

G GARDNER KANSAS *Blazing New Trails*



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended December 31, 2018



CITY OF GARDNER, KANSAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018



Prepared by the Finance Department

Fiscal Services Division

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CITY OF GARDNER, KANSAS
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
Year Ended December 31, 2018
TABLE OF CONTENTS

INTRODUCTORY SECTION:	<u>Page</u>
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	5 - 15
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds	19
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	23

CITY OF GARDNER, KANSAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Year Ended December 31, 2018

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Statement of Net Position – Proprietary Funds	24 - 25
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	26 - 27
Statement of Cash Flows – Proprietary Funds	28 - 31
Statement of Fiduciary Net Position – Agency Fund	32
Notes to Basic Financial Statements	33 - 74
Required Supplementary Information	75
Other Supplementary Information:	
Combining Balance Sheet – Nonmajor Governmental Funds	82 - 83
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	84 - 85
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Economic Development Reserve Fund	86
Special Alcohol/Drug Program Fund	87
Special Parks and Recreation Fund	88
Park Improvement Reserve Fund	89
Special Highway Fund	90
Street Improvement Fund	91
Park Sales Tax Fund	92
Infrastructure Special Sales Tax Fund	93
Debt Service Fund	94

CITY OF GARDNER, KANSAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Year Ended December 31, 2018

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Combining Statement of Net Position – Nonmajor Enterprise Funds	96
Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Nonmajor Enterprise Funds	97
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	98
Combining Statement of Net Position – Internal Service Funds	99
Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Internal Service Funds	100
Combining Statement of Cash Flows – Internal Service Funds	101
Combining Statement of Fiduciary Net Position – Agency Fund	102
Combining Statement of Changes in Assets and Liabilities – Agency Fund	103
 STATISTICAL SECTION (UNAUDITED):	
Net Position by Component	105
Changes in Net Position	106
Fund Balances of Governmental Funds	107
Changes in Fund Balances, Governmental Funds	108
Utilities Produced, Consumed and Treated	109
Annual Electric and Water Meter Installations	110
Number of Electric, Water, and Wastewater Customers by Type	111
Electric, Water, and Wastewater Rates	112
Ten Largest Electric, Water, and Wastewater Customers	113
Assessed Value and Estimated Actual Value of Taxable Property	114
Direct and Overlapping Property Tax Rates	115

CITY OF GARDNER, KANSAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Year Ended December 31, 2018

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Principal Tax Payers	116
Property Tax Levies and Collections	117
Ratios of Outstanding Debt by Type	118
Ratios of General Bonded Debt Outstanding	119
Direct and Overlapping Governmental Activities Debt	120
Legal Debt Margin Information	121
Demographics and Economic Statistics	122
Principal Employers	123
Full-time Equivalent City Government Employees by Function	124
Operating Indicators by Function	125
Capital Asset Statistics by Function	126
Electric Average Power Supply Cost Analysis per KWh and Customer Revenues	127
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>	128 - 129



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended

December 31, 2018

INTRODUCTORY SECTION

June 4, 2019

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Gardner (City) for the fiscal year ended December 31, 2018. This is the fifteenth year that the City has prepared a CAFR, and staff has submitted this CAFR for a Certificate of Achievement for Excellence in Financial Reporting with the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that conforms to program standards. The CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for one year only. We believe this report conforms to the Certificate of Achievement program requirements.

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

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

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal requirements of Kansas Statutes. Activities of the General Fund, special revenue funds (unless exempted by a specific statute), enterprise funds, and the Debt Service Fund are included in the annual appropriated

budget, as required by Kansas Statutes. Spending in funds, which are not subject to said Statutes, are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the City.

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

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

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

Profile of the Government

The City of Gardner was established on March 16, 1858 and came under the jurisdiction of the State of Kansas in 1861. The City was incorporated as a Municipal Corporation of the third class in January 1887 and as a Municipal Corporation of the second class in December 2002. The City is located in Johnson County, Kansas, along Interstate 35, about 25 miles southwest of downtown Kansas City, Missouri. Johnson County, Kansas is considered to be one of the top growth areas in the state, and one of the top growth areas in the country. Johnson County is the largest county in Kansas with a population of approximately 597,555.

Because of Gardner's location on the edge of the Kansas City metropolitan area, the city serves as a suburban living area for individuals employed in the metropolitan area, as well as the surrounding rural agricultural community. Gardner is also experiencing rapidly accelerated development tangentially related to the intermodal/logistics park facility noted below. Currently, Gardner is approximately 10.3 square miles in size.

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

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

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 a blended 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. In 2018, there was no fund balance or activity to report for the PBC.

Economic Condition and Outlook

Since 1990, Gardner has experienced tremendous growth, catapulting from 3,200 to approximately 22,000 citizens. 2019 projections from the county appraiser indicate significant growth in assessed valuation, at 10.12% for taxable properties. Based on the 2019 projections, the City's overall market value increased from \$1.69 billion to \$1.84 billion, an additional 8.9%.

Gardner is experiencing accelerating development, tangentially influenced by a several thousand acre railroad and logistics park - an inland port supporting the global supply chain - on its western border and a premiere multi-modal business park containing over 64 companies with names such as Amazon, DuPont Nutrition and Health, Garmin International, Unilever, and Centurylink on its eastern border. These adjacent business catalysts, the City's financial capacity and ability to leverage its municipally owned utilities, combined with ample undeveloped land around Gardner's two interchanges on Interstate 35, position the City as a central point for commerce.

In 2018, Gardner secured \$105 million in private investment for new businesses and expansions accompanied by projections for over 460 new jobs, 135 new single-family homes, and 3 new housing subdivisions adding over 307 new single-family homes in the future.

Included in this flurry of development activity were two large projects facilitated by industrial revenue bonds paired with property tax abatements: a five-story, 84-room Hampton Inn with a 200-seat conference center and the 646,400 sq. ft. "Excellence" warehouse logistics, manufacturing, and call center facility. The use of property tax abatements for these two projects is consistent with the City Council's long-term strategic priority of promoting economic development and its economic development incentive policy. Gardner's strategic plan, economic development strategy, and economic development incentive policy are available on the City's website. A full cost-benefit analysis for the Hampton Inn Hotel can be found in the March 20, 2017 City Council Meeting Agenda Packet. The full benefit cost analysis for the "Excellence" industrial

project can be found in the October 16, 2017 City Council Meeting Agenda Packet. Both agenda packets can be found on the City's website at www.gardnerkansas.gov.

In addition to the aforementioned projects, a CVS pharmacy, Scooter's Coffee, and Planet Sub recently opened for business. In the last 12 months, several businesses have started construction or made announcements of pending construction: a 5,000 sq. ft. urgent care facility; a 60,000 sq. ft. new grocery store; the redevelopment of the current Price Chopper grocery store into new commercial uses; the development of two new pad sites for restaurants or retail; two new mixed-use developments that include approximately 100,000 sq. ft. of various retail/restaurant/office, 144 apartments, 136 assisted living units, and a 69,000 sq. ft. hotel; and a private wedding and community center development. Olathe Medical Center – a major, regional hospital – announced its first phase of construction for a 10,000 sq. ft. laboratory and special services facility; the total build out of 125,000 sq. ft. for additional medical facilities is planned over the next 5-10 years. Residential construction is also active; the City anticipates issuing 130 single-family home permits in 2019.

The City expects continuing diversification of the tax base and increased valuation over the next several years, although any significant increase in associated revenue will not likely occur until approximately 2 years following the construction wave, as announced projects become reality.

2018 Major Initiatives

Following the cohesive commitment evidenced by consecutive Governing Bodies and citizens, a new Justice Center to house police headquarters, municipal court, and other community purposes started construction in 2018. The facility is anticipated to open in mid-2019.

Promotion of economic development continued with the completion of the Main Street Corridor Study. The study developed a vision for the community's main corridor and will serve as a guide for future land use, infrastructure, and development planning.

Partnership continued with the Southwest Johnson County EDC (SWJOCO EDC) and Gardner Edgerton Chamber of Commerce, as the second community profile magazine was published. Work continues to create professional videos, maps and other projects to more extensively promote Gardner.

Capital projects identified in the previous utility assessments and Capital Improvement Element (CIE) were implemented for water, wastewater, and electric utilities. The CIE is a plan for managing the condition of the City's infrastructure over the next 20 years. This long-term schedule of capital projects will guide infrastructure investment to serve infill areas of the City, as well as extend infrastructure to the I-35 interchanges; development of these interchange areas is essential to securing the City's future.

The City's Inflow and Infiltration Reduction Program was created to help reduce stormwater and ground water from entering into the sanitary sewer system.

Transportation network improvements continued for the I-35 and 191st Gardner Road interchange realignment, Waverly Road from 175th to Madison, and Sante Fe from Waverly to Poplar. Design work for all three projects started in 2018. Construction improvements for the I-35 and 191st Gardner road interchange realignment is anticipated to start in 2020. Construction improvements for Waverly Road from 175th Street to Madison and Sante Fe from Waverly to Poplar are anticipated to start in 2019.

The third phase of the Pavement Management Program improved 33 lane miles of residential streets, including road resurfacing, curb and gutter work, and new ADA accessible sidewalk curb ramps.

The City's 30-year contract with the municipal golf course operator terminated in early 2018. Subsequently, Council approved a golf course management contract with a new operator for an initial 10-year term and two 5-year renewal terms. The contract included the City's \$1,218,000 financial commitment (10-year lease-purchase agreement) for improvements to the irrigation system, turf improvements and enhancements to the irrigation pond. Future improvements are planned as revenue allows.

Future/Planned Initiatives

The Strategic Plan documents the majority of the Governing Body's budget policy directives and will guide the development of future initiatives to support the community's continuing economic "*Transformation 2.0*". The plan includes:

- The four strategic priorities
- Top goal for each strategic priority
- Objectives and strategies for each goal

Continued employee recruitment and retention efforts are planned through FY 2020, including merit compensation, bolstered medical insurance benefits, promotional opportunities, and some market wage adjustments.

Expansion of water treatment capacity is identified in the CIE and supports the Strategic Plan priority to "Promote Economic Development" and its top goal to "Diversify the Tax Base." The design for the Water Treatment Plant Expansion started in 2019.

The City anticipates continued improvements to the transportation network for the aforementioned I-35 and 191st and Gardner Road interchange realignment, Waverly Road from 175th Street to Madison, and Sante Fe from Waverly to Poplar. The fourth phase of the Pavement Management Program is planned and supports the "develop long-term infrastructure" objective in the Strategic Plan. Additional pedestrian trail improvements are planned for 2019, as well as construction of sidewalks and trails to fill gaps around Moonlight Elementary School; the project includes approximately \$252,000 in grant funding through MARC's "Safe Routes to Schools" program. The Transportation Master

Plan update includes the southeast development area of I-35 and 175th Street interchange to support new development.

Economic development partnerships will continue. Due to the expected 2019 opening of Hampton Inn, transient guest tax revenue is anticipated to increase significantly in the future. Part of the additional transient guest tax revenue is earmarked to provide a greater level of funding to the SWJOCO EDC and to fund a Convention and Visitors Bureau (CVB) formed by the Gardner Edgerton Chamber of Commerce. The SWJOCO EDC is expected to receive a total of \$170,000 over FY 2019-2020. The CVB is anticipated to be formed near the end of 2019. A total of \$300,000 was budgeted for the Chamber and CVB over FY 2019-2020, but the amount of funding may vary depending on the timing of hotel's opening and the formation of the CVB. The formation of a CVB supports the Strategic Plan objective to "encourage tourism."

An initiative to provide high-speed fiber infrastructure to the community supporting the strategic priority "promote economic development" is contemplated for the future.

Financial Planning

Revenues greater than budget estimates contributed to the City's EOY 2018 General Fund balance at a healthy 34% of expenditures, exceeding the Government Finance Officers Association's "best practice" recommendation "of no less than two months of regular general fund operating revenues or regular general fund operating expenditures" (or 16.67%). The City's electric, water, and wastewater utility funds also ended FY 2018 with healthy fund balances of 89%, 54%, and 15% of expenditures, respectively.

The City expects 2019-2023 to continue to be financially healthy years, but it will require vigilance, continued strategic planning and strong financial management practices, especially until anticipated new development and its associated revenues become reality.

While deliberately reducing reserves to targeted levels during this time, it is imperative to monitor them closely to preserve funding capacity for development opportunities. Consequently, the City updated its Funding Capacity Study in early 2018. The study provides guidance and context to strategically prioritize projects and opportunities and align those priorities with the City's resources. The 2019-2023 Capital Improvement Program (CIP) includes approximately \$53 million in capital improvements.

Increased vigilance and strategic prioritization is necessitated by the Kansas legislature's introduction of a "tax lid" effective January 1, 2018. The legislation limits local governments' ability to increase property tax revenues without voter approval above a cap calculated from a 5-year rolling average of the Consumer Price Index (CPI). The intent of the legislation is to curtail property tax revenue increases historically gained from increases in the appraised value of properties (a.k.a. market value). An additional impact of restricted property tax revenue is more reliance on volatile sales tax revenue or increasing fees for services. The challenge for growing cities such as Gardner will be prioritizing funding for competing operations, initiatives and development opportunities.

The tax lid legislation may inhibit the City’s ability to facilitate development projects, such as providing incentives or building infrastructure to prepare an area to be “shovel ready,” as development opportunities are typically confidential in nature and require time-sensitive commitments. This need for nimble response is contradictory to the process of scheduling an election and providing enough in-depth, accurate information to educate voters and gain their approval for any tax increase quickly enough to facilitate opportunities, thus making elections for development funding impractical.

In addition to continuing its economic transformation, Gardner is engaged in continuous process improvement. Future financial planning includes identifying and implementing operational efficiencies to enhance fiscal stewardship, sustainability, and increase funding capacity to facilitate development opportunities.

As the Governing Body continues planning major initiatives and capital projects, and as development continues and revenues increase, projections past 2019 will likely be revised. Management will continue to monitor reserves and will take necessary action to maintain desired levels, as evidenced by past financial performance and the current Standard & Poor’s investment grade credit rating of AA-/Stable.

Acknowledgements

The preparation of this report could not have been accomplished without the cooperation and support of the Governing Body in maintaining the highest standards of professionalism in the management of Gardner’s finances. In addition, special thanks are extended to Administration, other City departments, external auditors, and for the efficient, dedicated efforts of the entire staff of the City’s accounting division.

Sincerely,



James Pruetting
City Administrator

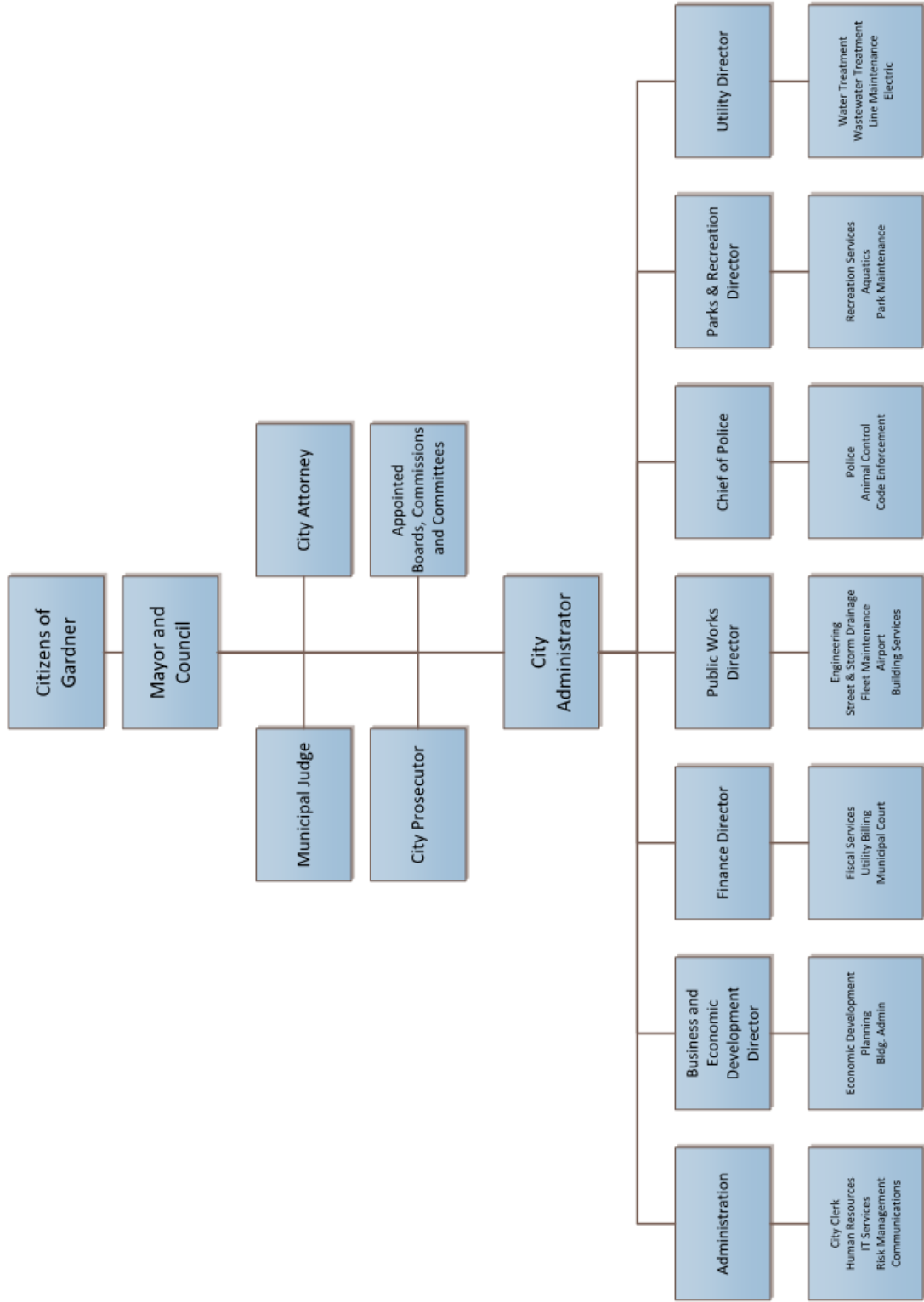


Matthew Wolff
Finance Director

City of Gardner, Kansas

Organizational Chart

December 31, 2018



City of Gardner, Kansas

List of Elected and Appointed Officials

December 31, 2018

Elected Officials

		Term of Office
Mayor	Steve Shute	2018-2022
Council President	Lee Moore	2015-2019
Council Vice President	Rich Melton	2015-2019
Councilmember	Mark Baldwin	2018-2022
Councilmember	Randy Gregorcyk	2018-2022
Councilmember	Todd Winters	2015-2019

Appointed Officials

Interim City Administrator	Laura Gourley
Municipal Judge	Robin Lewis
City Prosecutor	Christopher Mann
City Prosecutor	Ashley Repp
City Attorney	Ryan Denk
Business and Economic Development Director	Larry Powell
Finance Director	Matthew Wolff
Public Works Director	Michael Kramer
Chief of Police	James Pruetting
Parks and Recreation Director	Jason Bruce
Utility Director	Gonzalo Garcia



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Gardner
Kansas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended

December 31, 2018

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, each major fund, and the aggregate remaining fund information of City of Gardner, Kansas (City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gardner, Kansas, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8 to the financial statements, in 2018, the City adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2019 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 solely 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

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

June 4, 2019
Wichita, Kansas

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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, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of 2018 by \$130,828,576 (*net position*). Of this amount, \$6,376,930 (*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 \$3,684,984 during the fiscal year.
- As of the close of 2018, the City's governmental funds reported combined ending fund balances of \$20,222,463. Approximately 20% of this total amount, \$3,980,094, 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 \$4,175,840 or 34% of the total general fund revenues of \$12,111,110.
- The City's total long-term debt increased by \$18,946,972 during the fiscal year. The key factor for the increase was new debt issued for \$26,953,645, which was offset by \$8,006,673 of debt retirement.
- The City recorded a prior period adjustment to the government-wide financial statements to adjust its total OPEB liability and net position of the governmental activities by \$49,206 and net position of the business-type activities by \$31,182, for a total reduction in net position of \$80,388 due to the implementation of GASB 75. The prior period adjustment of \$31,182, recorded in the financial statements of the business-type activities was also recorded in the City's proprietary fund statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

The City has five enterprise funds: Electric Fund, Water Fund, Wastewater Fund, Stormwater Fund and the Airport Fund. The City has four internal service funds: Risk Services Fund, Information Technology Services Fund, Building Services 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 notes described above, required supplementary information concerning the City's net pension liability and schedule of contributions for KPERS and KP&F and the City's total OPEB liability have been included to give the reader further information. Combining statements for non-major funds, internal service funds, and fiduciary funds are presented following the required supplementary information. Finally, the Statistical Section includes statistical data about the City.

ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. For the City, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$130,828,576 at the close of the current fiscal year. The City's net position increased by \$3,684,984 from the prior year, with governmental activities accounting for \$654,129 of the increase, and business-type activities accounting for \$3,030,855 of the increase.

City of Gardner, Kansas Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$37,622,601	\$30,923,680	\$22,103,567	\$19,845,317	\$59,726,168	\$50,768,997
Capital assets	61,435,164	53,753,991	93,089,651	85,832,128	154,524,815	139,586,119
Total assets	99,057,765	84,677,671	115,193,218	105,677,445	214,250,983	190,355,116
Deferred outflow s	2,272,684	2,471,027	519,724	569,498	2,792,408	3,040,525
Long-term liabilities	47,402,559	34,195,511	32,463,120	25,473,104	79,865,679	59,668,615
Other liabilities	1,074,378	1,046,469	1,206,260	1,749,770	2,280,638	2,796,239
Total liabilities	48,476,937	35,241,980	33,669,380	27,222,874	82,146,317	62,464,854
Deferred inflow s	3,980,709	3,688,044	87,789	99,151	4,068,498	3,787,195
Net position:						
Net investment in						
Capital Assets	34,541,491	31,189,584	73,790,033	62,611,603	108,331,524	93,801,187
Restricted for:						
Debt service	14,218,496	15,071,645	-	-	14,218,496	15,071,645
Capital projects	749,775	2,297,740	-	-	749,775	2,297,740
Streets improvements	1,013,247	340,262	-	-	1,013,247	340,262
Economic development	49,488	91,676	-	-	49,488	91,676
Other purposes	89,116	65,211	-	-	89,116	65,211
Unrestricted	(1,788,810)	(837,444)	8,165,740	16,313,315	6,376,930	15,475,871
Total net position	\$48,872,803	\$48,218,674	\$81,955,773	\$78,924,918	\$130,828,576	\$127,143,592

The largest portion of the City's net position (83%) reflects its investment of \$108,331,524 in capital assets (e.g., land, buildings, intangibles, infrastructure, vehicles, machinery and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these are not available for future spending.

An additional \$16,120,122 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 \$6,376,930 is unrestricted and may be used to meet ongoing obligations to citizens and creditors.

The City had a negative balance in unrestricted net position for governmental activities as a result of OPEB and pension liabilities.

Analysis of Changes in Net Position

As stated earlier, the City's net position increased by \$3,684,984 during the current fiscal year. The following table reflects the revenues and expenses for the City's activities for the year ended December 31, 2018, and illustrates the comparison between 2018 and the prior year:

City of Gardner, Kansas Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	\$ 2,480,839	\$ 3,417,570	\$ 29,493,481	\$ 25,447,252	\$ 31,974,320	\$ 28,864,822
Operating grants and contributions	3,734,419	3,495,713	-	-	3,734,419	3,495,713
Capital grants and contributions	2,253,302	493,301	32,121	57,574	2,285,423	550,875
General Revenues:						
Property taxes	4,206,575	4,037,863	-	-	4,206,575	4,037,863
Sales taxes	4,171,850	4,041,798	-	-	4,171,850	4,041,798
Franchise taxes	282,893	360,268	-	-	282,893	360,268
Excise taxes	686,718	176,950	-	-	686,718	176,950
Transient guest tax	66,361	71,383	-	-	66,361	71,383
Unrestricted investment earnings	311,797	65,538	240,469	84,816	552,266	150,354
Other	328,963	28,852	-	-	328,963	28,852
Total Revenue	18,523,717	16,189,236	29,766,071	25,589,642	48,289,788	41,778,878
Expenses:						
General government	3,332,171	3,068,153	-	-	3,332,171	3,068,153
Police	5,040,277	4,395,424	-	-	5,040,277	4,395,424
Public works	4,653,338	4,247,297	-	-	4,653,338	4,247,297
Culture and recreation	3,363,570	3,219,356	-	-	3,363,570	3,219,356
Business & Economic Dev	947,501	893,753	-	-	947,501	893,753
Interest on long-term debt	1,453,025	696,847	-	-	1,453,025	696,847
Electric	-	-	16,829,253	12,699,174	16,829,253	12,699,174
Water	-	-	3,901,601	4,228,110	3,901,601	4,228,110
Wastewater	-	-	4,706,539	4,503,508	4,706,539	4,503,508
Stormwater	-	-	28,443	28,298	28,443	28,298
Airport	-	-	268,698	251,234	268,698	251,234
Total Expenses	18,789,882	16,520,830	25,734,534	21,710,324	44,524,416	38,231,154
Increase (decrease) in net position before transfers	(266,165)	(331,594)	4,031,537	3,879,318	3,765,372	3,547,724
Transfers	969,500	893,800	(969,500)	(893,800)	-	-
Change in net position	703,335	562,206	3,062,037	2,985,518	3,765,372	3,547,724
Net position, 1/1	48,218,674	47,656,468	78,924,918	75,939,400	127,143,592	123,595,868
Prior period adjustment	(49,206)	-	(31,182)	-	(80,388)	-
Net position, 12/31	\$ 48,872,803	\$ 48,218,674	\$ 81,955,773	\$ 78,924,918	\$ 130,828,576	\$ 127,143,592

Governmental Activities

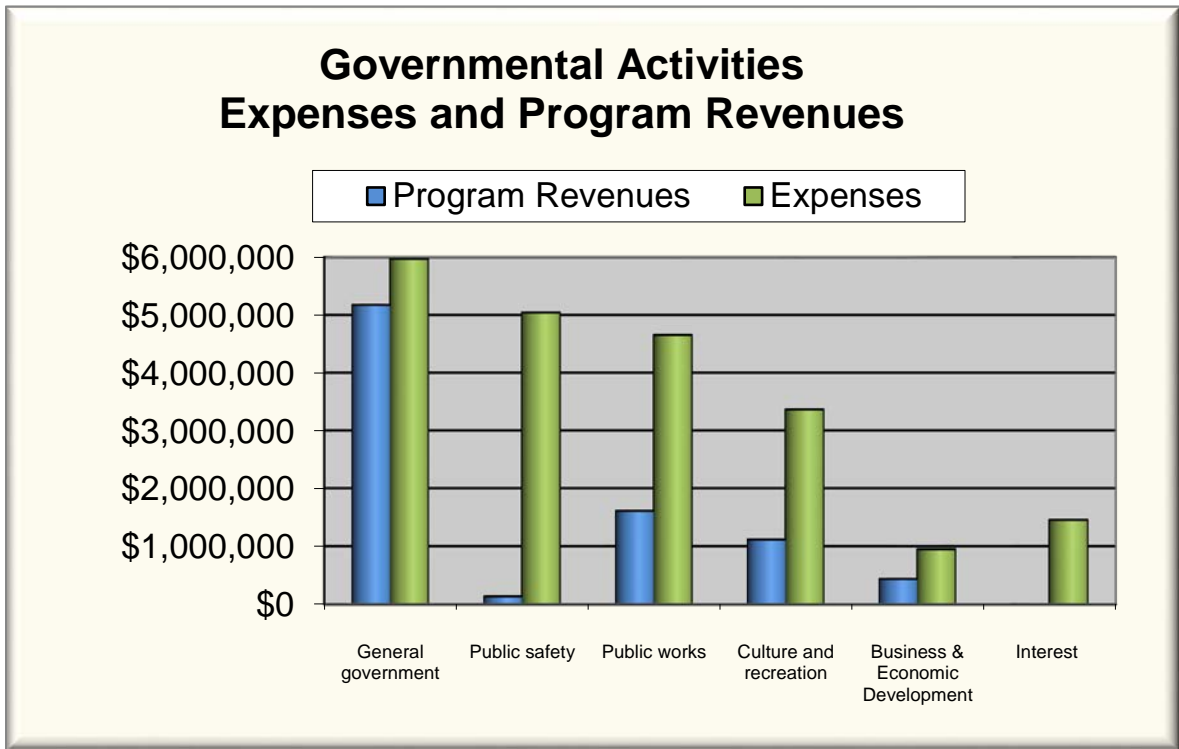
The City's net position related to governmental activities increased \$654,129 during the year, an increase of \$91,923 from the prior year.

Total governmental revenues increased \$2,334,481 from the prior year. The City saw increases in program revenues of \$1,061,976 due to increased grant funding for qualifying street projects; and increased general revenues of \$1,272,505 mainly due to increased excise tax collections from accelerating commercial and residential development. In addition, healthier interest rates contributed to increased investment earnings and growth in the City resulted in additional fees for new economic development projects.

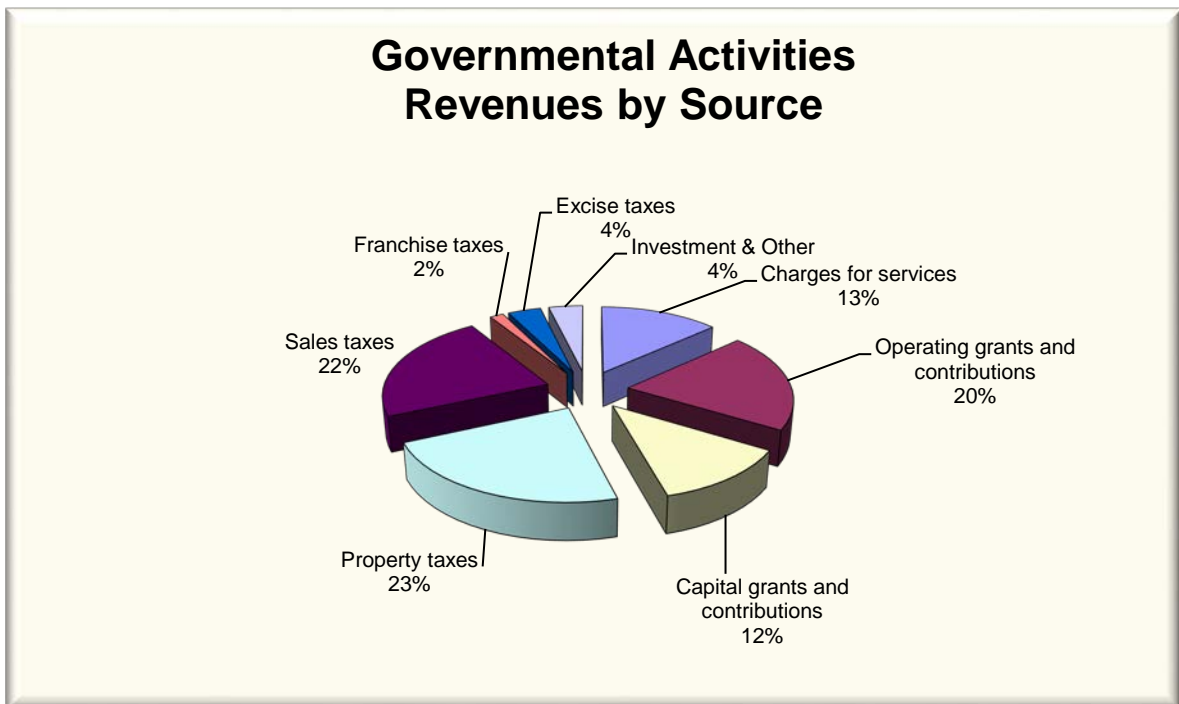
Total governmental expenses increased \$2,269,052 from the prior year. Part of the increase was due to increased costs for interest on long-term debt and issuance costs related to the issuance of new debt to

fund the construction of a new Justice Center. Additionally, police and public works saw increases in personnel-related expenses and capital outlay.

The chart below illustrates how the City’s various governmental activities program revenues vs. program expenses fared in 2018.



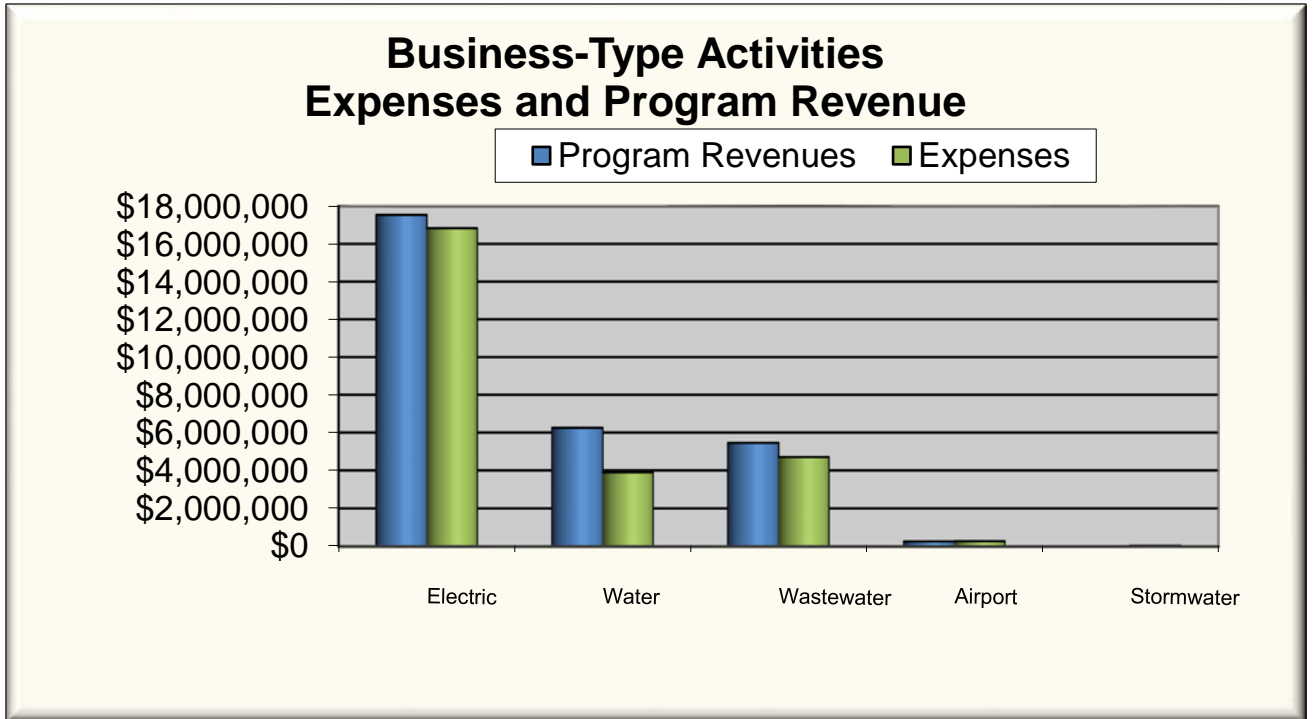
The chart below illustrates the City’s overall program and general revenues for governmental activities:



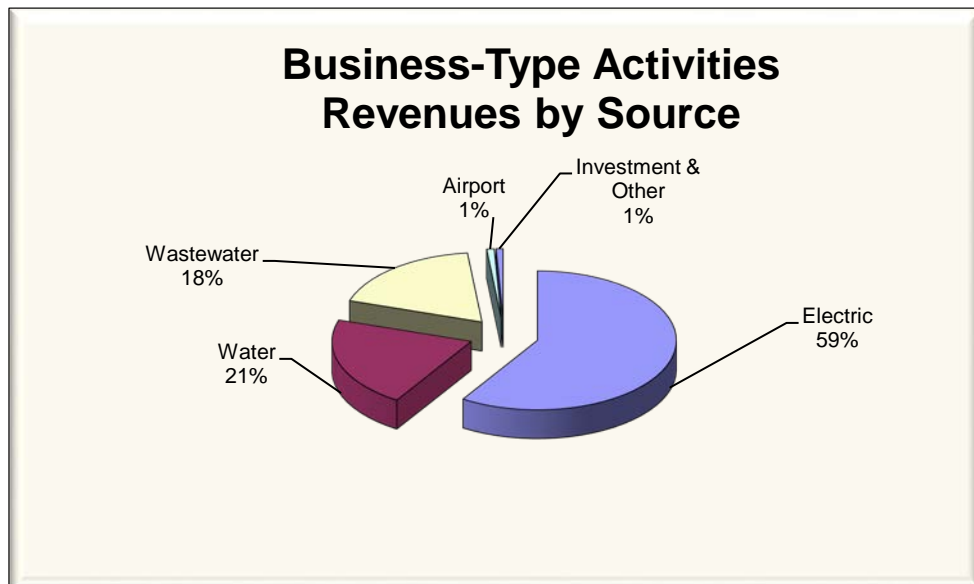
Business-Type Activities

The City’s net position related to business-type activities increased \$3,030,855. The electric, water and wastewater funds all experienced positive changes (.23%, 7.0%, and 8.7%, respectively). The increases were mostly due to increased usage because of hot, dry environmental conditions.

The City’s water, wastewater and electric base rates were unchanged in 2018. The program revenues vs. program expenses for business-type activities chart below illustrates the overall increase in net position for all business-type activities.



The chart below illustrates the City’s charges for services from business-type activities, which account for 99.08% of their revenues:



FINANCIAL ANALYSIS OF THE CITY'S FUNDS:

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

Governmental funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$20,222,463, an increase of \$7,654,279 in comparison with the prior year. Approximately 21% of this total amount or \$4,146,146 constitutes fund balance that is available to meet the City's current and future needs. The remainder of the fund balance totaling \$16,076,317 is restricted for specific spending or nonspendable in form.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was \$4,175,840. As a measure of the general fund's liquidity, it may be useful to compare the available fund balance to total general fund expenditures. Available fund balance represents 31% of total general fund expenditures of \$13,440,121.

The fund balance in the City's general fund had a decrease of \$480,436 during the current fiscal year. While total revenues in the general fund increased \$610,818, total expenditures also increased \$444,657, compared to the previous year contributing to the negative change.

The debt service fund had an ending fund balance of \$4,154,425, all of which is restricted for the payment of debt service. This is a decrease of \$962,594 in 2018. The City had increased principal payments from the payoff of a partial net cash advance refunding that originated in 2016 and paid off the old debt in 2018.

The capital projects fund had an ending fund balance of \$8,029,083. This is an increase of \$7,692,487 from the prior year. The increase is due to proceeds from GO Bonds issued for a large project in 2018.

The infrastructure special sales tax fund had an ending fund balance of \$1,099,163, all of which is restricted for rehabilitation of streets and pedestrian bridges and trails. This is an increase of \$206,712 from the previous year. This is due to increased grant revenue from the State for capital projects and GO Bonds issued for street related projects in 2018.

Proprietary funds

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

At the end of the current fiscal year, unrestricted net position for *proprietary funds* amounted to \$8,197,767. The total decrease in unrestricted net position was \$8,107,736 from the prior year.

The electric fund had total net position of \$37,308,983 at the end of the current fiscal year. This is an increase of \$84,006 or .23%, from the previous year.

The water fund had total net position of \$20,846,240 at the end of the current fiscal year. This is an increase of \$1,354,982 or 7.0% from the previous year. This can be attributed to increased operating revenue from charges for services due to dry climate conditions.

The wastewater fund had total net position of \$20,044,132 at the end of the current fiscal year. This is an increase of \$1,602,654 or 8.7%, from the previous year. This is due again to the increased water usage.

The airport fund (a non-major proprietary fund) had total net position of \$3,081,940 at the end of the current fiscal year. This is an increase of \$25,680 or .84% from the previous year.

The City's internal service funds had total net position of \$279,162 at the end of the current fiscal year. This is a decrease of \$15,591 or 5.29% from the previous year due to the aforementioned prior period adjustment for total OPEB liability.

Fiduciary funds

The City maintains three fiduciary funds: the Alcohol Safety Action Program, the Special Olympics Program, and the Mayor's Christmas Tree Program. At the end of 2018, the assets of the funds were \$48,467.

GENERAL FUND BUDGETARY HIGHLIGHTS:

The City's general fund budget was not amended during 2018; therefore, the original budget and the final budget are the same. During the year, total revenues were more than budgetary estimates by \$595,808. Due to the City's effective budget controls expenditures were \$2,985,272 less than budgeted, which resulted in a positive variance of \$3,581,080. A summary of differences between budgetary estimates for revenues and expenditures is as follows:

- Property tax collections were less than the original estimate by \$20,523.
- City sales and use tax revenues were more than estimated by \$117,649.
- Licenses and permits were \$212,321 more than estimated. This can be attributed to increased building and construction permits.
- General fund project reserves of \$3,005,553 remain available at the end of 2018. This is down 2% from the prior year. These large reserves will provide funding to undertake major initiatives planned for the future.
- Other miscellaneous revenues were \$310,488 more than estimated due to unanticipated origination fees from new economic development partnerships.
- Police expenditures were \$255,482 more than estimated due to unanticipated overtime.

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, 2018, amounted to \$154,524,815 (net of accumulated depreciation and amortization). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, intangibles, vehicles, roads, water lines, sewer collectors and electric lines.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 4,780,151	\$ 4,794,440	\$ 3,640,094	\$ 3,309,293	\$ 8,420,245	\$ 8,103,733
Construction in progress	8,227,572	1,718,116	555,534	801,333	8,783,106	2,519,449
Buildings	3,066,860	3,200,673	18,329,300	8,039,574	21,396,160	11,240,247
Improvements	3,424,076	986,342	7,124,478	7,487,481	10,548,554	8,473,823
Infrastructure	40,745,456	41,813,405	55,858,536	58,685,897	96,603,992	100,499,302
Intangibles	-	-	6,243,741	6,486,286	6,243,741	6,486,286
Machinery and equipment	646,312	517,143	877,348	691,501	1,523,660	1,208,644
Vehicles	544,737	723,872	460,620	330,763	1,005,357	1,054,635
	<u>\$ 61,435,164</u>	<u>\$ 53,753,991</u>	<u>\$ 93,089,651</u>	<u>\$ 85,832,128</u>	<u>\$154,524,815</u>	<u>\$139,586,119</u>

More detailed information about the City's capital assets is presented in Note 4 to the Basic Financial Statements.

Long-Term Debt

At the end of the current fiscal year, the City had total long-term debt outstanding of \$67,579,118. Of this amount, \$32,437,500 was general obligation debt backed by the full faith and credit of the City. However, \$9,039,013 of general obligation debt is supported by business-type revenues. Special assessment debt in the amount \$11,592,500 is debt for which the City is liable in the event of default by the property owners subject to the assessment. An additional \$9,738,473 of the City's debt is from construction loans with the Kansas Department of Health and Environment for improvements to the wastewater system. The remainder of the City's debt represents PBC revenue bonds and capital lease obligations.

In 2018, the City issued bonds to finance the construction of a new Justice Center, for improvements to the public pool, and various street improvements within the City and entered into a lease-purchase agreement to finance improvements to the City's Golf Course.

In 2018, the City also entered into an Asset Purchase Agreement with Kansas Municipal Energy Agency (KMEA) to assume the cost of a 32.26% participation in KMEA's 10.1% undivided interest in the Dogwood Energy Facility. The Dogwood Facility is a combined-cycle, natural gas fueled power generation plant.

City of Gardner's Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$23,398,487	\$ 9,786,170	\$ 9,039,013	\$12,231,330	\$32,437,500	\$22,017,500
Special assessment debt with government commitment	11,592,500	14,012,500	-	-	11,592,500	14,012,500
PBC revenue bonds	1,295,000	1,670,000	-	-	1,295,000	1,670,000
Construction loan payable	-	-	9,738,473	10,321,146	9,738,473	10,321,146
Capital lease obligations	1,765,000	611,000	10,750,645	-	12,515,645	611,000
	<u>\$38,050,987</u>	<u>\$26,079,670</u>	<u>\$29,528,131</u>	<u>\$22,552,476</u>	<u>\$67,579,118</u>	<u>\$48,632,146</u>

The City’s total long-term debt increased \$18,946,972 during the current fiscal year. This is due to the aforementioned new GO Debt and capital lease obligation and offset by retirement of existing debt.

The City was assigned an “AA-“ rating from Standard & Poor’s for its general obligation bonds. State statutes limit the amount of general obligation debt a government entity may issue to 30% of its total assessed valuation. The current debt limitation for the City is \$64,350,457, 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 11 to the basic financial statements.

REQUESTS FOR INFORMATION

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

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CITY OF GARDNER, KANSAS

STATEMENT OF NET POSITION

December 31, 2018

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets:			
Deposits and investments	\$ 7,065,709	\$ 17,462,127	\$ 24,527,836
Receivables, net of allowance for uncollectibles:			
Taxes	4,545,694	-	4,545,694
Accounts Receivable	-	3,122,020	3,122,020
Intergovernmental	980,346	-	980,346
Special assessments	12,615,073	-	12,615,073
Other	196,771	65,530	262,301
Internal balances	(20,808)	20,808	-
Prepaid items	6,165	60	6,225
Inventories	29,297	1,136,184	1,165,481
Restricted deposits and investments	12,204,354	296,838	12,501,192
Capital assets, net of accumulated depreciation, where applicable:			
Land	4,780,151	3,640,094	8,420,245
Construction in progress	8,227,572	555,534	8,783,106
Buildings	3,066,860	18,329,300	21,396,160
Improvements	3,424,076	7,124,478	10,548,554
Infrastructure	40,745,456	55,858,536	96,603,992
Intangible	-	6,243,741	6,243,741
Machinery and equipment	646,312	877,348	1,523,660
Vehicles	544,737	460,620	1,005,357
Total assets	99,057,765	115,193,218	214,250,983
Deferred outflows of resources:			
Unamortized portion of refunding gain	267,774	23,057	290,831
Pension deferred outflow	1,996,451	493,855	2,490,306
OPEB deferred outflow	8,459	2,812	11,271
Total deferred outflows of resources	2,272,684	519,724	2,792,408
Liabilities:			
Accounts payable	475,520	627,279	1,102,799
Accrued payroll	261,638	122,788	384,426
Accrued interest payable	337,220	159,355	496,575
Liabilities payable from restricted assets	-	296,838	296,838
Noncurrent liabilities:			
Due within one year	5,502,746	3,333,479	8,836,225
Due in more than one year	41,899,813	29,129,641	71,029,454
Total liabilities	48,476,937	33,669,380	82,146,317
Deferred inflows of resources:			
Property tax receivable	3,813,628	-	3,813,628
Pension deferred inflow	149,552	75,203	224,755
OPEB deferred inflow	17,529	12,586	30,115
Total deferred inflows of resources	3,980,709	87,789	4,068,498
Net position:			
Net investment in capital assets	34,541,491	73,790,033	108,331,524
Restricted for:			
Debt service	14,218,496	-	14,218,496
Capital projects	749,775	-	749,775
Street improvements	1,013,247	-	1,013,247
Economic development	49,488	-	49,488
Other purposes	89,116	-	89,116
Unrestricted	(1,788,810)	8,165,740	6,376,930
Total net position	\$ 48,872,803	\$ 81,955,773	\$ 130,828,576

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

CITY OF GARDNER, KANSAS
STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Indirect Expenses Allocation	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	\$ 4,651,667	\$ (1,319,496)	\$ 961,333	\$ 2,982,532	\$ 1,228,924	\$ 1,840,618	\$ -	\$ 1,840,618
Police	5,040,277	-	8,616	127,128	-	(4,904,533)	-	(4,904,533)
Public works	4,653,338	-	-	584,168	1,024,378	(3,044,792)	-	(3,044,792)
Culture and recreation	3,363,570	-	1,074,914	40,591	-	(2,248,065)	-	(2,248,065)
Business and economic development	947,501	-	435,976	-	-	(511,525)	-	(511,525)
Interest on long-term debt	1,453,025	-	-	-	-	(1,453,025)	-	(1,453,025)
Total governmental activities	20,109,378	(1,319,496)	2,480,839	3,734,419	2,253,302	(10,321,322)	-	(10,321,322)
Business-type activities:								
Electric	16,397,049	432,204	17,534,000	-	-	-	704,747	704,747
Water	3,448,205	453,396	6,248,707	-	-	-	2,347,106	2,347,106
Wastewater	4,272,643	433,896	5,452,335	-	-	-	745,796	745,796
Stormwater	28,443	-	144	-	-	-	(28,299)	(28,299)
Airport	268,698	-	258,295	-	32,121	-	21,718	21,718
Total business-type activities	24,415,038	1,319,496	29,493,481	-	32,121	-	3,791,068	3,791,068
Total primary government	\$ 44,524,416	\$ -	\$ 31,974,320	\$ 3,734,419	\$ 2,285,423	(10,321,322)	3,791,068	(6,530,254)
General revenues:								
Property taxes						4,206,575	-	4,206,575
Sales taxes						4,171,850	-	4,171,850
Franchise taxes						282,893	-	282,893
Excise taxes						686,718	-	686,718
Transient guest tax						66,361	-	66,361
Unrestricted investment earnings						311,797	240,469	552,266
Other						328,963	-	328,963
Transfers						969,500	(969,500)	-
Total general revenues and transfers						11,024,657	(729,031)	10,295,626
Change in net position						703,335	3,062,037	3,765,372
Net position, beginning of year						48,218,674	78,924,918	127,143,592
Prior period adjustment						(49,206)	(31,182)	(80,388)
Net position, end of year						\$ 48,872,803	\$ 81,955,773	\$ 130,828,576

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

CITY OF GARDNER, KANSAS

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2018

	General	Debt Service	Capital Projects	Infrastructure Special Sales Tax	Other Governmental Funds	Total Governmental Funds
Assets						
Deposits and investments	\$ 1,201,618	\$ 1,852,002	\$ 414,372	\$ 882,639	\$ 2,437,771	\$ 6,788,402
Receivables (net of allowance for uncollectibles):						
Taxes	3,109,116	1,215,515	-	204,079	16,984	4,545,694
Special assessments	-	12,615,073	-	-	-	12,615,073
Intergovernmental	504,421	76,366	-	-	399,559	980,346
Other	169,225	12,275	1,600	3,654	8,053	194,807
Inventories	29,297	-	-	-	-	29,297
Prepays	397	-	-	-	-	397
Restricted deposits and investments	-	2,213,782	9,956,637	33,935	-	12,204,354
Due from other funds	2,294,561	-	-	-	-	2,294,561
Total assets	\$ 7,308,635	\$ 17,985,013	\$ 10,372,609	\$ 1,124,307	\$ 2,862,367	\$ 39,652,931
Liabilities						
Accounts payable	269,652	-	48,965	25,144	98,415	442,176
Accrued payroll	247,212	-	-	-	-	247,212
Due to other funds	17,818	-	2,294,561	-	-	2,312,379
Total liabilities	534,682	-	2,343,526	25,144	98,415	3,001,767
Deferred Inflows of Resources						
Unavailable revenue - special assessments	-	12,615,073	-	-	-	12,615,073
Deferred revenue - property taxes	2,598,113	1,215,515	-	-	-	3,813,628
Total deferred inflows of resources	2,598,113	13,830,588	-	-	-	16,428,701
Fund Balances						
Nonspendable	29,694	-	-	-	-	29,694
Restricted						
Debt Service	-	4,154,425	-	-	-	4,154,425
Capital projects	-	-	8,029,083	1,099,163	1,612,101	10,740,347
Street improvements	-	-	-	-	1,013,247	1,013,247
Economic development	-	-	-	-	49,488	49,488
Other	-	-	-	-	89,116	89,116
Assigned						
Police	-	-	-	-	-	-
Public Works	111,922	-	-	-	-	111,922
Business and Economic Development	9,000	-	-	-	-	9,000
Culture and Recreation	45,130	-	-	-	-	45,130
Unassigned	3,980,094	-	-	-	-	3,980,094
Total fund balances	4,175,840	4,154,425	8,029,083	1,099,163	2,763,952	20,222,463
Total liabilities, deferred inflows of resources and fund balances	\$ 7,308,635	\$ 17,985,013	\$ 10,372,609	\$ 1,124,307	\$ 2,862,367	\$ 39,652,931

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

CITY OF GARDNER, KANSAS

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

December 31, 2018

Total fund balances in Governmental Funds Balance Sheet		\$ 20,222,463
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		61,165,247
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		12,615,073
Deferred outflows of resources are not available and payable in the current period and therefore are not reported in the funds:		
Deferred refunding	267,774	
Deferred outflows related to pensions	1,929,226	
Deferred outflows related to OPEB	8,266	
Total	2,205,266	2,205,266
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Accrued interest payable	(337,220)	
Bonds:		
General obligation and special assessments bond payable, net of unamortized premium of \$1,314,814	(36,305,801)	
Net pension liability	(6,936,636)	
PBC lease revenue bonds	(1,295,000)	
Land Lease Purchase	(1,765,000)	
Other post employment benefits	(329,222)	
Compensated absences	(451,890)	
Total	(47,420,769)	(47,420,769)
Other deferred inflows of resources are not due and payable in the current period and therefore are not reported in the funds:		
Deferred inflows - pensions		(138,466)
Deferred inflows - OPEB		(15,965)
Internal service funds are used by management to charge the costs of risk services, building services and information technology services to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net position.		239,954
Net position of governmental activities		\$ 48,872,803

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

CITY OF GARDNER, KANSAS

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

Year Ended December 31, 2018

	General	Debt Service	Capital Projects	Infrastructure Special Sales Tax	Other Governmental funds	Total Governmental Funds
Revenues						
Taxes:						
Property tax	\$ 2,494,538	\$ 1,712,037	\$ -	\$ -	\$ -	\$ 4,206,575
Sales tax	2,973,649	-	-	1,198,201	-	4,171,850
Franchise tax	282,893	-	-	-	-	282,893
Transient guest tax	-	-	-	-	66,361	66,361
Excise Tax	-	-	-	-	686,718	686,718
Special assessments	7,540	1,213,071	-	-	-	1,220,611
Intergovernmental	2,447,003	414,958	63,685	254,953	1,600,198	4,780,797
Licenses and permits	452,521	-	-	-	-	452,521
Charges for services	2,593,495	-	-	-	-	2,593,495
Fines and fees	479,255	-	-	-	154,952	634,207
Investment earnings	68,728	85,864	104,532	25,458	27,215	311,797
Other	311,488	-	-	-	-	311,488
Total revenues	<u>12,111,110</u>	<u>3,425,930</u>	<u>168,217</u>	<u>1,478,612</u>	<u>2,535,444</u>	<u>19,719,313</u>
Expenditures						
Current:						
General government	3,073,931	-	-	-	128,475	3,202,406
Police	4,315,082	-	-	-	-	4,315,082
Public works	2,164,201	-	-	728,719	-	2,892,920
Culture and recreation	2,548,071	-	98,100	-	-	2,646,171
Business and economic development	925,371	-	-	-	-	925,371
Capital outlay	413,465	-	7,307,633	1,910,362	982,896	10,614,356
Debt service:						
Principal	-	3,741,683	-	445,000	45,000	4,231,683
Interest and fiscal charges	-	798,026	-	87,712	14,463	900,201
Other	-	128,415	276,080	30,491	-	434,986
Total expenditures	<u>13,440,121</u>	<u>4,668,124</u>	<u>7,681,813</u>	<u>3,202,284</u>	<u>1,170,834</u>	<u>30,163,176</u>
Excess of revenues over (under) expenditures	<u>(1,329,011)</u>	<u>(1,242,194)</u>	<u>(7,513,596)</u>	<u>(1,723,672)</u>	<u>1,364,610</u>	<u>(10,443,863)</u>
Other financing sources (uses)						
General obligation bonds issued	-	-	13,260,000	1,725,000	-	14,985,000
Proceeds from capital lease	-	37,000	1,181,000	-	-	1,218,000
Issuance: premium	-	-	702,783	205,384	-	908,167
Proceeds from sale of capital assets	17,475	-	-	-	-	17,475
Transfers in	831,100	242,600	62,300	-	42,702	1,178,702
Transfers out	-	-	-	-	(209,202)	(209,202)
Total other financing sources (uses)	<u>848,575</u>	<u>279,600</u>	<u>15,206,083</u>	<u>1,930,384</u>	<u>(166,500)</u>	<u>18,098,142</u>
Net change in fund balances	(480,436)	(962,594)	7,692,487	206,712	1,198,110	7,654,279
Fund balances, beginning of year	4,656,276	5,117,019	336,596	892,451	1,565,842	12,568,184
Fund balances, end of year	<u>\$ 4,175,840</u>	<u>\$ 4,154,425</u>	<u>\$ 8,029,083</u>	<u>\$ 1,099,163</u>	<u>\$ 2,763,952</u>	<u>\$ 20,222,463</u>

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

CITY OF GARDNER, KANSAS

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

Year Ended December 31, 2018

Net change in fund balances - total governmental funds \$ 7,654,279

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	10,633,745	
Depreciation Expense	(2,881,562)	
Net Change		7,752,183

Net gain (loss) on disposal of capital assets (22,108)

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

Special assessments (1,213,071)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	(134,499)	
Accrued interest	(161,565)	
Premium amortization	86,074	
Deferred refunding	(42,347)	
Net pension liability	(293,575)	
Total OPEB liability	(42,554)	
Total		(588,466)

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

Debt issued or incurred:		
General obligation and special assessment bonds	(14,985,000)	
Proceeds from capital lease	(1,218,000)	
Premiums	(908,167)	
Principal repayments:		
General obligation and special assessment bonds payable	3,792,683	
PBC lease revenue bonds	375,000	
City Lease Purchase	64,000	
Total		(12,879,484)

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

Change in net position of governmental activities	\$ 703,335
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The accompanying notes are an integral part of these financial statements.

CITY OF GARDNER, KANSAS

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

GENERAL FUND

Year Ended December 31, 2018

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues				
Taxes:				
Property	\$ 2,515,061	\$ 2,515,061	\$ 2,494,538	\$ (20,523)
Sales	2,856,000	2,856,000	2,973,649	117,649
Franchise	317,000	317,000	282,893	(34,107)
Intergovernmental	2,502,341	2,502,341	2,454,543	(47,798)
Licenses and permits	240,200	240,200	452,521	212,321
Charges for services	2,554,800	2,554,800	2,593,495	38,695
Fines and fees	522,100	522,100	479,255	(42,845)
Investment earnings	6,800	6,800	68,728	61,928
Other	1,000	1,000	311,488	310,488
Total revenues	<u>11,515,302</u>	<u>11,515,302</u>	<u>12,111,110</u>	<u>595,808</u>
Expenditures				
General government	3,165,200	3,165,200	3,082,931	82,269
Police	4,059,600	4,059,600	4,315,082	(255,482)
Public works	2,305,500	2,305,500	2,236,606	68,894
Culture and recreation	2,539,600	2,539,600	2,564,462	(24,862)
Business and economic development	1,003,900	1,003,900	925,371	78,529
Capital outlay	327,100	327,100	296,729	30,371
Debt service	-	-	-	-
Project reserve	3,005,553	3,005,553	-	3,005,553
Total expenditures	<u>16,406,453</u>	<u>16,406,453</u>	<u>13,421,181</u>	<u>2,985,272</u>
Excess of revenues over (under) expenditures	<u>(4,891,151)</u>	<u>(4,891,151)</u>	<u>(1,310,071)</u>	<u>3,581,080</u>
Other financing sources and (uses)				
Transfers in	775,500	775,500	831,100	55,600
Proceeds from sale of capital assets	-	-	17,475	17,475
Total other financing sources and (uses)	<u>775,500</u>	<u>775,500</u>	<u>848,575</u>	<u>73,075</u>
Net change in fund balances	(4,115,651)	(4,115,651)	(461,496)	3,654,155
Fund balances, beginning of year	4,166,510	4,166,510	4,471,284	304,774
Fund balances, end of year	<u>\$ 50,859</u>	<u>\$ 50,859</u>	4,009,788	<u>\$ 3,958,929</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

166,052

GAAP fund balance

\$ 4,175,840

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

CITY OF GARDNER, KANSAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2018

	Major Funds		
	Electric	Water	Wastewater
Assets			
Current assets:			
Cash and cash equivalents	\$ 12,355,177	\$ 3,765,291	\$ 703,610
Accounts receivable, net	1,837,873	640,045	635,382
Other receivable	46,545	11,908	5,845
Prepaid items	60	-	-
Inventories	902,002	149,974	63,368
Restricted deposits and investments	232,791	58,047	-
Due from other funds	22,232	297	307
Total current assets	<u>15,396,680</u>	<u>4,625,562</u>	<u>1,408,512</u>
Noncurrent assets:			
Capital assets:			
Land	678,878	964,968	710,874
Construction in progress	76,046	272,660	138,942
Buildings	11,617,738	7,708,948	1,935,738
Infrastructure	40,867,810	18,719,481	45,483,018
Intangible	401,622	270,622	7,090,821
Improvements	8,422,821	2,680,332	1,735,095
Machinery and equipment	875,811	305,733	650,649
Vehicles	450,876	380,637	593,941
Less accumulated depreciation and amortization	<u>(28,186,171)</u>	<u>(11,465,056)</u>	<u>(23,969,853)</u>
Total capital assets	<u>35,205,431</u>	<u>19,838,325</u>	<u>34,369,225</u>
Total noncurrent assets	<u>35,205,431</u>	<u>19,838,325</u>	<u>34,369,225</u>
Total assets	<u>50,602,111</u>	<u>24,463,887</u>	<u>35,777,737</u>
Deferred outflows of resources			
Unamortized portion of refunding gain	-	-	23,057
Pension deferred outflow	236,846	91,912	82,882
OPEB deferred outflow	712	785	836
Total deferred outflows of resources	<u>237,558</u>	<u>92,697</u>	<u>106,775</u>
Liabilities			
Current liabilities:			
Accounts payable	402,316	77,674	136,996
Accrued payroll	59,330	24,579	21,782
Customer and developer deposits	232,791	58,047	-
Accrued interest payable	7,248	21,750	129,858
Due to other funds	125	1,017	886
Compensated absences	109,140	36,188	51,307
Current portion of bonds payable	325,000	380,000	1,420,000
Current portion of construction loans payable	-	-	596,661
Current portion of lease payable	332,278	-	-
Total current liabilities	<u>1,468,228</u>	<u>599,255</u>	<u>2,357,490</u>
Noncurrent liabilities:			
Other postemployment benefit obligation	48,185	34,787	35,319
Bonds payable, net	620,198	2,673,038	3,944,007
Net Pension liability	935,623	386,106	346,420
Lease payable	10,418,367	-	-
Construction loan payable	-	-	9,141,812
Total noncurrent liabilities	<u>12,022,373</u>	<u>3,093,931</u>	<u>13,467,558</u>
Total liabilities	<u>13,490,601</u>	<u>3,693,186</u>	<u>15,825,048</u>
Deferred inflows of resources			
Pension deferred inflow	34,031	14,670	13,083
OPEB deferred inflow	6,054	2,488	2,249
Total deferred inflows of resources	<u>40,085</u>	<u>17,158</u>	<u>15,332</u>
Net position			
Net investment in capital assets	23,509,588	16,785,287	19,289,802
Unrestricted	13,799,395	4,060,953	754,330
Total net position	<u>\$ 37,308,983</u>	<u>\$ 20,846,240</u>	<u>\$ 20,044,132</u>

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

Net position of business-type activities

Nonmajor Funds		Internal
Totals	Total	Service Funds
\$ 310,087	\$ 17,134,165	\$ 605,269
8,720	3,122,020	-
1,232	65,530	1,964
-	60	5,768
20,840	1,136,184	-
6,000	296,838	-
-	22,836	-
<u>346,879</u>	<u>21,777,633</u>	<u>613,001</u>
1,285,374	3,640,094	-
67,886	555,534	-
1,745,363	23,007,787	-
1,502,127	106,572,436	-
-	7,763,065	-
868,239	13,706,487	-
-	1,832,193	492,694
-	1,425,454	175,215
<u>(1,863,554)</u>	<u>(65,484,634)</u>	<u>(326,757)</u>
<u>3,605,435</u>	<u>93,018,416</u>	<u>341,152</u>
<u>3,605,435</u>	<u>93,018,416</u>	<u>341,152</u>
<u>3,952,314</u>	<u>114,796,049</u>	<u>954,153</u>
-	23,057	-
711	412,351	148,729
-	2,333	672
<u>711</u>	<u>437,741</u>	<u>149,401</u>
3,140	620,126	40,497
611	106,302	30,912
6,000	296,838	-
499	159,355	-
-	2,028	2,990
2,064	198,699	66,697
39,013	2,164,013	-
-	596,661	-
-	332,278	-
<u>51,327</u>	<u>4,476,300</u>	<u>141,096</u>
265	118,556	35,439
182,946	7,420,189	-
1,195	1,669,344	620,075
-	10,418,367	-
-	9,141,812	-
<u>184,406</u>	<u>28,768,268</u>	<u>655,514</u>
<u>235,733</u>	<u>33,244,568</u>	<u>796,610</u>
75	61,859	24,430
<u>7</u>	<u>10,798</u>	<u>3,352</u>
<u>82</u>	<u>72,657</u>	<u>27,782</u>
3,383,476	62,968,153	341,152
333,734	18,948,412	(61,990)
<u>\$ 3,717,210</u>	<u>81,916,565</u>	<u>\$ 279,162</u>
	<u>39,208</u>	
	<u>\$ 81,955,773</u>	

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

CITY OF GARDNER, KANSAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended December 31, 2018

	Major Funds		
	Electric	Water	Wastewater
Operating revenues			
Charges for sales and services	\$ 17,084,437	\$ 6,243,277	\$ 5,452,335
Other	449,563	5,430	-
Total operating revenues	<u>17,534,000</u>	<u>6,248,707</u>	<u>5,452,335</u>
Operating expenses			
Administration	1,577,276	928,584	954,533
Wholesale energy cost	10,752,430	-	-
Generation	793,009	-	-
Treatment	-	1,417,871	1,193,609
Distribution and collection	2,092,564	665,331	481,579
Contractual services	-	-	-
Other supplies and expenses	-	-	-
Repairs and maintenance	-	-	-
Depreciation and amortization	1,577,642	804,372	1,587,986
Other	-	-	-
Total operating expenses	<u>16,792,921</u>	<u>3,816,158</u>	<u>4,217,707</u>
Operating income (loss)	<u>741,079</u>	<u>2,432,549</u>	<u>1,234,628</u>
Nonoperating revenues (expenses)			
Investment earnings	168,502	43,657	24,076
Interest expense	(36,333)	(93,168)	(454,504)
Other	-	7,725	(34,328)
Total nonoperating revenues (expenses)	<u>132,169</u>	<u>(41,786)</u>	<u>(464,756)</u>
Income (loss) before transfers and contributions	873,248	2,390,763	769,872
Capital grants and contributions	-	-	-
Transfers in	83,837	-	1,000,000
Transfers out	<u>(857,900)</u>	<u>(1,042,700)</u>	<u>(152,737)</u>
Change in net position	99,185	1,348,063	1,617,135
Total net position, beginning of year	<u>37,224,977</u>	<u>19,491,258</u>	<u>18,441,478</u>
Prior period adjustment	(15,179)	6,919	(14,481)
Total net position, end of year	<u>\$ 37,308,983</u>	<u>\$ 20,846,240</u>	<u>\$ 20,044,132</u>
Change in net position			

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

Change in net position of business-type activities

Nonmajor Funds		Internal
Totals	Total	Service Funds
\$ 258,295	\$ 29,038,344	\$ 3,214,254
144	455,137	8,884
<u>258,439</u>	<u>29,493,481</u>	<u>3,223,138</u>
125,514	3,585,907	1,020,608
-	10,752,430	-
-	793,009	-
-	2,611,480	-
-	3,239,474	-
-	-	1,450,279
-	-	146,889
15,541	15,541	32,198
152,837	4,122,837	58,215
144	144	517,346
<u>294,036</u>	<u>25,120,822</u>	<u>3,225,535</u>
(35,597)	4,372,659	(2,397)
4,234	240,469	-
(3,105)	(587,110)	-
-	(26,603)	2,400
<u>1,129</u>	<u>(373,244)</u>	<u>2,400</u>
(34,468)	3,999,415	3
32,121	32,121	-
-	1,083,837	-
<u>-</u>	<u>(2,053,337)</u>	<u>-</u>
(2,347)	3,062,036	3
3,719,829	78,877,542	294,753
(272)	(23,013)	(15,594)
<u>\$ 3,717,210</u>	<u>\$ 81,916,565</u>	<u>\$ 279,162</u>
	3,062,036	
	<u>1</u>	
	<u>\$ 3,062,037</u>	

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

CITY OF GARDNER, KANSAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended December 31, 2018

	Major Funds	
	Electric	Water
Cash flows from operating activities:		
Receipts from customers	\$ 17,515,735	\$ 6,133,978
Other	-	-
Payments to suppliers	(13,148,884)	(2,454,505)
Payments to employees	(1,798,360)	(1,025,342)
Net cash provided by operating activities	<u>2,568,491</u>	<u>2,654,131</u>
Cash flows from noncapital financing activities:		
Transfers from other funds	-	-
Transfers to other funds	(857,900)	(1,042,700)
Net cash provided by (used in) noncapital financing activities	<u>(857,900)</u>	<u>(1,042,700)</u>
Cash flows from capital and related financing activities:		
Capital contributions	-	-
Acquisition and construction of capital assets	(125,097)	(191,459)
Principal paid on general obligation bonds	(320,000)	(715,000)
Principal paid on construction loan	-	-
Interest paid on general obligation bonds, construction loan, and capital lease	(38,780)	(99,091)
Proceeds from sale of assets	-	7,725
Net cash used in capital and related financing activities	<u>(483,877)</u>	<u>(997,825)</u>
Cash flows from investing activities:		
Interest received	<u>168,502</u>	<u>43,657</u>
Net increase (decrease) in cash and cash equivalents	1,395,216	657,263
Cash and cash equivalents, beginning of year	<u>11,192,752</u>	<u>3,166,075</u>
Cash and cash equivalents, end of year	<u>\$ 12,587,968</u>	<u>\$ 3,823,338</u>

Wastewater	Nonmajor Funds Totals	Total	Internal Service Funds
\$ 5,354,588	\$ 258,789	\$ 29,263,090	\$ 3,214,254
-	-	-	8,884
(1,896,529)	(136,059)	(17,635,977)	(2,165,008)
(674,529)	(12,489)	(3,510,720)	(969,463)
2,783,530	110,241	8,116,393	88,667
1,000,000	-	1,000,000	-
(68,900)	-	(1,969,500)	-
931,100	-	(969,500)	-
-	32,121	32,121	-
(356,091)	(71,317)	(743,964)	(40,982)
(2,100,000)	(57,317)	(3,192,317)	-
(582,673)	-	(582,673)	-
(521,150)	(3,474)	(662,495)	-
3,100	-	10,825	2,400
(3,556,814)	(99,987)	(5,138,503)	(38,582)
24,076	4,234	240,469	-
181,892	14,488	2,248,859	50,085
521,718	301,599	15,182,144	555,184
\$ 703,610	\$ 316,087	\$ 17,431,003	\$ 605,269

The accompanying notes are an integral part of the financial statements

CITY OF GARDNER, KANSAS

**STATEMENT OF CASH FLOWS
(Continued)**

PROPRIETARY FUNDS

Year Ended December 31, 2018

	Electric	Water
Cash consists of:		
Cash	\$ 12,355,177	\$ 3,765,291
Restricted deposits and investments	232,791	58,047
	12,587,968	3,823,338
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	741,079	2,432,549
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Items not requiring cash:		
Depreciation and amortization expense	1,577,642	804,372
Other postemployment benefit obligation	8,041	4,967
Pension expense	17,660	7,278
Changes in:		
Receivables	(22,486)	(114,360)
Inventories	174,425	11,889
Due from other funds	2,238	206
Prepaid expenses	138	-
Accounts payable	1,220	(508,961)
Due to other funds	59	(205)
Accrued liabilities	66,492	16,971
Customer deposits	1,983	(575)
Net cash provided by operating activities	\$ 2,568,491	\$ 2,654,131

Wastewater	Nonmajor Funds Totals	Total	Internal Service Funds
\$ 703,610	\$ 310,087	\$ 17,134,165	\$ 605,269
-	6,000	296,838	-
703,610	316,087	17,431,003	605,269
1,234,628	(35,597)	4,372,659	(2,397)
1,587,986	152,837	4,122,837	58,215
4,916	-	17,924	5,381
6,579	-	31,517	9,762
(97,776)	(506)	(235,128)	(1,964)
31,709	6,151	224,174	-
29	-	2,473	-
-	-	138	(5,768)
(6,114)	(13,725)	(527,580)	(10,477)
216	(952)	(882)	(87)
21,357	1,033	105,853	36,002
-	1,000	2,408	-
\$ 2,783,530	\$ 110,241	\$ 8,116,393	\$ 88,667

The accompanying notes are an integral part of the financial statements

CITY OF GARDNER, KANSAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
December 31, 2018

	<u>Agency Funds</u>
Assets	
Deposits and investments	<u>\$ 48,467</u>
Liabilities	
Due to others	<u>\$ 48,467</u>

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

1 - Summary of Significant Accounting Policies

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

Reporting Entity

The accompanying financial statements present the City and its component unit, an entity 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.

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. In prior years, the financial statements of the PBC have been included within the City's reporting entity as a capital projects fund (City Hall); however, in 2017 and 2018, there was no fund balance or activity to report. Separately issued financial statements of the PBC are not available.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. 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.

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.

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

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.

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

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

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

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 police, public works, parks and recreation, business and economic development and administration.

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 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 accounts for the acquisition and construction of major capital facilities other than those financed by enterprise funds.

The infrastructure special sales tax fund accounts for the sales tax revenues that are restricted to expenditures relating to the rehabilitation of streets and pedestrian trails and bridges.

The City reports the following major proprietary funds:

The electric fund accounts for the planning, development, production, purchase, transmission and distribution of all electricity for the City.

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

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

Additionally, the City reports the following fund types:

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the electric, water, wastewater, and stormwater funds are charges to customers for sales and services. The principal operating revenues for the municipal airport are hangar rental and fuel

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)

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

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

Pooled Cash and Investments

Cash and investments of the individual funds are combined to form a pool that is managed by the Finance Director. Each fund's equity in the pool is included in "deposits and investments" in the financial statements. These pooled deposits and investments consist of operating accounts, pooled municipal investment pool, treasury securities, money market mutual funds, and a treasury bill. The pooled municipal investment pool, treasury bill and securities are recorded at fair value. The pool is not an SEC registered pool. The Pooled Money Investment Board (PMIB) provides the regulatory oversight for this pool. The reported value of the pool is the same as the fair value of the pool shares. Investment earnings, including interest income, are allocated to the funds required to accumulate interest; other investment earnings are allocated based on management discretion and upon their average daily equity balances. If a fund is not required to account for its own earnings by law or regulation, the earnings are allocated to the General Fund.

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

Statement of Cash Flows

For purposes of the statement of cash flows, the City considers deposits and highly liquid investments with an original maturity of three months or less to be cash equivalents. See Note 3, Deposits and Investments for a detailed breakdown of the City's investments.

Allowances for Uncollectibles

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 238 days comprise the trade accounts receivable allowance for uncollectibles. The allowance for trade uncollectibles is as follows at December 31, 2018:

Electric Fund	\$ 672,790
Water Fund	271,537
Wastewater Fund	242,737

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Allowances for Uncollectibles (Continued)

The property tax receivable allowance is equal to 2.5% of outstanding property taxes at December 31, 2018.

Restricted Assets

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

Property Taxes

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

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

Inventories

Inventories consist of expendable supplies and merchandise held for consumption. All inventories are valued at cost.

Prepaid Items

Prepaid items are those paid out in the current year but which benefit future accounting periods. The City uses the consumption method and records these items as an asset.

Capital Assets

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value.

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. Additionally, a full year of depreciation expense is recognized in the year of acquisition and none in the year of disposal. Depreciation is recognized over the following estimated useful lives.

Buildings and improvements	20 - 40 years
Machinery and equipment	10 years
Vehicles	3 - 10 years
Infrastructure	15 - 50 years

The City will, from time to time, acquire electric utility customers and water utility customers. These transactions will be reported in the electric fund and the water fund, respectively and will also be reported in the business-type activities column in the government-wide financial statements as a capital asset. The city is amortizing these assets based on the revenue generated from the acquired customers.

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

Compensated Absences

The City's policies allow employees to accumulate up to one and one half times their annual vacation accrual at any time and can carry over to subsequent years. This carryover, payable upon separation from service, can range 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.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Continued)

Sick leave for full-time employees accrues at the rate of 3.692 hours per bi-weekly pay period with a maximum accumulation of 1,040 hours. Hours accumulated at the end of the year over the 1,040 hours are paid out the following January at a specified rate. Regular part-time employees accrue sick leave at a proportional rate to full-time employees. Twenty percent of accumulated sick pay under the 1,040 hours is payable upon separation from service and has been included in the compensated absences calculation.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

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

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

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, 2018, 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 are created by, and can only be changed or removed by, a resolution adopted by the City Council.

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

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

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

Deferred outflows/inflows of resources

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources (Continued)

Note 6 for more information on this deferred outflow. Lastly, the government reports a deferred outflow for OPEB related items. See Note 8 for more information.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has four types of items, unavailable revenue, deferred revenue, deferred inflow for pension related items, and deferred inflow for OPEB related items that qualify for reporting in this category. Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred revenues are reported in both the government-wide statement of net position and the governmental funds balance sheet for property tax receivable. Property taxes are not recognized as revenue until the period for which they are levied. The third and fourth items, deferred inflows for pension related items and deferred inflows for OPEB related items, are reported only in the Statement of Net Position. See Notes 6 and 8 for more information on these deferred inflows.

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

General fund property taxes receivable	\$	2,598,113
Debt service fund property taxes receivable		1,215,515
Debt service fund special assessments receivable		<u>12,615,073</u>
	\$	<u>16,428,701</u>

Net position

The government-wide statement of net position reports \$16,120,122 of restricted net position, of which \$1,013,247 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.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Pending Governmental Accounting Standards Board Statements

At December 31, 2018, 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. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability and a corresponding deferred outflow of resources for AROs when the liability is incurred and reasonably estimable. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for estimating the liability and the estimated remaining useful life of the associated tangible capital asset. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2019.

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

GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2020.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, improves information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Provisions of this statement are effective for financial statements for the City's year ending December 31, 2019.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also simplifies the accounting for interest cost incurred before the end of a construction period. Provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2020.

GASB Statement No. 90, *Major Equity Interests*, improves consistency and comparability of reporting a government's majority equity interest in a legally separate organization, and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. Provisions of this statement are effective for financial statements for the City's year ending December 31, 2019.

2 - Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Stewardship, Compliance and Accountability (Continued)

Budgetary Information (Continued)

Kansas statutes permit transferring budgeted amounts from one object or purpose to another within the same fund; however, such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures in an individual fund. The City Administrator is authorized to approve over-expenditures at the departmental level or transfers of budgeted appropriations between departments. However, management may not amend a fund's total budgeted expenditures without Council approval. The legal level of budgetary control is the fund level. Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the City. All unencumbered appropriations lapse at the end of the year. Encumbered appropriations are not appropriated in the ensuing year's budget but are carried forward until liquidated or cancelled. Kansas statutes permit original budgets to be increased for previously unbudgeted increases in revenue other than ad valorem property taxes. The City must first publish a notice of public hearing to amend the budget. Ten days after publication, a public hearing is held and the governing body may amend the budget at that time. There were no budget amendments in 2018.

3 - Deposits and Investments

Deposits

Custodial Credit Risk-Deposits

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

Fair Value Measurements

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

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

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

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3 - Deposits and Investments (Continued)

Deposits (Continued)

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

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

U.S. Treasury Bills are valued at Level 1 using prices quoted in active markets for those identical assets.

At December 31, 2018, the City had the following investments:

Schedule of Investments at December 31, 2018					
	Interest Rates	Maturities	Par Value	Fair Value	Fair Value Hierarchy
City Investments:					
Money Market Mutual Funds	2.00%	On Demand	\$ 4,088	\$ 4,088	N/A
U.S. Treasury Securities - Bonds	1.62% - 1.70%	04/01/2019 - 10/01/2019	2,176,782	2,176,782	Level 2
U.S. Treasury Bill	2.63%	10/10/2019	5,000,000	5,019,341	Level 1
KMIP - Overnight	1.00% - 1.75%	On Demand	9,990,573	9,990,573	N/A
KMIP - Investments	1.63% - 1.88%	02/01/2019 - 04/02/2019	7,500,000	7,500,000	N/A
			<u>\$ 24,671,443</u>	<u>\$ 24,690,784</u>	

Investments

Interest Rate Risk

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

Credit risk

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3 - Deposits and Investments (Continued)

Investments (Continued)

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. As of December 31, 2018, the City was not exposed to custodial credit risk.

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

Reconciliation of Cash			
	Deposits Including Investments	Restricted Cash and Investments	Total
Government-type activities	\$ 7,065,709	\$ 12,204,354	\$ 19,270,063
Business-type activities	17,462,127	296,838	17,758,965
Agency funds	48,467	-	48,467
Total	\$ 24,576,303	\$ 12,501,192	\$ 37,077,495

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

Reconciliation of Deposits and Investments	
	Primary Government
Cash on hand	\$ 3,000
Carrying amount of deposits	12,383,711
Carrying amount of investments	24,690,784
Total deposits and investments	<u>\$ 37,077,495</u>
Deposits including investments	\$ 24,576,303
Restricted cash and investments	12,501,192
Total deposits and investments	<u>\$ 37,077,495</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2018 was as follows:

	December 31,				December 31,
	2017	Increases	Decreases	Transfers	2018
Governmental activities:					
Capital assets, not being depreciated					
Land	\$ 4,794,440	\$ -	\$ (14,289)	\$ -	\$ 4,780,151
Construction in progress	1,718,116	10,083,899	(3,574,443)	-	8,227,572
Total capital assets, not being depreciated	6,512,556	10,083,899	(3,588,732)	-	13,007,723
Capital assets, being depreciated					
Buildings	5,363,748	-	-	-	5,363,748
Improvements other than buildings	2,778,500	2,711,663	-	-	5,490,163
Infrastructure	66,061,857	933,438	-	-	66,995,295
Machinery and Equipment	2,137,137	256,780	(14,985)	-	2,378,932
Vehicles	1,602,719	222,409	(197,841)	-	1,627,287
Total capital assets being depreciated	77,943,961	4,124,290	(212,826)	-	81,855,425
Less accumulated depreciation for:					
Buildings	(2,163,075)	(133,813)	-	-	(2,296,888)
Improvements other than buildings	(1,792,158)	(273,929)	-	-	(2,066,087)
Infrastructure	(24,248,452)	(2,001,387)	-	-	(26,249,839)
Machinery and Equipment	(1,619,994)	(127,611)	14,985	-	(1,732,620)
Vehicles	(878,847)	(393,725)	190,022	-	(1,082,550)
Total accumulated depreciation	(30,702,526)	(2,930,465)	205,007	-	(33,427,984)
Total capital assets being depreciated, net	47,241,435	1,193,825	(7,819)	-	48,427,441
Governmental activities capital assets, net	\$ 53,753,991	\$ 11,277,724	\$ (3,596,551)	\$ -	\$ 61,435,164

	December 31,				December 31,
	2017	Increases	Decreases	Transfers	2018
Business-type activities:					
Capital assets, not being depreciated					
Land	\$ 3,309,293	\$ 330,801	\$ -	\$ -	\$ 3,640,094
Construction in progress	801,333	309,467	(555,266)	-	555,534
Total capital assets, not being depreciated	4,110,626	640,268	(555,266)	-	4,195,628
Capital assets, being depreciated/amortized					
Buildings	12,203,848	10,803,939	-	-	23,007,787
Intangibles	7,763,065	-	-	-	7,763,065
Improvements other than buildings	13,606,489	99,998	-	-	13,706,487
Infrastructure	106,572,436	-	-	-	106,572,436
Machinery and equipment	1,503,533	339,169	-	-	1,842,702
Vehicles	1,433,078	207,482	(89,128)	-	1,551,432
Total capital assets being depreciated/amortized	143,082,449	11,450,588	(89,128)	-	154,443,909
Less accumulated depreciation/amortization for:					
Buildings	(4,164,274)	(514,213)	-	-	(4,678,487)
Intangibles	(1,276,779)	(242,545)	-	-	(1,519,324)
Improvements other than buildings	(6,119,008)	(463,001)	-	-	(6,582,009)
Infrastructure	(47,886,539)	(2,827,361)	-	-	(50,713,900)
Machinery and equipment	(812,032)	(153,322)	-	-	(965,354)
Vehicles	(1,102,315)	(77,625)	89,128	-	(1,090,812)
Total accumulated depreciation/amortization	(61,360,947)	(4,278,067)	89,128	-	(65,549,886)
Total capital assets being depreciated, net	81,721,502	7,172,521	-	-	88,894,023
Business-type activities capital assets, net	\$ 85,832,128	\$ 7,812,789	\$ (555,266)	\$ -	\$ 93,089,651

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - Capital Assets (Continued)

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

Governmental activities	
General Government	\$ 93,968
Police	380,561
Public Works	1,713,725
Culture and Recreation	690,923
Business & Economic Development	2,385
Internal Service Fund - Governmental Type Activities	48,903
Total depreciation expense for governmental activities	<u>\$ 2,930,465</u>

Business-type activities	
Electric	\$ 1,578,293
Water	825,886
Wastewater	1,710,415
Stormwater	28,299
Airport	125,862
Internal Service Fund - Business Type Activity	9,312
Total depreciation expense for business-type activities	<u>\$ 4,278,067</u>

5 - Capital Leases

The City has entered into a lease for land, a lease for golf course improvements, and an asset purchase agreement for a 32.26% interest in KMEA's (Kansas Municipal Energy Agency) 10.1% undivided interest in the Dogwood Energy Facility which have been classified in the financial statements as capital assets.

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

In June 2018, the City entered into a \$1,218,000 Lease Purchase Agreement, Series 2018, to finance various golf course improvements. Rental payments begin in April 2019 and thereafter on a semi-annual basis until maturity in 2028.

In March 2018, the City entered into an asset purchase agreement with KMEA to assume the costs of a 32.26% participation in KMEA's 10.1% undivided interest in the Dogwood Energy Facility. Payments begin in April 2019 and will continue on a semi-annual basis until maturity in 2038.

The following table details property under capital leases by major classification at December 31, 2018.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5 - Capital Leases (Continued)

Assets Under Capital Lease		
	Governmental Activities	Business-Type Activities
Land	\$ 678,000	\$ -
Buildings	-	10,750,645
Infrastructure	862,779	-
Less accumulated depreciation	(43,139)	(201,575)
Total	\$ 1,497,640	\$ 10,549,070

6 - Defined Benefit Pension Plans

Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at <http://www.kpers.org> or by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803) or by calling 1-888-275-5737.

Benefits Provided

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

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

Member employees chose one of seven payment options for their monthly retirement benefits. At retirement a member employee may receive a lump-sum payment of up to 50% of the actuarial

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plans (Continued)

Benefits Provided (Continued)

present value of the member employee's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump-sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

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

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

Contributions

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

State law provides that the employer contribution rates for KPERS 1, KPERS 2, KPERS 3 and KP&F be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1.0% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.39% for KPERS and 20.09% for KP&F for the fiscal year ended December 31, 2018.

House Substitute for SB21 included changes to the working after retirement rules for members who retire on or after January 1, 2018. The key provisions of the bill were to lengthen the waiting period for KPERS members to return to work from 60 days to 180 days for members who retire before attaining age 62, removing the earnings limitation for all retirees and establish a single employer contribution schedule for all retirees. For employees working after retirement, KPERS employers will pay the same statutorily required rate as the other KPERS plans (for the City that rate is 8.39% for 2018) on earnings up to \$25,000 and 30% on earnings over \$25,000.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plans (Continued)

Contributions (Continued)

Contributions to the pension plan from the City were \$586,510 for KPERS and \$451,005 for KP&F for the year ended December 31, 2018.

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

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

At December 31, 2018, the City reported a liability of \$5,184,250 for KPERS and \$4,041,805 for KP&F for its proportionate share of the KPERS' collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2018, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. The City's proportion of the collective net pension liability was based on the ratio of the City's actual contributions to KPERS and KP&F, relative to the total employer and nonemployer contributions of the KPERS and KP&F for the fiscal year ended June 30, 2018. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2018, the City's proportion and change from its proportion measured as of June 30, 2017 were as follows:

	Governmental Activities	Business-Type Activities	Total net pension liability as of December 31, 2018	Proportion as of June 30, 2018	Change in proportion from June 30, 2017
KPERS (local)	\$ 3,176,050	\$ 2,008,200	\$ 5,184,250	0.371954%	0.016787%
KP&F	4,041,805	-	4,041,805	0.420059%	0.006144%
Total	<u>\$ 7,217,855</u>	<u>\$ 2,008,200</u>	<u>\$ 9,226,055</u>		

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plans (Continued)

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

For the year ended December 31, 2018, the City recognized pension expense of \$673,882 for KPERS and \$698,487 for KP&F. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Difference between expected and actual experience	\$ 258,917	\$ 6,766	\$ 108,205	\$ 57,368
Net difference between projected and actual earnings on pension plan investments	191,197	35,267	-	-
Changes in proportionate share	781,970	246,035	14,489	8,572
Changes in assumptions	348,380	88,959	26,858	9,263
City contributions subsequent to measurement date	<u>415,987</u>	<u>116,828</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,996,451</u>	<u>\$ 493,855</u>	<u>\$ 149,552</u>	<u>\$ 75,203</u>

The \$532,815 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) to pension expense as follows:

	Deferred Outflows (Inflows) of Resources	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Year ended December 31:		
2019	\$ 673,857	\$ 153,350
2020	479,761	104,974
2021	159,639	21,165
2022	103,713	19,004
2023	<u>13,942</u>	<u>3,331</u>
	<u>\$ 1,430,912</u>	<u>\$ 301,824</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plans (Continued)

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions	Entry age normal
Inflation	2.75 percent
Salary increases	3.50 to 12.00 percent, including price inflation
Investment rate of return	7.75 percent compounded annually, net of investment expense, including price inflation

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

The actuarial assumptions used in the December 31, 2017, valuation were based on the results of an actuarial experience study conducted for the period January 1, 2013 through December 31, 2015. The experience study is dated November 18, 2016.

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

- Price inflation assumption lowered from 3.00 percent to 2.75 percent
- Investment return assumption was lowered from 8.00 percent to 7.75 percent
- General wage growth assumption was lowered from 4.00 to 3.5 percent
- Payroll growth assumption was lowered from 4.00 percent to 3.00 percent

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, dated November 18, 2016, as provided by KPERS' investment consultant, are summarized in the following table:

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plans (Continued)

Actuarial assumptions (Continued)

Asset class	Long-term target allocation	Long-term expected real rate of return
Global Equity	47.00 %	6.85 %
Fixed Income	13.00	1.25
Yield driven	8.00	6.55
Real return	11.00	1.71
Real estate	11.00	5.05
Alternatives	8.00	9.85
Short-term investments	2.00	(0.25)
Total	100.00 %	

Discount rate

The discount rate used by KPERS to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate was based on member and employer contributions as outlined below:

In KPERS, Local groups do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993 and subsequent legislation, the employer contribution rates certified by the KPERS' Board of Trustees for this group may not increase by more than the statutory cap. The statutory cap for Fiscal Year 2018 was 1.2 percent. The Local employers are currently contributing the full actuarial contribution rate. Employers contribute the full actuarial determined rate for KP&F.

Sensitivity of the City's proportionate share of the collective net pension liability to changes in the discount rate

The following presents the City's proportionate share of the collective net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plans (Continued)

Sensitivity of the City's proportionate share of the collective net pension liability to changes in the discount rate (Continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's KPERs proportionate share of the net pension liability	\$ 7,603,470	\$ 5,184,250	\$ 3,139,805
City's KP&F proportionate share of the net pension liability	5,760,390	4,041,805	2,602,989
	<u>\$ 13,363,860</u>	<u>\$ 9,226,055</u>	<u>\$ 5,742,794</u>

Pension plan fiduciary net position

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

7 - Deferred Compensation Plan

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

The plan assets are placed in a trust for the exclusive benefit of the employees and are not the property of the City or subject to the claims of the City's general creditors. The City does not perform the investing function related to this plan and has no fiduciary accountability for the plan. Accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements. For 2018, the City's contributions were \$58,007.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Other Postemployment Healthcare Benefits

Description. The City offers postemployment health and dental insurance to retired employees through Midwest Public Risk (MPR) which is a risk pool comprised of more than 180 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.

Active employees eligible for coverage	128
Inactive employees or beneficiaries currently receiving benefit payments	1
	<u>129</u>

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

The City appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditures on a pay-as-you-go basis through the General Fund, Proprietary Funds, and Internal Service Funds. In 2018, the City contributed \$6,000 to the plan.

OPEB Liability

The City’s total OPEB liability of \$347,662 related to the City’s plan was measured as of December 31, 2017; the total OPEB liability was determined by an actuarial valuation as of July 1, 2017. The results of the July 1, 2017 valuation were projected to the beginning and end of year measurement dates using standard actuarial techniques.

Actuarial assumptions. The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs:

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Other Postemployment Healthcare Benefits (Continued)

OPEB Liability (Continued)

Valuation Date	July 1, 2017
Measurement Date	December 31, 2017
Payroll Growth	3.00%
Discount rate	3.23%
Actuarial Cost Method	Entry Age - Level Percent-of-Pay
Healthcare cost trend rates	7.5% for 2017-18, decreasing by .5% per year until 2021-22 and then decreasing by .25% per year to an ultimate rate of 5.0% for 2024-25 and later years.
Retirees' share of benefit-related costs	Retirees contribute 125% of the active funding rate

Discount rate. GASB 75 standards require a single discount rate to be determined. To the extent Plan (i.e. Trust) assets are projected to be sufficient to make projected benefit payments, the discount rate will equal the expected return on such assets. To the extent a Plan is not projected to be sufficient to make future benefit payments the yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher should be factored in. Plan assets do not apply to the City's program.

In order to determine the municipal bond rate, the average of the published yields from the S&P Municipal Bond 20 year High Grade and the Fidelity GO AA-20 Years indexes were used. The selected average rates are 3.76% and 3.23% as of the beginning and end of year, respectively. These were used as the discount rates to determine present value costs.

Changes in Total OPEB Liability	
Balance at 12/31/2017	\$ 304,474
Service cost	30,994
Interest cost	12,501
Changes of benefit terms	-
Changes in assumptions	5,693
Differences between expected and actual experience	-
Benefit payments	(6,000)
Net change	<u>43,188</u>
Balance at 12/31/2018	<u>\$ 347,662</u>

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Other Postemployment Healthcare Benefits (Continued)

OPEB Liability (Continued)

	1% Decrease (2.23%)	Current Discount Rate (3.23%)	1% Increase (4.23%)
Total OPEB liability	\$ 383,645	\$ 347,662	\$ 315,418

Sensitivity of Total OPEB Liability to changes in Healthcare Cost Trend Analysis. The following presents the Total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1% Decrease (6.50%)	Current Trend Assumption (7.50%)	1% Increase (8.50%)
Total OPEB liability	\$ 303,951	\$ 347,662	\$ 399,679

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

For the year ended December 31, 2018, the City recognized OPEB expense of \$43,917. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Governmental Activities		Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 3,956	\$ -	\$ 1,315	\$ -
Benefits subsequent to measurement date	4,503	-	1,497	-
	<u>\$ 8,459</u>	<u>\$ -</u>	<u>\$ 2,812</u>	<u>\$ -</u>

The \$6,000 reported as deferred outflows of resources related to OPEB resulting from the City’s benefits subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ended December 31, 2019.

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Other Postemployment Healthcare Benefits (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Year ended December 31:	Deferred Outflows (Inflows) of Resources	
	Governmental Activities	Business-Type Activities
2019	\$ 317	\$ 105
2020	317	105
2021	317	105
2022	317	105
2023	317	105
2024 & Thereafter	2,371	790
	<u>\$ 3,956</u>	<u>\$ 1,315</u>

KPERS Death and Disability OPEB Plan

Plan Description. The City of Gardner participates in an agent multiple-employer defined benefit other postemployment benefit (OPEB) plan (the Plan) which is administered by the Kansas Public Employees Retirement System (KPERS). The Plan provides long-term disability benefits and a life insurance benefit for disabled members to KPERS members, as provided by K.S.A. 74-04927. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However because the trust’s assets are used to pay employee benefits other than OPEB, the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis. There is no stand alone financial report for the plan.

Benefits

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

The monthly long-term disability benefit is 60 percent of the member’s monthly compensation, with a minimum of \$100 and a maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, workers compensation benefits, other disability benefits from any other sources by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while the disability continues until the member’s 65th birthday or retirement date, whichever occurs first. If the disability begins after age 60, benefits are payable while the disability continues, for a period of five years or until the member retires, whichever occurs first.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - KPERS Death and Disability OPEB Plan (Continued)

Benefits (Continued)

Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the shorter of the term of the disability or 24 months per lifetime.

The death benefit paid to beneficiaries of disabled members is 150% of the greater of 1) the member's annual rate of compensation at the time of disability, or 2) the members previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

Covered Employees

The City of Gardner has the following employees covered by the Plan as of June 30, 2018:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	<u>106</u>
Total	106

OPEB Liability

The City of Gardner's total OPEB liability of \$135,555 related to KPERS reported as of December 31, 2018, was measured as of June 30, 2018 (the measurement date), and was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018, using the following actuarial assumptions:

Valuation Date	December 31, 2017
Measurement Date	June 30, 2018
Inflation	2.75%
Payroll Growth	3.00%
Discount rate	3.87%
Salary increases including inflation	3.5% to 10.0%, including price inflation
Healthcare cost trend rates	Not applicable for the coverage in this plan
Retirees' share of benefit-related costs	Not applicable for the coverage in this plan

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index. Mortality rates were based on the RP-2014 Mortality Table, as appropriate, with adjustment for mortality improvements based on Scale MP-2017.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - KPERS Death and Disability OPEB Plan (Continued)

OPEB Liability (Continued)

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study conducted for three years ending December 31, 2016. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the June 30, 2018 pension valuation.

Changes in Total OPEB Liability

Changes in Total OPEB Liability	
Balance at December 31, 2017	\$ 134,005
Service cost	25,739
Interest cost	5,718
Effect of plan changes	-
Effect of economic/demographic gains or losses	(28,208)
Effect of assumptions changes or inputs	(1,699)
Benefit payments	-
Net change	<u>1,550</u>
Balance at December 31, 2018	<u><u>\$ 135,555</u></u>

Changes of assumptions. Changes of assumptions and other inputs reflect the changes in the discount rate each period. The discount rate increased from 3.58% to 3.87%.

Sensitivity Analysis. The following presents the City of Gardner’s total OPEB liability calculated using the discount rate of 3.87%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage point higher (4.87%) than the current rate:

	1% Decrease <u>(2.87%)</u>	Current Discount Rate <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
Total OPEB liability	\$ 141,072	\$ 135,555	\$ 129,606

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - KPERS Death and Disability OPEB Plan (Continued)

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

For the year ended December 31, 2018, the City of Gardner recognized OPEB expense of \$27,942. At December 31, 2018, the City of Gardner reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 14,662	\$ -	\$ 10,635
Changes in assumptions	-	2,867	-	1,951
	<u>\$ -</u>	<u>\$ 17,529</u>	<u>\$ -</u>	<u>\$ 12,586</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended December 31:</u>	<u>Deferred Outflows (Inflows) of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2019	\$ (2,046)	\$ (1,469)
2020	(2,046)	(1,469)
2021	(2,046)	(1,469)
2022	(2,046)	(1,469)
2023	(2,046)	(1,469)
2024 & Thereafter	(7,299)	(5,241)
	<u>\$ (17,529)</u>	<u>\$ (12,586)</u>

Prior Period Adjustment

The implementation of GASB 75 resulted in a \$6,000 increase to deferred outflows of resources, a \$3,723 increase in deferred inflows of resources, an \$82,665 increase to the total OPEB liability and an \$80,388 decrease to net position as of December 31, 2017.

Summary of OPEB Plans

As of December 31, 2018 the City's total OPEB liability, deferred outflows of resources, deferred inflows of resources and OPEB expense associated with the two OPEB plans are summarized as follows:

Total OPEB liability	<u>2018</u>
	\$ 483,217
Deferred outflows of resources	\$ 11,271
Deferred inflows of resources	\$ 30,115
OPEB expense	\$ 71,859

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9 - Risk Services

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

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

10 - Capital Projects

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

Following is a summary of project-to-date costs to December 31, 2018 on the capital projects compared to the amount authorized:

Primary Government Project Authorizations and Expenditures Since Inception		
Project Category	Authorization	Expenditures Since Inception
Primary Government		
Governmental Improvements	\$ 28,083,362	\$ 11,802,016
Electric Improvements	460,000	76,047
Water Improvements	21,435,141	397,060
Wastewater Improvements	2,051,494	239,008
Airport Improvements	508,965	398,688
Total	<u>\$ 52,538,962</u>	<u>\$ 12,912,819</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Debt

A. Governmental Activities Long-Term Debt

1. Changes in Governmental Activities Debt

The following table summarizes the changes in governmental activities long-term debt of the City for the year ended December 31, 2018.

Summary of Governmental Activities Debt for the year ended December 31, 2018					
	Outstanding January 1, as restated	Additions	Reductions	Outstanding December 31	Due Within One Year
Governmental activities:					
Bonds:					
General obligation	\$ 9,786,170	\$ 14,985,000	\$ 1,372,683	\$ 23,398,487	\$ 1,463,487
Plus: issuance premium	492,721	908,167	86,074	1,314,814	-
Special assessment debt with government commitment	14,012,500	-	2,420,000	11,592,500	3,022,500
PBC lease revenue bonds	1,670,000	-	375,000	1,295,000	395,000
Capital lease obligations	611,000	1,218,000	64,000	1,765,000	145,000
Net Pension Liability	7,034,617	183,238	-	7,217,855	-
Compensated absences	331,152	531,657	386,050	476,759	476,759
Total OPEB Liability	311,060	49,161	18,077	342,144	-
Total	\$ 34,249,220	\$ 17,875,223	\$ 4,721,884	\$ 47,402,559	\$ 5,502,746

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

2. Governmental Activities General Obligation Bonds

General obligation bonds payable at December 31, 2018 are comprised of the following issues:

Outstanding Governmental Activities General Obligation Bonds as of December 31, 2018				
	Original Issue Amount	Current Bonds Outstanding	Interest Rates	Original Term in Years
2010A	\$ 2,770,000	\$ 1,845,000	2.000-3.600%	20
2013A	3,138,250	75,987	2.000-2.250%	10
2014A	1,975,000	1,537,500	2.000-3.125%	15
2014B	4,140,000	3,070,000	2.000-3.000%	15
2016A	1,380,000	1,125,000	3.000%	12
2017A	1,350,000	1,225,000	2.250%-3.000%	10
2018A	14,985,000	14,520,000	3.000%-5.000%	19
Total	\$ 29,738,250	\$ 23,398,487		

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Debt (Continued)

Governmental Activities General Obligation Bonds (Continued)

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

In June 2018, the City issued Series 2018A General Obligation Improvement Bonds in the amount of \$14,985,000. Of that, \$13,085,000 was issued to finance the construction of a new Justice Center, \$175,000 was issued to finance pool improvements, and \$1,725,000 was issued to finance street improvements within the City.

The future annual requirements for general obligation bonds outstanding as of December 31, 2018 are as follows:

Debt Service Requirements Governmental Activities for General Obligation Bonds			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,463,487	\$ 828,760	\$ 2,292,247
2020	1,440,000	782,070	2,222,070
2021	1,492,500	730,620	2,223,120
2022	1,527,500	675,696	2,203,196
2023	1,525,000	619,270	2,144,270
2024-2028	7,870,000	2,174,804	10,044,804
2029-2033	4,595,000	972,395	5,567,395
2034-2038	3,485,000	295,682	3,780,682
Total	\$ 23,398,487	\$ 7,079,297	\$ 30,477,784

3. Governmental Activities Special Assessment Bonds

The City's special assessment debt was issued to provide funds for the construction of infrastructure in new commercial and residential developments. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. Special assessment bonds at December 31, 2018 are comprised of the following issues:

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Debt (Continued)

Governmental Activities Special Assessment Bonds (Continued)

Outstanding Governmental Activities Special Assessment Bonds as of December 31, 2018				
	Original Issue Amount	Current Bonds Outstanding	Interest Rates	Original Term in Years
2009A	\$ 5,437,972	\$ 2,510,000	2.000% -4.000%	15
2011A	1,325,000	940,000	0.500% -4.000%	20
2012A	3,995,000	3,035,000	1.000% -3.000%	20
2014A	1,975,000	1,537,500	2.000% -3.125%	15
2016A	1,490,000	1,450,000	3.000%	12
2017A	2,155,000	2,120,000	3.000%	7
	<u>\$ 16,377,972</u>	<u>\$ 11,592,500</u>		

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

Debt Service Requirements Governmental Activities for Special Assessment Bonds			
	Principal	Interest	Total
2019	\$ 3,022,500	\$ 348,203	\$ 3,370,703
2020	890,000	239,262	1,129,262
2021	927,500	216,022	1,143,522
2022	952,500	190,488	1,142,988
2023	970,000	163,992	1,133,992
2024-2028	3,415,000	483,656	3,898,656
2029-2033	1,415,000	100,248	1,515,248
Total	<u>\$ 11,592,500</u>	<u>\$ 1,741,871</u>	<u>\$ 13,334,371</u>

4. PBC Lease Revenue Bonds

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Debt (Continued)

PBC Lease Revenue Bonds (Continued)

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

Debt Service Requirements Governmental Activities for PBC lease revenue bonds			
	Principal	Interest	Total
Primary Government			
2019	\$ 395,000	\$ 27,076	\$ 422,076
2020	430,000	19,176	449,176
2021	470,000	10,576	480,576
Total	\$ 1,295,000	\$ 56,828	\$ 1,351,828

5. Capital Leases

As explained in Note 5, the City has entered into capital lease agreements to purchase land and make various golf course improvements. The following is a schedule by years of future minimum lease payments under capital leases together with the present value of these payments as of December 31, 2018:

Future Minimum Lease Payments	
Year Ending December 31:	Governmental Activities
2019	\$ 231,059
2020	231,926
2021	231,192
2022	232,027
2023	231,501
2024-2028	1,007,950
Total minimum lease payments	2,165,655
Less amounts representing interest	(400,655)
Present value of minimum lease payments	\$ 1,765,000

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

B. Business-Type Activities Debt

1. Changes in Business-Type Activities Debt

The following table summarizes the changes in business-type activities long-term debt of the City for the year ended December 31, 2018.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Debt (Continued)

Changes in Business-Type Activities Debt (Continued)

Summary of Business-Type Activities Debt for the year ended December 31, 2018					
	Outstanding January 1, as restated	Additions	Reductions	Outstanding December 31	Due Within One Year
Business-type activities:					
General obligation bonds	\$ 12,231,330	\$ -	\$ 3,192,317	\$ 9,039,013	\$ 2,164,013
Issuance premiums	699,752	-	154,563	545,189	-
Construction loans payable	10,321,146	-	582,673	9,738,473	596,661
Compensated absences	130,954	245,070	135,497	240,527	240,527
Capital lease obligations	-	10,750,645	-	10,750,645	332,278
Net Pension Liability	1,991,459	16,741	-	2,008,200	-
Total OPEB Liability	131,142	22,698	12,767	141,073	-
Total	<u>\$ 25,505,783</u>	<u>\$ 11,035,154</u>	<u>\$ 4,077,817</u>	<u>\$ 32,463,120</u>	<u>\$ 3,333,479</u>

2. Business-Type Activities General Obligation Bonds

General obligation bonds payable at December 31, 2018 are comprised of the following issues:

Outstanding Business-Type Activities General Obligation Bonds as of December 31, 2018				
	Original Issue Amount	Current Bonds Outstanding	Interest Rates	Original Term in Years
2009A	\$ 2,267,028	\$ 255,000	2.000%-3.700%	10
2012C	11,745,000	4,240,000	2.000%-4.000%	20
2013A	4,246,816	214,013	2.000%-2.250%	11
2014A	945,000	735,000	2.000%-3.125%	15
2015A	3,945,000	2,900,000	3.000%	11
2016B	855,000	695,000	2.000%-3.250%	10
Total	<u>\$ 24,003,844</u>	<u>\$ 9,039,013</u>		

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Debt (Continued)

Business-Type Activities General Obligation Bonds (Continued)

The future annual requirements for general obligation bonds outstanding as of December 31, 2018 are as follows:

Debt Service Requirements for Business-Type Activities General Obligation Bonds			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,164,013	\$ 307,803	\$ 2,471,816
2020	1,980,000	231,757	2,211,757
2021	2,055,000	159,557	2,214,557
2022	600,000	83,932	683,932
2023	610,000	66,282	676,282
2024-2028	1,555,000	101,197	1,656,197
2029-2033	75,000	2,344	77,344
Total	\$ 9,039,013	\$ 952,872	\$ 9,991,885

3. Construction Loans Payable

Construction loans payable at December 31, 2018 are comprised of the following:

Outstanding Business-Type Activities Loans as of December 31, 2018				
	<u>Original Issue Amount</u>	<u>Current Bonds Outstanding</u>	<u>Interest Rate</u>	<u>Original Term in Years</u>
Kansas Water Pollution Control Loan # C20 1721 01	\$ 3,483,009	\$ 1,478,618	2.40%	20
Kansas Water Pollution Control Loan # C20 1956 01	10,167,808	8,259,855	2.05%	20
Total	\$ 13,650,817	\$ 9,738,473		

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

Debt Service Requirements for Business-Type Activities Loans			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 596,661	\$ 201,646	\$ 798,307
2020	610,986	188,821	799,807
2021	625,655	175,689	801,344
2022	640,679	162,238	802,917
2023	656,066	148,463	804,529
2024-2028	3,337,450	524,891	3,862,341
2029-2033	2,956,324	201,773	3,158,097
2034 thereafter	314,652	3,225	317,877
Total	\$ 9,738,473	\$ 1,606,746	\$ 11,345,219

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Debt (Continued)

Business-Type Activities General Obligation Bonds (Continued)

4. Capital Leases

The City of Gardner entered into an Asset Purchase Agreement, with a term of 20 years, with KMEA (Kansas Municipal Energy Agency) to assume the costs of a 32.26% participation in KMEA's 10.1% undivided interest in the Dogwood Energy Facility. The following is a schedule by years of future minimum lease payments under capital leases together with the present value of these payments as of December 31, 2018:

Future Minimum Lease Payments	
Year Ending December 31:	Business-Type Activities
2019	\$ 854,418
2020	854,180
2021	852,874
2022	852,269
2023	852,349
2024-2028	4,250,214
2029-2033	4,237,392
2034-2038	4,217,188
Total minimum lease payments	16,970,884
Less amounts representing interest	(6,220,239)
Present value of minimum lease payments	\$ 10,750,645

12 - Special Assessments

Kansas statutes require special benefit district projects financed in part by special assessments to be financed through the issuance of general obligation bonds that are secured by the full faith and credit of the City. Further, state statutes permit levying additional general ad valorem taxes in the City's Debt Service Fund to finance delinquent special assessments receivable. Accordingly, the special assessments receivable is accounted for within the City's debt service fund. Special assessments are levied over the repayment period of the bonds and the annual installments are due and payable with annual ad valorem taxes. At December 31, 2018, the special assessment taxes levied are a lien on the property and are recorded as a special assessment receivable in the debt service fund with a corresponding amount recorded as deferred inflows of resources. Special assessments receivable at December 31, 2018 was \$12,615,073.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

13 - Interfund Transactions

Interfund transfers for the year ended December 31, 2018 consisted of the following:

Fund	Transfers In	Transfers Out
Major funds:		
General Fund	\$ 831,100	\$ -
Debt Service Fund	242,600	-
Capital Projects Fund	62,300	-
Electric Fund	83,837	857,900
Water Fund	-	1,042,700
Wastewater Fund	1,000,000	152,737
Non-major governmental funds	42,702	209,202
 Total transfers	 \$ 2,262,539	 \$ 2,262,539

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

13 - Interfund Transactions (Continued)

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

Amounts owed from the capital project funds to:	
General fund	<u>\$ 2,294,561</u>
Amounts owed from the general fund to:	
Electric fund	\$ 17,506
Water	160
Wastewater	152
	<u>\$ 17,818</u>
Amounts owed from the internal service funds to:	
Electric fund	\$ 2,837
Water fund	69
Wastewater fund	84
	<u>\$ 2,990</u>
Amounts owed from the electric fund to:	
Water fund	\$ 54
Wastewater	71
	<u>\$ 125</u>
Amounts owed from the water fund to:	
Electric fund	<u>\$ 1,017</u>
Amounts owed from the wastewater fund to:	
Electric fund	\$ 872
Water fund	14
	<u>\$ 886</u>

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

14 - Commitments and Contingencies

Litigation

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

Industrial Revenue Bonds

The City has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. The lease agreements provide for rentals sufficient to service the related bonds. The debt service on these issues is paid solely from payments from the private businesses involved. Neither the City nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying basic financial statements. As of December 31, 2018, there were three industrial revenue bonds outstanding for a total of \$75,818,750.

<u>Project</u>	<u>Issue Date</u>	<u>Amount Authorized</u>	<u>Amount Outstanding</u>	<u>Interest</u>		
				<u>Rate</u>	<u>Payment Dates</u>	<u>Maturity Date</u>
Midwest Commerce/Coleman (Project 1)	12/11/2009	\$ 47,100,000	\$ 46,950,431	4.50%	Feb. 1	2/1/2020
Midwest Commerce/Excelligence (Project 2)	4/6/2018	38,000,000	28,682,569	2.00%	Feb. 1	2/1/2029
Hampton Inn	12/31/2018	14,000,000	185,750	2.00%	Dec. 1	12/1/2028
		<u>\$ 99,100,000</u>	<u>\$ 75,818,750</u>			

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, 2018, the City's recorded encumbrances in governmental funds were as follows:

General	\$ 166,052
Capital Projects	7,155,673
Nonmajor funds	364,853
	<u>\$ 7,686,578</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

15 - Tax Abatements

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

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

For the fiscal year ended December 31, 2018, the City abated property taxes totaling \$2,056,018 (for all taxing jurisdictions) under this program. The active tax abatement project is described below:

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

16 - Subsequent Events

The City will issue approximately \$3,725,000 General Obligation Temporary Notes, Series 2019A to provide temporary financing to build public improvements for the Tuscan Farms residential development area. Additionally the City will issue approximately \$1,970,000 General Obligation Bonds, Series 2019B to finance certain wastewater system improvements.

The City will declare its intent to issue Industrial Revenue Bonds in the approximate principal amount of \$19,390,000 for the purpose of financing a portion of the costs of the acquisition, construction and equipping of a commercial facility within the City. The City additionally adopted an ordinance authorizing the creation of the Main Street Market Place Community Improvement District in the City and authorizing the imposition of a community improvement district sales tax to be collected within such district.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GARDNER, KANSAS

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

Last Six Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability (asset):						
KPERS (local group)	0.371954%	0.355167%	0.345680%	0.296578%	0.301717%	0.275540%
KP&F (police & firemen)	0.420059%	0.413915%	0.387631%	0.334365%	0.332422%	0.313729%
City's proportionate share of the net pension liability (asset)	\$9,226,055	\$9,026,076	\$8,947,934	\$6,322,077	\$5,893,730	\$6,744,453
City's covered payroll ^	\$8,714,608	\$8,582,884	\$7,675,340	\$6,430,700	\$6,144,004	\$5,834,765
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	105.87%	105.16%	116.58%	98.31%	95.93%	115.59%
Plan fiduciary net position as a percentage of the total pension liability	68.88%	67.12%	65.10%	64.95%	66.60%	59.94%

* GASB 68 requires presentation of ten years. As of December 31, 2018, only six years of information is available.

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$1,037,515	\$ 940,924	\$ 981,506	\$ 871,712	\$ 738,362	\$ 610,709	\$ 551,764	\$ 463,747
Contributions in relation to the contractually required contribution	(1,037,515)	(940,924)	(981,506)	(871,712)	(738,362)	(610,709)	(551,764)	(463,747)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll ^	\$8,962,317	\$8,474,557	\$8,424,022	\$7,000,963	\$6,412,857	\$6,005,230	\$5,775,547	\$5,323,585
Contributions as a percentage of covered payroll	11.576418%	11.102923%	11.651275%	12.451316%	11.513776%	10.169619%	9.553450%	8.711179%

*Information prior to 2011 is not available.

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

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

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

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

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

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

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

KPERS:

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

KP&F:

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

Schedule of Changes in the
City's Total OPEB Liability and Related Ratios
2018*

Postemployment Healthcare Plan^

Schedule of Changes in Total OPEB Liability and Related Ratios	
	2018
Service cost	\$ 30,994
Interest cost	12,501
Changes of benefit terms	-
Changes in assumptions	5,693
Differences between expected and actual experience	-
Benefit payments	(6,000)
Net change in Total OPEB liability	\$ 43,188
Total OPEB liability - beginning of year	304,474
Total OPEB liability - end of year	\$ 347,662
Covered-employee payroll	7,231,735
Total OPEB liability as a % of covered payroll	4.81%

*GASB 75 requires presentation of ten years. As of December 31, 2018, only one year of information is available.

^No assets are accumulated in a trust to pay related benefits for this plan.

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period:
- The discount rate decreased from 3.76% on December 31, 2016 to 3.23% on December 31, 2017.

Schedule of Changes in the
City's Total OPEB Liability and Related Ratios
2018*

Death and Disability OPEB Plan^

Schedule of Changes in Total OPEB Liability and Related Ratios				
	2018		2017	
Service Cost	\$	25,739	\$	26,816
Interest on total OPEB liability		5,718		3,828
Changes of benefit terms		-		-
Effect of economic/demographic gains or (losses)		(28,208)		-
Effect of assumption changes or inputs		(1,699)		(4,152)
Benefit payments		-		-
Net change in total OPEB liability	\$	1,550	\$	26,492
Total OPEB liability, beginning	\$	134,005	\$	107,513
Total OPEB liability, ending	\$	135,555	\$	134,005
Covered payroll	\$	6,057,898	\$	5,821,363
Total OPEB liability as a % of covered payroll		2.24%		2.30%

*GASB 75 requires presentation of ten years. As of December 31, 2018 only 2 years is available.

^ No assets are accumulated in a trust to pay related benefits for this plan.

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

- The discount rate increased from 2.85% on June 30, 2016 to 3.58% on June 30, 2017.
- The discount rate increased from 3.58% on June 30, 2017 to 3.87% on June 30, 2018.

OTHER SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

Capital Projects Fund

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

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

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

Debt Service Fund

Park Sales Tax Fund – This fund is used to account for the sales tax revenues that are restricted to expenditures relating to the acquisition and construction of the new Celebration Park Complex and the Aquatics Center, including the payment of debt service on these projects.

CITY OF GARDNER, KANSAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2018

	Special Revenue					Total Special Revenue
	Economic Development Reserve	Law Enforcement Trust	Special Alcohol/ Drug Program	Special Parks and Recreation		
Assets						
Deposits and investments	\$ 32,298	\$ 13,796	\$ 55,141	\$ 19,992	\$	\$ 121,227
Receivables:						
Taxes	16,984	-	-	-	-	16,984
Other	206	51	134	2		393
Intergovernmental	-	-	-	-	-	-
Total assets	\$ 49,488	\$ 13,847	\$ 55,275	\$ 19,994	\$	\$ 138,604
Liabilities						
Accounts payable	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Fund Balances (Deficits)						
Restricted						
Capital projects	-	-	-	-	-	-
Street improvements	-	-	-	-	-	-
Economic development	49,488	-	-	-	-	49,488
Other	-	13,847	55,275	19,994		89,116
Total fund balances	49,488	13,847	55,275	19,994		138,604
Total liabilities and fund balances	\$ 49,488	\$ 13,847	\$ 55,275	\$ 19,994	\$	\$ 138,604

(Continued)

CITY OF GARDNER, KANSAS

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
December 31, 2018**

	Capital Projects				Total Capital Projects	Debt		Total Nonmajor Governmental Funds
	Park Improvement	Special Highway	Street Improvement			Service Park	Sales Tax	
Assets								
Deposits and investments	\$ 202,891	\$ 1,103,942	\$ 1,009,711	\$ 2,316,544	\$ -	\$ -	\$ 2,437,771	
Receivables:								
Taxes	-	-	-	-	-	-	16,984	
Other	584	3,540	3,536	7,660	-	-	8,053	
Intergovernmental	-	399,559	-	399,559	-	-	399,559	
Total assets	\$ 203,475	\$ 1,507,041	\$ 1,013,247	\$ 2,723,763	\$ -	\$ -	\$ 2,862,367	
Liabilities								
Accounts payable	-	98,415	-	98,415	-	-	98,415	
Total liabilities	-	98,415	-	98,415	-	-	98,415	
Fund Balances (Deficits)								
Restricted								
Capital projects	203,475	1,408,626	-	1,612,101	-	-	1,612,101	
Street improvements	-	-	1,013,247	1,013,247	-	-	1,013,247	
Economic development	-	-	-	-	-	-	49,488	
Other	-	-	-	-	-	-	89,116	
Total fund balances	203,475	1,408,626	1,013,247	2,625,348	-	-	2,763,952	
Total liabilities and fund balances	\$ 203,475	\$ 1,507,041	\$ 1,013,247	\$ 2,723,763	\$ -	\$ -	\$ 2,862,367	

CITY OF GARDNER, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2018

	Special Revenue Funds					Total Special Revenue
	Economic Development Reserve	Law Enforcement Trust	Special Alcohol/ Drug Program	Special Parks and Recreation		
Revenues						
Transient guest tax	\$ 66,361	\$ -	\$ -	\$ -	\$ -	\$ 66,361
Excise Tax	-	-	-	-	-	-
Park Impact Fees	-	-	-	-	-	-
Intergovernmental	-	1,240	40,591	40,591	-	82,422
Fines and Fees	-	-	-	-	-	-
Investment earnings	726	176	459	48	-	1,409
Total revenues	67,087	1,416	41,050	40,639	-	150,192
Expenditures						
Current:						
General government	109,275	-	19,200	-	-	128,475
Total expenditures	109,275	-	19,200	-	-	128,475
Excess of revenues over (under) expenditures	(42,188)	1,416	21,850	40,639	-	21,717
Other financing sources (uses)						
Transfers out	-	-	-	(40,000)	-	(40,000)
Total other financing sources (uses)	-	-	-	(40,000)	-	(40,000)
Net change in fund balances	(42,188)	1,416	21,850	639	-	(18,283)
Fund balances, beginning of year	91,676	12,431	33,425	19,355	-	156,887
Fund balances, end of year	\$ 49,488	\$ 13,847	\$ 55,275	\$ 19,994	\$ -	\$ 138,604

(Continued)

CITY OF GARDNER, KANSAS

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2018

	Capital Projects			Total Capital Projects	Debt Service Park Sales Tax	Total Nonmajor Governmental Funds
	Park Improvement	Special Highway	Street Improvement			
Revenues						
Transient guest tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,361
Excise Tax	-	-	686,718	686,718	-	686,718
Park Impact Fees	-	-	-	-	-	-
Intergovernmental	-	1,517,776	-	1,517,776	-	1,600,198
Fines and Fees	154,952	-	-	154,952	-	154,952
Investment earnings	1,884	11,955	11,967	25,806	-	27,215
Total revenues	156,836	1,529,731	698,685	2,385,252	-	2,535,444
Expenditures						
Current:						
General government	-	-	-	-	-	128,475
Capital outlay	-	982,896	-	982,896	-	982,896
Debt service:						
Principal	-	45,000	-	45,000	-	45,000
Interest and fiscal charges	-	14,463	-	14,463	-	14,463
Other	-	-	-	-	-	-
Total expenditures	-	1,042,359	-	1,042,359	-	1,170,834
Excess of revenues over (under) expenditures	156,836	487,372	698,685	1,342,893	-	1,364,610
Other financing sources (uses)						
Transfers in	-	-	-	-	42,702	42,702
Transfers out	(65,002)	(26,500)	(25,700)	(117,202)	(52,000)	(209,202)
Total other financing sources (uses)	(65,002)	(26,500)	(25,700)	(117,202)	(9,298)	(166,500)
Net change in fund balances	91,834	460,872	672,985	1,225,691	(9,298)	1,198,110
Fund balances, beginning of year	111,641	947,754	340,262	1,399,657	9,298	1,565,842
Fund balances, end of year	\$ 203,475	\$ 1,408,626	\$ 1,013,247	\$ 2,625,348	\$ -	\$ 2,763,952

CITY OF GARDNER, KANSAS

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

ECONOMIC DEVELOPMENT RESERVE FUND

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Transient guest tax	\$ 74,000	\$ 74,000	\$ 66,361	\$ (7,639)
Investment earnings	100	100	726	626
Total revenues	74,100	74,100	67,087	(7,013)
Expenditures				
Project reserve	20,878	20,878	-	20,878
Contractual services	130,650	130,650	134,275	(3,625)
Total expenditures	151,528	151,528	134,275	17,253
Revenues over (under) expenditures	(77,428)	(77,428)	(67,188)	10,240
Net change in fund balance	(77,428)	(77,428)	(67,188)	10,240
Fund balances, beginning of year	77,428	77,428	91,676	14,248
Fund balances, end of year	\$ -	\$ -	\$ 24,488	\$ 24,488
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			25,000	
GAAP fund balance, end of year			\$ 49,488	

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
Revenues				
Special alcohol tax	\$ 35,600	\$ 35,600	\$ 40,591	\$ 4,991
Investment earnings	-	-	459	459
Total revenues	<u>35,600</u>	<u>35,600</u>	<u>41,050</u>	<u>5,450</u>
Expenditures				
Project reserve	47,573	47,573	-	47,573
Contractual services	19,200	19,200	19,200	-
Total expenditures	<u>66,773</u>	<u>66,773</u>	<u>19,200</u>	<u>47,573</u>
Revenues over (under) expenditures	(31,173)	(31,173)	21,850	53,023
Net change in fund balance	(31,173)	(31,173)	21,850	53,023
Fund balances, beginning of year	31,173	31,173	33,425	2,252
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,275</u>	<u>\$ 55,275</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
Revenues				
Special alcohol tax	\$ 35,600	\$ 35,600	\$ 40,591	\$ 4,991
Investment earnings	<u>-</u>	<u>-</u>	<u>48</u>	<u>48</u>
Total revenues	<u>35,600</u>	<u>35,600</u>	<u>40,639</u>	<u>5,039</u>
Expenditures				
Project reserve	<u>12,792</u>	<u>12,792</u>	<u>-</u>	<u>12,792</u>
Total expenditures	<u>12,792</u>	<u>12,792</u>	<u>-</u>	<u>12,792</u>
Revenues over (under) expenditures	22,808	22,808	40,639	17,831
Other financing sources (uses)				
Transfers out	<u>(40,000)</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(40,000)</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
Net change in fund balance	(17,192)	(17,192)	639	17,831
Fund balances, beginning of year	<u>17,192</u>	<u>17,192</u>	<u>19,355</u>	<u>2,163</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,994</u>	<u>\$ 19,994</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
Revenues				
Park impact fees	\$ 126,700	\$ 126,700	\$ 154,952	\$ 28,252
Investment earnings	<u>100</u>	<u>100</u>	<u>1,884</u>	<u>1,784</u>
Total revenues	<u>126,800</u>	<u>126,800</u>	<u>156,836</u>	<u>30,036</u>
Expenditures				
Project reserve	<u>179,451</u>	<u>179,451</u>	<u>-</u>	<u>179,451</u>
Total expenditures	<u>179,451</u>	<u>179,451</u>	<u>-</u>	<u>179,451</u>
Revenues over (under) expenditures	(52,651)	(52,651)	156,836	209,487
Other financing sources (uses)				
Transfers out	<u>(67,300)</u>	<u>(67,300)</u>	<u>(65,002)</u>	<u>2,298</u>
Total other financing sources (uses)	<u>(67,300)</u>	<u>(67,300)</u>	<u>(65,002)</u>	<u>2,298</u>
Net change in fund balance	(119,951)	(119,951)	91,834	211,785
Fund balances, beginning of year	<u>119,951</u>	<u>119,951</u>	<u>111,641</u>	<u>(8,310)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203,475</u>	<u>\$ 203,475</u>

CITY OF GARDNER, KANSAS

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

SPECIAL HIGHWAY FUND

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
State gasoline tax	\$ 550,500	\$ 550,500	\$ 584,168	\$ 33,668
Intergovernmental	2,629,600	2,629,600	933,608	(1,695,992)
Investment earnings	800	800	11,955	11,155
Total revenues	<u>3,180,900</u>	<u>3,180,900</u>	<u>1,529,731</u>	<u>(1,651,169)</u>
Expenditures				
Project reserve	1,429,719	1,429,719	-	1,429,719
Capital outlay	4,256,000	4,256,000	741,284	3,514,716
Principal & Interest	59,500	59,500	59,463	37
Total expenditures	<u>5,745,219</u>	<u>5,745,219</u>	<u>800,747</u>	<u>4,944,472</u>
Revenues over (under) expenditures	(2,564,319)	(2,564,319)	728,984	3,293,303
Other financing sources (uses)				
General obligation bonds issued	1,588,400	1,588,400	-	(1,588,400)
Transfers out	(26,500)	(26,500)	(26,500)	-
Total other financing sources (uses)	<u>1,561,900</u>	<u>1,561,900</u>	<u>(26,500)</u>	<u>(1,588,400)</u>
Net change in fund balance subject to legal budget	<u>(1,002,419)</u>	<u>(1,002,419)</u>	702,484	<u>1,704,903</u>
Expenditures not subject to legal budget			-	
Net change in fund balance	(1,002,419)	(1,002,419)	702,484	1,704,903
Fund balances, beginning of year	1,002,419	1,002,419	366,289	(636,130)
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	1,068,773	<u>\$ 1,068,773</u>
Explanation of difference between budgetary and GAAP fund balances:				
Encumbrances for equipment and supplies ordered but not received are not recorded for GAAP purposes until received			<u>339,853</u>	
GAAP fund balance, end of year			<u>\$ 1,408,626</u>	

CITY OF GARDNER, KANSAS

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

STREET IMPROVEMENT FUND

Year Ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues				
Excise tax	\$ 1,653,000	\$ 1,653,000	\$ 686,718	\$ (966,282)
Investment earnings	<u>200</u>	<u>200</u>	<u>11,967</u>	<u>11,767</u>
Total revenues	<u>1,653,200</u>	<u>1,653,200</u>	<u>698,685</u>	<u>(954,515)</u>
Expenditures				
Project reserve	<u>2,382,915</u>	<u>2,382,915</u>	<u>-</u>	<u>2,382,915</u>
Total expenditures	<u>2,382,915</u>	<u>2,382,915</u>	<u>-</u>	<u>2,382,915</u>
Revenues over (under) expenditures	(729,715)	(729,715)	698,685	1,428,400
Other financing sources (uses)				
Transfers out	<u>(25,700)</u>	<u>(25,700)</u>	<u>(25,700)</u>	<u>-</u>
Total other financing sources (uses)	<u>(25,700)</u>	<u>(25,700)</u>	<u>(25,700)</u>	<u>-</u>
Net change in fund balance	(755,415)	(755,415)	672,985	1,428,400
Fund balances, beginning of year	<u>755,415</u>	<u>755,415</u>	<u>340,262</u>	<u>(415,153)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,013,247</u>	<u>\$ 1,013,247</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Project reserve	<u>2,223</u>	<u>2,223</u>	<u>-</u>	<u>2,223</u>
Total expenditures	<u>2,223</u>	<u>2,223</u>	<u>-</u>	<u>2,223</u>
Revenues over (under) expenditures	(2,223)	(2,223)	-	2,223
Other financing sources (uses)				
Transfers in	45,000	45,000	42,702	(2,298)
Transfers out	<u>(52,000)</u>	<u>(52,000)</u>	<u>(52,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(7,000)</u>	<u>(7,000)</u>	<u>(9,298)</u>	<u>(2,298)</u>
Net change in fund balance	(9,223)	(9,223)	(9,298)	(75)
Fund balances, beginning of year	<u>9,223</u>	<u>9,223</u>	<u>9,298</u>	<u>75</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF GARDNER, KANSAS

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

INFRASTRUCTURE SPECIAL SALES TAX FUND

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 1,120,900	\$ 1,120,900	\$ 1,198,201	\$ 77,301
Intergovernmental	-	-	254,953	254,953
Investment earnings	400	400	25,458	25,058
Total revenues	<u>1,121,300</u>	<u>1,121,300</u>	<u>1,478,612</u>	<u>357,312</u>
Expenditures				
Principal	402,500	402,500	445,000	(42,500)
Interest	-	-	87,712	(87,712)
Other	-	-	30,491	(30,491)
Public Works	-	-	728,719	(728,719)
Capital Outlay	2,830,000	2,830,000	1,814,738	1,015,262
Project Reserve	395,924	395,924	-	395,924
Total expenditures	<u>3,628,424</u>	<u>3,628,424</u>	<u>3,106,660</u>	<u>521,764</u>
Revenues over (under) expenditures	(2,507,124)	(2,507,124)	(1,628,048)	879,076
Other financing sources (uses)				
General obligation bonds issued	2,000,000	2,000,000	1,725,000	(275,000)
Issuance: Premium	-	-	205,384	205,384
Total other financing sources (uses)	<u>2,000,000</u>	<u>2,000,000</u>	<u>1,930,384</u>	<u>(69,616)</u>
Expenditures and other financing sources subject to legal budget	<u>3,628,424</u>	<u>3,628,424</u>	<u>3,106,660</u>	<u>521,764</u>
Net change in fund balance	(507,124)	(507,124)	302,336	809,460
Fund balances, beginning of year	507,124	507,124	796,827	289,703
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,099,163</u>	<u>\$ 1,099,163</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, end of year

\$ 1,099,163

CITY OF GARDNER, KANSAS

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

DEBT SERVICE FUND

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 1,629,276	\$ 1,629,276	\$ 1,712,037	\$ 82,761
Special assessments	973,900	973,900	1,213,071	239,171
Intergovernmental	480,000	480,000	414,958	(65,042)
Investment earnings	11,900	11,900	85,864	73,964
Payments in lieu of taxes	58,024	58,024	-	(58,024)
Total revenues	<u>3,153,100</u>	<u>3,153,100</u>	<u>3,425,930</u>	<u>272,830</u>
Expenditures				
Principal	5,145,200	5,145,200	3,741,683	1,403,517
Interest	-	-	798,026	(798,026)
Other	-	-	128,415	(128,415)
Project Reserve	1,001,389	1,001,389	-	1,001,389
Total expenditures	<u>6,146,589</u>	<u>6,146,589</u>	<u>4,668,124</u>	<u>1,478,465</u>
Revenues over (under) expenditures	(2,993,489)	(2,993,489)	(1,242,194)	1,751,295
Other financing sources				
General obligation bonds issued	-	-	-	-
Proceeds from capital lease	-	-	37,000	37,000
Issuance: Premium	-	-	-	-
Transfers in	242,600	242,600	242,600	-
Total other financing sources	<u>242,600</u>	<u>242,600</u>	<u>279,600</u>	<u>37,000</u>
Expenditures and other financing sources subject to legal budget	<u>6,146,589</u>	<u>6,146,589</u>	<u>4,668,124</u>	<u>1,478,465</u>
Net change in fund balance	(2,750,889)	(2,750,889)	(962,594)	1,788,295
Fund balances, beginning of year	<u>2,750,889</u>	<u>2,750,889</u>	<u>5,117,019</u>	<u>2,366,130</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,154,425</u>	<u>\$ 4,154,425</u>

Nonmajor Proprietary Funds

Enterprise Funds

Airport – The Airport Fund accounts for all revenues and expenses of the Airport Operations, as directed by the City of Gardner. Revenues are derived from the hangar and building space rental, the sale of fuel and land rental to bale hay on airport property. Expenses are for the construction, renovation and operation of the airport.

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

Internal Service Funds

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

Risk Services Fund – This fund is used to account for the accumulation and allocation of costs associated with the City’s risk-financing activities.

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

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

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

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

December 31, 2018

	Stormwater	Airport	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ -	\$ 310,087	\$ 310,087
Accounts receivable, net	-	8,720	8,720
Other receivable	-	1,232	1,232
Inventories	-	20,840	20,840
Restricted deposits and investments	-	6,000	6,000
Total current assets	-	346,879	346,879
Noncurrent assets:			
Capital assets:			
Land	-	1,285,374	1,285,374
Construction in progress	-	67,886	67,886
Buildings	-	1,745,363	1,745,363
Infrastructure	148,352	1,353,775	1,502,127
Improvements	737,692	130,547	868,239
Less accumulated depreciation and amortization	(250,774)	(1,612,780)	(1,863,554)
Total capital assets	635,270	2,970,165	3,605,435
Total noncurrent assets	635,270	2,970,165	3,605,435
Total assets	635,270	3,317,044	3,952,314
 Deferred outflows of resources			
Pension deferred outflow	-	711	711
Total deferred outflows of resources	-	711	711
 Liabilities			
Current liabilities:			
Accounts payable	-	3,140	3,140
Accrued payroll	-	611	611
Customer and developer deposits	-	6,000	6,000
Accrued interest payable	-	499	499
Compensated absences	-	2,064	2,064
Current portion of bonds payable	-	39,013	39,013
Total current liabilities	-	51,327	51,327
Noncurrent liabilities:			
Other postemployment benefit obligation	-	265	265
Bonds payable, net	-	182,946	182,946
Pension liability	-	1,195	1,195
Total noncurrent liabilities	-	184,406	184,406
Total liabilities	-	235,733	235,733
 Deferred inflows of resources			
Pension deferred inflow	-	75	75
OPEB deferred inflow	-	7	7
Total deferred inflows of resources	-	82	82
 Net position			
Net investment in capital assets	635,270	2,748,206	3,383,476
Unrestricted	-	333,734	333,734
Total net position	\$ 635,270	\$ 3,081,940	\$ 3,717,210

CITY OF GARDNER, KANSAS

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

NON-MAJOR ENTERPRISE FUNDS

Year Ended December 31, 2018

	Stormwater	Airport	Total
Operating revenues			
Charges for sales and services	\$ -	\$ 258,295	\$ 258,295
Other	144	-	144
Total operating revenues	144	258,295	258,439
Operating expenses			
Administration	-	125,514	125,514
Repairs and maintenance	-	15,541	15,541
Depreciation and amortization	28,299	124,538	152,837
Other	144	-	144
Total operating expenses	28,443	265,593	294,036
Operating income (loss)	(28,299)	(7,298)	(35,597)
Nonoperating revenues (expenses)			
Investment earnings	-	4,234	4,234
Interest expense	-	(3,105)	(3,105)
Total nonoperating revenues (expenses)	-	1,129	1,129
Income (loss) before transfers and contributions	(28,299)	(6,169)	(34,468)
Capital grants and contributions	-	32,121	32,121
Change in net position	(28,299)	25,952	(2,347)
Total net position, beginning of year	663,569	3,056,260	3,719,829
Prior period adjustment	-	(272)	(272)
Total net position, end of year	\$ 635,270	\$ 3,081,940	\$ 3,717,210

CITY OF GARDNER, KANSAS

COMBINING STATEMENT OF CASH FLOWS

NON-MAJOR ENTERPRISE FUNDS

Year Ended December 31, 2018

	<u>Stormwater</u>	<u>Airport</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ -	\$ 258,789	\$ 258,789
Payments to suppliers	-	(136,059)	(136,059)
Payments to employees	-	(12,489)	(12,489)
	<hr/>	<hr/>	<hr/>
Net cash provided by operating activities	-	110,241	110,241
Cash flows from capital and related financing activities:			
Capital contribution	-	32,121	32,121
Acquisition and construction of capital assets	-	(71,317)	(71,317)
Principal paid on general obligation bonds	-	(57,317)	(57,317)
Interest paid on general obligation bonds, construction loan, and capital lease	-	(3,474)	(3,474)
	<hr/>	<hr/>	<hr/>
Net cash used in capital and related financing activities	-	(99,987)	(99,987)
Cash flows from investing activities:			
Interest received	-	4,234	4,234
	<hr/>	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	-	14,488	14,488
Cash and cash equivalents, beginning of year	-	301,599	301,599
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents, end of year	\$ -	\$ 316,087	\$ 316,087
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Cash consists of:			
Cash	\$ -	\$ 310,087	\$ 310,087
Restricted deposits and investments	-	6,000	6,000
	<hr/>	<hr/>	<hr/>
	-	316,087	316,087
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	(28,299)	(7,298)	(35,597)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Items not requiring cash:			
Depreciation and amortization expense	28,299	124,538	152,837
Changes in:			
Receivables	-	(506)	(506)
Inventories	-	6,151	6,151
Accounts payable	-	(13,725)	(13,725)
Due to other funds	-	(952)	(952)
Accrued liabilities	-	1,033	1,033
Customer deposits	-	1,000	1,000
	<hr/>	<hr/>	<hr/>
Net cash provided by operating activities	\$ -	\$ 110,241	\$ 110,241
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF GARDNER, KANSAS

COMBINING STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS

December 31, 2018

	Governmental Activities			Business-type Activities	Total
	Risk Services	Information Technology Services	Building Services	Utility Billing Services	
Assets					
Current assets:					
Deposits and investments	\$ 46,140	\$ 141,479	\$ 89,688	\$ 327,962	\$ 605,269
Prepaid items	2,920	2,848	-	-	5,768
Receivables:					
Other	1,964	-	-	-	1,964
Noncurrent assets:					
Capital assets:					
Machinery and equipment	-	467,391	14,794	10,509	492,694
Vehicles	-	-	49,237	125,978	175,215
Less accumulated depreciation	-	(228,024)	(33,481)	(65,252)	(326,757)
Total assets	51,024	383,694	120,238	399,197	954,153
Deferred outflows of resources					
Pension deferred outflow	11,146	41,696	14,383	81,504	148,729
OPEB deferred outflow	22	58	113	479	672
Total deferred outflows of resources	11,168	41,754	14,496	81,983	149,401
Liabilities					
Current liabilities:					
Accounts payable	2,398	26,231	4,715	7,153	40,497
Compensated absences	2,730	8,331	13,808	41,828	66,697
Due to other funds	-	-	2,990	-	2,990
Accrued payroll	2,267	9,267	2,892	16,486	30,912
Noncurrent liabilities:					
Other postemployment benefit obligation	1,813	6,240	4,869	22,517	35,439
Net Pension liability	46,238	175,742	59,239	338,856	620,075
Total liabilities	55,446	225,811	88,513	426,840	796,610
Deferred inflows of resources					
Pension deferred inflow	1,830	6,918	2,338	13,344	24,430
OPEB deferred inflow	248	1,009	307	1,788	3,352
Total deferred inflows of resources	2,078	7,927	2,645	15,132	27,782
Net position					
Net investment in capital assets	-	239,367	30,550	71,235	341,152
Unrestricted	4,668	(47,657)	13,026	(32,027)	(61,990)
Total net position	\$ 4,668	\$ 191,710	\$ 43,576	\$ 39,208	\$ 279,162

CITY OF GARDNER, KANSAS

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

INTERNAL SERVICE FUNDS

Year Ended December 31, 2018

	Governmental Activities			Business-type Activities	Total
	Risk Services	Information Technology Services	Building Services	Utility Billing Services	
Operating revenues					
Charges for services	\$ 881,553	\$ 833,152	\$ 345,669	\$ 1,153,880	\$ 3,214,254
Other	8,884	-	-	-	8,884
Total operating revenues	<u>890,437</u>	<u>833,152</u>	<u>345,669</u>	<u>1,153,880</u>	<u>3,223,138</u>
Operating expenses					
Administration	64,689	307,643	87,613	560,663	1,020,608
Contractual services	731,676	281,565	153,563	283,475	1,450,279
Other supplies and expenses	20,467	98,425	13,878	14,119	146,889
Repairs and maintenance	-	17,296	9,925	4,977	32,198
Depreciation	-	43,975	4,928	9,312	58,215
Other	73,605	84,248	75,760	283,733	517,346
Total operating expenses	<u>890,437</u>	<u>833,152</u>	<u>345,667</u>	<u>1,156,279</u>	<u>3,225,535</u>
Operating income	<u>-</u>	<u>-</u>	<u>2</u>	<u>(2,399)</u>	<u>(2,397)</u>
Nonoperating revenues (expenses)					
Other	-	-	-	2,400	2,400
Change in net position	<u>-</u>	<u>-</u>	<u>2</u>	<u>1</u>	<u>3</u>
Total net position, beginning of year	<u>6,154</u>	<u>196,599</u>	<u>44,624</u>	<u>47,376</u>	<u>294,753</u>
Prior period adjustment	<u>(1,486)</u>	<u>(4,889)</u>	<u>(1,050)</u>	<u>(8,169)</u>	<u>(15,594)</u>
Total net position, end of year	<u>\$ 4,668</u>	<u>\$ 191,710</u>	<u>\$ 43,576</u>	<u>\$ 39,208</u>	<u>\$ 279,162</u>

CITY OF GARDNER, KANSAS

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

Year Ended December 31, 2018

	Governmental Activities		Business-type Activities		
	Risk Management	Information Technology Services	Building Services	Utility Billing Services	Total
Cash flows from operating activities:					
Receipts from customers	\$ 881,553	\$ 833,152	\$ 345,669	\$ 1,153,880	\$ 3,214,254
Other	8,884	-	-	-	8,884
Payments to suppliers	(829,328)	(498,236)	(251,551)	(585,893)	(2,165,008)
Payments to employees	(63,066)	(299,286)	(77,872)	(529,239)	(969,463)
Net cash provided by operating activities	<u>(1,957)</u>	<u>35,630</u>	<u>16,246</u>	<u>38,748</u>	<u>88,667</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	-	-	-	(40,982)	(40,982)
Proceeds from sale of assets	-	-	-	2,400	2,400
Net cash used in capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,582)</u>	<u>(38,582)</u>
Net increase (decrease) in cash and cash equivalents	(1,957)	35,630	16,246	166	50,085
Cash and cash equivalents, beginning of year	<u>48,097</u>	<u>105,849</u>	<u>73,442</u>	<u>327,796</u>	<u>555,184</u>
Cash and cash equivalents, end of year	<u>\$ 46,140</u>	<u>\$ 141,479</u>	<u>\$ 89,688</u>	<u>\$ 327,962</u>	<u>\$ 605,269</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ -	\$ -	\$ 2	\$ (2,399)	\$ (2,397)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Items not requiring cash:					
Depreciation expense	-	43,975	4,928	9,312	58,215
Other postemployment benefit obligation	306	1,131	666	3,278	5,381
Loss (gain) on sale of asset	-	-	-	-	-
Pension expense	719	2,933	894	5,216	9,762
Changes in:					
Receivables	(1,964)	-	-	-	(1,964)
Prepaid expenses	(2,920)	(2,848)	-	-	(5,768)
Accounts payable	1,304	(13,854)	1,662	411	(10,477)
Accrued liabilities	598	4,293	8,181	22,930	36,002
Due to other funds	-	-	(87)	-	(87)
Net cash provided by operating activities	<u>\$ (1,957)</u>	<u>\$ 35,630</u>	<u>\$ 16,246</u>	<u>\$ 38,748</u>	<u>\$ 88,667</u>

CITY OF GARDNER, KANSAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
December 31, 2018

	Alcohol Safety Action Program	Special Olympics Program	Mayor's Christmas Tree Program	Total
Assets				
Deposits and investments	\$ 35,034	\$ 11,423	\$ 2,010	\$ 48,467
Liabilities				
Due to others	\$ 35,034	\$ 11,423	\$ 2,010	\$ 48,467

CITY OF GARDNER, KANSAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

Year Ended December 31, 2018

<u>Alcohol Safety Action Program</u>	Balance January 1, 2018	Additions	Deductions	Balance December 31, 2018
Assets				
Deposits and investments	<u>\$ 34,809</u>	<u>\$ 225</u>	<u>\$ -</u>	<u>\$ 35,034</u>
Liabilities				
Due to others	<u>\$ 34,809</u>	<u>\$ 225</u>	<u>\$ -</u>	<u>\$ 35,034</u>
<u>Special Olympics Program</u>	Balance January 1, 2018	Additions	Deductions	Balance December 31, 2018
Assets				
Deposits and investments	<u>\$ 12,699</u>	<u>\$ 1,690</u>	<u>\$ 2,966</u>	<u>\$ 11,423</u>
Liabilities				
Due to others	<u>\$ 12,699</u>	<u>\$ 1,690</u>	<u>\$ 2,966</u>	<u>\$ 11,423</u>
<u>Mayor's Christmas Tree Program</u>	Balance January 1, 2018	Additions	Deductions	Balance December 31, 2018
Assets				
Deposits and investments	<u>\$ 6,692</u>	<u>\$ 3,718</u>	<u>\$ 8,400</u>	<u>\$ 2,010</u>
Liabilities				
Due to others	<u>\$ 6,692</u>	<u>\$ 3,718</u>	<u>\$ 8,400</u>	<u>\$ 2,010</u>



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended

December 31, 2018

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.

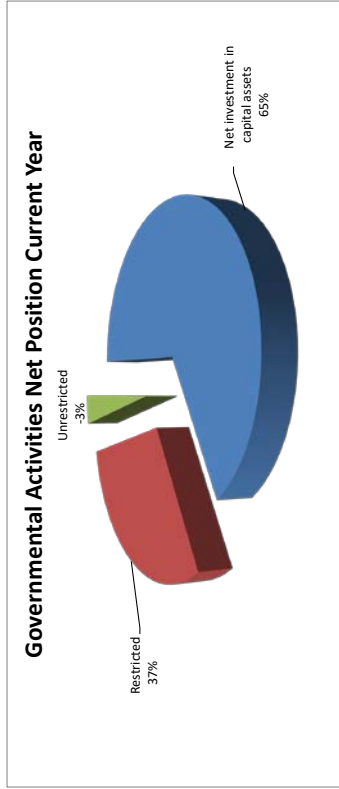
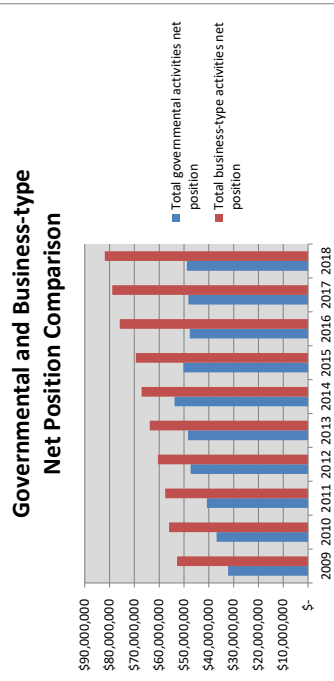
<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	105 - 108
Revenue Capacity These schedules contain information to help the reader assess the factors affecting 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.	109 - 117
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.	118 - 121
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.	122 - 124
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.	125 - 127

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

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 11,427,079	\$ 17,247,111	\$ 20,316,915	\$ 17,955,758	\$ 23,990,859	\$ 28,346,555	\$ 30,941,954	\$ 29,574,314	\$ 31,189,584	\$ 34,541,491
Restricted	17,997,310	16,045,557	16,127,894	24,232,960	20,820,905	20,245,654	18,457,790	17,920,702	17,866,534	16,120,122
Unrestricted	2,785,686	3,604,098	4,345,432	5,166,777	3,548,049	5,208,773	806,326	161,452	(637,444)	(1,788,810)
Total governmental activities net position	\$ 32,210,075	\$ 36,896,766	\$ 40,790,241	\$ 47,355,495	\$ 48,359,813	\$ 53,800,982	\$ 50,206,050	\$ 47,656,468	\$ 48,218,674	\$ 48,872,803
Business-type activities										
Net investment in capital assets	\$ 45,202,862	\$ 46,462,027	\$ 48,330,111	\$ 51,630,963	\$ 53,358,039	\$ 55,182,468	\$ 57,021,062	\$ 61,598,308	\$ 62,611,603	\$ 73,790,033
Unrestricted	7,587,496	9,547,927	9,236,658	8,919,022	10,427,135	11,921,883	12,364,866	14,341,092	16,313,315	8,165,740
Total business-type activities net position	\$ 52,790,358	\$ 56,009,954	\$ 57,566,769	\$ 60,549,985	\$ 63,785,174	\$ 67,104,351	\$ 69,385,928	\$ 75,939,400	\$ 78,924,918	\$ 81,955,773
Primary government										
Net investment in capital assets	\$ 56,629,941	\$ 63,709,138	\$ 68,647,026	\$ 69,586,721	\$ 77,348,898	\$ 83,529,023	\$ 87,962,996	\$ 91,172,622	\$ 93,801,187	\$ 108,331,524
Restricted	17,997,310	16,045,557	16,127,894	24,232,960	20,820,905	20,245,654	18,457,790	17,920,702	17,866,534	16,120,122
Unrestricted	10,373,182	13,152,025	13,582,090	14,085,799	13,975,184	17,130,656	13,171,192	14,502,544	15,475,871	6,376,930
Total primary government net position	\$ 85,000,433	\$ 92,906,720	\$ 98,357,010	\$ 107,905,480	\$ 112,144,987	\$ 120,905,333	\$ 119,591,978	\$ 123,595,868	\$ 127,143,592	\$ 130,828,576

Source: City of Gardner Finance Department

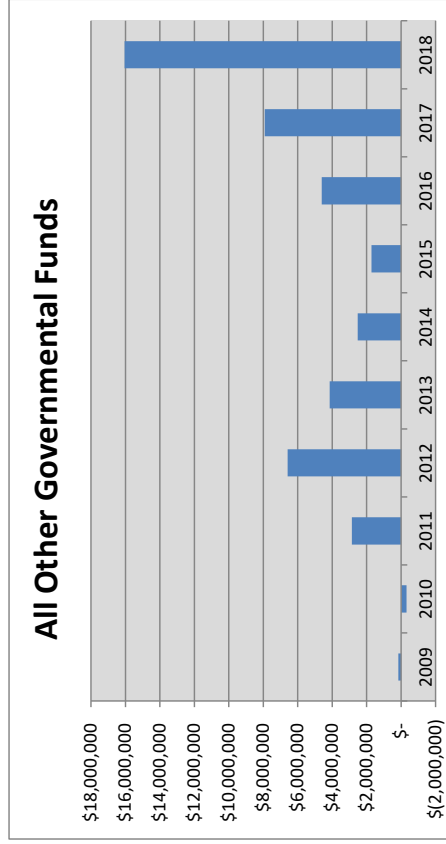
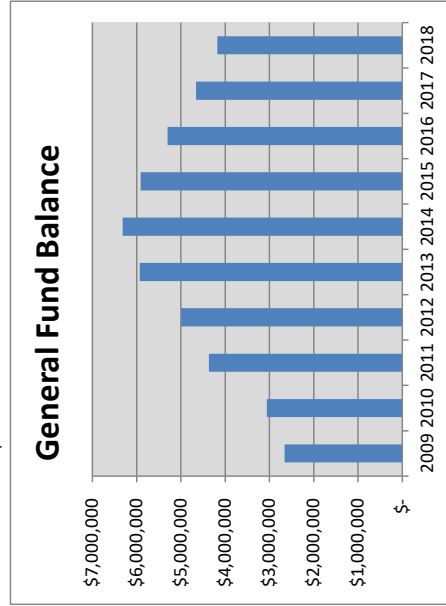


City of Gardner, Kansas
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund										
Reserved	\$ 39,182	\$ 250	-	-	-	-	-	-	-	-
Unreserved	2,619,334	3,058,934	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	29,694
Restricted	-	-	24,281	-	-	-	-	-	-	-
Assigned	-	-	20,619	-	-	9,640	115,541	22,221	184,992	166,052
Unassigned	-	-	4,321,492	4,997,241	5,864,734	6,305,486	5,792,880	5,280,652	4,471,284	3,980,094
Total general fund	<u>\$ 2,658,516</u>	<u>\$ 3,059,184</u>	<u>\$ 4,366,392</u>	<u>\$ 4,997,241</u>	<u>\$ 5,929,208</u>	<u>\$ 6,315,126</u>	<u>\$ 5,908,421</u>	<u>\$ 5,302,873</u>	<u>\$ 4,656,276</u>	<u>\$ 4,175,840</u>
All Other Governmental Funds										
Reserved	\$ 1,479,432	\$ 451,339	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Debt service fund	78,023	105,384	-	-	-	-	-	-	-	-
Special revenue funds	5,119,227	3,565,909	-	-	-	-	-	-	-	-
Capital projects funds	(6,515,040)	(4,434,896)	-	-	-	-	-	-	-	-
Restricted	-	-	2,603,807	6,590,028	4,147,059	2,520,366	1,715,705	4,611,811	7,911,908	16,046,623
Assigned	-	-	260,317	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 161,642</u>	<u>\$ (312,264)</u>	<u>\$ 2,864,124</u>	<u>\$ 6,590,028</u>	<u>\$ 4,147,059</u>	<u>\$ 2,520,366</u>	<u>\$ 1,715,705</u>	<u>\$ 4,611,811</u>	<u>\$ 7,911,908</u>	<u>\$ 16,046,623</u>

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 7,338,334	\$ 7,095,720	\$ 8,123,438	\$ 8,639,609	\$ 8,403,697	\$ 8,810,635	\$ 8,804,606	\$ 9,417,859	\$ 8,511,312	\$ 9,414,397
Licenses and permits	441,422	376,192	186,751	319,508	319,508	204,236	189,784	293,055	337,987	452,521
Fines and fees	263,248	217,900	289,358	335,319	415,312	451,700	524,540	591,913	632,258	634,207
Charges for services	727,625	800,534	825,751	844,814	744,055	1,867,940	2,103,849	2,253,903	2,444,420	2,593,495
Special assessments	387,736	974,839	951,328	966,502	1,401,884	977,266	1,129,613	1,869,075	1,235,823	1,220,611
Intergovernmental	2,383,778	7,722,154	4,069,190	3,339,121	3,368,473	4,306,908	3,769,237	3,604,305	4,165,964	4,780,797
Investment earnings	49,100	49,689	32,136	31,905	33,416	11,456	9,867	9,533	65,538	311,797
Other revenues	438,029	224,533	171,331	93,753	138,960	53,362	22,154	68,397	25,221	311,488
Total revenues	12,029,272	17,461,561	14,649,283	14,488,397	14,825,305	16,683,503	16,553,650	18,108,040	17,418,523	19,719,313
Expenditures										
General government	2,901,931	2,588,787	2,397,137	2,443,979	2,728,857	3,429,383	3,825,458	4,408,175	2,980,122	3,202,406
Police	3,286,448	3,224,327	3,557,178	3,678,525	3,793,325	4,188,261	4,466,208	5,087,946	3,994,544	4,315,082
Public works	1,482,616	1,459,363	1,417,646	1,547,336	1,439,557	1,600,153	1,918,905	1,944,363	2,725,561	2,892,920
Culture and recreation	1,781,799	1,843,546	1,881,715	1,925,478	1,868,548	1,970,858	2,124,243	2,272,346	2,600,834	2,646,171
Business & Economic Development	3,563,318	9,102,539	2,870,018	1,795,401	3,786,717	1,720,480	1,239,165	2,445,875	883,428	925,371
Capital outlay	1,501,306	1,453,142	1,266,297	1,162,286	1,202,912	906,684	908,330	690,690	684,294	900,201
Debt service:	2,720,699	5,094,114	3,389,241	7,458,215	6,524,108	13,008,131	4,062,511	2,971,806	2,227,937	4,231,683
Interest	314,416	159,058	146,166	196,839	73,359	245,493	58,379	155,738	192,427	434,986
Total expenditures	17,552,533	24,924,876	16,925,398	20,208,059	21,417,383	27,069,443	18,603,199	19,976,939	19,347,340	30,163,176
Excess of revenues over (under) expenditures	(5,523,261)	(7,463,315)	(2,276,115)	(5,719,662)	(6,592,078)	(10,385,940)	(2,049,549)	(1,868,899)	(1,928,817)	(10,443,863)
Other Financing Sources (Uses)										
Bonds issued	5,689,822	2,794,765	1,325,000	3,995,000	3,256,418	8,090,000	-	3,548,000	3,505,000	14,985,000
Proceeds from capital lease	-	-	-	-	-	-	-	-	-	1,218,000
Premium on G.O. Bonds	-	-	-	-	-	224,484	-	124,700	179,886	908,167
Bond Anticipation notes issued	-	-	3,960,000	4,915,000	-	-	-	-	-	-
Construction loan	2,570,970	1,302,327	316,065	87,668	251,482	-	-	-	-	-
Sale of capital assets	-	2,281,216	138,077	73,929	40,567	22,105	8,583	2,108	3,631	17,475
Capital leases	-	-	-	-	98,510	-	-	-	-	-
Insurance proceeds	-	8,457	8,261	-	-	-	-	-	-	-
Transfers in	3,181,035	3,420,400	3,126,455	3,027,043	2,983,153	1,866,968	1,416,567	1,714,113	1,159,400	1,178,702
Transfers out	(2,558,856)	(2,417,089)	(2,114,147)	(2,022,225)	(1,954,053)	(1,032,587)	(586,967)	(835,173)	(265,600)	(209,202)
Total other financing sources (uses)	8,882,971	7,390,077	6,759,711	10,076,415	4,676,077	9,170,970	833,183	4,553,748	4,582,317	18,098,142
Net change in fund balances	\$ 3,359,710	\$ (73,238)	\$ 4,483,596	\$ 4,356,753	\$ (1,916,001)	\$ (1,214,970)	\$ (1,211,366)	\$ 2,684,849	\$ 2,653,500	\$ 7,654,279
Debt service as a percentage of noncapital expenditures	29.2%	42.0%	33.7%	46.2%	43.6%	53.6%	28.8%	20.9%	17.9%	26.3%

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	Electricity Consumed & Unbilled	Gallons of Water Produced & Purchased	Gallons of Water Sold	Gallons of Water Unbilled	Gallons of Wastewater Treated	Total Direct Rate					
								Electric		Water		Wastewater	
								Base Rate ^(b)	Usage Rate ^(c)	Base Rate ^(b)	Usage Rate ^(c)	Base Rate ^(b)	Usage Rate ^(c)
2009	124,014	116,584	7,430	717	473	244	768	\$ 6.72	\$ 0.1008	\$ 9.40	\$ 4.25	\$ 8.75	\$ 5.57
2010	137,083	132,915	4,168	721	497	224	752	\$ 6.72	\$ 0.1008	\$ 9.90	\$ 4.45	\$ 9.45	\$ 6.00
2011	137,841	128,646	9,195	795	501	294	784	\$ 6.72	\$ 0.1008	\$ 10.40	\$ 4.65	\$ 10.20	\$ 6.50
2012	138,940	131,151	7,789	835	589	246	432	\$ 6.72	\$ 0.1008	\$ 10.70	\$ 4.80	\$ 10.70	\$ 6.85
2013	139,849	129,350	10,499	745	675	70	467	\$ 6.72	\$ 0.1082	\$ 11.55	\$ 5.15	\$ 11.90	\$ 7.60
2014	143,884	134,608	9,276	753	664	70	395	\$ 6.72	\$ 0.1082	\$ 12.45	\$ 5.55	\$ 13.20	\$ 8.44
2015	143,731	135,754	7,977	673	577	28	466	\$ 6.72	\$ 0.1082	\$ 13.45	\$ 5.99	\$ 13.73	\$ 8.78
2016	150,351	136,060	14,291	794	633	74	668	\$ 6.72	\$ 0.1082	\$ 13.45	\$ 5.99	\$ 13.73	\$ 8.78
2017	144,632	136,157	8,723	841	699	142	591	\$ 6.72	\$ 0.1082	\$ 13.45	\$ 5.99	\$ 13.73	\$ 8.78
2018	155,841	148,934	6,907	999	761	138	593	\$ 6.72	\$ 0.1082	\$ 13.45	\$ 5.99	\$ 13.73	\$ 8.78

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

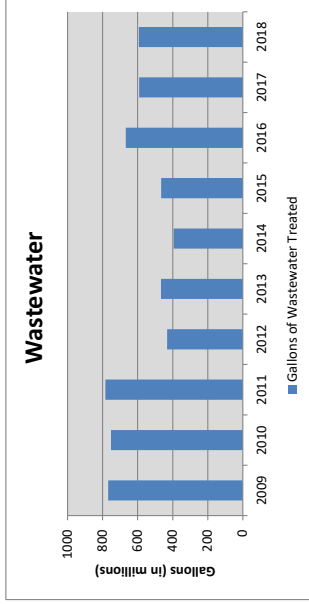
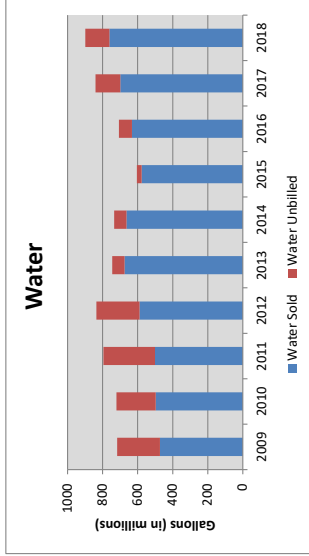
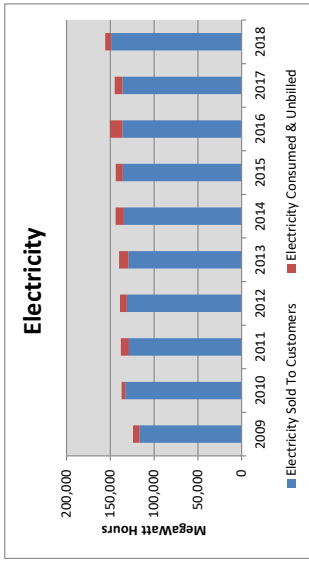
^(b) Unbilled amounts include electric, water, and sewer used by the City of Gardner for government operations,

and also amounts sold to wholesale customers through the EIMP#1 pool.

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

^(d) Per 1,000 gallons.

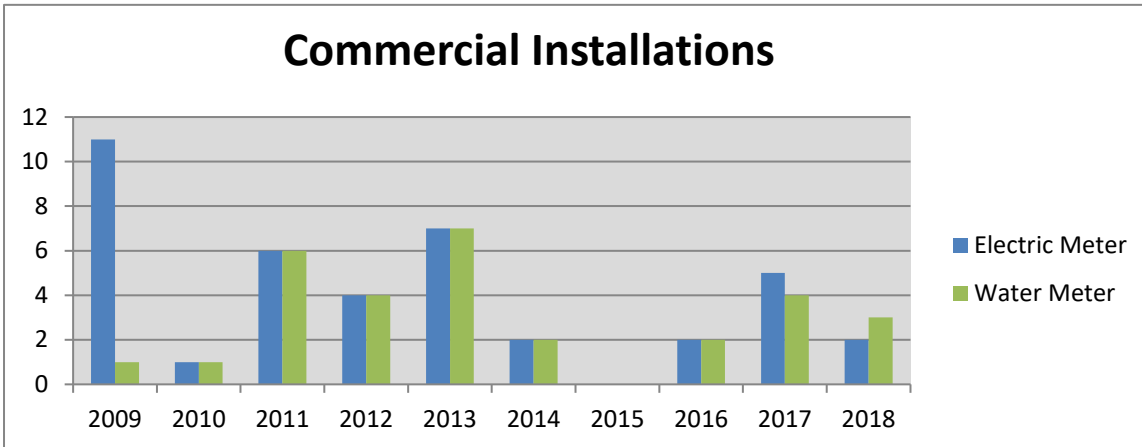
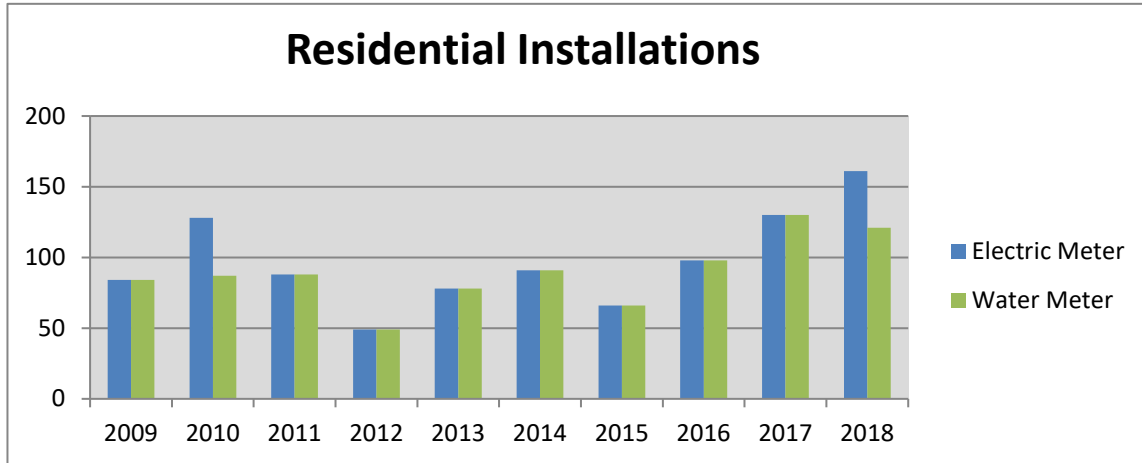
Source: City of Gardner Public Works Department & Utility Department



**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	
2009	84	11	84	1	180
2010	128	1	87	1	217
2011	88	6	88	6	188
2012	49	4	49	4	106
2013	78	7	78	7	170
2014	91	2	91	2	186
2015	66	-	66	-	132
2016	98	2	98	2	200
2017	130	5	130	4	269
2018	161	2	121	3	287

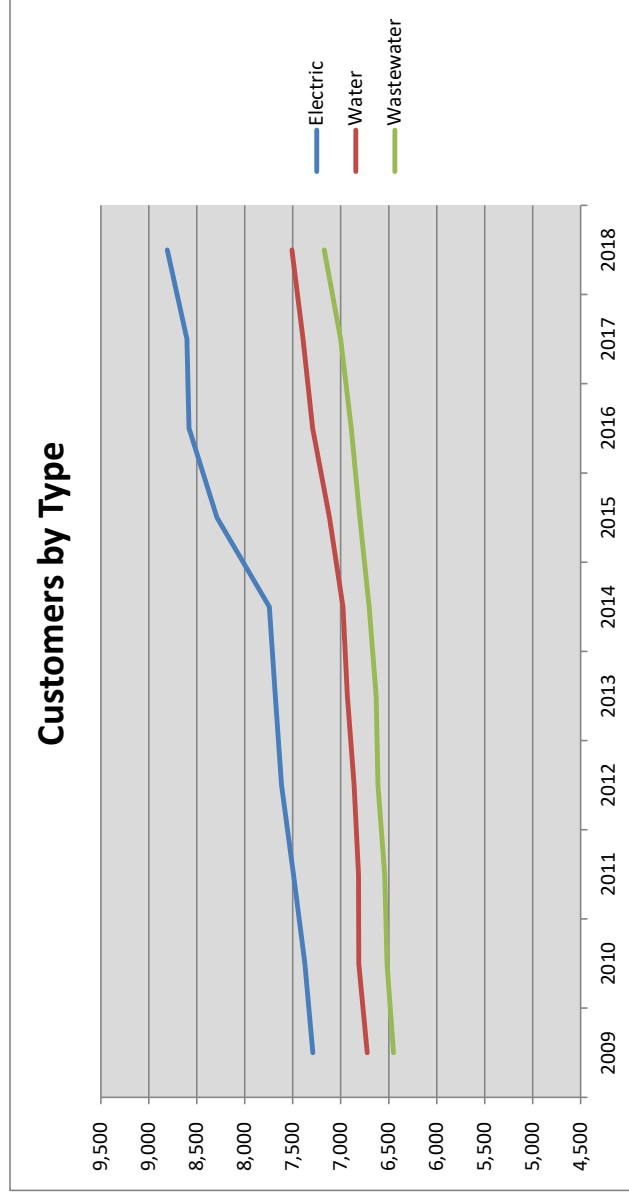
Source: City of Gardner Business and Economic Development Department



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

Fiscal Year	Electric			Water			Wastewater			Total	
	Residential	Commercial	Industrial	Residential	Commercial	Industrial	Residential	Commercial	Industrial	Water	Wastewater
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
2013	7,214	462	6	6,655	270	7	6,408	216	7	7,682	6,631
2014	7,274	465	4	6,709	261	7	6,480	219	6	7,743	6,705
2015	7,806	479	4	6,821	290	7	6,577	219	6	8,289	6,802
2016	8,089	488	4	6,977	309	7	6,664	221	6	8,581	6,891
2017	8,081	517	4	7,069	316	7	6,766	229	6	8,602	7,001
2018	8,288	515	5	7,189	313	7	6,937	228	7	8,808	7,172

Source: City of Gardner Utility Department



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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Water Rates^(a)										
<i>(All Meter Sizes)</i>										
Base Rate	\$ 9.40	\$ 9.90	\$ 10.40	\$ 10.70	\$ 11.55	\$ 12.45	\$ 13.45	\$ 13.45	\$ 13.45	\$ 13.45
Usage Rate (per 1,000 gallons) First 40,000 gallons	4.25	4.45	4.65	4.80	5.15	-	-	-	-	-
Usage Rate (per 1,000 gallons) Over 40,000 gallons	3.42	3.60	3.80	3.90	4.20	-	-	-	-	-
Usage Rate (per 1,000 gallons) First 6,000 gallons	-	-	-	-	-	5.55	5.99	5.99	5.99	5.99
Usage Rate (per 1,000 gallons) 6,001-10,000 gallons	-	-	-	-	-	6.11	6.60	6.60	6.60	6.60
Usage Rate (per 1,000 gallons) 10,001-14,000 gallons	-	-	-	-	-	6.38	6.89	6.89	6.89	6.89
Usage Rate (per 1,000 gallons) 14,001-18,000 gallons	-	-	-	-	-	6.67	7.20	7.20	7.20	7.20
Usage Rate (per 1,000 gallons) 18,001 or more gallons	-	-	-	-	-	6.97	7.53	7.53	7.53	7.53
Wastewater Rates										
Base Rate	\$ 8.75	\$ 9.45	\$ 10.20	\$ 10.70	\$ 11.90	\$ 13.20	\$ 13.73	\$ 13.73	\$ 13.73	\$ 13.73
Usage Rate (per 1,000 gallons)	5.57	6.00	6.50	6.85	7.60	8.44	8.78	8.78	8.78	8.78
Electric Rates										
<i>Residential</i>										
Base Rate	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72
Usage Rate (per kWh)	0.10083	0.10083	0.10083	0.10083	0.10819	0.10819	0.10819	0.10819	0.10819	0.10819
<i>Commercial</i>										
Base Rate	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35
Usage Rate (per kWh)	0.10416	0.10416	0.10416	0.10416	0.11152	0.11152	0.11152	0.11152	0.11152	0.11152
<i>Commercial With Demand</i>										
Base Rate for Demand	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70
Usage Rate (per KW)	14.06	14.06	14.06	14.06	14.06	14.06	14.06	14.06	14.06	14.06
Usage Rate (per kWh) First 5,000 kWh	0.05099	0.05099	0.05099	0.05099	0.05708	0.05708	0.05708	0.05708	0.05708	0.05708
Usage Rate (per kWh) Over 5,000 kWh	0.04373	0.04373	0.04373	0.04373	0.05053	0.05053	0.05053	0.05053	0.05053	0.05053
<i>Commercial Large With Demand</i>										
Base Rate for Demand	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 2.26	\$ 2.26	\$ 2.26
Usage Rate (per KW)	14.06	14.06	14.06	14.06	14.06	14.06	14.06	14.06	14.06	14.06
Usage Rate (per kWh) First 5,000 kWh	0.04972	0.04972	0.04972	0.04972	0.05080	0.05080	0.05080	0.05080	0.05080	0.05080
Usage Rate (per kWh) Over 5,000 kWh	0.04317	0.04317	0.04317	0.04317	0.05053	0.05053	0.05053	0.05053	0.05053	0.05053
All Electric Rates										
<i>Residential</i>										
Base Rate	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20
Summer Usage Rate (per kWh)	0.10352	0.10352	0.10352	0.10352	0.11088	0.11088	0.11088	0.11088	0.11088	0.11088
Winter Usage Rate (per kWh) First 800 kWh	0.10352	0.10352	0.10352	0.10352	0.11088	0.11088	0.11088	0.11088	0.11088	0.11088
Winter Usage Rate (per kWh) Over 800 kWh	0.04117	0.04117	0.04117	0.04117	0.04853	0.04853	0.04853	0.04853	0.04853	0.04853
<i>Commercial</i>										
Base Rate	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35
Usage Rate (per KW)	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30
Summer Usage Rate (per kWh)	0.03462	0.03462	0.03462	0.03462	0.04198	0.04198	0.04198	0.04198	0.04198	0.04198
Winter Usage Rate (per kWh)	0.03158	0.03158	0.03158	0.03158	0.03894	0.03894	0.03894	0.03894	0.03894	0.03894

Source: City of Gardner Utility Department

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

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

Customer	Fiscal Year 2018			Fiscal Year 2018			Fiscal Year 2018		
	Electric Revenue		Customer	Water Revenue		Customer	Wastewater Revenue		
	Amount	%		Amount	%		Amount	%	
WalMart	\$ 341,611.53	2.34%	New Century	\$ 653,780.70	12.13%	USD 231 WMS Main Service	\$ 21,241.71	0.47%	
USD 231 425 Waverly	\$ 286,779.84	1.96%	Aquatics Center	\$ 37,588.85	0.70%	RS Associates	\$ 16,355.08	0.36%	
Price Chopper	\$ 253,024.56	1.73%	USD 231 495 E Grand	\$ 36,453.84	0.68%	Pinnacle Healthcare	\$ 15,125.88	0.34%	
Coleman	\$ 173,074.53	1.19%	USD 231 KillCreek Irrigation	\$ 28,332.39	0.53%	Bristol Partners 205 N Moonlight	\$ 14,950.28	0.33%	
KillCreek WWTP	\$ 151,626.18	1.04%	USD 231 WMS Main Service	\$ 27,824.46	0.52%	Medical Lodges	\$ 14,607.86	0.32%	
USD 231 16200 KillCreek Rd	\$ 143,072.05	0.98%	Trailswest Carwash	\$ 21,961.98	0.41%	WalMart	\$ 13,659.62	0.30%	
USD 231 495 E Grand	\$ 141,725.22	0.97%	USD 231 425 N Waverly	\$ 20,512.83	0.38%	USD 231 425 N Waverly	\$ 12,128.07	0.27%	
ITW Labels	\$ 141,606.44	0.97%	Pinnacle Healthcare	\$ 19,168.35	0.36%	Tradenet	\$ 12,017.76	0.27%	
USD 231 775 N Center	\$ 92,173.85	0.63%	RS Associates	\$ 17,492.72	0.32%	Toar Management	\$ 11,657.78	0.26%	
USD 231 401 E Grand	\$ 84,046.08	0.58%	KS Resource Explore & Development 31451 W	\$ 16,419.90	0.30%	Winbury Group 925 E Lincoln Ln	\$ 10,358.34	0.23%	
Subtotal (10 largest)	1,808,740.28	12.39%	Subtotal (10 largest)	879,536.02	16.31%	Subtotal (10 largest)	142,102.38	3.16%	
Balance from other customers	12,795,264.64	87.61%	Balance from other customers	4,512,412.54	83.69%	Balance from other customers	4,353,101.28	96.84%	
Grand Totals	\$ 14,604,004.92	100.00%	Grand Totals	\$ 5,391,948.56	100.00%	Grand Totals	\$ 4,495,203.66	100.00%	

Customer	Fiscal Year 2009			Fiscal Year 2009			Fiscal Year 2009		
	Electric Revenue		Customer	Water Revenue		Customer	Wastewater Revenue		
	Amount	%		Amount	%		Amount	%	
WalMart	\$ 333,878	2.81%	New Century	\$ 239,842	8.24%	U.S.D. 231 - Wheat Ridge Middle School	\$ 17,080	0.65%	
Price Chopper	254,837	2.15%	U.S.D. 231 - High School Irrigation	36,050	1.24%	Jacobs Property	12,449	0.47%	
U.S.D. 231 - High School	243,439	2.05%	U.S.D. 231 - Wheat Ridge Middle School	12,414	0.43%	TradeNet Publishing	11,650	0.44%	
U.S.D. 231 - Pioneer Ridge Middle School	149,659	1.26%	WalMart	10,568	0.36%	Pinnacle (Rehab Hospital)	11,004	0.42%	
ITW Labels	141,274	1.19%	U.S.D. 231 - High School	8,797	0.30%	R & B Autowash	10,347	0.39%	
TradeNet Publishing (Expansion)	90,109	0.76%	Jacobs Property	8,119	0.28%	WalMart	10,333	0.39%	
U.S.D. 231 - Wheat Ridge Middle School	81,633	0.69%	TradeNet Publishing	7,614	0.26%	U.S.D. 231 - High School	10,320	0.39%	
U.S.D. 231 - Madison Elementary	77,524	0.65%	Pinnacle (Rehab Hospital)	7,222	0.25%	Medical Lodge	8,803	0.33%	
U.S.D. 231 - Wheat Ridge Middle School GYM	70,279	0.59%	Sonic	7,155	0.25%	Gardner Super 8	6,902	0.26%	
TradeNet Publishing	58,189	0.49%	R & B Autowash	6,822	0.23%	Sonic	5,406	0.20%	
Subtotal (10 largest)	1,500,821	12.64%	Subtotal (10 largest)	344,603	11.83%	Subtotal (10 largest)	104,294	3.94%	
Balance from other customers	10,373,453	87.36%	Balance from other customers	2,567,735	88.17%	Balance from other customers	2,543,362	96.06%	
Grand Totals	\$ 11,874,274	100.00%	Grand Totals	\$ 2,912,338	100.00%	Grand Totals	\$ 2,647,656	100.00%	

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

Source: City of Gardner Utility Department

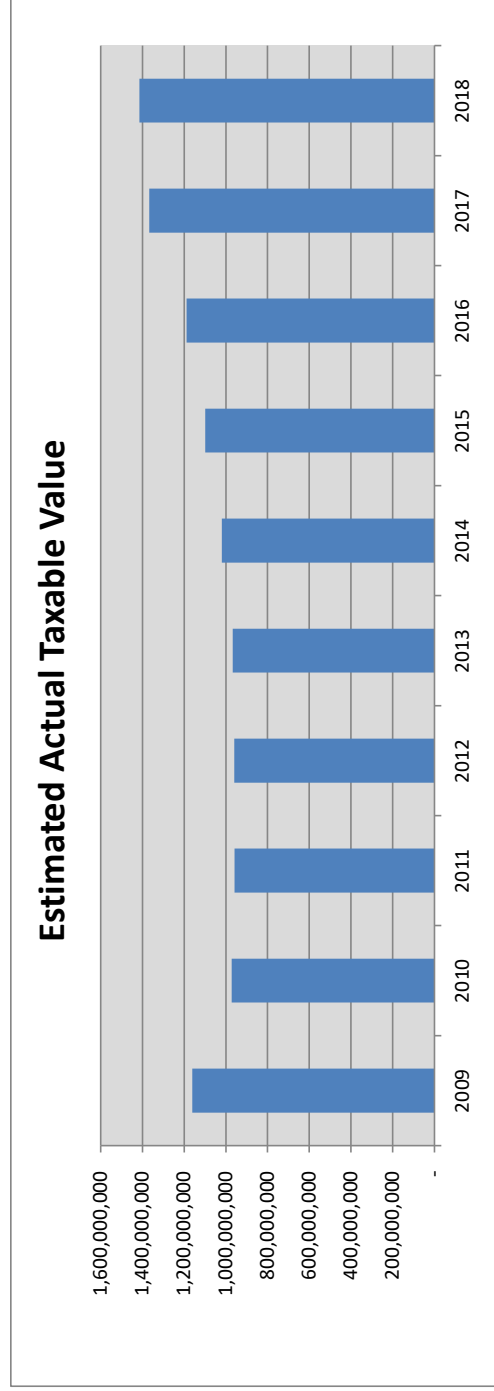
City of Gardner, Kansas
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Not-for-Profit Property	Agricultural and Other Property	Not Otherwise Subclassified	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2009	101,303,291	23,619,198	2,637,597	96,501	-	127,656,587	24.606	1,160,488,730	11.00%
2010	99,793,594	21,148,834	2,277,327	90,384	-	123,310,139	31.119	971,642,165	12.69%
2011	98,455,518	21,904,442	1,683,579	94,002	-	122,137,541	31.132	958,093,470	12.75%
2012	98,872,623	21,627,029	1,603,987	101,109	-	122,204,748	31.140	959,973,643	12.73%
2013	99,823,425	22,122,018	1,276,279	111,138	-	123,332,860	31.133	967,523,973	12.75%
2014	104,947,182	23,509,159	1,445,888	121,944	-	130,024,173	29.434	1,019,076,374	12.76%
2015	113,212,121	25,623,792	1,319,362	135,792	-	140,291,067	29.455	1,098,395,717	12.77%
2016	121,390,107	28,593,736	2,212,724	140,268	-	152,336,835	20.544 ^(a)	1,188,848,018	12.81%
2017	143,153,491	30,093,621	79,762	231,726	-	173,558,600	20.540	1,366,624,553	12.70%
2018	147,751,168	31,962,125	80,866	162,813	239,102	180,196,074	20.720	1,413,857,859	12.74%

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

^(a)The significant change in the mill levy is due to a \$1.4 million reduction in property tax revenue for the termination of the fire services contract, which is equivalent to a reduction of approximately 9 mills.

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



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

Fiscal Year	Direct Rates			Overlapping Rates						Total Direct & Overlapping Rates
	Gardner General Operating	Bond and Interest	Total Direct Rate - Gardner City ^{(a)(b)}	State of Kansas	Johnson County	Johnson County Library	Johnson County Parks and Recreation	Johnson County Community College	U.S.D. 231 (School District)	
2009	21.551	3.055	24.606	1.500	17.716	3.151	2.346	8.784	78.539	136.642
2010	21.563	9.556	31.119	1.500	17.748	3.158	2.350	8.799	81.536	146.210
2011	23.107	8.025	31.132	1.500	17.700	3.145	2.343	8.776	82.595	147.191
2012	23.113	8.027	31.140	1.500	17.717	3.149	2.344	8.785	82.406	147.041
2013	23.108	8.025	31.133	1.500	17.745	3.155	2.347	9.551	79.170	144.601
2014	21.401	8.033	29.434	1.500	17.764	3.157	2.349	9.461	69.711	133.376
2015	19.415	10.040	29.455	1.500	19.582	3.912	3.101	9.469	69.185	136.204
2016	13.504	7.040	20.544	1.500	19.590	3.915	3.102	9.473	67.787	125.911
2017	11.977	8.563	20.540	1.500	19.318	3.921	3.112	9.503	66.981	124.875
2018	14.116	6.604	20.720	1.500	19.024	3.901	3.088	9.266	65.969	123.468

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

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

(b) The significant change in the mill levy is due to a \$1.4 million reduction in property tax revenue for the termination of the fire services contract, which is equivalent to a reduction of approximately 9 mills.

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

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

Taxpayer	Type of Business	2018			2009		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Wal-Mart	Retail	\$ 3,944,500	1	2.16%	\$ 1,726,000	1	1.28%
Moonlight Apartments L.L.C.	Real Estate	2,751,375	2	1.51%	1,431,749	3	1.06%
Horizon Trails, LLC	Real Estate	1,726,150	3	0.95%			
Conestoga TitleHolder LLC	Real Estate	1,267,060	4	0.70%			
Martens Rentals, L.L.C.	Real Estate	1,232,194	5	0.68%	1,566,126	2	1.16%
Axiom-Aspen, LLC	Real Estate	1,177,140	6	0.65%			
First Choice Properties, Inc	Real Estate	1,184,730	7	0.65%	826,965	8	0.61%
Kansas Gas Service	Utilities	1,115,105	8	0.61%			
Bristol Partner XVI, LLC	Real Estate	1,105,750	9	0.61%	1,081,750	6	0.80%
Energy Center Industrial, LLC	Real Estate	1,084,250	10	0.59%	1,307,751	4	0.97%
Moonlight Plaza, LLC	Shopping Mall				767,605	9	0.57%
Woodstone Apartments, L.P.	Real Estate				710,815	10	0.53%
C.L.S. Investment Company	Real Estate				1,289,380	5	0.95%
DJC Properties	Real Estate				1,016,534	7	0.75%
Totals		<u>\$ 16,588,254</u>		<u>9.11%</u>	<u>\$ 11,724,675</u>		<u>8.68%</u>

Source: Johnson County Clerk's Office

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

City of Gardner, Kansas

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

For years ended December 31, 2009 through December 31, 2018

Year Ended December 31 ⁽¹⁾	Adjusted Tax Levy	Current Year Collections		Collections in Subsequent Years	Total Tax Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	3,206,980	3,077,032	95.95%	124,204	3,201,236	99.82%
2010	3,242,123	3,098,450	95.57%	136,592	3,235,042	99.78%
2011	4,079,766	3,924,028	96.18%	146,676	4,070,704	99.78%
2012	4,024,340	3,890,430	96.67%	125,710	4,016,140	99.80%
2013	4,026,866	3,968,415	98.55%	53,661	4,022,076	99.88%
2014	4,073,122	4,013,682	98.54%	55,847	4,069,529	99.91%
2015	4,063,242	3,997,901	98.39%	62,872	4,060,773	99.94%
2016	4,413,542	4,370,729	99.03%	31,824	4,402,553	99.75%
2017	3,357,036	3,319,439	98.88%	22,668	3,342,106	99.56%
2018	3,694,801	3,656,109	98.95%	5,803	3,661,913	99.11%

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

For years ended December 31, 2009 through December 31, 2018

Year Ended December 31 ⁽¹⁾	Adjusted Tax Levy	Current Year Collections		Collections in Subsequent Years	Total Tax Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	254,556	254,556	100.00%	-	254,556	100.00%
2010	214,715	214,715	100.00%	-	214,715	100.00%
2011	238,008	238,008	100.00%	-	238,008	100.00%
2012	264,743	264,743	100.00%	-	264,743	100.00%
2013	252,151	252,151	100.00%	-	252,151	100.00%
2014	252,950	252,950	100.00%	-	252,950	100.00%
2015	238,635	238,635	100.00%	-	238,635	100.00%
2016	136,471	136,471	100.00%	-	136,471	100.00%
2017	-	-	0.00%	-	-	0.00%
2018	-	-	0.00%	-	-	0.00%

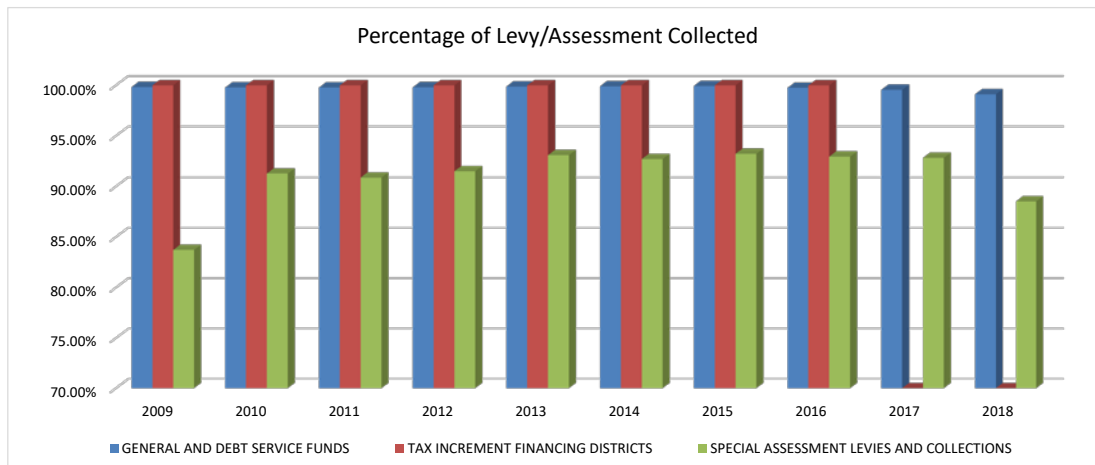
SPECIAL ASSESSMENT LEVIES AND COLLECTIONS

For years ended December 31, 2009 through December 31, 2018

Year Ended December 31 ⁽¹⁾	Assessments Certified to County	Current Year Collections		Collections in Subsequent Years	Total Assessment Collections	
		Amount	Percentage of Assessment		Amount	Percentage of Assessment
2009	590,334	389,232	65.93%	104,988	494,220	83.72%
2010	1,075,608	826,909	76.88%	154,797	981,705	91.27%
2011	1,047,190	811,689	77.51%	139,985	951,675	90.88%
2012	1,105,492	904,363	81.81%	107,159	1,011,522	91.50%
2013	1,341,397	1,068,469	79.65%	180,304	1,248,773	93.09%
2014	1,306,910	857,846	65.64%	353,748	1,211,593	92.71%
2015	1,389,393	1,028,131	74.00%	267,084	1,295,215	93.22%
2016	1,388,634	1,288,438	92.78%	2,319	1,290,756	92.95%
2017	1,344,450	1,225,138	91.13%	22,888	1,248,027	92.83%
2018	1,351,990	1,186,403	87.75%	10,423	1,196,826	88.52%

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

Source: Johnson County Treasurer's Office



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

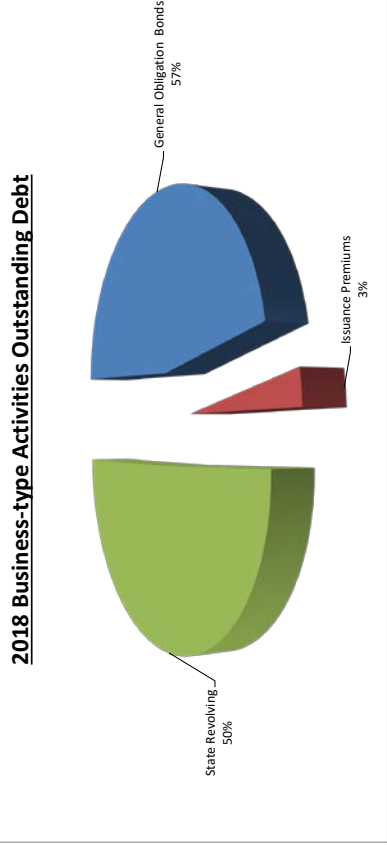
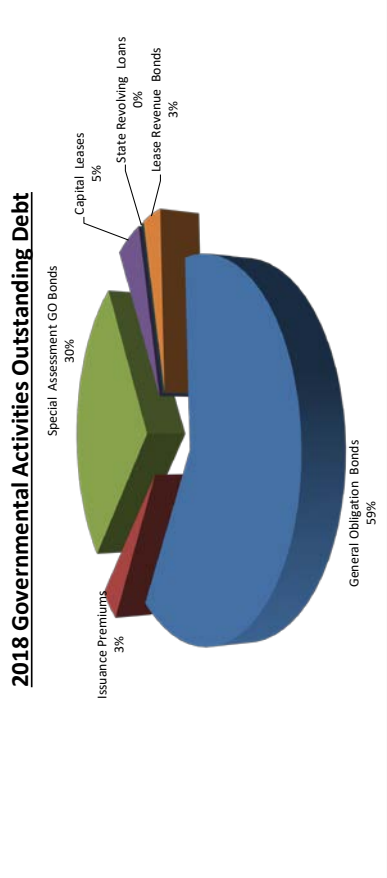
Fiscal Year	Government Activities					Business-type Activities					Total Primary Government	Percentage of Personal Income ^(a)	Per Capita ^(a)			
	General Obligation Bonds	Issuance Premiums	Special Assessment GO Bonds	Certificates of Participation	Bond Anticipation Notes	Capital Leases	State Revolving Loans	Lease Revenue Bonds	General Obligation Bonds	Issuance Premiums				Bond Anticipation Notes	Capital Leases	State Revolving Loans
2009	9,377,200	31,657	10,307,972	5,685,000	5,515,000	830,353	4,065,034	3,545,000	23,524,828	1,111,962	-	92,781	24,183,410	87,250,197	11.84%	4,691
2010	9,626,450	51,387	9,605,000	5,045,000	5,180,000	-	5,082,322	3,410,000	20,728,550	99,521	-	47,647	22,832,614	81,708,491	15.63%	4,273
2011	8,444,150	45,637	10,215,000	4,235,000	3,960,000	-	4,876,446	3,250,000	17,735,850	87,082	-	-	21,509,041	74,358,206	14.76%	3,714
2012	7,049,550	39,887	13,425,000	3,480,000	4,915,000	-	4,581,094	3,105,000	25,850,450	1,145,828	-	-	11,780,890	75,372,699	14.34%	3,643
2013	6,153,300	147,910	12,385,000	2,670,000	4,915,000	77,489	4,515,624	2,880,000	21,181,700	1,146,323	1,330,000	-	16,155,452	73,557,798	13.52%	3,593
2014	8,816,334	359,318	15,035,000	1,670,000	-	59,064	477,884	2,620,000	18,113,666	1,032,782	-	-	16,679,528	64,863,586	11.89%	3,139
2015	9,310,684	332,742	12,215,000	475,000	-	228,113	244,290	2,330,000	18,049,316	1,106,699	-	-	11,590,158	55,862,002	9.68%	2,678
2016	9,216,264	345,252	12,805,000	-	-	792,116	67,609	2,015,000	15,388,736	899,776	-	-	10,890,162	52,389,915	8.12%	2,482
2017	9,786,170	492,721	14,012,500	-	-	611,000	-	1,670,000	12,231,330	699,751	-	-	10,321,146	49,824,618	6.30%	2,309
2018	23,398,487	1,314,814	11,592,500	-	-	1,785,000	-	1,295,000	9,039,013	545,189	-	10,750,645	9,738,473	69,439,121	8.31%	3,175

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

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

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

Source: City of Gardner Finance Department



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

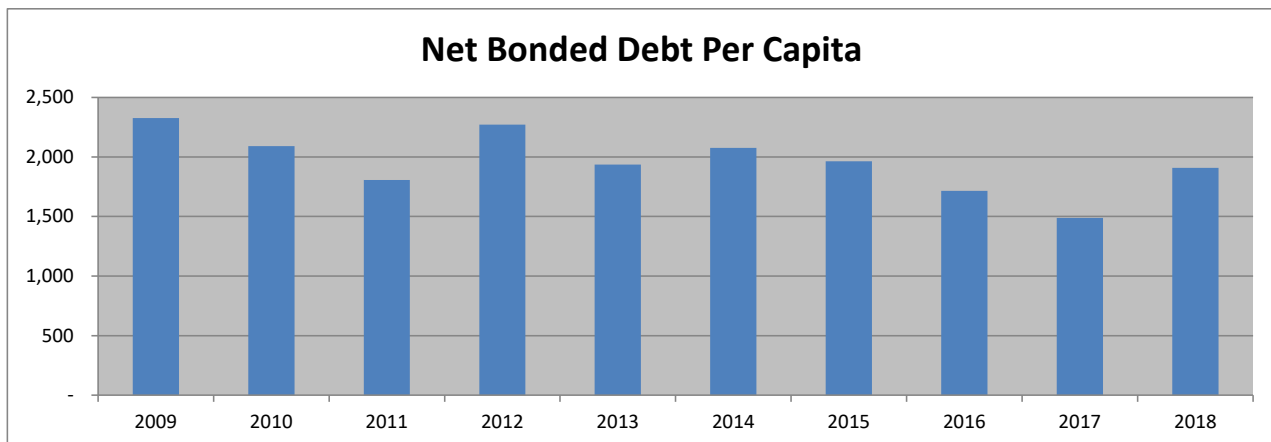
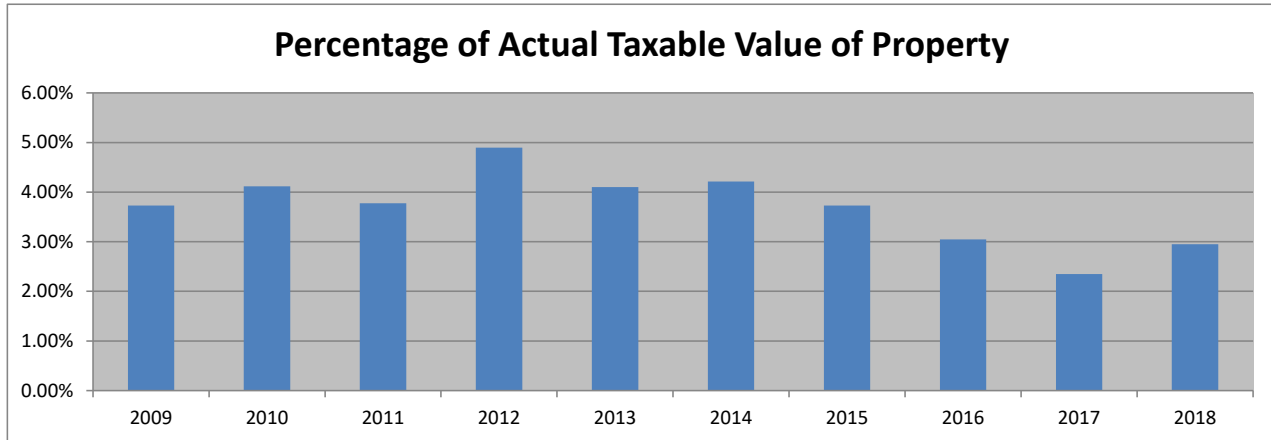
Fiscal Year	General Obligation Bonds	Issuance Premiums	Special Assessment GO Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value ^(a) of Property	Per Capita ^(b)
2009	32,902,028	143,619	10,307,972	78,023	43,275,596	3.73%	2,327
2010	30,355,000	150,908	9,605,000	105,384	40,005,524	4.12%	2,092
2011	26,180,000	132,719	10,215,000	373,870	36,153,849	3.77%	1,806
2012	32,900,000	1,185,715	13,425,000	493,029	47,017,686	4.90%	2,273
2013	27,335,000	1,294,233	12,385,000	1,351,864	39,662,369	4.10%	1,937
2014	26,930,000	1,392,110	15,035,000	425,504	42,931,606	4.21%	2,077
2015	27,360,000	1,441,441	12,215,000	55,734	40,960,707	3.73%	1,963
2016	24,615,000	1,205,028	12,805,000	2,427,189	36,197,839	3.04%	1,715
2017	22,017,500	1,192,472	14,012,500	5,117,019	32,105,453	2.35%	1,488
2018	32,437,500	1,860,003	11,592,500	4,154,425	41,735,578	2.95%	1,908

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, 2018**

<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	\$ 139,215	59.10%	\$ 82,280
Johnson County	14,998,164	1.79%	267,923
Johnson County Community College	53,665,000	1.79%	958,657
Johnson County Park and Recreation	30,740,000	1.79%	549,131
Other			
Johnson County: Public Building Commission	368,180,000	1.79%	<u>6,577,070</u>
Subtotal, overlapping debt			8,435,062
City Direct Debt			<u>39,365,801</u>
Total direct and overlapping debt			<u>\$ 47,800,863</u>

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

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

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

Sources: Johnson County Treasury and Financial Management and the City of Gardner Finance Department

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$ 46,444,391	\$ 44,909,263	\$ 44,334,725	\$ 44,524,646	\$ 44,867,292	\$ 47,105,324	\$ 50,654,924	\$ 54,443,006	\$ 59,663,274	\$ 64,350,457
Total net debt applicable to limit	17,092,536	14,841,700	15,147,850	19,631,650	13,584,740	15,085,450	14,197,925	15,602,174	13,783,024	26,568,798
Legal debt margin	\$ 29,351,855	\$ 30,067,563	\$ 29,186,875	\$ 24,892,996	\$ 31,282,552	\$ 32,019,874	\$ 36,456,999	\$ 38,840,832	\$ 45,880,250	\$ 37,781,659
Total net debt applicable to the limit as a percentage of debt limit	36.80%	33.05%	34.17%	44.09%	30.28%	32.02%	28.03%	28.66%	23.10%	41.29%

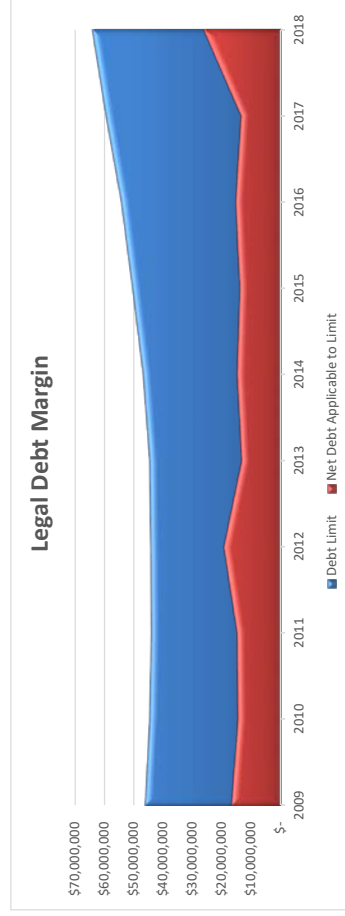
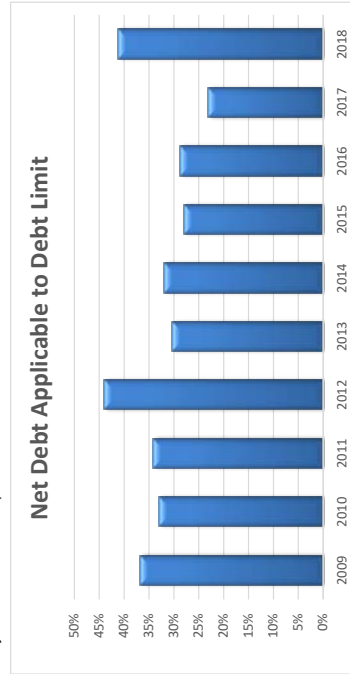
Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value ^(a)	\$ 214,501,523
Debt limit (30% of assessed value) ^(b)	64,350,457
Debt applicable to limit:	
G.O. Bonds and Temporary Notes Outstanding	44,030,000
Less: Amount set aside for utilities, refunding, and revenue-supported bonds	(17,461,202)
Total net debt applicable to limit	26,568,798
Legal debt margin	\$ 37,781,659

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

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

Source: City of Gardner Finance Department



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

Calendar Year	Population ⁽¹⁾	Personal Income	Per Capita Personal Income ⁽⁴⁾	Median Age ⁽⁴⁾	School Enrollment ⁽³⁾	Unemployment Rate ⁽²⁾
2009	18,600	736,727,400	39,609	31.6	4,721	6.6%
2010	19,195	524,733,715	27,337	30.0	4,977	6.5%
2011	19,944	501,791,040	25,160	30.0	5,229	5.4%
2012	20,267	515,004,737	25,411	30.4	5,411	4.5%
2013	20,473	543,988,083	26,571	30.7	5,452	3.8%
2014	20,667	545,629,467	26,401	31.8	5,647	3.1%
2015	20,868	577,104,540	27,655	31.9	5,858	2.9%
2016	21,110	639,907,430	30,313	31.9	6,041	3.1%
2017	21,583	790,952,201	36,647	32.3	6,116	2.9%
2018	21,871	835,865,878	38,218	32.3	6,121	3.0%

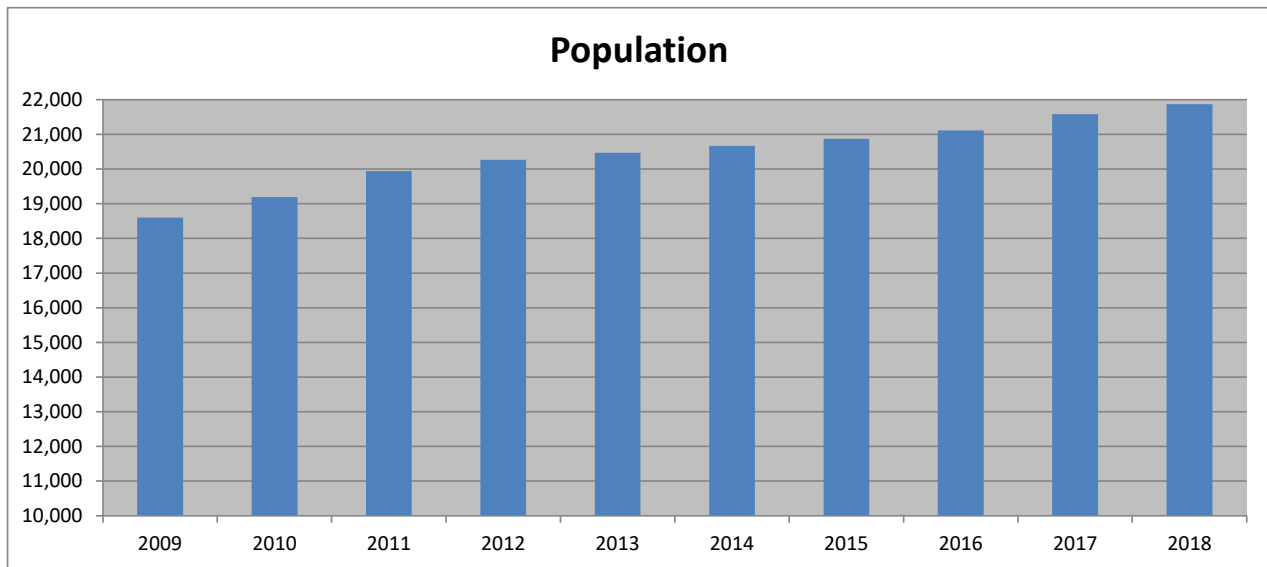
Sources: City of Gardner Finance Department and

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

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

⁽³⁾ Unified School District No. 231

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



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

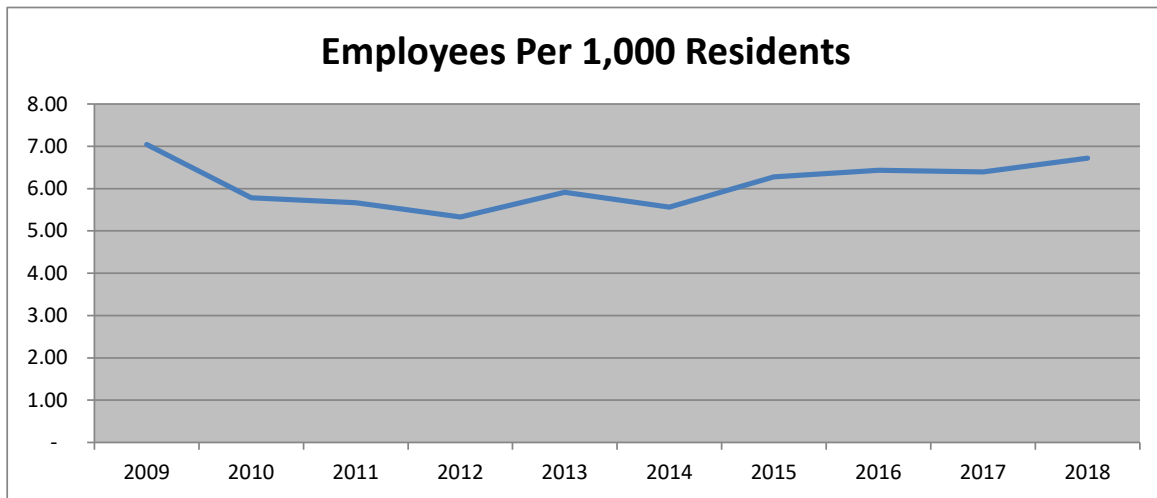
Employer	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Unified School District No. 231	960	1	5.41%	760	1	19.84%
Epic Landscape Productions	298	2	1.68%			
Walmart	265	3	1.49%	170	2	4.44%
Meadowbrook Rehabilitation Hospital	174	4	0.98%	107	6	2.79%
Excelligence Learning Corp	150	5	0.84%			
City of Gardner	146	6	0.82%	132	3	3.45%
Price Chopper	130	7	0.73%	115	4	3.00%
TradeNet Publishing	130	7	0.73%	114	5	2.98%
Coleman	90	8	0.51%			
D.O.T. Label, Inc. (ITW)	87	9	0.49%	34	9	0.89%
Medical Lodge of Gardner	83	10	0.47%	102	7	2.66%
Cramer Products, Inc.	35	11	0.20%	50	8	1.31%
Central Bank (Metcalfe Bank)				30	10	0.78%
Total	2,548		14.35%	1,614		42.14%

Source: City of Gardner Business and Economic Development Department

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

<u>Function</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General government										
Administration	3	3	3	2	6	5	5	5	5	5
Human Resources/City Clerk	3	3	3	3	2	2	4	4	4	4
Information Systems	1	1	1	1	1	1	3	3	3	3
Finance										
Fiscal Services	4	4	4	4	5	5	7	7	7	7
Court	2	2	2	1	2	2	2	2	2	2
Utilities	8	8	8	8	8	8	9	9	9	9
Planning	4	1	1	1	3	3	5	5	5	5
Codes	5	2	2	1	3	3	3	2	2	3
Police										
Administration	6	5	5	4	5	3	5	6	7	7
Operations	33	23	22	22	23	24	28	28	27	30
Animal Control	1	1	1	1	1	1	1	1	1	1
Public Works										
Administration	4	5	5	5	4	2	2	2	2	2
Fleet	1	1	1	1	1	1	1	1	1	1
Engineering	4	4	4	4	4	4	5	5	5	5
Building Services	1	1	1	1	1	1	1	1	1	1
Streets & Line Maintenance	8	12	11	12	15	17	12	15	15	18
Electric	10	13	16	18	16	10	14	16	18	18
Water	10	5	5	4	5	6	6	6	6	6
Wastewater	9	5	5	5	5	6	6	6	6	6
Culture and Recreation										
Recreation Services	6	5	5	5	5	5	6	7	6	6
Park Maintenance	8	7	8	5	6	6	6	6	6	8
Total	131	111	113	108	121	115	131	137	138	147

Source: City of Gardner Human Resources Department



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

Function	2009	2010	2011 ^(a)	2012	2013	2014	2015	2016	2017 ^(b)	2018
General government ⁽¹⁾										
Building permits issued	511	503	570	578	534	607	594	744	852	889
Building inspections conducted	2,602	2,205	1,521	1,560	1,916	2,760	2,723	3,046	4,118	5,553
Police Department ⁽²⁾										
Violations	2,459	2,087	3,732	2,908	3,251	3,056	3,426	4,252	4,389	4,008
Fire responses	432	331	113	343	415	235	186	188	227	234
Medical responses	980	825	622	1,052	1,114	904	1,048	1,001	1,064	1,112
Public Works ⁽³⁾										
Street resurfacing (shown in linear feet)	3,370	1,100	13,610	270	3,453	2,420	-	29,276	100,320	100,320
Curb replacement (shown in linear feet)	1,165	-	315	260	2,575	1,945	648	16,310	10,441	28,140
Electric ⁽⁴⁾										
Average daily consumption (in kWh)	319,408	364,150	354,075	360,000	357,700	370,924	371,929	386,687	373,025	372,086
Electric meters installed	95	129	94	53	85	93	66	112	80	161
Water ⁽⁴⁾										
Average daily consumption (in thousands)	1,296	1,362	1,659	1,920	1,678	1,896	1,746	1,696	1,765	1,857
Water meters installed	85	88	94	53	85	93	66	178	107	253
Wastewater ⁽⁴⁾										
Average daily sewage treatment (in thousands)	2,103	2,060	2,147	1,184	1,280	1,083	1,277	1,295	1,619	1,627
Culture and Recreation ⁽⁵⁾										
Athletic Program Participants	2,984	4,462	5,133	5,205	4,838	4,894	5,085	4,758	4,691	3,820
Aquatic Admissions	97,984	89,163	78,102	84,313	64,636	66,179	65,301	71,627	64,403	71,111
Airport ⁽⁶⁾										
Hangers	-	-	-	-	-	-	-	-	94	94
Aviation Fuel 100LL purchased (gallons)	-	-	-	-	-	-	-	-	18,500	14,000

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.

Note: ^(b) In 2017, the City of Gardner acquired the Airport as a Department of the City.

Sources: City of Gardner Finance Department and

⁽¹⁾ City of Gardner Business and Economic Development Department

⁽²⁾ City of Gardner Police Department

⁽³⁾ City of Gardner Street Department

⁽⁴⁾ City of Gardner Utility Department

⁽⁵⁾ City of Gardner Parks and Recreation Department

⁽⁶⁾ City of Gardner Public Works

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

<u>Function</u>	<u>2009</u>	<u>2010^(a)</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017^(d)</u>	<u>2018</u>
Police ⁽¹⁾										
Stations	2	1	1	1	1	1	1	1	1	1
Patrol/AC Units	14	13	16	16	16	16	16	19	20	20
Fire Fleet	8	-	-	-	-	-	-	-	-	-
Public Works ⁽²⁾										
Streets (lane miles) ^(c)	93.53	99.33	108.7	108.7	109.61	109.61	191.00	192.00	192.60	194.35
Streetlights	1,139	1,139	1,214	1,214	1,264	1,264	1,750	1,750	1,750	1,759
Electric ⁽³⁾										
Generators	2	2	2	2	2	2	2	2	2	2
Substations	3	3	3	3	3	3	3	3	3	3
Overhead lines (miles)	49.5	49.75	51.5	56.5	58.8	58.8	58.4	45.0	44.5	44.4
Underground lines (miles)	52.5	52.5	53.5	55.2	55.8	56.3	56.8	97.0	97.8	99.7
Water ⁽³⁾										
Water mains (miles)	105.52	106.01	106.24	106.24	107.61	107.61	134.00	135.00	136.00	137.20
Treatment Plants	1	1	1	1	1	1	1	1	1	1
Wastewater ⁽³⁾										
Sanitary sewers (miles)	122.6	123.35	123.35	124.83	125.97	125.97	109.00	109.00	130.50	132.00
Storm sewers (miles)	42.59	42.64	42.64	42.64	43.92	43.92	45.00	45.00	45.00	46.00
Treatment Plants	3	3	3	3	3	3	3	3	3	3
Culture and Recreation ⁽⁴⁾										
Acreage	332.24	332.24	339.95	339.95	341.95	341.95	341.95	341.95	341.95	341.95
Parks	13	13	13	13	13	13	13	13	13	13
Baseball/softball/soccer fields	14	14	14	14	14	14	14	14	14	14
Community Centers	1	1	1	1	1	1	1	1	1	1
Golf Course	1	1	1	1	1	1	1	1	1	1
Airport ⁽⁵⁾										
Asphalt Runway (feet)	-	-	-	-	-	-	-	-	2,960	2,960
Turf Runways (feet)	-	-	-	-	-	-	-	-	5,394	5,394

Sources: City of Gardner Finance Department and

⁽¹⁾ City of Gardner Police Department

⁽²⁾ City of Gardner Street Department

⁽³⁾ City of Gardner Utility Department

⁽⁴⁾ City of Gardner Parks and Recreation Department

⁽⁵⁾ City of Gardner Public Works

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.

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

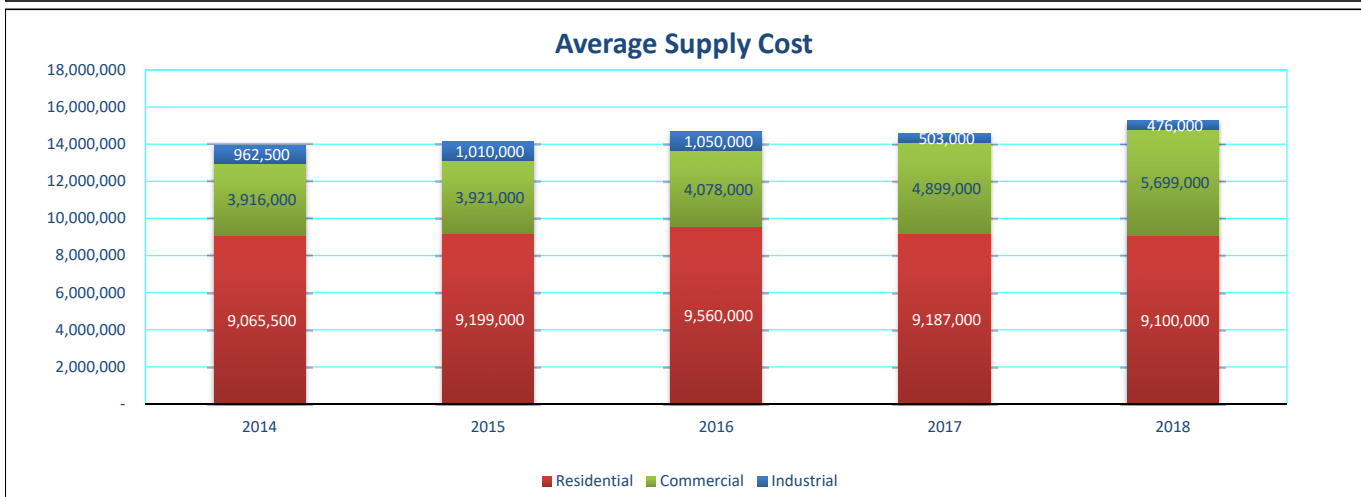
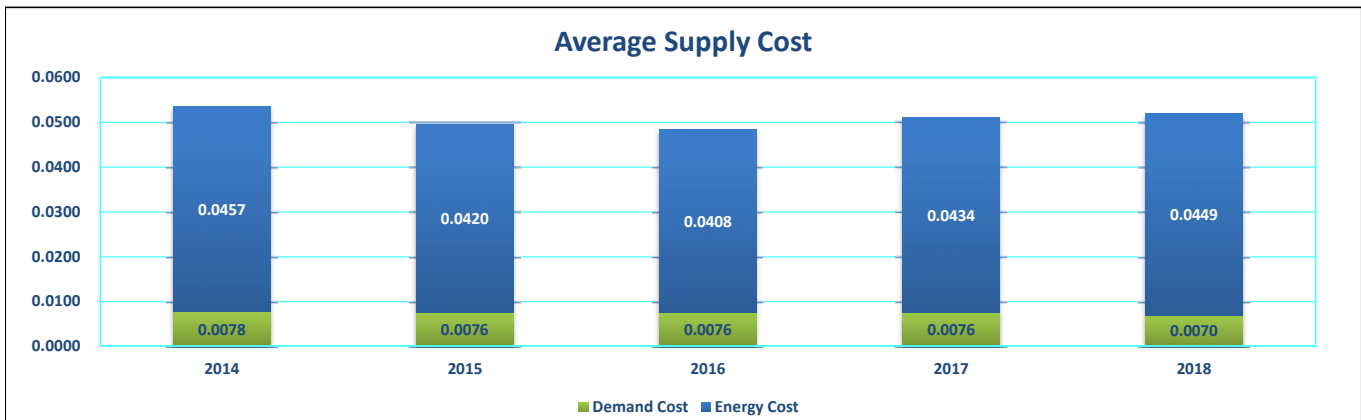
(d) In 2017, the City of Gardner acquired the Airport as a Department of the City.

City of Gardner, Kansas
Electric Average Power Supply Cost Analysis per KWh and Customer Revenues
Last Five Fiscal Years

Fiscal Year	Average Supply Cost			Peak Load MW	Customer Revenues (a)		
	Demand Cost	Energy Cost	Total Cost		Residential	Commercial	Industrial
2014	0.0078	0.0457	0.0535	36.8	9,065,500	3,916,000	962,500
2015	0.0076	0.0420	0.0496	37.4	9,199,000	3,921,000	1,010,000
2016	0.0076	0.0408	0.0484	39.0	9,560,000	4,078,000	1,050,000
2017	0.0076	0.0434	0.0510	38.1	9,187,000	4,899,000	503,000
2018	0.0070	0.0449	0.0519	39.4	9,100,000	5,699,000	476,000

Source: City of Gardner Utility Department

Notes: (a) Customers Revenues may differ from the Operating Revenues as shown in the City's Financial statements due to certain Operating Revenues not being classified as Customer Revenues.



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

The Honorable Mayor and City Council Members
City of Gardner

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2018, 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 4, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

June 4, 2019
Wichita, Kansas