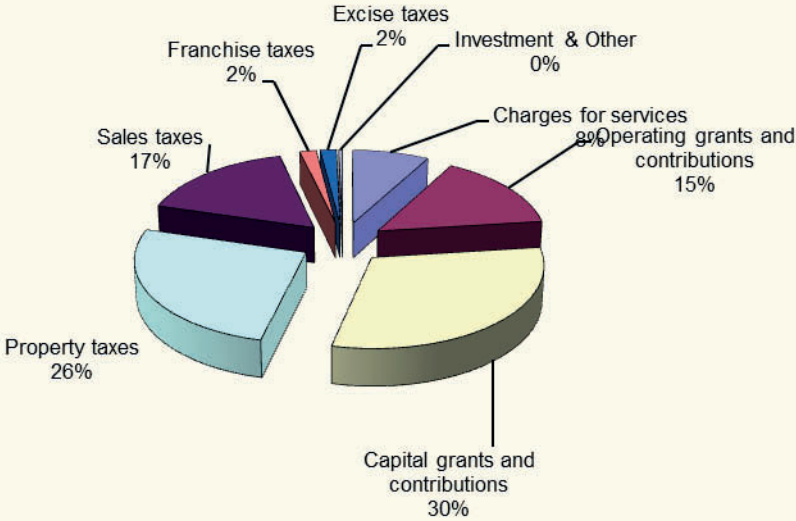
The chart below illustrates how the City's various governmental activities program revenues vs. program expenses fared in 2012.



General government program revenues include the amount of building permit and related inspection fees, special assessment mowing, miscellaneous airport revenue, as well as fines and forfeitures collected by the Municipal Court department during the year.

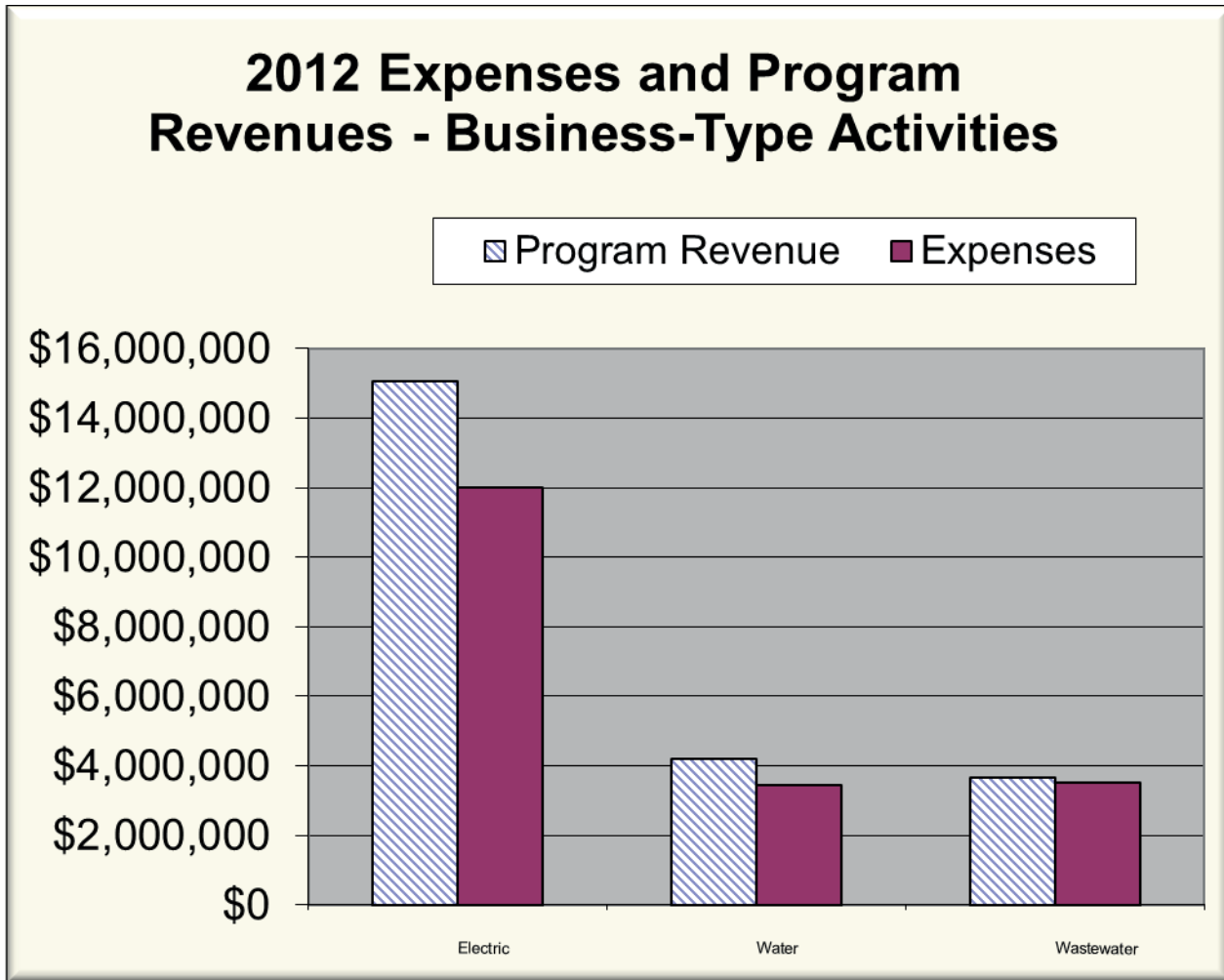
Overall program and general revenues for the City's governmental activities are:

Revenues by Source - Governmental Activities

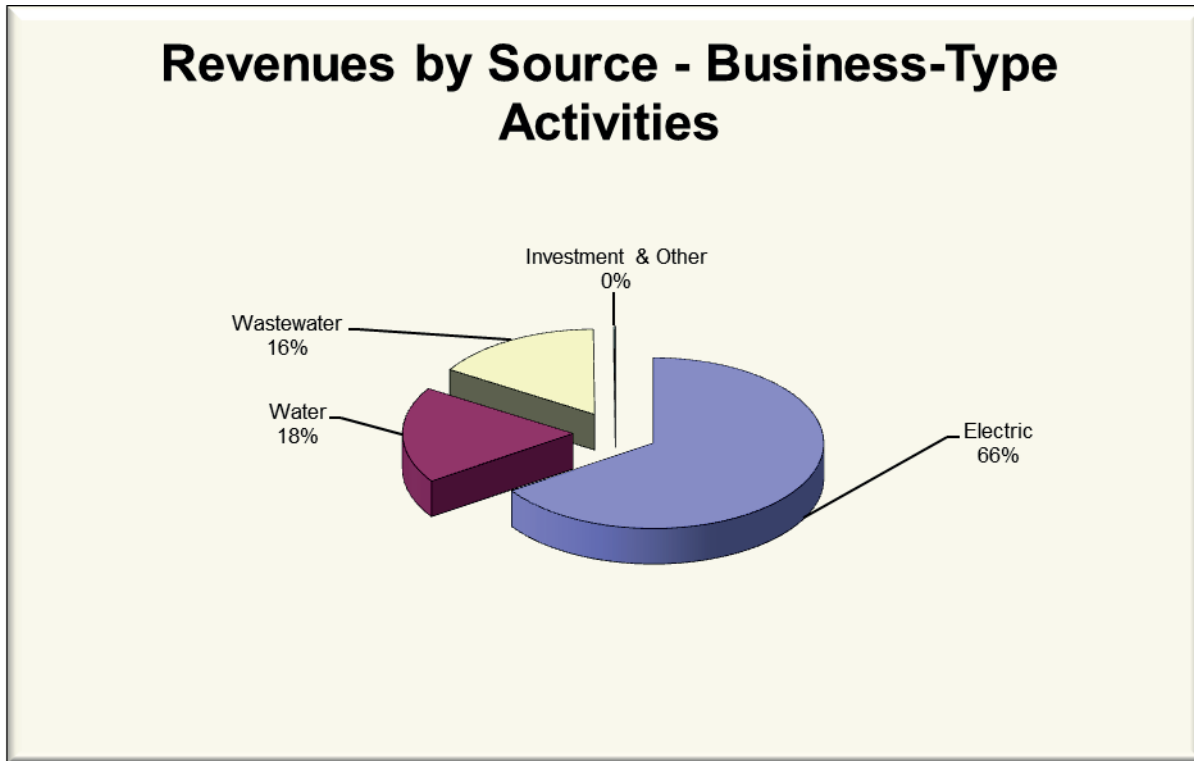


Business Type Activities

The City's net position related to business-type activities increased by \$2,983,216, up from an increase of \$1,556,815 in net position for 2011. The City implemented utility rate increases of 3% in water rates and a 6% increase to 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.



Overall program and general revenues for the City's business type activities are:



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 \$11,587,269, an increase of \$4,356,753 in comparison with the prior year. Approximately 45% of this total amount or \$5,168,291 constitutes fund balance that is available to meet the City's current and future needs. The remainder of the fund balance totaling \$6,418,978 is restricted for specific spending.

The General Fund is the chief operating fund of the City. At the end of 2012, unassigned fund balance of the General Fund was \$4,997,241. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 56% of total General Fund expenditures of \$8,935,651.

The fund balance in the City's general fund has increased by \$630,849 during 2012. This increase is largely due to increased property tax revenues.

The capital projects fund has a fund balance of \$4,510,640. This is an increase of \$4,102,426 from the prior year. The increase is due to receiving bond proceeds of \$3,995,000 to finalize debt for completion of the Kill Creek Sewer project.

The debt service fund has a fund balance of \$493,029, of which all is restricted for the payment of debt service. The net increase in the fund balance during the current year was \$119,159. This was due to increased taxes received from prior year mill levy increase.

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 2012, unrestricted net position for the business-type activities amounted to \$8,904,185. The total increase in net position during the current fiscal year was \$2,991,776.

The Electric Fund had total net position of \$30,965,187 at the end of 2012. This is an increase of \$2,291,681 from the previous year. This is largely due to an increase in the charges for services category.

The Water Fund had total net position of \$15,453,542 at the end of 2012. This is an increase of \$110,487 from the previous year.

The Wastewater Fund had total net position of \$13,496,746 at the end of 2012. This is an increase of \$614,775 from the previous year. The increase is due to sustained operating income.

The City's Internal Service Funds had total net position of \$41,314 at the end of 2012.

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 2012, the assets of the fund were \$34,355.

GENERAL FUND BUDGETARY HIGHLIGHTS:

There was no difference between the original budget and the final budget. During the year, however, total revenues were more than budgetary estimates by \$1,234,089. A summary of differences between budgetary estimates for revenue and actual collections is as follows:

- Property tax collections were more than the original estimate by \$230,338.
- City sales and use tax revenue were more than estimated by \$139,801. This is due to slight improvement in economic conditions.
- Franchise tax collections were less than the original budget by \$81,773. The majority of this decrease was due to a decrease in gross receipts for natural gas.

- Intergovernmental revenues were more than the original budget by \$722,499. 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 \$133,174.
- Fines and fees were more than the original estimate by \$84,719. Fines and Fee collections were up from the prior year by \$45,961.

In addition, expenditures were less than budgeted by \$2,381,595. Project reserves of \$2,096,810 were budgeted but not utilized.

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, 2012, amounted to \$144,973,979 (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	
	2012	2011	2012	2011	2012	2011
Land	\$ 4,435,434	\$4,435,434	2,273,030	\$2,193,349	\$ 6,708,464	\$ 6,628,783
Water Rights	-	-	475,000	475,000	475,000	475,000
Construction in progress	13,185,229	11,841,421	5,443,328	254,635	19,628,557	12,096,056
Buildings	3,310,425	3,430,673	691,661	668,770	4,002,086	4,099,443
Improvements	944,242	1,021,674	6,513,486	6,904,728	7,457,728	7,926,402
Infrastructure	31,991,378	33,514,454	73,939,638	76,204,464	105,931,016	109,718,918
Machinery and equipment	382,858	484,563	576,654	446,314	959,512	930,877
Vehicles	381,454	395,407	422,798	428,811	804,252	824,218
	<u>\$54,631,020</u>	<u>\$55,123,626</u>	<u>\$90,335,595</u>	<u>\$87,576,071</u>	<u>\$144,966,615</u>	<u>\$142,699,697</u>

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 2012, the City had total long-term debt outstanding of \$74,186,984. Of this amount, \$32,900,000 was general obligation debt backed by the full faith and credit of the City. However, \$25,850,450 of the general obligation debt is supported by business-type revenues. Another \$13,425,000 of the City's long-term debt outstanding is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment.

In 2012, the City issued refunding bonds to achieve interest rate savings on a 2002 irrevocable lease agreement with the Public Building Commission (PBC), a separate, not-for-profit corporation formed for the sole purpose of financing the remodeling and enlarging of City Hall. The purpose of the lease agreement is for the City to rent the building financed by the PBC Lease Revenue bonds. The rental

payments are the same as the scheduled debt payments, and because the lease is irrevocable, the City is liable for the associated revenue bonds.

In 2006, the City purchased \$7,150,000 of Certificates of Participation to fund Celebration Park. The debt is paid for with a ten-year ½ cent sales tax increment voters approved in 2005.

**City of Gardner's Long-Term Debt
December 31, 2012**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$7,049,550	\$8,444,150	\$25,850,450	\$17,735,850	\$32,900,000	\$26,180,000
Special assessment debt with government commitment	13,425,000	10,215,000	-	-	13,425,000	10,215,000
Bond anticipation notes payable	4,915,000	3,960,000	1,330,000	-	6,245,000	3,960,000
PBC revenue bonds	3,105,000	3,250,000	-	-	3,105,000	3,250,000
Construction loan payable	4,581,094	4,876,446	11,780,890	21,509,041	16,361,984	26,385,487
Certificates of Participation	3,480,000	4,235,000	-	-	3,480,000	4,235,000
Capital lease obligations	-	-	-	-	-	-
	<u>\$36,555,644</u>	<u>\$34,980,596</u>	<u>\$38,961,340</u>	<u>\$39,244,891</u>	<u>\$75,516,984</u>	<u>\$74,225,487</u>

The City’s total long-term debt decreased \$38,503 during the current fiscal year. The City issued \$11,745,000 of new general obligation bonds and increased construction loans payable by \$4,054,400 during 2012. This was reduced by \$5,025,000 in general obligation bonds, \$3,960,000 in bond anticipation notes and \$14,077,903 in construction loans.

The City maintains an “Aa3” rating from Moody’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 \$44,524,646, which is significantly in excess of the City’s outstanding general obligation bonds.

More detailed information about the City’s long-term debt is presented in Note 12 to the basic financial statements and information regarding bond anticipation notes in Note 13.

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, 2012

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Airport Association
Assets:				
Deposits and investments	\$ 10,487,601	\$ 9,431,343	\$ 19,918,944	\$ 126,463
Receivables, net of allowance for uncollectibles:				
Taxes	4,378,466	-	4,378,466	-
Accounts	-	2,574,381	2,574,381	15,535
Intergovernmental	881,334	-	881,334	-
Special assessments	18,236,589	-	18,236,589	-
Airport Association	136,869	-	136,869	-
Other	9,019	19,253	28,272	-
Internal balances	11,800	(11,800)	-	-
Deferred charges	293,450	389,821	683,271	-
Prepaid items	-	1,483	1,483	16,333
Inventories	-	285,759	285,759	13,580
Restricted deposits and investments	278,651	-	278,651	-
Capital assets, net of accumulated depreciation, where applicable:				
Land	4,435,434	2,273,030	6,708,464	301,500
Water rights	-	475,000	475,000	-
Construction in progress	13,185,229	5,443,328	18,628,557	-
Buildings	3,310,425	691,661	4,002,086	1,088,595
Improvements	944,242	6,513,486	7,457,728	28,374
Infrastructure	31,991,378	73,939,638	105,931,016	499,742
Machinery and equipment	382,858	576,654	959,512	-
Vehicles	381,454	422,798	804,252	-
Total assets	<u>89,344,799</u>	<u>103,025,835</u>	<u>192,370,634</u>	<u>2,090,122</u>
Liabilities:				
Accounts payable	871,672	1,386,583	2,258,255	19,809
Accrued expenses	85,720	49,783	135,503	-
Accrued interest payable	423,725	365,170	788,895	-
Due to primary government	-	-	-	8,756
Unearned revenue	3,654,407	-	3,654,407	3,210
Liabilities payable from restricted assets	38,777	461,607	500,384	-
Noncurrent liabilities:				
Due within one year	8,846,725	6,177,848	15,024,573	15,000
Due in more than one year	28,068,278	34,034,859	62,103,137	77,397
Total liabilities	<u>41,989,304</u>	<u>42,475,850</u>	<u>84,465,154</u>	<u>124,172</u>
Net position:				
Net investment in capital assets	17,955,758	51,630,963	69,586,721	1,825,814
Restricted for:				
Debt service	18,307,114	-	18,307,114	-
Capital projects	4,874,557	-	4,874,557	-
Street improvements	849,816	-	849,816	-
Economic development	158,243	-	158,243	-
Other purposes	43,230	-	43,230	-
Unrestricted	5,166,777	8,919,022	14,085,799	140,136
Total net position	<u>\$ 47,355,495</u>	<u>\$ 60,549,985</u>	<u>\$ 107,905,480</u>	<u>\$ 1,965,950</u>

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 2,697,372	\$ 604,625	\$ 2,220,010	\$ -	\$ 127,263	\$ -	\$ 127,263	\$ -
Public safety	3,776,937	10,199	62,326	-	(3,704,412)	-	(3,704,412)	-
Public works	2,846,701	-	495,415	5,730,105	3,378,819	-	3,378,819	-
Culture and recreation	2,593,737	883,516	38,376	-	(1,671,845)	-	(1,671,845)	-
Interest on long-term debt	1,308,232	-	-	-	(1,308,232)	-	(1,308,232)	-
Total governmental activities	13,222,979	1,498,340	2,816,127	5,730,105	(3,178,407)	-	(3,178,407)	-
Business-type activities:								
Electric	11,996,928	15,060,888	-	-	-	3,063,960	3,063,960	-
Water	3,447,469	4,103,707	-	92,762	-	749,000	749,000	-
Wastewater	3,513,416	3,682,494	-	-	-	169,078	169,078	-
Stormwater	25,167	-	-	-	-	(25,167)	(25,167)	-
Total business-type activities	18,982,980	22,847,089	-	92,762	-	3,956,871	3,956,871	-
Total primary government	\$ 32,205,959	\$ 24,345,429	\$ 2,816,127	\$ 5,822,867	(3,178,407)	3,956,871	778,464	-
Component unit:								
Airport Association	\$ 386,416	\$ 332,031	\$ -	\$ -	-	-	-	(54,385)
General revenues:								
Property taxes					4,845,216	-	4,845,216	-
Sales taxes					3,123,255	-	3,123,255	-
Franchise taxes					320,227	-	320,227	-
Excise taxes					312,441	-	312,441	-
Transient guest tax					38,470	-	38,470	-
Unrestricted investment earnings					31,905	31,163	63,068	283
Gain on sale of assets					67,329	-	67,329	-
Transfers					1,004,818	(1,004,818)	-	-
Total general revenues and transfers					9,743,661	(973,655)	8,770,006	283
Change in net position					6,565,254	2,983,216	9,548,470	(54,102)
Net position, beginning of year					40,790,241	57,566,769	98,357,010	2,020,052
Net position, end of year					\$ 47,355,495	\$ 60,549,985	\$ 107,905,480	\$ 1,965,950

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2012

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:					
Deposits and investments	\$ 4,160,949	\$ 492,843	\$ 4,708,537	\$ 1,158,929	\$ 10,521,258
Receivables (net of allowance for uncollectibles):					
Taxes	3,177,068	941,974	-	259,424	4,378,466
Special assessments	-	18,236,589	-	-	18,236,589
Intergovernmental	322,881	-	160,220	398,233	881,334
Airport Association	-	-	107,399	29,470	136,869
Other	8,194	186	175	437	8,992
Restricted deposits and investments	-	-	-	239,874	239,874
Due from other funds	313,913	-	-	-	313,913
Total assets	\$ 7,983,005	\$ 19,671,592	\$ 4,976,331	\$ 2,086,367	\$ 34,717,295
Liabilities and fund balances:					
Liabilities:					
Accounts payable	\$ 120,632	\$ -	\$ 464,462	\$ 273,221	\$ 858,315
Accrued payroll	85,720	-	-	-	85,720
Other	38,777	-	1,229	-	40,006
Deferred revenue	2,712,426	19,178,563	-	-	21,890,989
Due to other funds	28,209	-	-	226,787	254,996
Total liabilities	2,985,764	19,178,563	465,691	500,008	23,130,026
Fund balances:					
Restricted:					
Debt service	-	493,029	-	-	493,029
Capital projects	-	-	4,510,640	535,070	5,045,710
Street improvements	-	-	-	849,816	849,816
Economic development	-	-	-	158,243	158,243
Other	-	-	-	43,230	43,230
Assigned	-	-	-	-	-
Unassigned	4,997,241	-	-	-	4,997,241
Total fund balances	4,997,241	493,029	4,510,640	1,586,359	11,587,269
Total liabilities and fund balances	\$ 7,983,005	\$ 19,671,592	\$ 4,976,331	\$ 2,086,367	\$ 34,717,295

See accompanying notes to the basic financial statements.

CITY OF GARDNER, KANSAS

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

December 31, 2012

Total fund balances in Governmental Funds Balance Sheet	\$ 11,587,269
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	54,631,020
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	18,162,135
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(37,044,050)
Internal service funds are used by management to charge the costs of building maintenance 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>19,121</u>
Net position of governmental activities	<u>\$ 47,355,495</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, 2012

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property	\$ 3,402,945	\$ 1,177,528	\$ -	\$ 264,743	\$ 4,845,216
Sales	1,678,801	-	-	1,444,454	3,123,255
Franchise	320,227	-	-	-	320,227
Excise	-	-	-	312,441	312,441
Transient guest	-	-	-	38,470	38,470
Special assessments	-	966,502	-	-	966,502
Intergovernmental	2,245,699	-	160,220	933,202	3,339,121
Licenses and permits	237,374	-	-	-	237,374
Charges for services	844,814	-	-	-	844,814
Fines and fees	335,319	-	-	-	335,319
Investment earnings	17,264	4,646	4,313	5,682	31,905
Other	45,365	48,388	-	-	93,753
Total revenues	<u>9,127,808</u>	<u>2,197,064</u>	<u>164,533</u>	<u>2,998,992</u>	<u>14,488,397</u>
Expenditures:					
Current:					
General government	1,596,226	-	-	847,753	2,443,979
Public safety	3,678,525	-	-	-	3,678,525
Public works	1,547,336	-	-	-	1,547,336
Culture and recreation	1,925,478	-	-	-	1,925,478
Capital outlay	188,086	-	975,065	632,250	1,795,401
Debt service:					
Principal	-	2,593,215	3,960,000	905,000	7,458,215
Interest and fiscal charges	-	989,186	7,612	165,488	1,162,286
Other	-	76,076	119,363	1,400	196,839
Total expenditures	<u>8,935,651</u>	<u>3,658,477</u>	<u>5,062,040</u>	<u>2,551,891</u>	<u>20,208,059</u>
Excess (deficiency) of revenues over (under) expenditures	<u>192,157</u>	<u>(1,461,413)</u>	<u>(4,897,507)</u>	<u>447,101</u>	<u>(5,719,662)</u>
Other financing sources (uses):					
General obligation bonds issued	-	-	3,995,000	-	3,995,000
Bond anticipation note issued	-	-	4,915,000	-	4,915,000
Construction loan	-	-	87,668	-	87,668
Proceeds from sale of capital assets	27,292	-	46,637	-	73,929
Transfers in	911,400	1,580,572	71	535,000	3,027,043
Transfers out	(500,000)	-	(44,443)	(1,477,782)	(2,022,225)
Total other financing sources (uses)	<u>438,692</u>	<u>1,580,572</u>	<u>8,999,933</u>	<u>(942,782)</u>	<u>10,076,415</u>
Net change in fund balances	<u>630,849</u>	<u>119,159</u>	<u>4,102,426</u>	<u>(495,681)</u>	<u>4,356,753</u>
Fund balances, beginning of year	4,366,392	373,870	408,214	2,082,040	7,230,516
Fund balances, end of year	<u>\$ 4,997,241</u>	<u>\$ 493,029</u>	<u>\$ 4,510,640</u>	<u>\$ 1,586,359</u>	<u>\$ 11,587,269</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, 2012

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

Net change in fund balances - total governmental funds	\$ 4,356,753
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.	(458,642)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net position	(6,973)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,217,532
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 issuance costs, 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.	(1,575,048)
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.	39,819
Internal service funds are used by management to charge the costs of building maintenance and information technology services to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(8,187)
Change in net position of governmental activities	<u>\$ 6,565,254</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, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes:			
Property	\$ 3,172,607	\$ 3,402,945	\$ 230,338
Sales	1,539,000	1,678,801	139,801
Franchise	402,000	320,227	(81,773)
Intergovernmental	1,523,200	2,245,699	722,499
Licenses and permits	104,200	237,374	133,174
Charges for services	846,100	844,814	(1,286)
Fines and fees	250,600	335,319	84,719
Investment earnings	18,200	17,364	(836)
Other	37,911	45,364	7,453
Total revenues	<u>7,893,818</u>	<u>9,127,907</u>	<u>1,234,089</u>
Expenditures:			
General government	1,606,100	1,596,226	9,874
Public safety	3,893,100	3,678,525	214,575
Public works	1,694,200	1,547,336	146,864
Culture and recreation	2,039,400	1,937,842	101,558
Capital outlay	-	188,086	(188,086)
Project reserve	2,096,810	-	2,096,810
Total expenditures	<u>11,329,610</u>	<u>8,948,015</u>	<u>2,381,595</u>
Excess of revenues over (under) expenditures	<u>(3,435,792)</u>	<u>179,892</u>	<u>3,615,684</u>
Other financing sources and (uses):			
Transfers in	961,400	911,400	(50,000)
Transfers out	-	(500,000)	(500,000)
Proceeds from sale of capital assets	-	27,292	27,292
Total other financing sources and (uses)	<u>961,400</u>	<u>438,692</u>	<u>(522,708)</u>
Net change in fund balances	<u>(2,474,392)</u>	<u>618,584</u>	<u>3,092,976</u>
Fund balances, beginning of year	2,935,538	3,803,998	868,460
Fund balances, end of year	<u>\$ 461,146</u>	<u>4,422,582</u>	<u>\$ 3,961,436</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		-	
GAAP fund balance - General Fund only		4,422,582	
Fund balances for separately budgeted funds included with the General Fund on GAAP financials:			
Park Improvement Reserve Fund		338,865	
Special Benefit Fee Fund		235,794	
		<u>\$ 4,997,241</u>	

See accompanying notes to financial statements

CITY OF GARDNER, KANSAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

December 31, 2012

	Major Funds	
	Electric	Water
Assets:		
Current assets:		
Cash and cash equivalents	\$ 5,766,668	\$ 1,436,966
Accounts receivable, net	1,681,553	427,965
Other receivable	2,165	9,221
Prepaid items	1,483	-
Inventories	203,729	82,030
Due from other funds	35,296	1,042
Total current assets	<u>7,690,894</u>	<u>1,957,224</u>
Noncurrent assets:		
Deferred charges	87,896	25,882
Capital assets:		
Land	648,878	964,968
Water rights	-	475,000
Buildings	752,569	-
Construction in progress	99,238	546,016
Infrastructure	42,282,609	25,019,068
Improvements	6,056,474	2,389,538
Machinery and equipment	706,132	163,083
Vehicles	333,253	283,427
Less accumulated depreciation	(20,627,912)	(7,038,198)
Total capital assets	<u>30,251,241</u>	<u>22,802,902</u>
Total noncurrent assets	<u>30,339,137</u>	<u>22,828,784</u>
Total assets	<u>38,030,031</u>	<u>24,786,008</u>
Liabilities:		
Current liabilities:		
Accounts payable	435,094	154,588
Accrued expenses	25,628	9,009
Customer and developer deposits	391,562	70,045
Accrued interest payable	54,507	114,052
Due to other funds	133	2,528
Bond anticipation notes payable	-	-
Compensated absences	51,967	23,495
Current portion of bonds payable	2,276,300	650,000
Current portion of construction loans payable	-	281,263
Total current liabilities	<u>3,235,191</u>	<u>1,304,980</u>
Noncurrent liabilities:		
Other postemployment benefit obligator	17,345	29,598
Bonds payable, net	3,812,308	3,300,328
Construction loan payable	-	4,697,560
Total noncurrent liabilities	<u>3,829,653</u>	<u>8,027,486</u>
Total liabilities	<u>7,064,844</u>	<u>9,332,466</u>
Net position:		
Net investment in capital assets	24,162,633	13,873,751
Unrestricted	6,802,554	1,579,791
Total net position	<u>\$ 30,965,187</u>	<u>\$ 15,453,542</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

See accompanying notes to basic financial statements

Wastewater	Nonmajor Fund Stormwater	Total	Internal Service Funds
\$ 2,189,538	\$ -	\$ 9,393,172	\$ 43,291
464,863	-	2,574,381	-
503	-	11,889	27
-	-	1,483	-
-	-	285,759	-
393	-	36,731	-
<u>2,655,297</u>	<u>-</u>	<u>12,303,415</u>	<u>43,318</u>
276,043	-	389,821	-
659,184	-	2,273,030	-
-	-	475,000	-
-	-	752,569	-
4,798,074	-	5,443,328	-
43,290,822	23,080	110,615,579	-
1,408,723	737,691	10,592,426	-
266,895	-	1,136,110	129,853
462,248	-	1,078,928	14,749
(14,278,019)	(87,246)	(42,031,375)	(57,511)
<u>36,607,927</u>	<u>673,525</u>	<u>90,335,595</u>	<u>87,091</u>
<u>36,883,970</u>	<u>673,525</u>	<u>90,725,416</u>	<u>87,091</u>
<u>39,539,267</u>	<u>673,525</u>	<u>103,028,831</u>	<u>130,409</u>
770,803	-	1,360,485	39,450
8,836	-	43,473	8,725
-	-	461,607	-
196,611	-	365,170	-
1,058	61,208	64,927	30,721
1,330,000	-	1,330,000	-
28,684	-	104,146	-
1,280,000	-	4,206,300	-
256,139	-	537,402	-
<u>3,872,131</u>	<u>61,208</u>	<u>8,473,510</u>	<u>78,896</u>
12,300	-	59,243	10,199
15,612,161	-	22,724,797	-
6,545,929	-	11,243,489	-
<u>22,170,390</u>	<u>-</u>	<u>34,027,529</u>	<u>10,199</u>
<u>26,042,521</u>	<u>61,208</u>	<u>42,501,039</u>	<u>89,095</u>
12,913,698	673,525	51,623,607	87,091
583,048	(61,208)	8,904,185	(45,777)
<u>\$ 13,496,746</u>	<u>\$ 612,317</u>	<u>60,527,792</u>	<u>\$ 41,314</u>
		22,193	
		<u>\$ 60,549,985</u>	

CITY OF GARDNER, KANSAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended December 31, 2012

	Major Funds	
	Electric	Water
Operating revenues:		
Charges for sales and services	\$ 15,060,888	\$ 4,103,707
Other	-	-
Total operating revenues	<u>15,060,888</u>	<u>4,103,707</u>
Operating expenses:		
Administration	561,461	344,346
Wholesale energy cost	7,112,049	-
Generation	854,748	-
Treatment	-	1,663,488
Distribution and collection	1,752,351	384,377
Contractual services	-	-
Other supplies and expenses	-	-
Repairs and maintenance	-	-
Depreciation and amortization	1,421,568	718,298
Other	-	14,496
Total operating expenses	<u>11,702,177</u>	<u>3,125,005</u>
Operating income (loss)	<u>3,358,711</u>	<u>978,702</u>
Nonoperating revenues (expenses):		
Investment earnings	17,737	6,164
Interest expense	(291,365)	(319,945)
Other	-	(1,794)
Total nonoperating revenues (expenses)	<u>(273,628)</u>	<u>(315,575)</u>
Income (loss) before transfers and contributions	3,085,083	663,127
Capital contributions	-	92,762
Transfers in	940,000	-
Transfers out	<u>(1,733,402)</u>	<u>(645,402)</u>
Change in net position	2,291,681	110,487
Total net position, beginning of year	<u>28,673,506</u>	<u>15,343,055</u>
Total net position, end of year	<u>\$ 30,965,187</u>	<u>\$ 15,453,542</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

See accompanying notes to the basic financial statements

Wastewater	Nonmajor Fund Stormwater	Total	Internal Service Funds
\$ 3,682,494	\$ -	\$ 22,847,089	\$ 1,625,977
2,361	-	2,361	15,766
3,684,855	-	22,849,450	1,641,743
304,208	-	1,210,015	527,905
-	-	7,112,049	-
-	-	854,748	-
899,938	-	2,563,426	-
236,567	-	2,373,295	-
-	-	-	912,202
-	-	-	83,257
59,547	-	59,547	47,834
1,393,476	25,167	3,558,509	14,460
3,893	-	18,389	72,832
2,897,629	25,167	17,749,978	1,658,490
787,226	(25,167)	5,099,472	(16,747)
4,901	-	28,802	-
(572,723)	-	(1,184,033)	-
(38,615)	-	(40,409)	-
(606,437)	-	(1,195,640)	-
180,789	(25,167)	3,903,832	(16,747)
-	-	92,762	-
1,452,701	-	2,392,701	-
(1,018,715)	-	(3,397,519)	-
614,775	(25,167)	2,991,776	(16,747)
12,881,971	637,484	57,536,016	58,061
\$ 13,496,746	\$ 612,317	\$ 60,527,792	\$ 41,314
		\$ 2,991,776	
		(8,560)	
		\$ 2,983,216	

CITY OF GARDNER, KANSAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended December 31, 2012

	Major Funds	
	Electric	Water
Cash flows from operating activities:		
Receipts from customers	\$ 15,154,461	\$ 4,213,539
Other	-	-
Payments to suppliers	(8,956,024)	(2,002,552)
Payments to employees	(1,316,565)	(532,265)
Net cash provided by operating activities	<u>4,881,872</u>	<u>1,678,722</u>
Cash flows from noncapital financing activities:		
Transfers from other funds	940,000	-
Transfers to other funds	(1,733,402)	(645,402)
Net cash provided by (used in) noncapital financing activities	<u>(793,402)</u>	<u>(645,402)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,123,641)	(352,230)
Principal paid on general obligation bonds	(1,476,600)	(763,800)
Principal paid on construction loan	-	(271,698)
Interest paid on general obligation bonds, construction loan, and capital lease	(265,849)	(331,520)
Proceeds from construction loan	-	-
Proceeds from general obligation bonds	-	-
Proceeds from temp notes	-	-
Other financing revenues (costs)	-	92,903
Net cash used in capital and related financing activities	<u>(2,866,090)</u>	<u>(1,626,345)</u>
Cash flows from investing activities:		
Interest received	17,737	6,164
Net increase (decrease) in cash and cash equivalents	1,240,117	(586,861)
Cash and cash equivalents, beginning of year	4,526,551	2,023,827
Cash and cash equivalents, end of year	<u>\$ 5,766,668</u>	<u>\$ 1,436,966</u>

See accompanying notes to the basic financial statements

Wastewater	Nonmajor Fund Stormwater	Total	Internal Service Funds
\$ 3,684,126	\$ -	\$ 23,052,126	\$ 1,625,977
-	-	-	15,739
(267,874)	-	(11,226,450)	(1,099,617)
(520,884)	-	(2,369,714)	(520,629)
2,895,368	-	9,455,962	21,470
1,452,701	-	2,392,701	-
(1,018,715)	-	(3,397,519)	-
433,986	-	(1,004,818)	-
(4,850,567)	-	(6,326,438)	-
(1,389,388)	-	(3,629,788)	-
(13,423,184)	-	(13,694,882)	-
(612,523)	-	(1,209,892)	-
3,966,732	-	3,966,732	-
12,816,185	-	12,816,185	-
1,330,000	-	1,330,000	-
(199,447)	-	(106,544)	-
(2,362,192)	-	(6,854,627)	-
4,901	-	28,802	-
972,063	-	1,625,319	21,470
1,217,475	-	7,767,853	21,821
\$ 2,189,538	\$ -	\$ 9,393,172	\$ 43,291

CITY OF GARDNER, KANSAS

STATEMENT OF CASH FLOWS
(Continued)

PROPRIETARY FUNDS

Year Ended December 31, 2012

	Major Funds	
	Electric	Water
Cash consists of:		
Cash	\$ 5,766,668	\$ 1,436,966
Restricted deposits and investments	-	-
	<u>\$ 5,766,668</u>	<u>\$ 1,436,966</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 3,358,711	\$ 978,702
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Items not requiring cash:		
Depreciation expense	1,421,568	718,298
Other postemployment benefit obligation	3,435	9,226
Changes in:		
Receivables	87,151	50,548
Due from other funds	18,672	60,817
Prepaid expenses	771	-
Accounts payable	(14,773)	(137,772)
Due to other funds	133	479
Accrued liabilities	(3,387)	(43)
Customer deposits	9,591	(1,533)
Net cash provided by operating activities	<u>\$ 4,881,872</u>	<u>\$ 1,678,722</u>
Noncash capital financing activities:		

See accompanying notes to the basic financial statements

<u>Wastewater</u>	<u>Nonmajor Fund Stormwater</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 2,189,538	\$ -	\$ 9,393,172	\$ 43,291
-	-	-	-
<u>\$ 2,189,538</u>	<u>\$ -</u>	<u>\$ 9,393,172</u>	<u>\$ 43,291</u>
\$ 787,226	\$ (25,167)	\$ 5,099,472	\$ (16,747)
1,393,476	25,167	3,558,509	14,460
(4,771)	-	7,890	2,947
(460)	-	137,239	-
(269)	-	79,220	-
-	-	771	-
751,724	-	599,179	20,350
(34,845)	-	(34,233)	(6,516)
3,287	-	(143)	6,976
-	-	8,058	-
<u>\$ 2,895,368</u>	<u>\$ -</u>	<u>\$ 9,455,962</u>	<u>\$ 21,470</u>

CITY OF GARDNER, KANSAS

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

December 31, 2012

	<u>Agency Fund</u> <u>Alcohol Safety</u> <u>Action Program</u>
<u>ASSETS</u>	
Deposits and investments	\$ 34,355
<u>LIABILITIES</u>	
Due to others	\$ 34,355

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 revenue 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, 2012, interest earnings of \$60,707 were allocated to the various funds.

The City Hall capital projects fund holds money market mutual funds totaling \$103 separate from the pooled cash and investments.

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, 2012, cash equivalents consisted of money market mutual funds included in pooled cash described above.

Allowances for Uncollectibles

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 238 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 8.66% of outstanding property taxes at December 31, 2012.

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, 2011 upon which the 2012 levy was based was approximately \$128,540,006.

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.

Receivable and Payables

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Deferred revenue is reported as follows:

General fund property taxes receivable	\$ 2,712,426
Debt service fund property taxes receivable	941,974
Debt service fund special assessments receivable	<u>18,236,589</u>
	<u>\$ 21,890,989</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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.

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.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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, 2012, 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)

Net position

The government-wide statement of net position reports \$24,232,960 of restricted net position, of which \$849,816 is restricted by enabling legislation.

Concentrations of Credit Risk

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

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

Use of Estimates

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements

At December 31, 2012, 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. 61, The Financial Reporting Entity: Omnibus, was issued in November 2010. This Statement modifies certain requirements for inclusion of component units in the City's financial statements when the component unit was included based on the fiscal dependency requirement. The new statement clarifies the manner in which a government's management determines a component unit should be included, even if the financial accountability criterion is not met. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) when the component unit is blended based on the "substantively in the same governing body" criterion. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2013.

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

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

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.

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, 2016 with earlier application encouraged.

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

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 assets of governmental activities as reported in the government-wide statement of net assets. 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 \$37,044,050 difference are as follows:

General obligation bonds payable	\$ (20,474,550)
Issuance premium	(39,887)
PBC lease revenue bonds	(3,105,000)
Bond anticipation notes payable	(4,915,000)
Construction loans payable	(4,581,094)
Certificates of participation	(3,480,000)
Accrued interest payable	(422,496)
Other postemployment benefit obligations	(144,327)
Deferred charges for issuance costs	293,450
Compensated absences	<u>(175,145)</u>
 Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities	 <u><u>\$ (37,044,050)</u></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

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 assets 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 \$(458,642) difference are as follows:

Capital outlay	\$ 1,541,212
Depreciation expense	<u>(1,999,854)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ (458,642)</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 assets. Also, governmental funds report the effect of issuance costs, 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 \$1,575,048 difference are as follows:

Debt issued or incurred:	
Construction loans	\$ (87,669)
General obligation bonds	(3,995,000)
Bond anticipation note payable	(4,915,000)
Principal repayments:	
General obligation bonds payable	2,179,600
PBC lease revenue bonds	145,000
Certificates of participation	755,000
Construction loans	383,021
Bond anticipation note payable	<u>3,960,000</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ (1,575,048)</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 \$39,819 difference are as follows:

Compensated absences	\$ (1,976)
Accrued interest	86,487
Other postemployment benefit obligation	(14,230)
Amortization of issuance costs	<u>(30,462)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 39,819</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 2012.

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 \$15,646 as of December 31, 2012.

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, 2012, the Airport Association's deposits were not exposed to custodial credit risk.

Investments

At December 31, 2012, the City had the following investments:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
Money market mutual funds	< 1 year	\$ 239,874
T-Bills	<1 year	9,999,900
Pooled municipal investment pool	<1 year	<u>5,819,315</u>
Total Investments		<u>\$ 16,059,089</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, 2012 the City had \$9,999,900 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 AAAf/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 2007 and 2008, the City made loans to the Airport Association for airport improvements. At December 31, 2012, the receivable balance was \$107,399 and is included in noncurrent liabilities on the Airport Association component unit column of the statement of net assets. The final principal and interest payments are to be made in 2019.

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, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities: Capital assets not being depreciated:					
Land	\$ 4,435,434	\$ -	\$ -	\$ -	\$ 4,435,434
Construction in progress	11,841,421	1,380,345	-	(36,537)	13,185,229
Total capital assets not being depreciated	<u>16,276,855</u>	<u>1,380,345</u>	<u>-</u>	<u>(36,537)</u>	<u>17,620,663</u>
Capital assets being depreciated:					
Buildings	4,855,346	-	-	-	4,855,346
Improvements	2,191,785	11,732	-	-	2,203,517
Infrastructure	46,739,020	-	-	36,537	46,775,557
Machinery and equipment	1,619,157	50,749	(48,265)	-	1,621,641
Vehicles	1,120,923	98,386	(59,090)	-	1,160,219
Total capital assets being depreciated	<u>56,526,231</u>	<u>160,867</u>	<u>(107,355)</u>	<u>36,537</u>	<u>56,616,280</u>
Less accumulated depreciation for:					
Buildings	(1,424,673)	(120,248)	-	-	(1,544,921)
Improvements	(1,170,111)	(89,164)	-	-	(1,259,275)
Infrastructure	(13,224,566)	(1,559,613)	-	-	(14,784,179)
Machinery and equipment	(1,134,594)	(145,854)	41,665	-	(1,238,783)
Vehicles	(725,516)	(84,976)	31,727	-	(778,765)
Total accumulated depreciation	<u>(17,679,460)</u>	<u>(1,999,855)</u>	<u>73,392</u>	<u>-</u>	<u>(19,605,923)</u>
Total capital assets being depreciated, net	<u>38,846,771</u>	<u>(1,838,988)</u>	<u>(33,963)</u>	<u>36,537</u>	<u>37,010,357</u>
Governmental activities capital assets, net	<u>\$ 55,123,626</u>	<u>\$ (458,643)</u>	<u>\$ (33,963)</u>	<u>\$ -</u>	<u>\$ 54,631,020</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	\$ 2,193,349	\$ 79,681	\$ -	\$ -	\$ 2,273,030
Water rights	475,000	-	-	-	475,000
Construction in progress	254,635	5,218,607	(29,914)	-	5,443,328
Total capital assets not being depreciated	<u>2,922,984</u>	<u>5,298,288</u>	<u>(29,914)</u>	<u>-</u>	<u>8,191,358</u>
Capital assets being depreciated:					
Buildings	710,863	41,706	-	-	752,569
Improvements	10,584,604	7,822	-	-	10,592,426
Infrastructure	109,906,036	709,543	-	-	110,615,579
Machinery and equipment	974,689	206,075	(44,654)	-	1,136,110
Vehicles	1,036,860	92,170	(50,102)	-	1,078,928
Total capital assets being depreciated	<u>123,213,052</u>	<u>1,057,316</u>	<u>(94,756)</u>	<u>-</u>	<u>124,175,612</u>
Less accumulated depreciation for:					
Buildings	(42,093)	(18,815)	-	-	(60,908)
Improvements	(3,679,876)	(399,064)	-	-	(4,078,940)
Infrastructure	(33,701,572)	(2,974,369)	-	-	(36,675,941)
Machinery and equipment	(528,375)	(75,735)	44,654	-	(559,456)
Vehicles	(608,049)	(90,526)	42,445	-	(656,130)
Total accumulated depreciation	<u>(38,559,965)</u>	<u>(3,558,509)</u>	<u>87,099</u>	<u>-</u>	<u>(42,031,375)</u>
Total capital assets being depreciated, net	<u>84,653,087</u>	<u>(2,501,193)</u>	<u>(7,657)</u>	<u>-</u>	<u>82,144,237</u>
Business-type activities capital assets, net	<u>\$ 87,576,071</u>	<u>\$ 2,797,095</u>	<u>\$ (37,571)</u>	<u>\$ -</u>	<u>\$ 90,335,595</u>

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	\$ 193,217
Public safety	68,566
Public works	1,144,978
Culture and recreation	<u>593,094</u>

Total depreciation expense - governmental activities \$ 1,999,855

Business-type activities:

Electric	\$ 1,421,568
Water	718,298
Wastewater	1,393,476
Stormwater	<u>25,167</u>

Total depreciation expense - business-type activities \$ 3,558,509

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, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 301,500	\$ -	\$ -	\$ 301,500
Total capital assets not being depreciated	<u>301,500</u>	<u>-</u>	<u>-</u>	<u>301,500</u>
Capital assets being depreciated:				
Buildings	1,745,363	-	-	1,745,363
Equipment	13,390	-	-	13,390
Improvements	54,433	-	-	54,433
Infrastructure	778,922	-	-	778,922
Total capital assets being depreciated	<u>2,592,108</u>	<u>-</u>	<u>-</u>	<u>2,592,108</u>
Less accumulated depreciation for:				
Buildings	(608,439)	(48,329)	-	(656,768)
Equipment	(13,390)	-	-	(13,390)
Improvements	(23,337)	(2,722)	-	(26,059)
Infrastructure	(252,776)	(26,404)	-	(279,180)
Total accumulated depreciation	<u>(897,942)</u>	<u>(77,455)</u>	<u>-</u>	<u>(975,397)</u>
Total capital assets being depreciated, net	<u>1,694,166</u>	<u>(77,455)</u>	<u>-</u>	<u>1,616,711</u>
Airport Association capital assets, net	<u>\$ 1,995,666</u>	<u>\$ (77,455)</u>	<u>\$ -</u>	<u>\$1,918,211</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7 - Defined Benefit Pension Plans

Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* 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 2012 was 8.34%. The City employer contributions to KPERS for the years ending December 31, 2012, 2011, and 2010 were \$319,211, \$279,196, and \$261,495, respectively, equal to the statutory required contributions for each year. The KP&F uniform participating employer rate established for fiscal years beginning in 2012 is 16.54%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The contributions to KP&F for the years ending December 31, 2012, 2011, and 2010 were \$232,555, \$202,805, and \$234,877, respectively, equal to the statutory required contributions for each year.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Defined Contribution Plan

The City has established a Section 457 deferred compensation plan for those full-time employees not covered by the KP&F program. The plan administrator International City/County Management Association establishes the annual employee and employer contribution rates for those participating in KPERS as the difference between the rates under the KP&F and KPERS programs. For employees not yet eligible for KPERS, the rates are the same as those for the KP&F program. For 2012, the City's contributions were \$22,638.

9 - Other Postemployment Healthcare Benefits

Description. The City offers postemployment health and dental insurance to retired employees through Midwest Public Risk (MPR) which is a risk pool comprised of more than 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)

9 - 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 2012, plan members receiving benefits contributed \$20,000 to the plan and the City contributed \$5,000 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	8,865
Adjustment to annual required contribution	<u>(10,984)</u>
Annual OPEB cost (expense)	31,274
Contributions made	<u>(5,000)</u>
Increase in net OPEB obligation	26,274
Net OPEB obligation, January 1, 2012	<u>177,296</u>
Net OPEB obligation, December 31, 2012	<u><u>\$ 203,570</u></u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9 - 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 2010, 2011 and 2012 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Cost Contributed	Net OPEB Obligation
2010	\$ 46,547	25.78%	\$ 144,099
2011	45,197	26.55	177,296
2012	31,274	38.37	203,570

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)

9 - 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.

10 - Risk Management

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

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

11 - Capital Projects

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Capital Projects (Continued)

Following is a summary of project-to-date costs to December 31, 2012 on the capital projects compared to the amount authorized:

	<u>Costs to Date</u>	<u>Amount Authorized</u>
Governmental improvements	\$ 13,185,219	\$ 19,067,629
Electric improvements	99,239	947,910
Sewer improvements	4,798,075	11,553,000
Water improvements	546,015	568,452
	<u>\$ 18,628,548</u>	<u>\$ 32,136,991</u>

12 - Long-Term Debt

General Obligation Bonds

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

General obligation bonds payable at December 31, 2012 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2012	Outstanding December 31, 2012
General Obligation Bonds:					
Governmental activities:					
2001A refunding	3.5%-4.6%	\$ 394,661	11/1/2016	\$ 30,000	\$ 130,000
2002B refunding and improvement	2.0%-4.2%	210,000	9/1/2016	15,000	-
2003C refunding and improvement	1.5%-3.6%	2,821,000	10/1/2013	280,900	275,000
2004D refunding and improvement	3.5%-4.5%	830,000	10/1/2024	40,000	460,000
2005A improvement	3.0%-3.75%	3,355,000	10/1/2015	350,000	1,140,000
2006A improvement	4.0%-4.125%	3,545,000	10/1/2016	470,000	1,970,000
2008A improvement	3.00%-4.00%	1,810,000	10/1/2018	15,000	110,000
2008B improvement	3.125%-4.00%	435,000	10/1/2018	40,000	280,000
2009C refunding and improvement	1.50%-2.55%	251,850	9/1/2015	43,700	134,550
2010A refunding and improvement	2.00%-3.60%	2,770,000	10/1/2030	110,000	2,550,000
				<u>\$ 1,394,600</u>	<u>\$ 7,049,550</u>
Business-type activities:					
2002B refunding and improvement	2.0%-4.2%	4,550,000	9/1/2016	\$ 375,000	\$ 1,540,000
2003C refunding and improvement	1.5%-3.5%	329,000	10/1/2012	14,100	-
2004D refunding and improvement	3.5%-3.85%	495,000	10/1/2014	55,000	115,000
2005A improvement	3.0%-3.75%	1,320,000	10/1/2015	135,000	445,000
2006A improvement	4.0%-4.125%	7,150,000	10/1/2016	735,000	3,260,000
2008A improvement	3.00%-4.00%	2,910,000	10/1/2018	280,000	1,880,000
2008B improvement	3.125%-4.00%	6,250,000	10/1/2018	595,000	3,980,000
2008D refunding	3.25%-5.40%	1,410,000	11/1/2016	230,000	355,000
2009A improvement	2.00%-3.7%	2,267,028	10/1/2019	210,000	1,630,000
2009C refunding and improvement	1.50%-2.90%	2,628,150	9/1/2016	436,300	1,465,450
2012 C Refunding KDHE loan	2.0% - 4.0%	11,745,000	9/1/2021	565,000	11,180,000
				<u>\$ 3,630,400</u>	<u>\$ 25,850,450</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

The future annual requirements for general obligation bonds outstanding as of December 31, 2012 are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 1,443,700	\$ 249,939	\$ 4,206,300	\$ 910,591
2014	1,249,850	195,216	4,070,150	781,569
2015	1,256,000	149,576	4,079,000	645,331
2016	555,000	103,328	3,195,000	461,967
2017	260,000	83,155	2,940,000	385,942
2018-2022	740,000	270,215	7,360,000	660,570
2023-2027	845,000	206,794	-	-
2028-2032	700,000	62,584	-	-
	<u>\$ 7,049,550</u>	<u>\$ 1,320,807</u>	<u>\$ 25,850,450</u>	<u>\$ 3,845,970</u>

On April 24, 2012, the City issued Series 2012C general obligation bonds in the amount of \$11,745,000 to currently refund \$12,747,863 of the KDHE Loan C20 1514-01. As a result, the KDHE Loan C20 1514-01 is considered to be defeased and the liability for the loan has been removed from the long-term debt of the City. The City completed the current refunding to reduce the total debt service payments over the next 10 years by \$831,451 and to obtain an economic gain of \$994,625.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Long-Term Debt (Continued)

Special Assessment Bonds

The City's special assessment debt was issued to provide funds for the construction of infrastructure in new commercial and residential developments. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. Special assessment bonds at December 31, 2012 are comprised of the following issues:

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity Date</u>	<u>Principal Payments During 2012</u>	<u>Outstanding December 31, 2012</u>
Special Assessment Bonds:					
Governmental activities:					
2001A refunding	3.5%-4.6%	\$ 480,339	11/1/2016	\$ 35,000	\$ 160,000
2003C refunding and improvement	1.5%-4.4%	670,000	10/1/2018	65,000	165,000
2004D refunding and improvement	3.5%-4.1%	1,835,000	10/1/2019	155,000	720,000
2008B improvement	3.125%-4.5%	3,215,000	10/1/2028	170,000	2,570,000
2009A improvement	2.00%-4.00%	5,437,972	10/1/2024	310,000	4,540,000
2011A improvement	.5%-4.00%	1,325,000	10/1/2031	50,000	1,275,000
2012A improvement	1.0%-3.0%	3,995,000	8/1/2032	-	3,995,000
				<u>\$ 785,000</u>	<u>\$ 13,425,000</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Long-Term Debt (Continued)

Special Assessment Bonds (Continued)

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

	Governmental Activities	
	Principal	Interest
2013	\$ 915,000	\$ 459,513
2014	950,000	394,446
2015	945,000	368,818
2016	880,000	342,908
2017	895,000	321,461
2018-2022	4,045,000	1,195,743
2023-2027	3,060,000	541,333
2028-2032	1,735,000	150,368
	<u>\$ 13,425,000</u>	<u>\$ 3,774,590</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, 2012, \$1,245,000 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 Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$2,223,206 to finance improvements to the wastewater system. The loan is being repaid over twenty years at an interest rate of 3.22%. The outstanding balance of \$548,642 is shown as a liability in the wastewater fund.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Long-Term Debt (Continued)

Construction Loans Payable (Continued)

During 2000, 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 \$20,078,714 to finance improvements to the wastewater system. The loan is being repaid over twenty years at an interest rate of 2.30%. As of December 31, 2012, the City has drawn \$3,966,730 on this loan. The outstanding balance as of year-end is \$3,966,730 which is shown as a liability in the wastewater fund.

During 2006, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$4,318,315 to finance improvements to the wastewater system. The loan will be repaid over twenty years at an interest rate of 2.40%. As of December 31, 2012, the City has drawn \$3,507,912 on this loan. Payments of \$122,700 were made in 2012, leaving a total outstanding balance of \$2,286,696 which is shown as a liability in the wastewater fund.

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 \$4,978,823 is shown as a liability in the water fund.

During 2006, the City entered into two loan agreements with the Kansas Department of Transportation. The agreements enabled the City to borrow \$1,994,206 to finance significant street improvement projects. The loans will be repaid over ten years at an interest rate of 3.58%. The outstanding balance of \$225,709 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 \$738,151 is shown as a liability in the governmental activities column of the statement of net position.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Long-Term Debt (Continued)

Construction Loans Payable (Continued)

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 \$764,457 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, 2012, the City has drawn \$3,246,069 on this loan. Payments of \$122,470 were made in 2012, leaving a total outstanding balance of \$2,852,776, 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.

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>
2013	\$ 392,283	\$ 182,528	\$ 537,402	\$ 423,758
2014	407,536	167,579	4,521,950	390,307
2015	400,617	152,047	573,636	355,699
2016	350,551	136,728	592,670	319,893
2017	248,747	123,411	453,974	275,726
2018-2022	1,025,796	490,224	2,551,696	859,093
2023-2027	1,258,874	268,386	2,549,562	198,512
2028 thereafter	496,690	16,453	-	-
	<u>\$ 4,581,094</u>	<u>\$ 1,537,356</u>	<u>\$ 11,780,890</u>	<u>\$ 2,822,988</u>

PBC Lease Revenue Bonds

The PBC has issued \$4,000,000 of Public Building Commission lease revenue bonds series 2002A with interest rates ranging from 2.75% to 4.7% and with a final maturity in 2021. Principal payments are scheduled annually ranging from \$180,000 to \$505,000.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Long-Term Debt (Continued)

PBC Lease Revenue Bonds (Continued)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 205,000	\$ 139,123	\$ 344,123
2014	235,000	130,308	365,308
2015	265,000	120,203	385,203
2016	295,000	108,808	403,808
2017	330,000	95,828	425,828
2018-2021	1,775,000	213,561	1,988,561
	<u>\$ 3,105,000</u>	<u>\$ 807,831</u>	<u>\$ 3,912,831</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. As a result, the 2002A lease revenue bonds are considered to be defeased and the liability for the bonds has been removed from the long-term debt of the City. The City completed the current refunding to reduce the total debt service payments over the next 10 years by \$627,644 and to obtain an economic gain of \$375,018.

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>
2013	\$ 810,000	\$ 137,175	\$ 947,175
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>\$ 3,480,000</u>	<u>\$ 329,775</u>	<u>\$ 3,809,775</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Long-Term Debt (Continued)

Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 8,444,150	\$ -	\$ 1,394,600	\$ 7,049,550	\$ 1,443,700
Plus deferred amounts:					
Issuance premiums	45,637	-	5,750	39,887	-
Special assessment debt with government commitment	10,215,000	3,995,000	785,000	13,425,000	915,000
Bond anticipation notes payable	3,960,000	4,915,000	3,960,000	4,915,000	4,915,000
Construction loans payable	4,876,446	87,669	383,021	4,581,094	392,283
Certificates of participation	4,235,000	-	755,000	3,480,000	810,000
PBC lease revenue bonds	3,250,000	-	145,000	3,105,000	205,000
Compensated absences	170,755	214,567	210,177	175,145	165,742
Other postemployment benefit obligation	132,177	17,150	5,000	144,327	-
Governmental activities long- term liabilities	<u>\$ 35,329,165</u>	<u>\$ 9,229,386</u>	<u>\$ 7,643,548</u>	<u>\$ 36,915,003</u>	<u>\$ 8,846,725</u>
Business-type activities:					
General obligation bonds	\$ 17,735,850	\$ 11,745,000	\$ 3,630,400	\$ 25,850,450	\$ 4,206,300
Bond anticipation notes payable	-	1,330,000	-	1,330,000	1,330,000
Construction loans payable	21,509,041	3,966,731	13,694,882	11,780,890	537,402
Less (plus) deferred amounts:					
Issuance premiums	87,082	1,190,206	131,460	1,145,828	-
Refunding difference	(86,013)	-	(20,833)	(65,180)	-
Total	39,245,960	18,231,937	17,435,909	40,041,988	6,073,702
Compensated absences	91,655	108,512	96,021	104,146	104,146
Other postemployment benefit obligation	45,119	14,124	-	59,243	-
Business-type activities long- term liabilities	<u>\$ 39,382,734</u>	<u>\$ 18,354,573</u>	<u>\$ 17,531,930</u>	<u>\$ 40,205,377</u>	<u>\$ 6,177,848</u>
Component unit:					
Loan payable to primary government	<u>\$ 107,395</u>	<u>\$ -</u>	<u>\$ 14,998</u>	<u>\$ 92,397</u>	<u>\$ 15,000</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)

13 - 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, 2012 were as follows:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	
2011B	\$ 3,960,000	0.40%	9/1/2012	
2012B	\$ 6,245,000	100.00%	4/15/2014	
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities: Bond anticipation notes	<u>\$ 3,960,000</u>	<u>\$ 6,245,000</u>	<u>\$ 3,960,000</u>	<u>\$ 6,245,00</u>

14 - 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, 2012, 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 revenue. Special assessments receivable at December 31, 2012 was \$18,236,589.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

15 - Interfund Transactions

Interfund transfers for the year ended December 31, 2012 consisted of the following:

Fund	Transfers Out	Transfers In
Major funds:		
General Fund	\$ 911,400	\$ 500,000
Debt Service Fund	1,580,572	-
Capital Projects Fund	71	44,443
Electric Fund	940,000	1,733,402
Water Fund	-	645,402
Wastewater Fund	1,452,701	1,018,715
Internal Service Fund	-	-
Nonmajor governmental funds	500,000	1,442,782
Total transfers	\$ 5,384,744	\$ 5,384,744

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)

15 - 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	<u><u>\$ 226,787</u></u>
Amounts owed from the general fund to:	
Electric fund	<u><u>\$ 33,145</u></u>
Amounts owed from the internal service funds to:	
General fund	<u><u>\$ 30,721</u></u>
Amounts owed from the water fund to:	
Wastewater fund	\$ 393
Electric fund	<u>2,135</u>
	<u><u>\$ 2,528</u></u>
Amounts owed from the wastewater fund to:	
Electric fund	\$ 16
Water fund	<u>1,042</u>
	<u><u>\$ 1,058</u></u>
Amounts owed from the stormwater fund to:	
General Fund	<u><u>\$ 61,208</u></u>

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)

16 - 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, 2012, 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, 2012, the City's recorded encumbrances in governmental funds were as follows:

General	\$	-
Capital projects		1,825,995
Other governmental funds		36,929
Electric		46,762
Water		40,427
Sewer		57,680
		<hr/>
	\$	<u>2,007,793</u>

17 - Subsequent Events

Subsequent to year end, the City issued \$7,285,000 in General Obligation Refunding Bonds, Series 2013A, for the purpose of refunding all or portion of the City's outstanding General Obligation Bonds, Series 2001A, Series 2002B, Series 2004D, Series 2005A and Series 2006A.

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.

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 at City Hall.

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 BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2012

	Law Enforcement Trust	Capital Improvement Reserve	Special Revenue				Economic Development Reserve
			Special Alcohol/Drug Program	Special Parks and Recreation	E. Santa Fe TIF District		
Deposits and investments	\$ 5,164	\$ 61,701	\$ 18,102	\$ 19,947	\$ -	\$ 46,600	
Receivables:							
Taxes	-	-	-	-	102,158	-	
Intergovernmental	-	256,735	-	-	-	10,164	
Airport Association	-	29,470	-	-	-	-	
Other	2	23	7	8	-	18	
Restricted deposits and investments	-	-	-	-	-	-	
Due from other funds	-	-	-	-	-	-	
Total assets	\$ 5,166	\$ 347,929	\$ 18,109	\$ 19,955	\$ 102,158	\$ 56,782	
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ -	\$ 266,291	\$ -	\$ -	\$ -	\$ -	
Due to other funds	-	-	-	-	697	-	
Total liabilities	-	266,291	-	-	697	-	
Fund balances:							
Restricted:							
Capital projects	-	81,638	-	-	-	-	
Street improvements	-	-	-	-	-	-	
Economic development	-	-	-	-	101,461	56,782	
Other	5,166	-	18,109	19,955	-	-	
Assigned	-	-	-	-	-	-	
Total fund balances	5,166	81,638	18,109	19,955	101,461	56,782	
Total liabilities and fund balances	\$ 5,166	\$ 347,929	\$ 18,109	\$ 19,955	\$ 102,158	\$ 56,782	

(Continued)

CITY OF GARDNER, KANSAS

COMBINING BALANCE SHEET
(Continued)

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2012

	Total Special Revenue	Capital Projects		City Hall	Debt Service Park Sales Tax	Total Nonmajor Governmental Funds
		Street Improvement	Special Highway			
Deposits and investments	\$ 151,514	\$ 849,496	\$ 157,816	\$ 103	\$ -	\$ 1,158,929
Receivables:						
Taxes	102,158	-	-	-	157,266	259,424
Intergovernmental	266,899	-	131,334	-	-	398,233
Airport Association	29,470	-	-	-	-	29,470
Other	58	\$ 320	59	-	-	437
Restricted deposits and investments	-	-	-	-	239,874	239,874
Due from other funds	-	-	-	-	-	-
Total assets	\$ 550,099	\$ 849,816	\$ 289,209	\$ 103	\$ 397,140	\$ 2,086,367
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 266,291	\$ -	\$ 6,930	\$ -	\$ -	\$ 273,221
Due to other funds	697	-	-	-	226,090	226,787
Total liabilities	266,988	-	6,930	-	226,090	500,008
Fund balances:						
Restricted:						
Capital projects	81,638	-	282,279	103	171,050	535,070
Street improvements	-	849,816	-	-	-	849,816
Economic development	158,243	-	-	-	-	158,243
Other	43,230	-	-	-	-	43,230
Assigned	-	-	-	-	-	-
Total fund balances	283,111	849,816	282,279	103	171,050	1,586,359
Total liabilities and fund balances	\$ 550,099	\$ 849,816	\$ 289,209	\$ 103	\$ 397,140	\$ 2,086,367

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2012

	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	-	-	\$ -	-	\$ 264,743	-
Sales tax	-	-	-	-	527,503	-
Excise tax	-	-	-	-	-	-
Transient guest tax	-	-	-	-	-	38,470
Intergovernmental	1,988	300,698	30,053	30,053	-	-
Investment earnings	14	301	52	50	217	145
Total revenues	2,002	300,999	30,105	30,103	792,463	38,615
Expenditures:						
Current:						
General government	-	-	34,000	-	763,753	50,000
Capital outlay	-	337,113	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total expenditures	-	337,113	34,000	-	763,753	50,000
Excess of revenues over (under) expenditures	2,002	(36,114)	(3,895)	30,103	28,710	(11,385)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	(71)	-	(35,000)	(5,000)	-
Total other financing sources (uses)	-	(71)	-	(35,000)	(5,000)	-
Net change in fund balances	2,002	(36,185)	(3,895)	(4,897)	23,710	(11,385)
Fund balances, beginning of year	3,164	117,823	22,004	24,852	77,751	68,167
Fund balances, end of year	\$ 5,166	\$ 81,638	\$ 18,109	\$ 19,955	\$ 101,461	\$ 56,782

(Continued)

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2012

	Total Special Revenue	Street Improvement	Capital Projects Special Highway	City Hall	Debt Service Park Sales Tax	Total Nonmajor Governmental Funds
Revenues:						
Property tax	\$ 264,743	\$ -	\$ -	\$ -	\$ -	\$ 264,743
Sales tax	527,503	-	-	-	916,951	1,444,454
Excise tax	-	312,441	-	-	-	312,441
Transient guest tax	38,470	-	-	-	-	38,470
Intergovernmental	362,792	-	570,410	-	-	933,202
Investment earnings	779	3,659	669	-	575	5,682
Total revenues	1,194,287	316,100	571,079	-	917,526	2,998,992
Expenditures:						
Current:						
General government	847,753	-	-	-	-	847,753
Capital outlay	337,113	4,998	290,139	-	-	632,250
Debt service:						
Principal	-	-	150,000	-	755,000	905,000
Interest and fiscal charges	-	-	-	-	165,488	165,488
Other	-	-	-	-	1,400	1,400
Total expenditures	1,184,866	4,998	440,139	-	921,888	2,551,891
Excess of revenues over (under) expenditures	9,421	311,102	130,940	-	(4,362)	447,101
Other financing sources (uses):						
Transfers in	-	-	-	-	535,000	535,000
Transfers out	(40,071)	(796,690)	(21,115)	-	(619,906)	(1,477,782)
Total other financing sources (uses)	(40,071)	(796,690)	(21,115)	-	(84,906)	(942,782)
Net change in fund balances	(30,650)	(485,588)	109,825	-	(89,268)	(495,681)
Fund balances, beginning of year	313,761	1,335,404	172,454	103	260,318	2,082,040
Fund balances, end of year	\$ 283,111	\$ 849,816	\$ 282,279	\$ 103	\$ 171,050	\$ 1,586,359

CITY OF GARDNER, KANSAS

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

LAW ENFORCEMENT TRUST FUND

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Investment earnings	\$ -	\$ 14	\$ 14
Intergovernmental	-	1,988	1,988
Fund balances, beginning of year	<u>-</u>	<u>3,164</u>	<u>3,164</u>
Fund balances, end of year	<u><u>\$ -</u></u>	<u><u>\$ 5,166</u></u>	<u><u>\$ 5,166</u></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, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	\$ 882,700	\$ 916,951	\$ 34,251
Investment earnings	1,400	575	(825)
Total revenues	<u>884,100</u>	<u>917,526</u>	<u>33,426</u>
Expenditures:			
Principal	755,000	755,000	-
Interest	165,500	165,488	12
Project reserve	1,400	1,400	-
Other expenditures	-	-	-
Total expenditures	<u>921,900</u>	<u>921,888</u>	<u>12</u>
Excess (deficit) of revenues over (under) expenditures	<u>(37,800)</u>	<u>(4,362)</u>	<u>33,438</u>
Other financing sources (uses):			
Transfers in	535,000	535,000	-
Transfers out	<u>(619,900)</u>	<u>(619,906)</u>	<u>(6)</u>
Total other financing sources (uses)	<u>(84,900)</u>	<u>(84,906)</u>	<u>(6)</u>
Net changes in fund balances	(122,700)	(89,268)	33,432
Fund balances, beginning of year	<u>262,482</u>	<u>260,317</u>	<u>(2,165)</u>
Fund balances, end of year	<u>\$ 139,782</u>	<u>\$ 171,049</u>	<u>\$ 31,267</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, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Special alcohol tax	\$ 29,000	\$ 30,053	\$ 1,053
Investment earnings	300	52	(248)
	<u> </u>	<u> </u>	<u> </u>
Total revenues	29,300	30,105	805
	<u> </u>	<u> </u>	<u> </u>
Expenditures:			
Project reserve	16,359	-	16,359
Contractual services	34,000	34,000	-
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	50,359	34,000	16,359
	<u> </u>	<u> </u>	<u> </u>
Net change in fund balances	(21,059)	(3,895)	17,164
Fund balances, beginning of year	<u>21,059</u>	<u>22,004</u>	<u>945</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 18,109</u>	<u>\$ 18,109</u>

CITY OF GARDNER, KANSAS

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

STREET IMPROVEMENT FUND

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Excise tax	\$ 65,500	\$ 312,441	\$ 246,941
Investment earnings	17,000	3,659	(13,341)
Total revenues	<u>82,500</u>	<u>316,100</u>	<u>233,600</u>
Expenditures:			
Capital outlay	-	5,157	(5,157)
Project reserve	477,853	-	477,853
Total expenditures	<u>477,853</u>	<u>5,157</u>	<u>472,696</u>
Excess (deficit) of revenues over (under) expenditures	(395,353)	310,943	706,296
Other financing uses:			
Transfers out	<u>(949,800)</u>	<u>(796,690)</u>	<u>153,110</u>
Net change in fund balances	<u>\$ (1,345,153)</u>	<u>(485,747)</u>	<u>\$ 859,406</u>
Fund balances, beginning of year		<u>1,335,404</u>	
Fund balances, end of year		849,657	
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>159</u>	
GAAP fund balance, end of year		<u>\$ 849,816</u>	

CITY OF GARDNER, KANSAS

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

SPECIAL HIGHWAY FUND

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
State gasoline tax	\$ 479,000	\$ 570,410	\$ 91,410
Intergovernmental - grants	-	-	-
Investment earnings	1,900	669	(1,231)
	<u>480,900</u>	<u>571,079</u>	<u>90,179</u>
Total revenues			
Expenditures:			
Project reserve	93,811	-	93,811
Capital outlay	228,000	238,069	(10,069)
Principal	150,000	150,000	-
Other financing uses:			
Transfers out	21,100	21,115	(15)
	<u>21,100</u>	<u>21,115</u>	<u>(15)</u>
Expenditures and other financing uses subject to legal budget	<u>\$ 492,911</u>	409,184	<u>\$ 83,727</u>
Net change in fund balance		161,895	
Fund balances, beginning of year		<u>89,611</u>	
Fund balances, end of year		251,506	
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>30,773</u>	
GAAP fund balance, end of year		<u>\$ 282,279</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, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Special alcohol tax	\$ 28,000	\$ 30,053	\$ 2,053
Investment earnings	200	50	(150)
	<u> </u>	<u> </u>	<u> </u>
Total revenues	28,200	30,103	1,903
Expenditures:			
Project reserve	16,652	-	16,652
	<u> </u>	<u> </u>	<u> </u>
Excess of revenues over expenditures	11,548	30,103	18,555
		-	
Other financing uses:			
Transfers out	(35,000)	(35,000)	-
	<u> </u>	<u> </u>	<u> </u>
Net change in fund balances	(23,452)	(4,897)	18,555
Fund balances, beginning of year	23,452	24,852	1,400
	<u> </u>	<u> </u>	<u> </u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 19,955</u>	<u>\$ 19,955</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, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Taxes	\$ 1,068,000	\$ 792,246	\$ (275,754)
Investment earnings	<u>1,400</u>	<u>217</u>	<u>(1,183)</u>
Total revenues	1,069,400	792,463	(276,937)
Expenditures:			
Contractual services	<u>1,064,400</u>	<u>763,753</u>	<u>300,647</u>
Excess (deficit) of revenues over (under) expenditures	5,000	28,710	23,710
Other financing uses:			
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Net change in fund balances	-	23,710	23,710
Fund balances, beginning of year	<u>95,408</u>	<u>77,751</u>	<u>(17,657)</u>
Fund balances, end of year	<u><u>\$ 95,408</u></u>	<u><u>\$ 101,461</u></u>	<u><u>\$ 6,053</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, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Transient guest tax	\$ 30,900	\$ 38,470	\$ 7,570
Investment earnings	600	145	(455)
Total revenues	<u>31,500</u>	<u>38,615</u>	<u>7,115</u>
Expenditures:			
Project reserve	50,295	5,000	45,295
Contractual services	50,000	45,000	5,000
Total expenditures	<u>100,295</u>	<u>50,000</u>	<u>50,295</u>
Net change in fund balances	(68,795)	(11,385)	57,410
Fund balances, beginning of year	<u>68,795</u>	<u>68,167</u>	<u>(628)</u>
Fund balances, end of year	<u><u>\$ -</u></u>	<u><u>\$ 56,782</u></u>	<u><u>\$ 56,782</u></u>

CITY OF GARDNER, KANSAS

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

DEBT SERVICE FUND

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	\$ 1,074,042	\$1,177,528	\$ 103,486
Special assessments	877,301	966,502	89,201
Investment earnings	3,600	4,646	1,046
Payments in lieu of taxes	32,790	-	(32,790)
Other	-	48,388	48,388
Total revenues	<u>1,987,733</u>	<u>2,197,064</u>	<u>209,331</u>
Expenditures:			
Principal	4,054,952	2,593,215	1,461,737
Interest	-	989,186	(989,186)
Other	-	76,076	(76,076)
Total expenditures	<u>4,054,952</u>	<u>3,658,477</u>	<u>396,475</u>
Excess (deficit) of revenues over (under) expenditures	<u>(2,067,219)</u>	<u>(1,461,413)</u>	<u>605,806</u>
Other financing sources (uses):			
Transfers in	1,688,600	1,580,572	(108,028)
Transfers out	-	-	-
Total other financing sources (uses)	<u>1,688,600</u>	<u>1,580,572</u>	<u>(108,028)</u>
Net change in fund balances	(378,619)	119,159	497,778
Fund balances, beginning of year	<u>378,619</u>	<u>373,870</u>	<u>(4,749)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 493,029</u>	<u>\$ 493,029</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, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Investment earnings	\$ 2,100	\$ 707	\$ (1,393)
Expenditures:			
Project reserve	<u>189,087</u>	<u>-</u>	<u>189,087</u>
Excess (deficit) of revenues over (under) expenditures	(186,987)	707	187,694
Other financing uses:			
Transfers out	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>
Net change in fund balances	(236,987)	707	237,694
Fund balances, beginning of year	<u>236,987</u>	<u>236,193</u>	<u>(794)</u>
Fund balances, end of year	<u><u>\$ -</u></u>	<u><u>\$ 236,900</u></u>	<u><u>\$ 236,900</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, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 280,200	\$ 358,161	\$ 77,961
Park impact fees	43,100	36,177	(6,923)
Investment earnings	1,000	363	(637)
Total revenues	324,300	394,701	70,401
Expenditures:			
Project reserve	22,264	-	22,264
Excess of revenues over expenditures	302,036	394,701	92,665
Other financing uses:			
Transfers out	(500,000)	(500,000)	-
Net change in fund balances	(197,964)	(105,299)	92,665
Fund balances, beginning of year	197,964	296,922	98,958
Fund balances, end of year	\$ -	\$ 191,623	\$ 191,623

CITY OF GARDNER, KANSAS

COMBINING STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS

December 31, 2012

	Governmental Activities			Business-type Activities	Total
	Information Technology Services	Building Maintenance	Risk Management	Utility Billing Services	
Assets:					
Current assets:					
Deposits and investments	\$ -	\$ -	\$ 5,120	\$ 38,171	\$ 43,291
Receivables:					
Other	-	-	27	-	27
Noncurrent assets:					
Capital assets:					
Machinery and equipment	104,550	14,794	-	10,509	129,853
Vehicles	-	14,749	-	-	14,749
Less accumulated depreciation	(41,813)	(12,545)	-	(3,153)	(57,511)
Total assets	62,737	16,998	5,147	45,527	130,409
Liabilities:					
Current liabilities:					
Accounts payable	11,335	1,057	967	26,091	39,450
Due to other funds	1,851	28,870	-	-	30,721
Accrued expenses	1,243	1,172	-	6,310	8,725
Noncurrent liabilities:					
Other postemployment benefit obligation	1,325	1,545	-	7,329	10,199
Total liabilities	15,754	32,644	967	39,730	89,095
Net position:					
Net investment in capital assets	62,737	16,998	-	7,356	87,091
Unrestricted	(15,754)	(32,644)	4,180	(1,559)	(45,777)
Total net position	\$ 46,983	\$ (15,646)	\$ 4,180	\$ 5,797	\$ 41,314

CITY OF GARDNER, KANSAS

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

INTERNAL SERVICE FUNDS

Year Ended December 31, 2012

	Governmental Activities			Business-type Activities	Total
	Information Technology Services	Building Maintenance	Risk Management	Utility Billing Services	
Operating revenues:					
Charges for services	\$ 281,342	\$ 267,623	\$ 412,980	\$ 664,032	\$ 1,625,977
Other	-	-	15,766	-	15,766
Total operating revenues	<u>281,342</u>	<u>267,623</u>	<u>428,746</u>	<u>664,032</u>	<u>1,641,743</u>
Operating expenses:					
Administration	81,254	61,640	-	385,011	527,905
Contractual services	136,064	157,181	428,634	190,323	912,202
Other supplies and expenses	49,171	19,337	112	14,637	83,257
Repairs and maintenance	15,643	28,806	-	3,385	47,834
Depreciation	10,455	2,954	-	1,051	14,460
Other	-	-	-	72,832	72,832
Total operating expenses	<u>292,587</u>	<u>269,918</u>	<u>428,746</u>	<u>667,239</u>	<u>1,658,490</u>
Operating income	(11,245)	(2,295)	-	(3,207)	(16,747)
Transfers out	-	-	-	-	-
Change in net position	<u>(11,245)</u>	<u>(2,295)</u>	<u>-</u>	<u>(3,207)</u>	<u>(16,747)</u>
Total net position, beginning of year	<u>58,228</u>	<u>(13,351)</u>	<u>4,180</u>	<u>9,004</u>	<u>58,061</u>
Total net position, end of year	<u>\$ 46,983</u>	<u>\$ (15,646)</u>	<u>\$ 4,180</u>	<u>\$ 5,797</u>	<u>\$ 41,314</u>

CITY OF GARDNER, KANSAS

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

Year Ended December 31, 2012

	Governmental Activities			Business-type Activities	Total
	Information Technology Services	Building Maintenance	Risk Management	Utility Billing Services	
Cash flows from operating activities:					
Receipts from customers	\$ 281,342	\$ 267,623	\$ 412,980	\$ 664,032	\$ 1,625,977
Other	-	-	15,739	-	15,739
Payments to suppliers	(200,321)	(205,767)	(430,258)	(263,271)	(1,099,617)
Payments to employees	(81,021)	(61,856)	-	(377,752)	(520,629)
Net cash provided by operating activities	-	-	(1,539)	23,009	21,470
Cash flows from noncapital financing activities:					
Transfers to other funds	-	-	-	-	-
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	-	-	-	-	-
Net increase in cash and cash equivalents	-	-	(1,539)	23,009	21,470
Cash and cash equivalents, beginning of year	-	-	6,659	15,162	21,821
Cash and cash equivalents, end of year	\$ -	\$ -	\$ 5,120	\$ 38,171	\$ 43,291
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ (11,245)	\$ (2,295)	\$ -	\$ (3,207)	\$ (16,747)
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	790	-	-	2,157	2,947
Changes in:					
Due from other funds	-	-	-	-	-
Accounts payable	6,533	(1,342)	(1,539)	16,698	20,350
Accrued liabilities	253	413	-	6,310	6,976
Due to other funds	(6,786)	270	-	-	(6,516)
Net cash provided by operating activities	\$ -	\$ -	\$ (1,539)	\$ 23,009	\$ 21,470

CITY OF GARDNER, KANSAS
STATEMENT OF CASH FLOWS
AIRPORT ASSOCIATION COMPONENT UNIT
Year Ended December 31, 2012

Cash flows from operating activities:	
Receipts from customers	\$ 327,032
Payments to suppliers	(296,080)
Payments to employees	(8,842)
	22,110
Cash flows from capital and related financing activities:	
Principal paid on capital debt	(15,000)
Acquisition and construction of capital assets	-
	(15,000)
Cash flows from investing activities:	
Interest received	284
	7,394
Net decrease in cash and cash equivalents	7,394
Cash and cash equivalents, beginning of year	119,069
	119,069
Cash and cash equivalents, end of year	\$ 126,463
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (54,385)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Items not requiring cash:	
Depreciation expense	77,455
Changes in:	
Receivables	(4,044)
Prepaid items	(5,067)
Inventories	9,301
Accounts payable	(365)
Due to the City	170
Deferred revenue	(955)
	(955)
Net cash provided by operating activities	\$ 22,110

CITY OF GARDNER, KANSAS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

Year Ended December 31, 2012

Alcohol Safety Action Program:

	Balance January 1, 2012	Additions	Deductions	Balance December 31, 2012
Assets:				
Deposits and investments	\$ 31,594	\$ 6,361	\$ 3,600	\$ 34,355
Liabilities:				
Due to others	\$ 31,594	\$ 6,361	\$ 3,600	\$ 34,355

CITY OF
GARDNER
KANSAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the fiscal year ended
December 31, 2012**

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 Nine Fiscal Years
(accrual basis of accounting)

	<u>Fiscal Year</u>								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities									
Invested in capital assets, net of related debt	\$ 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
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
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
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
Business-type activities									
Invested in capital assets, net of related debt	\$ 26,593,163	\$ 37,238,650	\$ 36,644,874	\$ 43,009,998	\$ 42,592,936	\$ 45,202,862	\$ 46,462,027	\$ 48,330,111	\$ 51,630,963
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
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
Primary government									
Invested in capital assets, net of related debt	\$ 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
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
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
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

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Source: City of Gardner Finance Department

**City of Gardner, Kansas
Changes in Net Position
Last Nine Fiscal Years
(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>
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
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
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
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	2,593,732
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
Total governmental activities expenses	<u>8,664,638</u>	<u>8,538,278</u>	<u>9,314,200</u>	<u>12,833,712</u>	<u>14,182,900</u>	<u>13,522,198</u>	<u>12,956,602</u>	<u>12,740,861</u>	<u>13,222,979</u>
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
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
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
Stormwater	-	-	-	75,643	220,061	70,817	71,086	25,167	25,167
Total business-type activities expenses	<u>10,025,654</u>	<u>12,287,955</u>	<u>14,938,652</u>	<u>16,711,002</u>	<u>17,899,470</u>	<u>16,535,431</u>	<u>18,257,760</u>	<u>18,903,749</u>	<u>18,982,980</u>
Total primary government expense:	<u>\$ 18,690,292</u>	<u>\$ 20,826,233</u>	<u>\$ 24,252,852</u>	<u>\$ 29,544,714</u>	<u>\$ 32,082,370</u>	<u>\$ 30,057,629</u>	<u>\$ 31,214,362</u>	<u>\$ 31,644,610</u>	<u>\$ 32,205,959</u>
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
Public Safety	5,655	4,737	11,443	10,344	13,021	13,141	10,458	10,577	10,199
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
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
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
Total governmental activities program revenues	<u>6,846,173</u>	<u>5,027,121</u>	<u>4,015,480</u>	<u>4,519,890</u>	<u>8,852,722</u>	<u>11,330,195</u>	<u>9,463,136</u>	<u>7,355,362</u>	<u>10,044,572</u>
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
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
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	3,682,944
Capital grants and contributions	-	50,000	589,004	59,606	356,751	506,591	78,263	100,187	92,762
Total business-type program revenues	<u>15,032,772</u>	<u>17,448,689</u>	<u>17,634,011</u>	<u>19,902,217</u>	<u>18,059,048</u>	<u>19,524,472</u>	<u>22,405,578</u>	<u>21,405,786</u>	<u>22,939,851</u>
Total primary government program revenue:	<u>\$ 21,878,945</u>	<u>\$ 22,475,810</u>	<u>\$ 21,649,491</u>	<u>\$ 24,422,107</u>	<u>\$ 26,917,770</u>	<u>\$ 30,854,667</u>	<u>\$ 31,868,714</u>	<u>\$ 28,761,148</u>	<u>\$ 32,984,423</u>
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)
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
Total primary government net expense	<u>\$ 3,188,653</u>	<u>\$ 1,649,577</u>	<u>\$ (2,603,361)</u>	<u>\$ (5,122,607)</u>	<u>\$ (5,170,600)</u>	<u>\$ 797,038</u>	<u>\$ 654,352</u>	<u>\$ (2,883,462)</u>	<u>\$ 778,464</u>
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
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
Franchise taxes	305,843	337,916	350,024	386,139	412,989	396,100	380,715	365,435	320,227
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	40,680	41,073	45,573	34,702	29,338	29,764	38,470
Other	-	-	-	-	-	-	3	-	-
Unrestricted investment earnings	181,268	497,681	831,916	993,815	296,824	49,100	49,689	32,136	31,905
Gain on disposal of asset	-	-	-	1,617	-	-	2,095	136,232	67,329
Transfers	989,891	329,158	(190,643)	(1,586,760)	577,858	546,714	1,003,312	987,168	1,004,818
Total governmental activities	<u>6,233,754</u>	<u>6,532,096</u>	<u>7,634,481</u>	<u>6,800,772</u>	<u>8,211,860</u>	<u>7,968,850</u>	<u>8,180,157</u>	<u>9,278,974</u>	<u>9,743,661</u>
Business-type activities:									
Unrestricted investment earnings	205,001	532,024	520,452	532,634	188,063	28,208	38,020	31,421	31,163
Transfers	(989,891)	(329,158)	190,643	1,586,760	(577,858)	(546,714)	(1,003,312)	(987,168)	(1,004,818)
Other	-	-	-	-	-	156,366	37,070	10,525	-
Total business-type activities	<u>(784,890)</u>	<u>202,866</u>	<u>711,095</u>	<u>2,119,394</u>	<u>(389,795)</u>	<u>(362,140)</u>	<u>(928,222)</u>	<u>(945,222)</u>	<u>(973,655)</u>
Total primary government:	<u>\$ 5,448,864</u>	<u>\$ 6,734,962</u>	<u>\$ 8,345,576</u>	<u>\$ 8,920,166</u>	<u>\$ 7,822,065</u>	<u>\$ 7,606,710</u>	<u>\$ 7,251,935</u>	<u>\$ 8,333,752</u>	<u>\$ 8,770,006</u>
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	\$ 6,565,254
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
Total primary government:	<u>\$ 8,637,517</u>	<u>\$ 8,384,539</u>	<u>\$ 5,742,215</u>	<u>\$ 3,797,559</u>	<u>\$ 2,651,465</u>	<u>\$ 8,403,748</u>	<u>\$ 7,906,287</u>	<u>\$ 5,450,290</u>	<u>\$ 9,548,470</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Source: City of Gardner Finance Department

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 73,395	\$ -	\$ -	\$ 1,019,948	\$ 15,151	\$ 34,779	\$ 39,182	\$ 250	\$ -	\$ -
Unreserved	1,549,455	2,392,171	3,321,238	3,107,516	4,008,117	2,964,795	2,619,334	3,068,934	24,281	-
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	20,619	-
Unassigned	-	-	-	-	-	-	-	-	4,321,492	4,997,241
Total general fund	\$ 1,622,850	\$ 2,392,171	\$ 3,321,238	\$ 4,127,464	\$ 4,023,288	\$ 2,999,574	\$ 2,658,516	\$ 3,069,184	\$ 4,366,392	\$ 4,997,241
All Other Governmental Funds										
Reserved	\$ 57,500	\$ -	\$ -	\$ 9,988,577	\$ 2,164,409	\$ 1,058,524	\$ 1,479,432	\$ 451,339	\$ -	\$ -
Unreserved, reported in:										
Debt service fund	488,565	313,625	258,152	184,701	237,844	310,091	78,023	105,384	-	-
Special revenue funds	3,124,695	4,953,169	5,597,454	6,771,640	6,525,624	5,383,372	5,119,227	3,565,909	-	-
Capital projects funds	2,370,633	(565,001)	(3,188,976)	(10,700,412)	(14,211,726)	(10,291,113)	(6,515,040)	(4,434,896)	-	-
Restricted	-	-	-	-	-	-	-	-	2,603,807	6,418,978
Assigned	-	-	-	-	-	-	-	-	260,317	171,050
Total all other governmental funds	\$ 6,041,393	\$ 4,701,793	\$ 2,666,630	\$ 6,254,506	\$ (5,283,849)	\$ (3,539,126)	\$ 161,642	\$ (312,264)	\$ 2,864,124	\$ 6,590,028

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									
	2003 ^(a)	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 4,366,955	\$ 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
Licenses and permits	687,140	886,846	942,495	750,727	615,355	186,976	441,422	376,192	186,751	237,374
Fines and fees	204,886	265,911	282,659	316,720	240,072	305,001	263,248	217,900	289,358	335,319
Charges for services	161,889	335,289	423,579	337,022	654,973	792,935	727,625	800,534	825,751	844,814
Special assessments	77,341	466,514	298,989	229,317	345,883	300,420	387,736	974,839	951,328	966,502
Intergovernmental	2,641,553	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
Investment earnings	88,024	181,268	497,682	831,916	993,815	296,824	49,100	49,689	32,136	31,905
Loan revenue	32,652	37,465	35,378	41,875	-	-	-	-	-	-
Other revenues	155,056	221,921	147,338	257,407	347,542	321,922	438,029	224,533	171,331	93,753
Total revenues	8,415,496	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
Expenditures										
General government	588,524	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
Public safety	1,710,856	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
Public works	1,345,077	1,072,924	925,613	1,161,471	1,594,889	1,694,200	1,482,616	1,459,363	1,417,646	1,547,336
Culture and recreation	828,581	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
Capital outlay	5,160,746	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
Debt service:										
Interest	405,611	506,669	774,222	914,694	1,529,276	1,410,869	1,501,306	1,453,142	1,266,297	1,162,286
Principal	3,097,500	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
Other	43,268	12,127	96,444	202,359	61,669	183,014	314,416	159,058	146,166	199,839
Total expenditures	13,180,163	14,886,165	17,488,758	21,144,279	27,581,881	18,343,492	17,552,533	24,924,876	16,925,398	20,208,059
Excess of revenues over (under) expenditures	(4,764,667)	(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)
Other Financing Sources (Uses)										
Bonds issued	3,091,000	725,000	3,355,000	3,545,000	-	5,460,000	5,689,822	2,794,765	1,325,000	3,995,000
Premium on G.O. Bonds	-	-	-	-	-	36,180	-	-	-	-
Certificates of participation issued	-	-	-	7,150,000	-	-	-	-	-	-
Loan proceeds	-	-	-	1,053,190	-	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-	-	-	-	-	-
Special assessment bonds issued	-	105,000	-	-	-	-	-	-	-	-
Bond Anticipation notes issued	1,095,750	-	-	-	910,757	651,632	2,570,970	1,302,327	3,960,000	4,915,000
Construction loan	-	-	-	-	23,001	-	-	2,281,216	316,065	87,668
Sale of capital assets	-	-	-	97,958	989,000	-	-	-	138,077	73,929
Capital leases	175,080	-	-	19,302	3,053	997	-	8,457	8,261	-
Insurance proceeds	-	-	-	-	-	-	-	-	-	-
Payments to escrow agent	-	(105,000)	-	-	-	-	-	-	-	-
Transfers in	743,534	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
Transfers out	(708,893)	(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)
Total other financing sources (uses)	4,396,471	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
Net change in fund balances	\$ (368,196)	\$ (483,515)	\$ (1,106,096)	\$ 4,394,102	\$ (11,642,551)	\$ 721,029	\$ 3,359,710	\$ (73,238)	\$ 4,483,596	\$ 4,356,753
Debt service as a percentage of noncapital expenditures	40.6%	36.7%	17.8%	22.4%	26.9%	24.1%	29.2%	42.0%	33.7%	46.2%

Note: ^(a)Differences between 2003 and 2004 General Government expenditures are largely due to GAAP reporting categorization differences caused by a change in City accounting practices. In 2003, proprietary transfers to the General Fund were calculated as a percentage of services to General Government. GAAP direct such "interfund services" transfers to be netted against General Governmental expenditures. In 2004, proprietary transfers to the General Fund were a percentage of revenues, and GAAP direct these "interfund transfers" to be reported as transfers in. Without GAAP requirements, the General Government expenditures for 2003 was \$2,163,840.

Source: City of Gardner Finance Department

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

Fiscal Year	Electricity Generated & Purchased	Electricity Sold To Customers	(a) Electricity Consumed & Unbilled	(b) Average Percent Unbilled	Gallons of Water Produced & Purchased	Gallons of Water Sold	(c) Gallons of Water Unbilled	(d) Average Percent Unbilled	Gallons of Wastewater Treated	Total Direct Rate					
										Base (e) Rate	Usage (e) Rate	Base (e) Rate	Usage (e) Rate		
2003	83,554	83,082	10,472	11.19%	519	414	105	20.23%	412	\$ 5.00	\$ 0.0839	\$ 8.70	\$ 3.94	\$ 7.00	\$ 4.45
2004	94,470	81,988	12,482	13.21%	598	463	135	22.59%	499	\$ 6.00	\$ 0.0862	\$ 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	\$ 0.0905	\$ 8.27	\$ 3.75	\$ 7.35	\$ 4.68
2006	117,288	111,371	5,917	5.04%	712	494	218	30.62%	476	\$ 6.20	\$ 0.0932	\$ 8.52	\$ 3.86	\$ 7.72	\$ 4.91
2007	135,953	118,858	17,095	12.57%	723	488	235	32.50%	517	\$ 6.40	\$ 0.0960	\$ 8.52	\$ 4.05	\$ 8.75	\$ 5.16
2008	126,224	120,486	5,738	4.55%	758	552	206	27.18%	589	\$ 6.72	\$ 0.1008	\$ 9.40	\$ 4.25	\$ 8.75	\$ 5.57
2009	124,014	116,584	7,430	5.99%	717	473	244	34.03%	768	\$ 6.72	\$ 0.1008	\$ 9.90	\$ 4.45	\$ 9.45	\$ 6.00
2010	137,083	132,915	4,168	3.04%	721	497	224	31.07%	752	\$ 6.72	\$ 0.1008	\$ 10.40	\$ 4.65	\$ 10.20	\$ 6.50
2011	137,841	128,646	9,195	6.67%	795	501	294	36.96%	784	\$ 6.72	\$ 0.1008	\$ 10.70	\$ 4.80	\$ 10.70	\$ 6.85
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

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	
2003	546	6	507	4	1,063
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

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	Water	Wastewater
2003	4,252	270	7	4,744	195	7	4,560	189	7	4,529	4,756
2004	4,821	269	7	4,699	185	7	4,549	179	7	5,097	4,735
2005	5,254	283	6	5,439	204	6	5,278	198	6	5,543	5,482
2006	6,156	325	6	5,812	220	6	5,657	214	6	6,487	5,877
2007	6,547	407	5	6,065	253	5	5,958	197	5	6,959	6,160
2008	6,726	410	5	6,360	248	5	6,146	207	5	7,141	6,358
2009	6,867	418	6	6,476	243	5	6,239	206	5	7,291	6,450
2010	6,944	425	6	6,546	260	5	6,309	205	5	7,375	6,519
2011	7,064	424	6	6,554	256	5	6,333	204	5	7,494	6,542
2012	7,163	448	6	6,598	259	5	6,398	209	5	7,617	6,612

Source: City of Gardner Utility Department

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Water Rates										
<i>(All Meter Sizes)</i>										
Base Rate	\$ 8.70	\$ 8.70	\$ 8.27	\$ 8.52	\$ 8.52	\$ 8.95	\$ 9.40	\$ 9.90	\$ 10.40	\$ 10.70
Usage Rate (per 1,000 gallons) First 40,000 gallons	3.94	3.94	3.75	3.86	3.86	4.05	4.25	4.45	4.65	4.80
Usage Rate (per 1,000 gallons) Over 40,000 gallons	3.15	3.15	3.00	3.10	3.10	3.26	3.42	3.60	3.80	3.90
Wastewater Rates										
Base Rate	\$ 7.00	\$ 7.00	\$ 7.35	\$ 7.72	\$ 7.72	\$ 8.10	\$ 8.75	\$ 9.45	\$ 10.20	\$ 10.70
Usage Rate (per 1,000 gallons)	4.45	4.45	4.68	4.91	4.91	5.16	5.57	6.00	6.50	6.85
Electric Rates										
<i>Residential</i>										
Base Rate	\$ 5.00	\$ 5.00	\$ 6.00	\$ 6.00	\$ 6.20	\$ 6.40	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72
Usage Rate (per kWh)	0.08390	0.08390	0.08620	0.09051	0.09323	0.09603	0.10083	0.10083	0.10083	0.10083
<i>Commercial</i>										
Base Rate	\$ 6.00	\$ 6.00	\$ 6.60	\$ 6.80	\$ 6.80	\$ 7.00	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35
Usage Rate (per kWh)	0.0890	0.0890	0.9350	0.0963	0.09631	0.09920	0.10416	0.10416	0.10416	0.10416
<i>Commercial With Demand</i>										
Base Rate for Demand	\$ 100.00	\$ 100.00	\$ 15.00	\$ 15.00	\$ 15.45	\$ 15.90	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70
Usage Rate (per kW)	10.00	10.00	12.00	12.60	13.00	13.39	14.06	14.06	14.06	14.06
Usage Rate (per kWh) First 5,000 kWh	0.0432	0.0432	0.0436	0.0458	0.0472	0.0486	0.05099	0.05099	0.05099	0.05099
Usage Rate (per kWh) Over 5,000 kWh	0.0370	0.0370	0.0374	0.0393	0.0404	0.04165	0.04373	0.04373	0.04373	0.04373
<i>Commercial Large With Demand</i>										
Base Rate for Demand	\$ 100.00	\$ 100.00	\$ 20.00	\$ 20.00	\$ 20.60	\$ 21.20	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26
Usage Rate (per kW)	10.00	10.00	12.00	12.60	13.00	13.39	14.06	14.06	14.06	14.06
Usage Rate (per kWh) First 5,000 kWh	0.04000	0.04000	0.04250	0.04463	0.04597	0.04735	0.04972	0.04972	0.04972	0.04972
Usage Rate (per kWh) Over 5,000 kWh	0.03470	0.03470	0.03690	0.03875	0.03991	0.04111	0.04317	0.04317	0.04317	0.04317
All Electric Rates										
<i>Residential</i>										
Base Rate	\$ 5.00	\$ 5.00	\$ 6.00	\$ 6.00	\$ 6.20	\$ 6.40	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72
Summer Usage Rate (per kWh)	0.08390	0.08390	0.08850	0.09293	0.09572	0.09859	0.10352	0.10352	0.10352	0.10352
Winter Usage Rate (per kWh) First 800 kWh	0.06800	0.06800	0.07260	0.07623	0.07852	0.08088	0.10352	0.10352	0.10352	0.10352
Winter Usage Rate (per kWh) Over 800 kWh	0.02700	0.02700	0.03520	0.03696	0.03807	0.03921	0.04117	0.04117	0.04117	0.04117
<i>Commercial</i>										
Base Rate	\$ 6.00	\$ 6.00	\$ 6.60	\$ 6.60	\$ 6.80	\$ 7.00	\$ 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
Summer Usage Rate (per kWh)	0.08900	0.08900	0.02960	0.03108	0.03201	0.03297	0.03462	0.03462	0.03462	0.03462
Winter Usage Rate (per kWh)	0.02700	0.02700	0.02700	0.02835	0.02920	0.03008	0.03158	0.03158	0.03158	0.03158

Source: City of Gardner Utility Department

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

Customer	Electric Revenue		Water Revenue		Wastewater Revenue	
	Amount	%	Amount	%	Amount	%
Walmart	\$ 357,367.16	2.58%	\$ 184,466.50	4.81%	\$ 5,734.10	0.17%
Price Chopper	279,408.08	2.02%	30,283.20	0.79%	7,740.30	0.23%
Coleman	217,516.13	1.57%	18,595.40	0.48%	10,751.25	0.32%
ITW Labels	145,957.84	1.05%	17,251.80	0.45%	11,246.30	0.33%
U.S.D. 231 - Pioneer Ridge	134,519.84	0.97%	13,290.03	0.35%	11,497.85	0.34%
Tradenet Publishing Expansion	112,952.23	0.81%	12,523.00	0.33%	11,615.15	0.34%
U.S.D. 231 - WMS	92,950.15	0.67%	8,975.40	0.23%	13,003.65	0.38%
U.S.D. 231 - Moonlight Elementary	80,218.68	0.58%	8,447.10	0.22%	14,573.65	0.43%
U.S.D. 231 - Madison	76,514.42	0.55%	8,311.80	0.22%	26,897.45	0.79%
Tradenet Publishing	72,239.37	0.52%	8,229.30	0.21%	\$ 32,433.90	0.96%
Subtotal (10 largest)	1,569,643.90	# 11.32%	310,373.53	8.09%	145,493.60	4.29%
Balance from other customers	12,294,117.34	88.68%	3,525,070.23	91.91%	3,242,769.69	95.71%
Grand Totals	\$ 13,863,761.24	100.00%	\$ 3,835,443.76	100.00%	\$ 3,388,263.29	100.00%

Customer	Electric Revenue		Water Revenue		Wastewater Revenue	
	Amount	%	Amount	%	Amount	%
Mid-America Plastics	\$ 374,196.49	6.24%	\$ 118,975.50	6.82%	\$ 9,150.55	0.71%
Price Chopper	180,164.79	3.01%	8,045.65	0.46%	8,727.15	0.68%
U.S.D. 231 - 425 N Waverly DAC	92,122.01	1.54%	7,181.25	0.41%	7,784.40	0.61%
Dot Label	85,417.96	1.43%	6,469.05	0.37%	7,551.10	0.59%
Tradenet	68,389.64	1.14%	5,637.32	0.32%	7,254.85	0.57%
U.S.D. 231 - Moonlight Elementary	65,086.31	1.09%	5,621.90	0.32%	6,048.90	0.47%
U.S.D. 231 - WMS Main Service	62,516.59	1.04%	5,421.05	0.31%	5,826.40	0.45%
U.S.D. 231 - Gardner Elementary	59,613.78	0.99%	5,379.45	0.31%	4,707.55	0.37%
Cramer Products	45,114.16	0.75%	4,576.30	0.26%	4,629.35	0.36%
U.S.D. 231 - Sunflower Elementary	40,102.76	0.67%	4,296.06	0.25%	2,998.10	0.23%
Subtotal (10 largest)	1,072,724.49	17.90%	171,603.53	9.84%	64,678.35	5.04%
Balance from other customers	4,919,295	82.10%	1,572,709	90.16%	1,217,752	94.96%
Grand Totals	\$ 5,992,019	100.00%	\$ 1,744,312	100.00%	\$ 1,282,430	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 Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2003	\$ 45,593,076	\$ 10,257,888	\$ 1,434,550	\$ 1,921,260	\$ -	\$ 59,206,774	22.854	\$ 515,395,275	11.49%
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%

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)	
2003	19.822	3.032	22.854	1.500	16.221	2.948	1.602	9.428	75.494	130.047
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

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**

	2012			2003			
	Type of Business	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Taxpayer							
Walmart	Retail	\$ 1,758,251	1	1.37%			
Moonlight Apartments L.L.C.	Real Estate	1,660,944	2	1.29%			
Horizon Trails, LLC	Real Estate	1,439,915	3	1.12%			
Martens Rentals, L.L.C.	Real Estate	1,368,981	4	1.07%	1,562,043	2	2.04%
C.L.S. Investment Company	Real Estate	1,254,075	5	0.98%	1,141,582	3	1.49%
Energy Center Industrial, LLC	Real Estate	1,037,001	6	0.81%			
DJC Properties, L.L.C.	Real Estate	1,008,311	7	0.78%			
Kansas Gas Service	Utility	936,000	8	0.73%			
Fountain Gate Village, LLC	Real Estate	849,777	9	0.66%			
Woodstone Apartments, L.P.	Real Estate	841,685	10	0.65%	698,510	8	0.91%
United Telephone Company	Utility				2,030,578	1	2.66%
Price Chopper	Grocery Store				788,325	4	1.03%
Mid America Plastics, Inc.	Manufacturing-Plastics				576,175	5	0.75%
Moonlight Plaza, LLC	Shopping Mall				623,778	6	0.82%
Kansas City Power & Light	Utility				521,076	7	0.68%
Chaudhrys Investment Group	Commercial				531,730	9	0.70%
Lincoln Terrace Townhomes	Townhomes				452,319	10	0.59%
Totals		\$ 12,154,940		9.46%	\$ 8,926,116		11.67%

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	% of Levy	Amount	Percent of Levy ^(b)	Amount	Percent of Levy ^(b)
2003	\$ 1,546,224		\$ 1,430,360	92.51%	\$ 101,833		\$ 1,532,193	99.09%
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		3,405,383	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		4,043,930	99.80%
2012	4,001,706		3,890,430	97.22%	210,838		4,101,268	102.49%

^(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
2003	\$ 3,112,272	\$ 1,321,128	\$ 2,995,750	\$ -	\$ 191,747	\$ -	\$ 4,000,000	\$ 16,416,600	\$ 2,509,250	\$ -	\$ 20,285,005	\$ 50,831,752	9.81%	\$ 4,308
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	9,767,850	2,790,000	7,150,000	9,700,000	108,152	911,889	3,840,000	20,337,150	6,790,000	-	24,986,620	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	23,349,440	84,114,865	11.74%	4,916
^(c) 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
^(d) 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
^(e) 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

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 City's fire services moved to Johnson County Fire District No. 1. The County purchased a fire pumper the City was leasing.

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

Source: City of Gardner Finance Department

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

Fiscal Year	General Obligation Bonds	Special Assessment GO Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value ^(a) of Property	Per Capita ^(b)
2003	\$ 19,528,872	\$ 1,321,128	\$ 488,565	\$ 20,361,435	3%	1,726
2004	20,155,000	3,200,000	313,625	23,041,375	3%	1,739
2005	22,340,000	3,035,000	258,152	25,116,848	3%	1,700
2006	30,095,000	2,790,000	184,701	32,700,299	3%	2,019
2007	26,645,000	2,270,000	237,844	28,677,156	3%	1,676
2008	34,375,000	5,255,000	310,091	39,319,909	3%	2,173
2009	32,902,028	10,307,972	78,023	43,131,977	4%	2,319
2010	30,355,000	9,605,000	105,384	39,854,616	4%	2,084
2011	26,180,000	10,215,000	373,870	36,021,130	4%	1,799
2012	32,900,000	13,425,000	492,843	45,832,157	5%	2,215

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, 2012

<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	\$ 109,940,000	58.39%	\$ 64,195,383
Johnson County	11,958,678	1.71%	204,449
Johnson County Park and Recreation	2,660,000	1.71%	45,476
Other			
Johnson County: Public Building Commission	227,300,000	1.71%	<u>3,885,990</u>
Subtotal, overlapping debt			68,331,298
City Direct Debt			<u>31,640,644</u>
Total direct and overlapping debt			<u>\$ 99,971,942</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**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 26,225,612	\$ 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
Total net debt applicable to limit	11,052,125	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
Legal debt margin	\$ 15,173,487	\$ 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
Total net debt applicable to the limit as a percentage of debt limit	42.14%	42.74%	42.53%	32.23%	27.68%	37.15%	36.80%	33.05%	34.17%	44.09%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value ^(a)	\$ 148,415,485
Debt limit (30% of assessed value) ^(b)	44,524,646
Debt applicable to limit:	
G.O. Bonds and Temporary Notes Outstanding	52,570,000
Less: Amount set aside for utilities, refunding, and revenue-supported bonds	(32,938,350)
Total net debt applicable to limit	19,631,650
Legal debt margin	\$ 24,892,996

^(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⁾
2003	11,800	\$ 518,161,600	\$ 43,912	31.2	3,215	4.5%
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%

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>2012</u>			<u>2003</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Unified School District No. 231	775	1	34.11%	475	1	28.91%
Coleman	183	2	8.05%			
Walmart	120	3	5.28%			
Meadowbrook Rehabilitation Hospital	118	4	5.19%	120	3	7.30%
Price Chopper	115	5	5.06%	85	7	5.17%
City of Gardner	108	6	4.75%	89	6	5.42%
TradeNet Publishing	100	7	4.40%	115	4	7.00%
Medical Lodge of Gardner	52	8	2.29%			
Cramer Products, Inc.	50	9	2.20%	52	8	3.16%
D.O.T. Label, Inc. (ITW)	50	10	2.20%	130	2	7.91%
Metcalf Bank (First Bank in 2003)	22		0.97%	34	9	2.07%
Jarden Home Brands	20		0.88%			
Gardner Bank	19		0.84%			
Central National Bank	9		0.40%			
Empire Plastics	-		0.00%	12	10	0.73%
Mid America Plastics, Inc.	-		0.00%	107	5	6.51%
Total	1,741		76.62%	1,219		74.18%

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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General government										
Administration	2	2	3	3	3	3	3	3	3	2
Human Resources/City Clerk	2	2	2	2	2	3	3	3	3	3
Finance										
Accounting	4	5	5	5	5	4	4	4	4	4
Court	1	2	2	2	2	2	2	2	2	1
Utilities	7	8	8	8	8	8	8	8	8	8
Information Systems	-	-	-	1	1	1	1	1	1	1
Planning	3	4	4	5	4	4	4	1	1	1
Codes	5	5	5	6	7	5	5	2	2	1
Public Safety										
Administration	4	4	4	5	6	6	6	5	5	4
Operations	21	21	24	28	34	33	33	23	22	22
Animal Control	-	1	1	1	1	1	1	1	1	1
Public Works										
Administration	5	5	5	5	4	4	4	5	5	5
Fleet	1	1	1	1	1	1	1	1	1	1
Engineering	3	3	5	6	6	4	4	4	4	4
Building Maintenance	-	-	-	1	1	1	1	1	1	1
Streets & Line Maintenance	8	8	11	12	9	8	8	12	11	12
Electric	9	9	10	10	12	9	10	13	16	18
Water	6	6	8	9	10	10	10	5	5	4
Wastewater	6	6	7	9	10	10	9	5	5	5
Culture and Recreation										
Recreation Services	3	3	4	4	6	6	6	5	5	5
Park Maintenance	4	5	6	6	8	8	8	7	8	5
Total	94	100	115	129	140	131	131	111	113	108

Source: City of Gardner Human Resources Department

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

<u>Function</u>	<u>2003</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>
General government ⁽¹⁾										
Building permits issued	432	505	475	300	255	98	96	266	99	62
Building inspections conducted	5,748	8,142	9,669	7,419	4,862	3,432	2,579	2,400	1,521	1,560
Police Department ⁽²⁾										
Traffic violations	2,820	2,931	3,366	3,799	2,742	3,763	2,459	2,087	3,732	2,908
Fire responses	257	298	333	319	364	430	432	331	113	343
Medical responses	616	640	824	871	922	901	980	825	622	1,052
Public Works ⁽³⁾										
Street resurfacing (shown in linear feet)	5,860	12,766	8,420	11,080	19,183	5,280	3,370	1,100	13,610	270
Curb replacement (shown in linear feet)	1,505	2,897	2,547	4,340	8,627	-	1,165	-	315	260
Electric ⁽⁴⁾										
Average daily consumption (in kWh)	214,543	224,965	287,326	292,556	327,896	322,695	319,408	364,150	354,075	360,000
Electric meters installed	552	567	547	369	399	90	95	129	94	53
Water ⁽⁴⁾										
Average daily consumption (in thousands)	1,565	1,402	1,457	1,543	1,634	1,604	1,296	1,362	1,659	1,920
Water meters installed	511	514	477	317	284	90	85	88	94	53
Wastewater ⁽⁴⁾										
Average daily sewage treatment (in thousands)	1,129	1,367	1,518	1,304	1,415	1,614	2,103	2,060	2,147	1,184
Culture and Recreation ⁽⁵⁾										
Athletic Program Participants	1,903	1,823	1,863	2,132	2,182	2,428	2,984	4,462	5,133	5,205
Aquatic Admissions	17,175	14,057	21,969	27,174	100,247	103,206	97,984	89,163	78,102	84,313

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	2003	2004	2005	2006	2007⁽⁶⁾	2008⁽⁷⁾	2009	2010^(a)	2011	2012
Public Safety ⁽²⁾										
Stations	1	1	1	1	1	2	2	1	1	1
Patrol/AC Units	10	11	11	14	15	14	14	13	16	16
Fire Fleet	4	4	5	5	7	8	8	0	0	0
Public Works ⁽³⁾										
Streets (miles)	47.91	53.23	60.84	66.34	87.40	91.93	93.53	99.33	108.7	108.7
Streetslights	908	964	1,022	1,070	1,085	1,134	1,139	1,139	1,214	1,214
Electric ⁽⁴⁾										
Generators	2	2	2	2	2	2	2	2	2	2
Substations	2	2	2	3	3	3	3	3	3	3
Overhead lines (miles)	28	34	38	45	46	46	49.5	49.75	51.5	56.5
Underground lines (miles)	32	40	44	50	51	51	52.5	52.5	53.5	55.2
Water ⁽⁴⁾										
Water mains (miles)	80.44	86.26	93.86	99.93	104.05	104.35	105.52	106.01	106.2375	106.238
Treatment Plants	2	2	2	1	1	1	1	1	1	1
Wastewater ⁽⁴⁾										
Sanitary sewers (miles)	84.45	93.27	107.68	112.54	119.40	122.66	122.6	123.35	123.35	124.83
Storm sewers (miles)	24.09	27.72	33.68	38.26	39.72	41.16	42.59	42.64	42.64	42.64
Treatment Plants	3	3	3	3	3	3	3	3	3	3
Culture and Recreation ⁽⁵⁾										
Acreage	unavailable	96.04	177.06	196.40	226.93	330.58	332.24	332.24	339.95	339.95
Parks	9	9	10	10	10	13	13	13	13	13
Baseball/softball/soccer fields	4	4	4	4	4	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 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
- ⁽⁶⁾ Streets Dept. new inventory process begun in 2006 found unreported miles.
- ⁽⁷⁾ 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.

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

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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gardner, Kansas (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 25, 2013.

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 City'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 of 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 25, 2013
Wichita, KS

CITY OF GARDNER, KANSAS

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Year Ended December 31, 2012

Finding 2011-1 – Significant Deficiency

Condition – Significant adjustments to the trial balance were not initially identified by the City’s internal control structure in order for the financial statements to be in accordance with generally accepted accounting principles (GAAP). Although the number of entries decreased from 20 in 2010 to 16 in 2011, this finding is repeated from the prior year.

Criteria – The financial statements are the responsibility of management. As such, the City’s internal control over the financial statements should identify misstatements on a consistent basis.

Cause – Inappropriate application of generally accepted accounting principles.

Effect – There is the potential that the financial statements may be materially misstated.

Recommendation – We recommend that the City review its trial balance throughout the year and at year-end to ensure that all adjustments have been made for the financial statements to be in accordance with GAAP.

Management’s Response/Corrective Action Plan (Unaudited) – Progress continues to be made to decrease the number of unidentified adjustments to the trial balance. The number of journal entries made during the current audit year decreased 20% from the prior year, for a combined 51% decrease in the past two years. Additional progress to reduce the number of unidentified adjustments even further is expected with increased staff knowledge and experience for the fiscal year 2012 audit.

Follow-up – No significant journal entries were made during the current year.

