



# *City of Gardner, Kansas* **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017



# **CITY OF GARDNER, KANSAS**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017



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CITY OF GARDNER, KANSAS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

Year Ended December 31, 2017

TABLE OF CONTENTS

INTRODUCTORY SECTION:	<u>Page</u>
Letter of Transmittal	i - xii
Organizational Chart	xiii
List of Elected and Appointed Officials	xiv
Certificate of Achievement for Excellence in Financial Reporting	xv
FINANCIAL SECTION:	
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	22

CITY OF GARDNER, KANSAS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

Year Ended December 31, 2017

TABLE OF CONTENTS  
(Continued)

	<u>Page</u>
Statement of Net Position – Proprietary Funds	23 - 24
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	25 - 26
Statement of Cash Flows – Proprietary Funds	27 - 30
Statement of Fiduciary Net Position – Agency Fund	31
Notes to Basic Financial Statements	32 - 67
Required Supplementary Information:	
Schedule of City’s Proportionate Share of the Net Pension Liability	69
Schedule of City’s Contributions	69
Schedule of Funding Progress – Health Insurance Postemployment Benefits	71
Other Supplementary Information:	
Combining Balance Sheet – Nonmajor Governmental Funds	74 - 75
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	76 - 77
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Economic Development Reserve Fund	78
Special Alcohol/Drug Program Fund	79
Special Parks and Recreation Fund	80
Park Improvement Reserve Fund	81
Special Highway Fund	82
Street Improvement Fund	83
Park Sales Tax Fund	84
Infrastructure Special Sales Tax Fund	85
Debt Service Fund	86



CITY OF GARDNER, KANSAS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

Year Ended December 31, 2017

TABLE OF CONTENTS  
(Continued)

	<u>Page</u>
Combining Statement of Net Position – Nonmajor Enterprise Funds	88
Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Nonmajor Enterprise Funds	89
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	90
Combining Statement of Net Position – Internal Service Funds	91
Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Internal Service Funds	92
Combining Statement of Cash Flows – Internal Service Funds	93
Combining Statement of Fiduciary Net Position – Agency Fund	94
Combining Statement of Changes in Assets and Liabilities – Agency Fund	95
STATISTICAL SECTION (UNAUDITED):	
Net Position by Component	97
Changes in Net Position	98
Fund Balances of Governmental Funds	99
Changes in Fund Balances, Governmental Funds	100
Utilities Produced, Consumed and Treated	101
Annual Electric and Water Meter Installations	102
Number of Electric, Water, and Wastewater Customers by Type	103
Electric, Water, and Wastewater Rates	104
Ten Largest Electric, Water, and Wastewater Customers	105
Assessed Value and Estimated Actual Value of Taxable Property	106
Direct and Overlapping Property Tax Rates	107

CITY OF GARDNER, KANSAS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

Year Ended December 31, 2017

TABLE OF CONTENTS  
(Continued)

	<u>Page</u>
Principal Property Tax Payers	108
Property Tax Levies and Collections	109
Ratios of Outstanding Debt by Type	110
Ratios of General Bonded Debt Outstanding	111
Direct and Overlapping Governmental Activities Debt	112
Legal Debt Margin Information	113
Demographics and Economic Statistics	114
Principal Employers	115
Full-time Equivalent City Government Employees by Function	116
Operating Indicators by Function	117
Capital Asset Statistics by Function	118
Average Power Supply Analysis per KWh	119
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>	120 - 121



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the fiscal year ended**

**December 31, 2017**

**INTRODUCTORY SECTION**



June 8, 2018

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, 2017. This is the fourteenth 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 591,000.

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 10.29 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 2017, there was no fund balance or activity to report for the PBC.

### **Economic Condition and Outlook**

Gardner has fully emerged from the 2008 economic downturn, as evidenced by the steady upward trend in valuation from 2013 through 2017, averaging 6.5% annually during that period. Early 2018 projections from the county appraiser indicate continuing significant growth, at 9.21% for taxable properties. The City's overall market value increased from \$1.57 billion to \$1.7 billion, an additional 8.3% since placing 4<sup>th</sup> in *The Kansas City Business Journal's* 2017 ranking of "Kansas City's fastest-growing cities".

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.

These geographic and transportation-related attributes have and will continue to influence Gardner's development. In 2009, the City successfully recruited the area's first warehouse related to the yet constructed BNSF Intermodal logistics park. Coleman, an outdoor equipment manufacturer, constructed a 1.1 million square foot distribution facility. The project was facilitated by the City's January 2009 issuance of industrial revenue bonds for construction of the facility paired with a 50% tax abatement for 10 years, per Kansas statutes and the previous tax abatement policy detailed in Resolution No. 1737. The statutorily required fiscal impact analysis illustrated the public benefit to public costs ratio over a 10-year period was 2.18:1. Per the associated Payment in Lieu of Tax (PILOT) agreement, the City received just over \$1 million in revenue during the 7-year time period of 2011-2017. Additional information regarding the City's previous economic development goals and abatement policy related to this project can be found in the Introductory Section of the *City of Gardner's Comprehensive Annual Financial Report for the Fiscal Year ended December 31, 2016*, which can be located on the Municipal

Securities Rulemaking Board's *Electronic Municipal Market Access* (EMMA) website at <https://emma.msrb.org> and on the City's website at <http://www.gardnerkansas.gov/home/showdocument?id=3886>.

This development activity occurring prior to the construction of the inland port alerted the community that economic conditions were changing. Recognizing the pending growth wave and anchored by a primary commitment to bring economic development to the city, leadership – in collaboration with the community – embarked on a 5-year journey to position Gardner for long-term growth and prosperity.

To begin, the Governing Body established long-term strategic goals to guide their vision for the city. These goals are promote economic development; improve quality of life; increase infrastructure and asset management; and improve fiscal stewardship. These goals form the foundation of the City's priority-based budgeting process, and short-term initiatives are developed during each budget cycle to support them.

Having defined the community's goals, essential visionary documents and their corresponding implementation tools were developed, which provide policy direction in their respective areas and complement the results-driven budget process.

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

The revised Land Development Code implements the Comprehensive Plan. The comprehensive Economic Development Incentive Policy serves as the practical guide to implement the Economic Development Strategy and details the incentives the City will consider to facilitate development projects, including tax abatements and leveraging of the city's utilities. For easy accessibility to potential developers, all of the aforementioned documents are on the City's website at <http://www.gardnerkansas.gov/>.

Gardner partners with the Kansas City Area Development Council (KCADC) to engage its recognized expertise in facilitating economic development, especially related to transportation. The City also collaborates with Southwest Johnson County Economic Development and the Gardner-Edgerton Chamber of Commerce to encourage economic development and business recruitment, assistance, and retention.

The Governing Body's strategic goals of "increasing infrastructure and asset management" and "improving fiscal stewardship" also facilitate development. Maintaining current infrastructure while strategically planning infrastructure that encourages new development are fiscally responsible activities. During the 5-year preparation phase, the City conducted assessments of its streets and electric, water, and wastewater systems to identify immediate needs. These assessments resulted in utility

infrastructure improvements, as well as the implementation of a .5% sales tax for a \$7 million Pavement Management Program for multi-year rehabilitation of streets, pedestrian trails and sidewalks. Building on those assessments, the water, wastewater, and transportation master plans were updated, and sub-area plans were developed for the prime land area surrounding the City's two interchanges along Interstate 35.

Fiscal stewardship is an essential component of growth preparation to ensure funding capacity for development and sustainability. Gardner's strong financial health rests on the commitment to safeguard the City's resources. This is evident by a record of accomplishment for providing cost savings to residents. During the growth preparation period, the finance department refinanced debt saving over \$2.6 million in future interest cost and obtained nearly \$3 million in grant funding. The City's outstanding debt decreased over \$28.2 million, or 34%, and Gardner maintains AA- credit rating with Standard & Poor's.

Currently, there are adequate reserves in the tax levy funds. Gardner's utility funds have very strong reserves in the Electric Fund and Water Fund; the Wastewater Fund has adequate reserves. These reserves enable the City to maintain its infrastructure while simultaneously planning for new development. Gardner has a competitive edge in the recruitment of new business, as the City can leverage these municipally owned utilities to facilitate development.

This strategic, intentional planning period has proven to be impactful, as the City's vision transforms into reality in the form of private investment, job opportunities, additional housing and diversity of services. In 2017, Gardner secured \$200 million in private investment for new businesses and expansions accompanied by projections for over 350 new jobs, 130 new housing units, and 211 new residential lots. Seventy-eight acres of land was annexed for the creation of a new subdivision of second-tier housing proposed for 207 single-family homes and 56 quadplexes.

Included in this flurry of development activity were two, large projects facilitated by industrial revenue bonds paired with tax abatements: a five-story, 84-room Hampton Inn with a 200-seat conference center and the 646,400 sq. ft. "Excelligence" warehouse logistics, manufacturing and call center facility.

At the March 20, 2017 council meeting, Council approved Resolution No. 1965 declaring the City's intent to issue future industrial revenue bonds in the approximate principal amount of \$14 million paired with a 10-year property tax abatement for the aforementioned Hampton Inn and conference center. These incentives are in conformance with the city's Economic Development Incentive Policy. The 10-year tax abatements are on a declining scale with fixed annual PILOTs, as shown in Section 4.01(3) of *Developer's Agreement between the City of Gardner, Kansas and Gardner Hospitality LLC* also approved at that meeting. The hotel is expected to open in the fourth quarter of 2018; it is anticipated the City will issue industrial revenue bonds as the project nears completion with abatements beginning in 2019. The statutorily required fiscal impact

analysis was also presented at that meeting and illustrated a public benefit to public costs ratio of 9.82:1. Projections are the hotel will create 35 new jobs, and the City will receive \$4.84 million in new revenue during the 10-year period through 2028.

At the March 19, 2018 council meeting, per Kansas statutes and the City's Economic Development Incentive Policy, the City approved \$38 million in industrial revenue bonds paired with a 10-year property tax abatement for the aforementioned 646,400 sq. ft. "Excelligence" facility. Excelligence is a leading provider of educational supplies. The facility is scheduled for completion by the end of 2018. The property tax abatement is 100% for years 1 through 5; the abatement declines 20% annually for the remaining 5 years. The statutorily required fiscal impact analysis was presented at the October 16, 2017 council meeting and illustrated a public benefit to public costs ratio over the 10-year period of 1.4:1. Projections are the facility will create 181 new jobs, and the City will receive \$1.59 million in new revenue during the 10-year period through 2028.

Both the *Economic Development Strategy* detailing the City's development goals and the *Economic Development Incentive Policy* detailing the City's available incentives are on the City's website at [Economic Development Strategy & Incentive Policy | Gardner, KS](#).

In addition to the aforementioned projects, a CVS pharmacy, Dairy Queen, and Scooter's Coffee 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; 2 restaurants; remodeling and expansion of an auto parts store; expansion of a concrete construction business; a private wedding and community center development; and \$1 million expansion of Walmart pick up and food delivery service. 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 150 single-family home permits in 2018.

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.

The current Standard & Poor's credit rating of AA-/Stable reflects healthy financial operations for the City. A bond rating report prepared by Standard & Poor's Global Ratings (S&P) in May 2018 notes that Gardner's economy is "adequate" [...] and "diverse, with its 10 largest taxpayers representing a modest 6.9% of the total tax base." S&P concurred Gardner benefits from the combination of interstate, air, and rail infrastructure and proximity to New Century Air Center and BNSF's intermodal facility.

S&P notes the City's "strong management" including "good" financial policies and practices, and "very strong budgetary flexibility". S&P writes, "The city has maintained very strong reserves in each of the past three fiscal years [...]. Management plans to spend

additional reserves in fiscal 2018 as it continues to reduce fund balance to meet its target of 25% of general fund expenditures [...] Given the city's reserve target, coupled with historical maintenance of fund balance exceeding that target, we expect budgetary flexibility to remain very strong."

S&P reports their opinion of the City's budget performance as "weak" because of operating deficits. However, S&P notes, "Based on management's history of conservative budget practices, we expect the city to outperform the budget but still see negative operating results and declines in reserves in fiscal 2018. We understand the city has been purposefully budgeting for deficit operating results as it makes planned expenditures from reserves. Therefore, we believe the city's budgetary performance could improve once fund balances reach targeted levels and the budget comes back into balance."

S&P notes "very strong liquidity" stating, "The city has historically maintained a very strong cash position [...]". S&P also noted "very weak debt and contingent liability profile" writing, "Total governmental fund debt service is 16.9% of total governmental fund expenditures, and net direct debt is 241.7% of total governmental fund revenue. [...] Approximately 75.8% of the direct debt is scheduled to be repaid within 10 years, which is, in our view, a positive credit factor." S&P noted the City's plans to issue approximately \$20.5 million of new money bonds through fiscal 2020 and stated, "We do not expect the additional issuance plans to significantly change the City's already very weak debt profile over the next two years."

S&P opines a "stable" outlook, "[...] reflects our view of Gardner's very strong budget flexibility and liquidity, supported by strong management practices. We do not expect to change the rating over the next two years because we believe Gardner's economic growth will remain stable but modest and that, despite draws on reserves, the city will maintain at least strong budget flexibility and liquidity."

As evidenced in S&P's latest rating, both city staff and elected officials are cognizant of fiscal stewardship and sustainability. During the nationwide 2008 economic downturn, the Governing Body prudently delayed vehicle and equipment purchases, as well as deferred wage increases and froze hiring. Consequently, during this 5-year preparation phase, the Governing Body began drawing down reserves accumulated during the economic rebound to make significant investments in developing a high-performance workforce and to reinstate previously deferred vehicle and equipment purchases.

### **2017 Major Initiatives**

As evidenced, the emerging economic transformation did not happen accidentally, it was strategically facilitated. The 5-year, preparation period concluded in 2017 with many achievements. The City made significant strides in increasing the economy and addressing the infrastructure needs of the growing community.

Promotion of economic development continued with the implementation of a Small Business Incentive Program to encourage entrepreneurial and expansion efforts by local



businesses. The program facilitates projects by providing funding assistance to improve access to roads or utilities and was instrumental in the expansion of a second site for local Groundhouse Coffee and the opening of a new Dairy Queen. Partnership continued with SWEDC and Gardner Edgerton Chamber, as the first 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 were implemented for water, wastewater, and electric utilities, including upgrading the Supervisory Control and Data Acquisition (SCADA) system to monitor and control processes in the wastewater treatment plant. In a joint venture with Kansas Municipal Energy Agency (KMEA), the Governing Body approved a 40-year agreement to assume the costs for Gardner's 32.26% participation in KMEA's 10.1% undivided interest in the Dogwood Energy Facility, thus securing future electric capacity for the community.

The aforementioned infrastructure assessments, improvements, master plan updates, and development of a growth strategy culminated in the completion of a Capital Improvement Element (CIE) to manage 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.

Preparation to secure the City's southern I-35 interchange at 191<sup>st</sup> and Gardner Road began with the rehabilitation of Center Street (aka Gardner Road) - the major arterial roadway to that interchange - from Kane Street to Grand Street extending its useful life and avoiding the cost of complete reconstruction. Additionally, design began for realignment of the interchange to address traffic safety issues and support development of the surrounding prime land area. Design also began for reconstruction of 175<sup>th</sup> and Waverly Road intersection; reconstruction of that intersection will eliminate flooding and promote development in the area.

The second phase of the Pavement Management Program improved 38 lane miles (29%) of residential streets, including road resurfacing, curb and gutter work, and 35 new ADA accessible sidewalk curb ramps. The city saved an estimated \$250,000 in 2017 when compared to previous years by being proactive in addressing infrastructure needs through this program. To heighten safety and access for pedestrians, the first phase of trail rehabilitation was completed, including replacement of low water crossings with pedestrian bridges on the popular Gardner Greenway.

Continuing enhancement of accessibility and inclusiveness for all citizens, the City completed a self-evaluation of accessibility of selected programs, services, and facilities. The ADA advisory committee prioritized \$110,000 in project recommendations for implementation over the next few years. Additionally, findings of the separate *Gardner Community Access Survey* - conducted in collaboration with Wichita State University Hugo

Wall School of Public Affairs - indicated future resources should be focused on access to public buildings and parking, crosswalks, and sidewalks.

In 2013, in the nascent planning period, the Governing Body toured several of the City's aging facilities and concluded rehabilitation of the Aquatics Center and Gardner Senior Center and replacement of the inadequate police facility were paramount. Repeatedly throughout this 5-year period, successive Governing Bodies affirmed their commitment to these projects by approving funding for each stage of preparation for improvements of the community's assets.

In preparation to replace the police facility, a facility needs study was completed and land was purchased. Voters responded to the cohesive commitment evidenced by each Governing Body's ongoing support and approved construction of a new Justice Center to house police headquarters, municipal court, and other community purposes. Design began in 2017, and construction will begin in mid-2018; the anticipated opening is mid-2019.

Rehabilitation of the Aquatics Center and the Gardner Senior Center also occurred during the 5-year phase. These facilities anchor the northwest corner and southwest corner, respectively, of a future, pedestrian friendly, community-gathering area creating a downtown "sense of place". In collaboration with the community and leveraged by grant funding, the Main Street Corridor Plan defining this "sense of place" commenced in 2017 with expected completion in 2018.

Investment continued in personnel and vehicle replacements. In 2017, approximately \$300,000 in General Fund vehicles were replaced, including \$145,000 for three additional police SUVs and an animal control vehicle. Another \$214,000 was invested to replace vehicles for utility or internal service fund operations, as well as the third phase of market wage corrections for continued recruitment and retention of a high-performance workforce.

This 5-year period moving the city from "*Vision to Transformation*" concluded with the approval of a citywide Strategic Plan that is a compilation of earlier planning efforts, stakeholder input, and identified capital projects, produced into a multi-year road map for continued success; the Strategic Plan documents the goals and objectives for the City's future "*Transformation 2.0*". The Strategic Plan is available at <http://www.gardnerkansas.gov/home/showdocument?id=6194>.

### **Future/Planned Initiatives**

Several of the aforementioned initiatives are multi-year projects, so work will continue into 2018 and beyond for the Justice Center, ADA projects, completion and implementation of the Main Street Corridor Plan, and utility infrastructure improvements. Currently, utility rate studies are underway to provide a financing plan for the long-term capital projects identified in the 20-year Capital Improvement Element (CIE).

Investment in City assets will continue. 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.

Continued investment of \$176,000 annually for police vehicle replacements is planned from 2018 through 2020.

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.

The aforementioned 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 goals
- Top priorities for each strategic goal
- Objectives for each priority

The Strategic Plan includes an objective to "develop long-term infrastructure". Future initiatives supporting that objective are an Inflow & Infiltration (I&I) Study and subsequent development of an I&I reduction program. Future savings resulting from the I&I reduction program supports the objective in the Strategic Plan to "enhance performance management". Expansion of water treatment capacity is identified in the CIE and supports the Strategic Plan priority to "diversify the tax base".

Improvements to the transportation network will continue for the aforementioned I-35 and 191<sup>st</sup> and Gardner Road interchange realignment, as well as the 175<sup>th</sup> and Waverly Road intersection. The third and fourth phases of the Pavement Management Program are planned and support 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 is approximately 70% grant funded through MARC's "Safe Routes to Schools" program. A future initiative to update the Transportation Master Plan including the southeast development area of I-35 and 175<sup>th</sup> Street interchange supports the Strategic Plan priority to "diversify the tax base".

Economic development partnerships will continue. Due to the expected 2018 opening of Hampton Inn, projections for transient guest tax revenue significantly increase beginning in 2019. Consequently, in 2019 the Chamber plans to form a Convention & Visitors Bureau (CVB) with the assistance of \$300,000 City funding over FY 2019-2020. Additional \$205,000 City funding is planned for Southwest Johnson County EDC (SWEDC) over the 3-

year period FY 2018-2020. As transient guest tax revenues increase, future transient guest tax revenue allocation is targeted for 50% CVB, 25% SWEDC, 10-15% for the Small Business Assistance Program, and remaining allocations determined as revenue allows. Formation of CVB supports the Strategic Plan objective to “encourage tourism”.

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

### **Financial Planning**

A combination of revenues greater than estimated and expenses below budgeted levels contributed to the City’s EOY 2017 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 2017 with healthy fund balances of 89%, 54%, and 15% of expenditures, respectively.

The City expects 2018-2022 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.

Increased vigilance and strategic prioritization is necessitated by the Kansas legislature’s introduction of a “tax lid” effective January 1, 2018. The legislation prohibits 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.

As aforementioned in S&P's report, Gardner benefits from a diverse economy. Property tax is only approximately 6.4% of the City's revenue stream, and the City owns its utilities, so options other than increasing property tax revenues are available to facilitate development.

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 2018 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 aforementioned 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,



Cheryl Harrison-Lee  
City Administrator

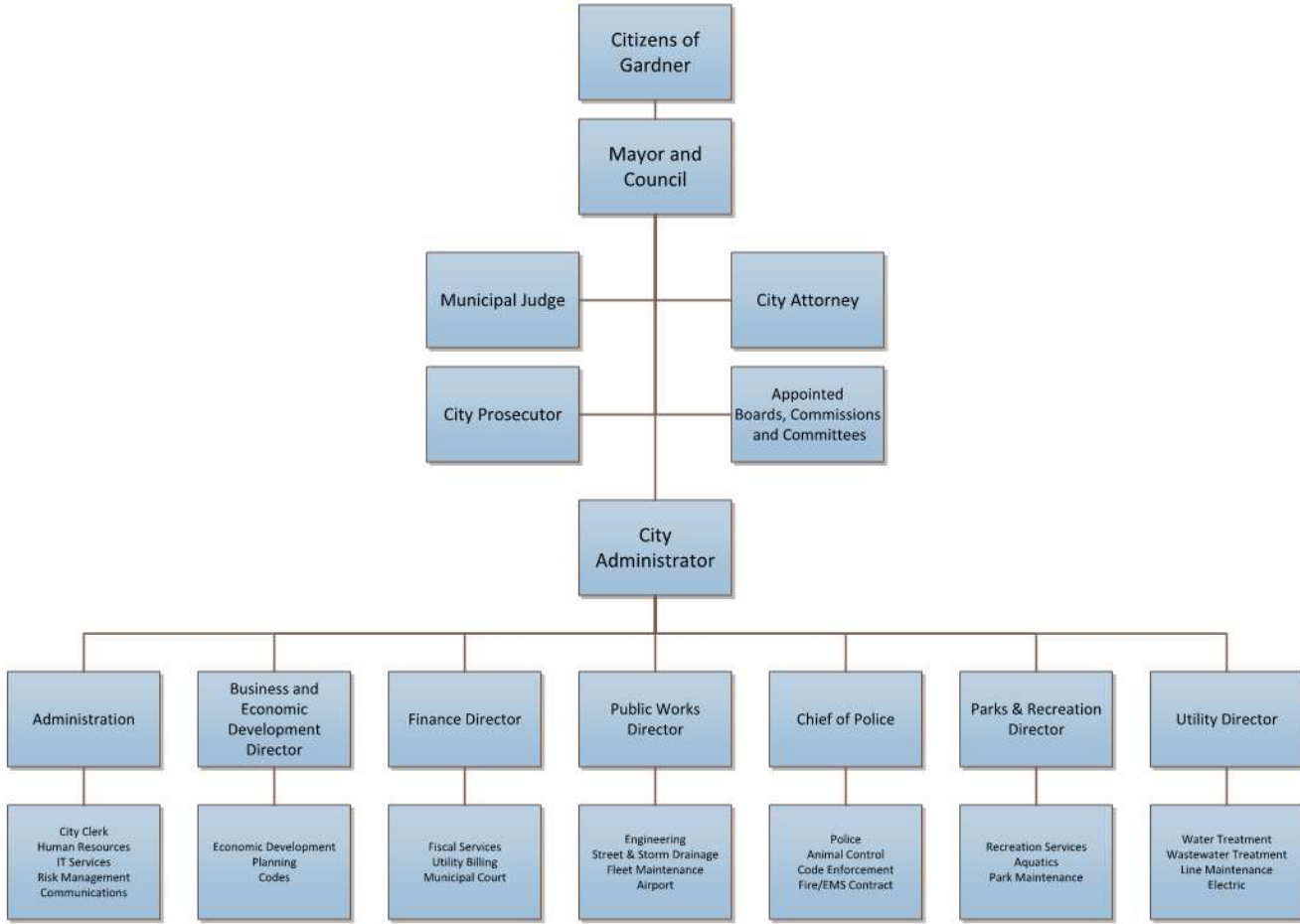


Laura Gourley  
Finance Director

# City of Gardner, Kansas

## Organizational Chart

December 31, 2017



## City of Gardner, Kansas

### List of Elected and Appointed Officials

December 31, 2017

#### Elected Officials

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

#### Appointed Officials

City Administrator	Cheryl Harrison-Lee
Municipal Judge	Robin Lewis
City Prosecutor	Christopher Mann
City Prosecutor	Ashley Repp
City Attorney	Ryan Denk
Business and Economic Development Director	Larry Powell
Finance Director	Laura Gourley
Public Works Director	Michael Kramer
Chief of Police	James Pruetting
Parks and Recreation Director	Vacant
Utility Director	Gonzalo Garcia





Government Finance Officers Association

**Certificate of  
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for Excellence  
in Financial  
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Presented to

**City of Gardner  
Kansas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2016**

*Christopher P. Morrell*

Executive Director/CEO

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the fiscal year ended**

**December 31, 2017**

**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, 2017, 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, 2017, 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.

## ***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 8, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

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

June 8, 2018  
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, 2017. 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 2017 by \$127,143,592 (*net position*). Of this amount, \$16,489,166 (*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 \$3,547,724 during the fiscal year.
- As of the close of 2017, the City's governmental funds reported combined ending fund balances of \$12,568,184. Approximately 36% of this total amount, \$4,471,284, 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 \$4,656,276 or 40% of the total general fund revenues of \$11,585,536.
- The City's total long-term debt decreased by \$2,552,740 during the fiscal year. The key factor for the decrease was \$6,057,740 of debt paying off which was slightly offset by new debt being issued for \$3,505,000.

### 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 that 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 progress in funding its obligation to provide postemployment benefits to its employees 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 \$127,143,592 at the close of the current fiscal year. The City's net position increased by \$3,547,724 from the prior year, with governmental activities accounting for \$562,206 of the increase, and business-type activities accounting for \$2,985,518 of the increase.

#### City of Gardner, Kansas Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$30,923,680	\$28,500,498	\$19,845,317	\$17,653,102	\$50,768,997	\$46,153,600
Capital assets	53,753,991	53,114,771	85,832,128	88,706,633	139,586,119	141,821,404
Total assets	84,677,671	81,615,269	105,677,445	106,359,735	190,355,116	187,975,004
Deferred outflow s	2,471,027	2,505,490	569,498	698,669	3,040,525	3,204,159
Long-term liabilities	34,195,511	32,658,559	25,473,104	29,445,606	59,668,615	62,104,165
Other liabilities	1,046,469	616,387	1,749,770	1,595,155	2,796,239	2,211,542
Total liabilities	35,241,980	33,274,946	27,222,874	31,040,761	62,464,854	64,315,707
Deferred inflow s	3,688,044	3,189,345	99,151	78,243	3,787,195	3,267,588
Net position:						
Net investment in						
Capital Assets	31,189,584	29,574,314	62,611,603	61,598,308	93,801,187	91,172,622
Restricted for:						
Debt service	15,071,645	15,796,587	-	-	15,071,645	15,796,587
Capital projects	2,297,740	1,802,849	-	-	2,297,740	1,802,849
Streets improvements	340,262	187,339	-	-	340,262	187,339
Economic development	91,676	94,979	-	-	91,676	94,979
Other purposes	65,211	38,948	-	-	65,211	38,948
Unrestricted	(837,444)	161,452	16,313,315	14,341,092	15,475,871	14,502,544
Total net position	\$48,218,674	\$47,656,468	\$78,924,918	\$75,939,400	\$127,143,592	\$123,595,868

The largest portion of the City's net position (74%) reflects its investment of \$93,801,187 in capital assets (e.g., land, buildings, intangibles, infrastructure, vehicles, machinery and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these are not available for future spending.

An additional \$17,866,534 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 \$15,475,871 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 increasing OPEB and pension liabilities.

## Analysis of Changes in Net Position

As stated earlier, the City's net position increased by \$3,547,724 during the current fiscal year. The following table reflects the revenues and expenses for the City's activities for the year ended December 31, 2017, and illustrates the comparison between 2017 and the prior year:

City of Gardner, Kansas Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 3,417,570	\$ 3,143,065	\$ 25,447,252	\$ 25,603,366	\$ 28,864,822	\$ 28,746,431
Operating grants and contributions	3,672,663	3,397,426	-	-	3,672,663	3,397,426
Capital grants and contributions	493,301	206,879	57,574	358,459	550,875	565,338
General Revenues:						
Property taxes	4,037,863	5,246,198	-	-	4,037,863	5,246,198
Sales taxes	4,041,798	3,827,653	-	-	4,041,798	3,827,653
Franchise taxes	360,268	269,736	-	-	360,268	269,736
Transient guest tax	71,383	74,272	-	-	71,383	74,272
Unrestricted investment earnings	65,538	9,533	84,816	10,284	150,354	19,817
Other	28,852	-	-	-	28,852	-
Total Revenue	16,189,236	16,174,762	25,589,642	25,972,109	41,778,878	42,146,871
<b>Expenses:</b>						
General government	3,068,153	3,693,357	-	-	3,068,153	3,693,357
Police	4,395,424	5,315,430	-	-	4,395,424	5,315,430
Public works	4,247,297	3,744,547	-	-	4,247,297	3,744,547
Culture and recreation	3,219,356	2,604,472	-	-	3,219,356	2,604,472
Business & Economic Dev	893,753	917,183	-	-	893,753	917,183
Interest on long-term debt	696,847	609,604	-	-	696,847	609,604
Electric	-	-	12,699,174	12,006,709	12,699,174	12,006,709
Water	-	-	4,228,110	4,032,587	4,228,110	4,032,587
Wastewater	-	-	4,503,508	4,591,624	4,503,508	4,591,624
Stormwater	-	-	28,298	28,298	28,298	28,298
Airport	-	-	251,234	204,879	251,234	204,879
Total Expenses	16,520,830	16,884,593	21,710,324	20,864,097	38,231,154	37,748,690
Increase (decrease) in net position before transfers	(331,594)	(709,831)	3,879,318	5,108,012	3,547,724	4,398,181
Transfers	893,800	(1,445,460)	(893,800)	1,445,460	-	-
Change in net position	562,206	(2,155,291)	2,985,518	6,553,472	3,547,724	4,398,181
Net position, 1/1	47,656,468	50,206,050	75,939,400	69,385,928	123,595,868	119,591,978
Prior period adjustment	-	(394,291)	-	-	-	(394,291)
Net position, 12/31	\$ 48,218,674	\$ 47,656,468	\$ 78,924,918	\$ 75,939,400	\$ 127,143,592	\$ 123,595,868

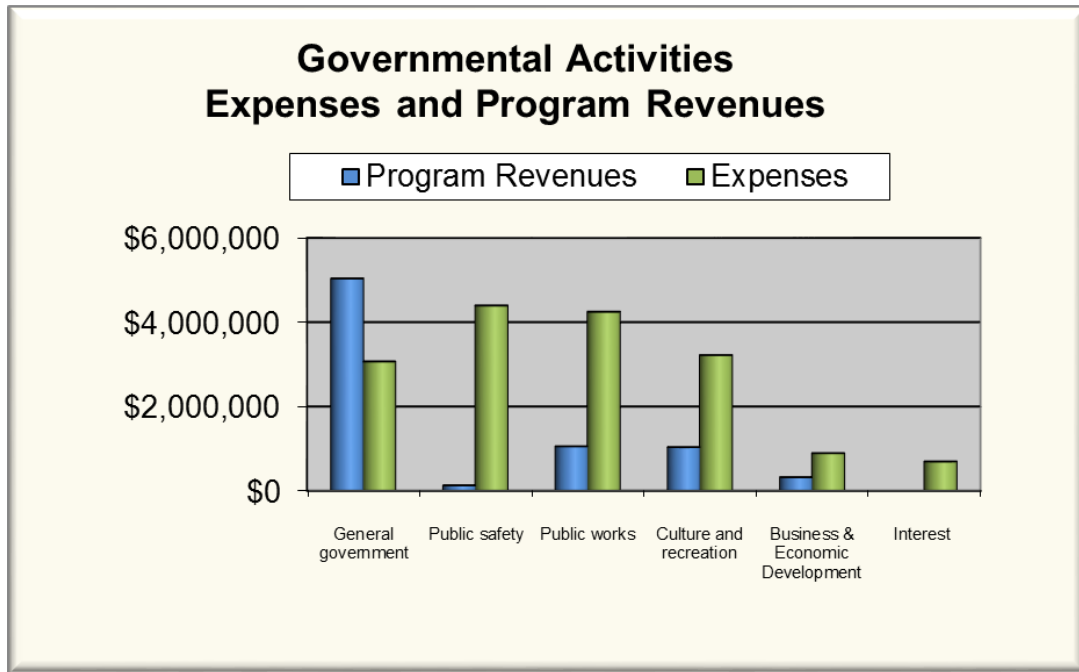
## Governmental Activities

The City's net position related to governmental activities increased \$562,206 during the year, an increase of \$2,717,497 from the prior year. The key component for the increase was a decrease in transfers by \$2,339,260 or 161% from the prior year. In 2016, assets were transferred from governmental activities to the business-type activities due to the City assuming ownership of the airport.

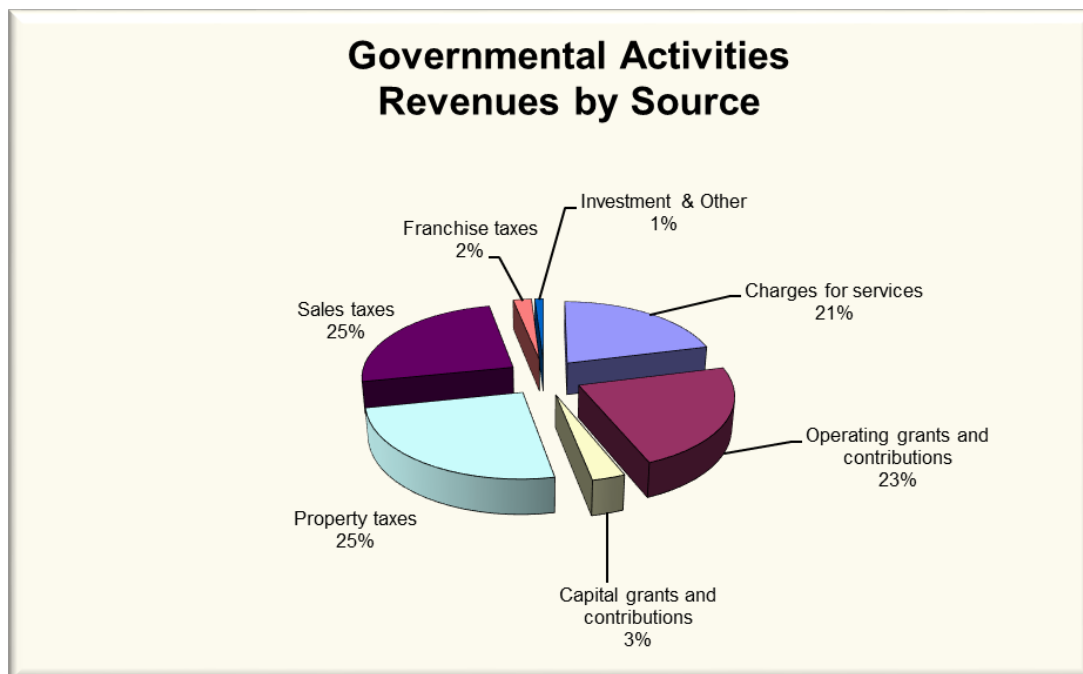
Total governmental revenues increased \$14,474 from the prior year. The City saw slight increases in program revenues and sales tax but decreased property tax revenues offset these increases. In 2017, the City reduced mills due to the termination of a fire services agreement with Johnson County Fire District No. 1, and transferred tax levy authority to the fire district.

Total governmental expenses decreased \$363,763 from the prior year. Slight decreases in general government and police activities were partially offset by increases in public works and culture and recreation activities. The key factor in the decrease was the elimination of the aforementioned fire services contract of \$1.4 million.

The chart below illustrates how the City's various governmental activities program revenues vs. program expenses fared in 2017.



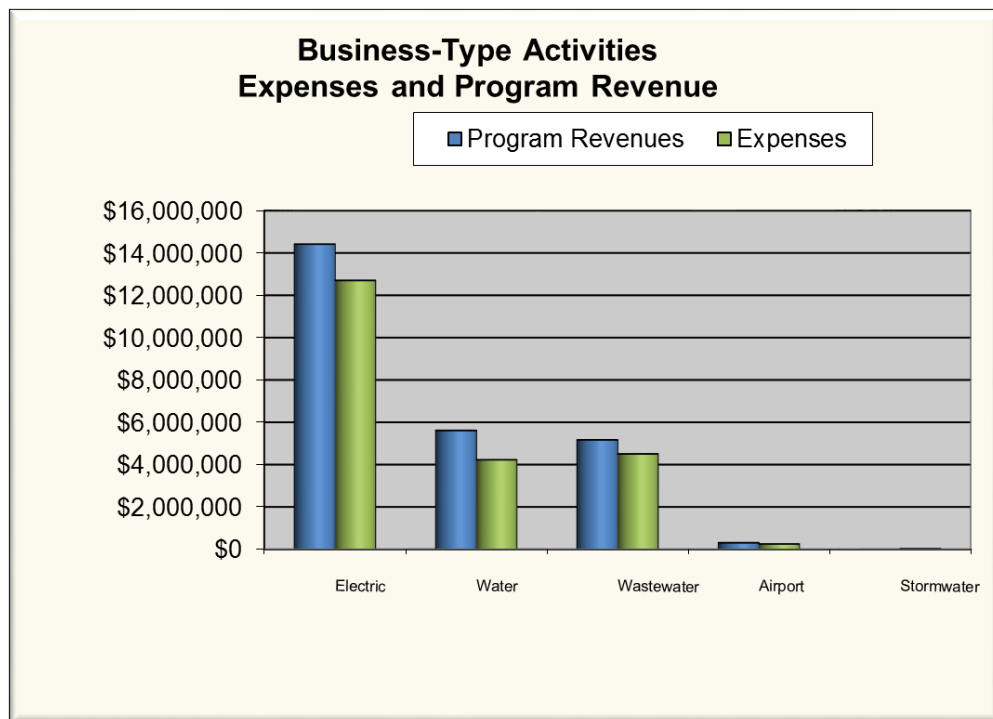
The chart below illustrates the City's overall program and general revenues for governmental activities:



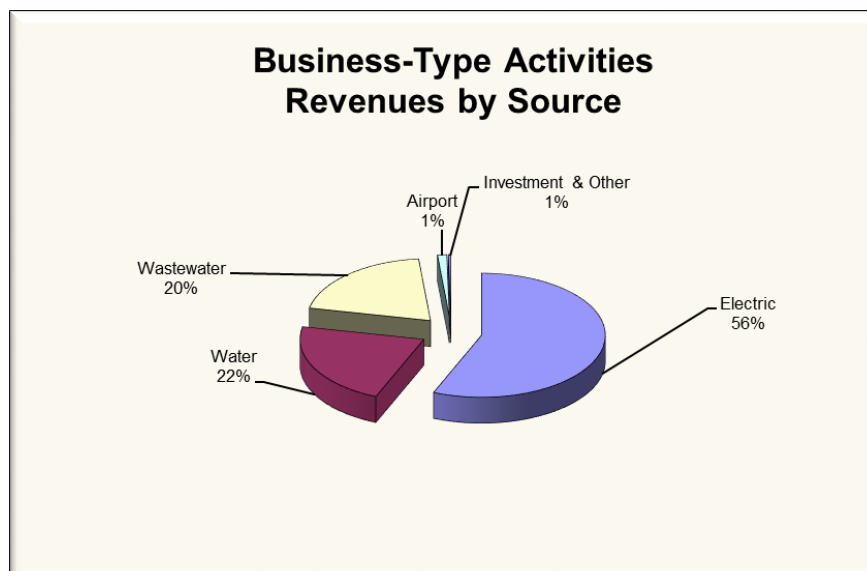
## ***Business-Type Activities***

The City's net position related to business-type activities increased \$2,985,518. The electric, water and wastewater funds all experienced positive changes (2.7%, 1.8%, and 9.4%, respectively). The increase in the wastewater fund was due mostly to an increase in transfers in from the water fund.

The City's water, wastewater and electric base rates were unchanged in 2017. 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 99.44% 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 \$12,568,184, an increase of \$2,653,500 in comparison with the prior year. Approximately 37% of this total amount or \$4,656,276 constitutes fund balance that is available to meet the City's current and future needs. The remainder of the fund balance totaling \$7,911,908 is restricted for specific spending.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was \$4,656,276. 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 36% of total general fund expenditures of \$12,914,664.

The fund balance in the City's general fund had a decrease of \$646,597 during the current fiscal year. While total expenditures in the general fund decreased \$104,124, total revenue also decreased by \$267,696 compared to the previous year contributing to the negative change.

The debt service fund had an ending fund balance of \$5,117,019, all of which is restricted for the payment of debt service. This is an increase of \$2,689,830 in 2017. This is due to the issuance of partial net cash advance refunding general obligation bonds.

The capital projects fund had an ending fund balance of \$336,596. This is a decrease of \$34,039 from the prior year.

The infrastructure special sales tax fund had an ending fund balance of \$892,451, all of which is restricted for rehabilitation of streets and pedestrian bridges and trails. This is an increase of \$197,252 from the previous year. The primary reason for the increase is a 6.5% increase in sales tax revenues.

### ***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 \$16,305,503. The total increase in unrestricted net position was \$1,967,009 from the prior year.

The electric fund had total net position of \$37,224,977 at the end of the current fiscal year. This is an increase of \$975,193 or 2.7%, from the previous year.

The water fund had total net position of \$19,491,258 at the end of the current fiscal year. This is an increase of \$345,549 or 1.8% from the previous year.

The wastewater fund had total net position of \$18,441,478 at the end of the current fiscal year. This is an increase of \$1,591,326 or 9.4%, from the previous year. An increased transfer from the water fund to support operating costs accounts for most of the increase.

The airport fund (a non-major proprietary fund) had total net position of \$3,056,260 at the end of the current fiscal year. This is an increase of \$60,122 from the previous year.

The City's internal service funds had total net position of \$294,753 at the end of the current fiscal year. An increase of \$244,224 from the prior year due to the purchase of capital assets.

### ***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 2017, the assets of the funds were \$54,200.

## **GENERAL FUND BUDGETARY HIGHLIGHTS:**

The City's general fund budget was not amended during 2017; therefore, the original budget and the final budget are the same. During the year, total revenues were more than budgetary estimates by \$619,710. Due to the City's effective budget controls expenditures were \$2,653,079 less than budgeted, which resulted in a positive variance of \$3,272,789. A summary of differences between budgetary estimates for revenues and expenditures is as follows:

- Property tax collections were less than the original estimate by \$53,677.
- City sales and use tax revenues were more than estimated by \$287,584.
- Licenses and permits were \$171,187 more than estimated. This can be attributed to increased building and construction permits.
- General fund project reserves of \$3,072,114 remain available at the end of 2017. This is down 3% from the prior year. These large reserves will provide funding to undertake major initiatives planned for the future.
- Police expenditures were \$213,134 more than budgeted due to personnel-related expenses and an unbudgeted capital asset purchase.
- Culture and recreation expenses were \$164,356 more than budgeted due to unanticipated expenditures for a golf course assessment, engineering costs for phase I trails and ballfield and pool equipment maintenance.

## 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, 2017, amounted to \$139,586,119 (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.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 4,794,440	\$ 4,780,152	\$ 3,309,293	\$ 3,309,293	\$ 8,103,733	\$ 8,089,445
Construction in progress	1,718,116	421,016	801,333	2,900,248	2,519,449	3,321,264
Buildings	3,200,673	2,940,552	8,039,574	1,597,417	11,240,247	4,537,969
Improvements	986,342	1,044,298	7,487,481	5,394,021	8,473,823	6,438,319
Infrastructure	41,813,405	42,872,085	58,685,897	67,974,682	100,499,302	110,846,767
Intangibles	-	-	6,486,286	6,807,494	6,486,286	6,807,494
Machinery and equipment	517,143	507,187	691,501	563,774	1,208,644	1,070,961
Vehicles	723,872	549,481	330,763	159,704	1,054,635	709,185
	<u>\$ 53,753,991</u>	<u>\$ 53,114,771</u>	<u>\$ 85,832,128</u>	<u>\$ 88,706,633</u>	<u>\$139,586,119</u>	<u>\$141,821,404</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 \$48,632,146. Of this amount, \$22,017,500 was general obligation debt backed by the full faith and credit of the City. However, \$12,231,330 of the general obligation debt is supported by business-type revenues. Special assessment debt in the amount \$14,012,500 is debt for which the City is liable in the event of default by the property owners subject to the assessment. An additional \$10,321,146 of the City's debt is from construction loans with the Kansas Department of Health and Environment for improvements to the wastewater system and the Kansas Department of Transportation for a new street addition. The remainder of the City's debt represents PBC revenue bonds and capital lease obligations.

In 2017, the City issued bonds to finance various street improvements within the City and partially refund existing general obligation debt. The refunding was undertaken to provide interest cost savings to the City.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 9,786,170	\$ 9,216,264	\$12,231,330	\$15,398,736	\$22,017,500	\$24,615,000
Special assessment debt with government commitment	14,012,500	12,805,000	-	-	14,012,500	12,805,000
PBC revenue bonds	1,670,000	2,015,000	-	-	1,670,000	2,015,000
Construction loan payable	-	67,609	10,321,146	10,890,162	10,321,146	10,957,771
Capital lease obligations	611,000	792,115	-	-	611,000	792,115
	<u>\$26,079,670</u>	<u>\$24,895,988</u>	<u>\$22,552,476</u>	<u>\$26,288,898</u>	<u>\$48,632,146</u>	<u>\$51,184,886</u>

The City's total long-term debt decreased \$2,552,740 during the current fiscal year. This is due to debt retiring and smaller new debt issues in recent years.

The City was assigned an "AA-" rating from Standard & Poor's for its general obligation bonds. State statutes limit the amount of general obligation debt a government entity may issue to 30% of its total assessed valuation. The current debt limitation for the City is \$59,663,274, 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, 2017**

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets:			
Deposits and investments	\$ 8,174,518	\$ 15,215,510	\$ 23,390,028
Receivables, net of allowance for uncollectibles:			
Taxes	4,217,762	-	4,217,762
Accounts Receivable	-	2,922,077	2,922,077
Intergovernmental	982,134	-	982,134
Special assessments	13,828,144	-	13,828,144
Other	22,536	30,345	52,881
Internal balances	(22,399)	22,399	-
Prepaid items	613	198	811
Inventories	22,509	1,360,358	1,382,867
Restricted deposits and investments	3,697,863	294,430	3,992,293
Capital assets, net of accumulated depreciation, where applicable:			
Land	4,794,440	3,309,293	8,103,733
Construction in progress	1,718,116	801,333	2,519,449
Buildings	3,200,673	8,039,574	11,240,247
Improvements	986,342	7,487,481	8,473,823
Infrastructure	41,813,405	58,685,897	100,499,302
Intangible	-	6,486,286	6,486,286
Machinery and equipment	517,143	691,501	1,208,644
Vehicles	723,872	330,763	1,054,635
Total assets	84,677,671	105,677,445	190,355,116
Deferred outflows of resources:			
Unamortized portion of refunding gain	310,121	31,703	341,824
Pension related items	2,160,906	537,795	2,698,701
Total deferred outflows of resources	2,471,027	569,498	3,040,525
Liabilities:			
Accounts payable	630,165	1,154,450	1,784,615
Accrued payroll	240,649	103,578	344,227
Accrued interest payable	175,655	197,312	372,967
Liabilities payable from restricted assets	-	294,430	294,430
Noncurrent liabilities:			
Due within one year	2,677,835	3,905,944	6,583,779
Due in more than one year	31,517,676	21,567,160	53,084,836
Total liabilities	35,241,980	27,222,874	62,464,854
Deferred inflows of resources:			
Property tax receivable	3,488,920	-	3,488,920
Pension related items	199,124	99,151	298,275
Total deferred inflows of resources	3,688,044	99,151	3,787,195
Net position:			
Net investment in capital assets	31,189,584	62,611,603	93,801,187
Restricted for:			
Debt service	15,071,645	-	15,071,645
Capital projects	2,297,740	-	2,297,740
Street improvements	340,262	-	340,262
Economic development	91,676	-	91,676
Other purposes	65,211	-	65,211
Unrestricted	(837,444)	16,313,315	15,475,871
Total net position	\$ 48,218,674	\$ 78,924,918	\$ 127,143,592

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

**CITY OF GARDNER, KANSAS**

**STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2017**

Functions/Programs						Net (Expense) Revenue and Changes in Net Position		
	Expenses	Indirect Expenses Allocation	Program Revenues			Primary Government		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:								
Governmental activities:								
General government	\$ 4,287,957	\$ (1,219,804)	\$ 2,085,061	\$ 2,950,443	\$ -	\$ 1,967,351	\$ -	\$ 1,967,351
Police	4,395,424	-	6,525	124,117	-	(4,264,782)	-	(4,264,782)
Public works	4,247,297	-	-	562,812	493,301	(3,191,184)	-	(3,191,184)
Culture and recreation	3,219,356	-	1,002,553	35,291	-	(2,181,512)	-	(2,181,512)
Business and economic development	893,753	-	323,431	-	-	(570,322)	-	(570,322)
Interest on long-term debt	696,847	-	-	-	-	(696,847)	-	(696,847)
Total governmental activities	17,740,634	(1,219,804)	3,417,570	3,672,663	493,301	(8,937,296)	-	(8,937,296)
Business-type activities:								
Electric	12,300,470	398,704	14,414,445	-	-	-	1,715,271	1,715,271
Water	3,808,410	419,700	5,612,380	-	-	-	1,384,270	1,384,270
Wastewater	4,102,108	401,400	5,168,047	-	-	-	664,539	664,539
Stormwater	28,298	-	-	-	-	-	(28,298)	(28,298)
Airport	251,234	-	252,380	-	57,574	-	58,720	58,720
Total business-type activities	20,490,520	1,219,804	25,447,252	-	57,574	-	3,794,502	3,794,502
Total primary government	\$ 38,231,154	\$ -	\$ 28,864,822	\$ 3,672,663	\$ 550,875	(8,937,296)	3,794,502	(5,142,794)
General revenues:								
Property taxes						4,037,863	-	4,037,863
Sales taxes						4,041,798	-	4,041,798
Franchise taxes						360,268	-	360,268
Transient guest tax						71,383	-	71,383
Unrestricted investment earnings						65,538	84,816	150,354
Other						28,852	-	28,852
Transfers						893,800	(893,800)	-
Total general revenues and transfers						9,499,502	(808,984)	8,690,518
Change in net position						562,206	2,985,518	3,547,724
Net position, beginning of year						47,656,468	75,939,400	123,595,868
Net position, end of year						\$ 48,218,674	\$ 78,924,918	\$ 127,143,592

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

**CITY OF GARDNER, KANSAS**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**December 31, 2017**

	General	Debt Service	Capital Projects	Infrastructure Special Sales Tax	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Deposits and investments	\$ 4,117,151	\$ 1,366,172	\$ 447,961	\$ 896,593	\$ 1,119,253	\$ 7,947,130
Receivables (net of allowance for uncollectibles):						
Taxes	2,543,316	1,454,570	-	200,555	19,321	4,217,762
Special assessments	-	13,828,144	-	-	-	13,828,144
Intergovernmental	462,807	71,806	-	-	447,521	982,134
Other	16,129	2,785	990	48	2,584	22,536
Inventories	22,509	-	-	-	-	22,509
Prepays	613	-	-	-	-	613
Restricted deposits and investments	-	3,697,863	-	-	-	3,697,863
<b>Total assets</b>	<b>\$ 7,162,525</b>	<b>\$ 20,421,340</b>	<b>\$ 448,951</b>	<b>\$ 1,097,196</b>	<b>\$ 1,588,679</b>	<b>\$ 30,718,691</b>
<b>Liabilities</b>						
Accounts payable	224,389	21,607	112,355	204,745	22,837	585,933
Accrued payroll	228,188	-	-	-	-	228,188
Due to other funds	19,322	-	-	-	-	19,322
<b>Total liabilities</b>	<b>471,899</b>	<b>21,607</b>	<b>112,355</b>	<b>204,745</b>	<b>22,837</b>	<b>833,443</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue - special assessments	-	13,828,144	-	-	-	13,828,144
Deferred revenue - property taxes	2,034,350	1,454,570	-	-	-	3,488,920
<b>Total deferred inflows of resources</b>	<b>2,034,350</b>	<b>15,282,714</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,317,064</b>
<b>Fund Balances</b>						
Restricted						
Debt Service	-	5,117,019	-	-	-	5,117,019
Capital projects	-	-	336,596	892,451	1,068,693	2,297,740
Street improvements	-	-	-	-	340,262	340,262
Economic development	-	-	-	-	91,676	91,676
Other	-	-	-	-	65,211	65,211
Assigned						
Police	29,690	-	-	-	-	29,690
Public Works	40,717	-	-	-	-	40,717
Culture and Recreation	114,585	-	-	-	-	114,585
Unassigned	4,471,284	-	-	-	-	4,471,284
<b>Total fund balances</b>	<b>4,656,276</b>	<b>5,117,019</b>	<b>336,596</b>	<b>892,451</b>	<b>1,565,842</b>	<b>12,568,184</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 7,162,525</b>	<b>\$ 20,421,340</b>	<b>\$ 448,951</b>	<b>\$ 1,097,196</b>	<b>\$ 1,588,679</b>	<b>\$ 30,718,691</b>

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



**CITY OF GARDNER, KANSAS**

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

**December 31, 2017**

Total fund balances in Governmental Funds Balance Sheet		\$ 12,568,184
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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.		53,435,172
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		13,828,144
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Deferred outflows of resources are not available and payable in the current period and therefore are not reported in the funds:		
Deferred refunding	310,121	
Deferred outflows related to pensions	2,088,243	
Total		2,398,364

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	(175,655)	
Bonds:		
General obligation and special assessments bond payable, net of unamortized premium of \$492,721	(24,291,391)	
Net pension liability	(6,755,470)	
PBC lease revenue bonds	(1,670,000)	
Land Lease Purchase	(611,000)	
Other post employment benefits	(252,586)	
Compensated absences	(317,391)	
Total		(34,073,493)

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		(185,074)

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.		247,377
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Net position of governmental activities		\$ 48,218,674
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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  
GOVERNMENTAL FUNDS**

**Year Ended December 31, 2017**

	General	Debt Service	Capital Projects	Infrastructure Special Sales Tax	Other Governmental funds	Total Governmental Funds
<b>Revenues</b>						
Taxes:						
Property tax	\$ 2,664,523	\$ 1,373,340	\$ -	\$ -	\$ -	\$ 4,037,863
Sales tax	2,871,584	-	-	1,170,214	-	4,041,798
Franchise tax	360,268	-	-	-	-	360,268
Transient guest tax	-	-	-	-	71,383	71,383
Special assessments	2,905	1,232,918	-	-	-	1,235,823
Intergovernmental	2,321,958	303,464	40,000	-	1,500,542	4,165,964
Licenses and permits	337,987	-	-	-	-	337,987
Charges for services	2,444,420	-	-	-	-	2,444,420
Fines and fees	529,085	-	-	-	103,173	632,258
Investment earnings	27,585	25,169	2,913	2,114	7,757	65,538
Other	25,221	-	-	-	-	25,221
Total revenues	<u>11,585,536</u>	<u>2,934,891</u>	<u>42,913</u>	<u>1,172,328</u>	<u>1,682,855</u>	<u>17,418,523</u>
<b>Expenditures</b>						
Current:						
General government	2,885,767	-	-	-	94,355	2,980,122
Police	3,994,544	-	-	-	-	3,994,544
Public works	2,178,895	-	-	546,666	-	2,725,561
Culture and recreation	2,600,834	-	-	-	-	2,600,834
Business and economic development	883,428	-	-	-	-	883,428
Capital outlay	350,175	-	177,752	1,638,939	891,327	3,058,193
Debt service:						
Principal	20,734	1,969,594	-	130,000	107,609	2,227,937
Interest and fiscal charges	287	635,186	-	31,280	17,541	684,294
Other	-	162,790	-	29,468	169	192,427
Total expenditures	<u>12,914,664</u>	<u>2,767,570</u>	<u>177,752</u>	<u>2,376,353</u>	<u>1,111,001</u>	<u>19,347,340</u>
Excess of revenues over (under) expenditures	<u>(1,329,128)</u>	<u>167,321</u>	<u>(134,839)</u>	<u>(1,204,025)</u>	<u>571,854</u>	<u>(1,928,817)</u>
<b>Other financing sources (uses)</b>						
General obligation bonds issued	-	2,155,000	-	1,350,000	-	3,505,000
Issuance: Premium	-	128,609	-	51,277	-	179,886
Proceeds from sale of capital assets	3,631	-	-	-	-	3,631
Transfers in	759,700	238,900	100,800	-	60,000	1,159,400
Transfers out	(80,800)	-	-	-	(184,800)	(265,600)
Total other financing sources (uses)	<u>682,531</u>	<u>2,522,509</u>	<u>100,800</u>	<u>1,401,277</u>	<u>(124,800)</u>	<u>4,582,317</u>
Net change in fund balances	(646,597)	2,689,830	(34,039)	197,252	447,054	2,653,500
Fund balances, beginning of year	5,302,873	2,427,189	370,635	695,199	1,118,788	9,914,684
Fund balances, end of year	<u>\$ 4,656,276</u>	<u>\$ 5,117,019</u>	<u>\$ 336,596</u>	<u>\$ 892,451</u>	<u>\$ 1,565,842</u>	<u>\$ 12,568,184</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, 2017**

Net change in fund balances - total governmental funds \$ 2,653,500

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	3,062,193	
Depreciation Expense	(2,363,436)	
Net Change		698,757

Net gain (loss) on disposal of capital assets (80,440)

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		(1,232,918)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	(24,642)	
Accrued interest	(931)	
Premium amortization	32,417	
Deferred refunding	148,388	
Pensions	(357,395)	
Other postemployment benefit obligation	(20,179)	
Total		(222,342)

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

Debt issued or incurred:		
General obligation and special assessment bonds	(3,505,000)	
Premiums	(179,886)	
Principal repayments:		
General obligation and special assessment bonds payable	1,727,594	
PBC lease revenue bonds	345,000	
City Lease Purchase	67,000	
Construction loans	67,609	
Capital lease obligation	20,734	
Total		(1,456,949)

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.

	202,598	
Change in net position of governmental activities		\$ 562,206

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, 2017**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes:				
Property	\$ 2,718,200	\$ 2,718,200	\$ 2,664,523	\$ (53,677)
Sales	2,584,000	2,584,000	2,871,584	287,584
Franchise	331,000	331,000	360,268	29,268
Intergovernmental	2,266,126	2,266,126	2,324,863	58,737
Licenses and permits	166,800	166,800	337,987	171,187
Charges for services	2,408,800	2,408,800	2,444,420	35,620
Fines and fees	483,200	483,200	529,085	45,885
Investment earnings	6,700	6,700	27,585	20,885
Other	1,000	1,000	25,221	24,221
Total revenues	<u>10,965,826</u>	<u>10,965,826</u>	<u>11,585,536</u>	<u>619,710</u>
Expenditures				
General government	2,974,700	2,974,700	2,871,309	103,391
Police	3,811,100	3,811,100	4,024,234	(213,134)
Public works	2,359,600	2,359,600	2,219,612	139,988
Culture and recreation	2,543,300	2,543,300	2,707,656	(164,356)
Business and economic development	969,700	969,700	883,428	86,272
Capital outlay	-	-	350,175	(350,175)
Debt service	-	-	21,021	(21,021)
Project reserve	3,072,114	3,072,114	-	3,072,114
Total expenditures	<u>15,730,514</u>	<u>15,730,514</u>	<u>13,077,435</u>	<u>2,653,079</u>
Excess of revenues over (under) expenditures	<u>(4,764,688)</u>	<u>(4,764,688)</u>	<u>(1,491,899)</u>	<u>3,272,789</u>
Other financing sources and (uses)				
Transfers in	759,700	759,700	759,700	-
Transfers out	(89,800)	(89,800)	(80,800)	9,000
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>3,631</u>	<u>3,631</u>
Total other financing sources and (uses)	<u>669,900</u>	<u>669,900</u>	<u>682,531</u>	<u>12,631</u>
Net change in fund balances	(4,094,788)	(4,094,788)	(809,368)	3,285,420
Fund balances, beginning of year	4,249,806	4,249,806	<u>5,280,652</u>	<u>1,030,846</u>
Fund balances, end of year	<u>\$ 155,018</u>	<u>\$ 155,018</u>	<u>4,471,284</u>	<u>\$ 4,316,266</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

184,992

GAAP fund balance

\$ 4,656,276

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

**CITY OF GARDNER, KANSAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2017**

	Major Funds		
	Electric	Water	Wastewater
Assets			
Current assets:			
Cash and cash equivalents	\$ 10,961,944	\$ 3,107,453	\$ 521,718
Accounts receivable, net	1,839,494	531,272	542,445
Other receivable	22,438	6,321	1,006
Prepaid items	198	-	-
Inventories	1,076,427	161,863	95,077
Restricted deposits and investments	230,808	58,622	-
Due from other funds	24,470	503	336
Total current assets	14,155,779	3,866,034	1,160,582
Noncurrent assets:			
Capital assets:			
Land	678,878	964,968	710,874
Construction in progress	50,382	348,445	75,135
Buildings	867,093	7,682,301	1,909,091
Infrastructure	40,741,263	18,719,481	45,609,565
Intangible	401,622	270,622	7,090,821
Improvements	8,422,821	2,680,332	1,635,098
Machinery and equipment	835,544	118,804	538,676
Vehicles	406,052	380,756	561,274
Less accumulated depreciation and amortization	(26,579,509)	(10,692,956)	(22,323,148)
Total capital assets	25,824,146	20,472,753	35,807,386
Total noncurrent assets	25,824,146	20,472,753	35,807,386
Total assets	39,979,925	24,338,787	36,967,968
Deferred outflows of resources			
Unamortized portion of refunding gain	-	-	31,703
Pension related items	257,971	100,618	90,752
Total deferred outflows of resources	257,971	100,618	122,455
Liabilities			
Current liabilities:			
Accounts payable	401,098	586,636	143,110
Accrued payroll	50,151	20,107	18,049
Customer and developer deposits	230,808	58,622	-
Accrued interest payable	9,695	27,673	159,076
Due to other funds	66	1,222	670
Compensated absences	51,827	23,689	33,683
Current portion of bonds payable	320,000	715,000	2,100,000
Current portion of construction loans payable	-	-	582,673
Total current liabilities	1,063,645	1,432,949	3,037,261
Noncurrent liabilities:			
Other postemployment benefit obligation	30,307	38,442	17,335
Bonds payable, net	945,848	3,074,552	5,495,082
Net Pension liability	927,575	382,789	343,421
Construction loan payable	-	-	9,738,473
Total noncurrent liabilities	1,903,730	3,495,783	15,594,311
Total liabilities	2,967,375	4,928,732	18,631,572
Deferred inflows of resources			
Pension related items	45,544	19,415	17,373
Net position			
Net investment in capital assets	24,558,298	16,683,201	17,922,861
Unrestricted	12,666,679	2,808,057	518,617
Total net position	\$ 37,224,977	\$ 19,491,258	\$ 18,441,478

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
\$ 296,599	\$ 14,887,714	\$ 555,184
8,866	2,922,077	-
580	30,345	-
-	198	-
26,991	1,360,358	-
5,000	294,430	-
-	25,309	-
338,036	19,520,431	555,184
954,573	3,309,293	-
327,371	801,333	-
1,745,363	12,203,848	-
1,502,127	106,572,436	-
-	7,763,065	-
868,238	13,606,489	-
-	1,493,024	492,694
-	1,348,082	134,233
(1,709,393)	(61,305,006)	(268,544)
3,688,279	85,792,564	358,383
3,688,279	85,792,564	358,383
4,026,315	105,312,995	913,567
-	31,703	-
711	450,052	160,406
711	481,755	160,406
16,865	1,147,709	50,973
541	88,848	27,191
5,000	294,430	-
868	197,312	-
952	2,910	3,077
1,101	110,300	34,415
57,317	3,192,317	-
-	582,673	-
82,644	5,616,499	115,656
-	86,084	17,144
223,283	9,738,765	-
1,195	1,654,980	615,626
-	9,738,473	-
224,478	21,218,302	632,770
307,122	26,834,801	748,426
75	82,407	30,794
3,407,679	62,572,039	358,383
312,150	16,305,503	(63,630)
\$ 3,719,829	78,877,542	\$ 294,753
	47,376	
	\$ 78,924,918	

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, 2017**

	Major Funds		
	Electric	Water	Wastewater
Operating revenues			
Charges for sales and services	\$ 14,351,851	\$ 5,577,833	\$ 5,161,549
Other	62,594	34,547	6,498
Total operating revenues	<u>14,414,445</u>	<u>5,612,380</u>	<u>5,168,047</u>
Operating expenses			
Administration	1,348,793	906,700	779,002
Wholesale energy cost	7,369,290	-	-
Generation	857,211	-	-
Treatment	-	1,991,567	1,123,959
Distribution and collection	1,594,163	435,739	408,011
Contractual services	-	-	-
Other supplies and expenses	-	-	-
Repairs and maintenance	-	-	-
Depreciation and amortization	1,495,111	780,859	1,582,756
Other	-	-	-
Total operating expenses	<u>12,664,568</u>	<u>4,114,865</u>	<u>3,893,728</u>
Operating income (loss)	<u>1,749,877</u>	<u>1,497,515</u>	<u>1,274,319</u>
Nonoperating revenues (expenses)			
Investment earnings	60,677	16,577	5,997
Interest expense	(42,651)	(127,343)	(582,305)
Other	(7,710)	-	(39,085)
Total nonoperating revenues (expenses)	<u>10,316</u>	<u>(110,766)</u>	<u>(615,393)</u>
Income (loss) before transfers and contributions	1,760,193	1,386,749	658,926
Transfers in	-	-	1,000,000
Transfers out	<u>(785,000)</u>	<u>(1,041,200)</u>	<u>(67,600)</u>
Change in net position	975,193	345,549	1,591,326
Total net position, beginning of year	<u>36,249,784</u>	<u>19,145,709</u>	<u>16,850,152</u>
Total net position, end of year	<u>\$ 37,224,977</u>	<u>\$ 19,491,258</u>	<u>\$ 18,441,478</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
\$ 252,380	\$ 25,343,613	\$ 3,387,142	
57,574	161,213	10,566	
309,954	25,504,826	3,397,708	
106,800	3,141,295	973,221	
-	7,369,290	-	
-	857,211	-	
-	3,115,526	-	
-	2,437,913	-	
-	-	1,390,040	
-	-	113,047	
15,425	15,425	38,093	
152,836	4,011,562	54,116	
-	-	581,973	
275,061	20,948,222	3,150,490	
34,893	4,556,604	247,218	
1,565	84,816	-	
(4,634)	(756,933)	(2,994)	
-	(46,795)	-	
(3,069)	(718,912)	(2,994)	
31,824	3,837,692	244,224	
-	1,000,000	-	
-	(1,893,800)	-	
31,824	2,943,892	244,224	
3,688,005	75,933,650	50,529	
\$ 3,719,829	78,877,542	\$ 294,753	
	2,943,892		
	41,626		
	\$ 2,985,518		

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, 2017**

	Major Funds	
	Electric	Water
Cash flows from operating activities:		
Receipts from customers	\$ 14,380,277	\$ 5,677,238
Other	-	-
Payments to suppliers	(9,661,843)	(2,654,823)
Payments to employees	(1,558,319)	(664,316)
	<u>3,160,115</u>	<u>2,358,099</u>
Net cash provided by operating activities		
	<u>3,160,115</u>	<u>2,358,099</u>
Cash flows from noncapital financing activities:		
Transfers from other funds	-	-
Transfers to other funds	(785,000)	(1,041,200)
	<u>(785,000)</u>	<u>(1,041,200)</u>
Net cash provided by (used in) noncapital financing activities		
	<u>(785,000)</u>	<u>(1,041,200)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(196,046)	(535,927)
Principal paid on general obligation bonds	(315,000)	(685,000)
Principal paid on construction loan	-	-
Principal paid on capital lease	-	-
Interest paid on general obligation bonds, construction loan, and capital lease	(42,057)	(132,893)
	<u>(553,103)</u>	<u>(1,353,820)</u>
Net cash used in capital and related financing activities		
	<u>(553,103)</u>	<u>(1,353,820)</u>
Cash flows from investing activities:		
Interest received	60,677	16,577
	<u>60,677</u>	<u>16,577</u>
Net increase (decrease) in cash and cash equivalents	1,882,689	(20,344)
Cash and cash equivalents, beginning of year	9,310,063	3,186,419
	<u>9,310,063</u>	<u>3,186,419</u>
Cash and cash equivalents, end of year	\$ 11,192,752	\$ 3,166,075
	<u>\$ 11,192,752</u>	<u>\$ 3,166,075</u>

	Nonmajor Funds		Internal
Wastewater	Totals	Total	Service Funds
\$ 5,249,325	\$ 321,837	\$ 25,628,677	\$ 3,387,142
-	-	-	10,566
(1,676,677)	(101,338)	(14,094,681)	(2,353,372)
(596,728)	(14,628)	(2,833,991)	(693,911)
2,975,920	205,871	8,700,005	350,425
1,000,000	-	1,000,000	-
(67,600)	-	(1,893,800)	-
932,400	-	(893,800)	-
(515,631)	(12,131)	(1,259,735)	(149,830)
(2,105,000)	(62,404)	(3,167,404)	-
(569,016)	-	(569,016)	-
-	-	-	(93,379)
(608,095)	(5,022)	(788,067)	(2,994)
(3,797,742)	(79,557)	(5,784,222)	(246,203)
5,997	1,565	84,816	-
116,575	127,879	2,106,799	104,222
405,143	173,720	13,075,345	450,962
\$ 521,718	\$ 301,599	\$ 15,182,144	\$ 555,184

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, 2017**

	<u>Electric</u>	<u>Water</u>
Cash consists of:		
Cash	\$ 10,961,944	\$ 3,107,453
Restricted deposits and investments	<u>230,808</u>	<u>58,622</u>
	<u>11,192,752</u>	<u>3,166,075</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	1,749,877	1,497,515
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Items not requiring cash:		
Depreciation and amortization expense	1,495,111	780,859
Other postemployment benefit obligation	2,421	3,071
Pension expense	30,842	11,134
Changes in:		
Receivables	(39,617)	63,421
Inventories	(89,196)	(26,480)
Due from other funds	(4,868)	325
Prepaid expenses	(198)	-
Accounts payable	(34,681)	7,156
Due to other funds	(9)	(498)
Accrued liabilities	40,116	20,484
Customer deposits	<u>10,317</u>	<u>1,112</u>
Net cash provided by operating activities	<u>\$ 3,160,115</u>	<u>\$ 2,358,099</u>

	Nonmajor Funds		Internal
Wastewater	Totals	Total	Service Funds
\$ 521,718	\$ 296,599	\$ 14,887,714	\$ 555,184
-	5,000	294,430	-
521,718	301,599	15,182,144	555,184
1,274,319	34,893	4,556,604	247,218
1,582,756	152,836	4,011,562	54,116
1,385	-	6,877	1,370
10,156	470	52,602	14,180
81,370	6,883	112,057	-
(30,668)	(11,662)	(158,006)	-
(92)	-	(4,635)	-
-	-	(198)	-
53,841	15,393	41,709	7,984
(13,505)	952	(13,060)	(18)
16,358	1,106	78,064	25,575
-	5,000	16,429	-
\$ 2,975,920	\$ 205,871	\$ 8,700,005	\$ 350,425

The accompanying notes are an integral part of the financial statements

**CITY OF GARDNER, KANSAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**December 31, 2017**

	<u>Agency Funds</u>
Assets	
Deposits and investments	<u>\$     54,200</u>
Liabilities	
Due to others	<u>\$     54,200</u>

See accompanying notes to basic financial statements

# CITY OF GARDNER, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### 1 - Summary of Significant Accounting Policies

The City of Gardner, Kansas (the City) is located in Johnson County, Kansas and was first incorporated in 1887 under the provisions of the constitution and general statutes of the State of Kansas. The City operates under a Mayor-Council-Administrator form of government and provides a full range of services including 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, 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, and treasury securities. The pooled municipal investment pool and treasury securities are recorded at fair value. The pool is not an SEC registered pool. The Pooled Money Investment Board (PMIB) provides the regulatory oversight for this pool. The reported value of the pool is the same as the fair value of the pool shares. Investment earnings, including interest income, are allocated to the funds required to accumulate interest; other investment earnings are allocated based on management discretion and upon their average daily equity balances. If a fund is not required to account for its own earnings by law or regulation, the earnings are allocated to the General Fund.

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, 2017:

Electric Fund	\$ 654,911
Water Fund	263,667
Wastewater Fund	235,472

## 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, 2017.

##### Restricted Assets

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

##### Property Taxes

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

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

##### Inventories

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

##### Prepaid Items

Prepaid items are those paid out in the current year but which benefit future accounting periods. The City 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 over the following estimated useful lives.

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

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

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

#### Compensated Absences

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

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. Accumulated sick pay is not vested, and therefore is not recorded in the financial statements.

## CITY OF GARDNER, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

#### 1 - Summary of Significant Accounting Policies (Continued)

##### Long-Term Obligations

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

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

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

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

##### Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of December 31, 2017, fund balances for governmental funds are made up of the following:

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

## CITY OF GARDNER, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

#### 1 - Summary of Significant Accounting Policies (Continued)

##### Fund Balances (Continued)

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

*Committed fund balance* – includes amounts that can only be used for specific purposes determined by a formal action of the City's highest level of decision-making authority, the City Council. Commitments 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 only has two items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on the refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is the deferred outflow for pension related items. See Note 8 for more information on this deferred outflow.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items, unavailable revenue, deferred revenue, and deferred inflow for pension related items that qualify for reporting in this category. Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred revenues are

# CITY OF GARDNER, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1 - Summary of Significant Accounting Policies (Continued)

#### Deferred outflows/inflows of resources (Continued)

reported in both the government-wide statement of net position and the governmental funds balance sheet for property tax receivable. Property taxes are not recognized as revenue until the period for which they are levied. The third item, deferred inflows for pension related items is reported only in the Statement of Net Position. See Note 8 for more information on this deferred inflow.

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

General fund property taxes receivable	\$ 2,034,350
Debt service fund property taxes receivable	1,454,570
Debt service fund special assessments receivable	<u>13,828,144</u>
	<u>\$ 17,317,064</u>

#### Net position

The government-wide statement of net position reports \$17,866,534 of restricted net position, of which \$340,262 is restricted by enabling legislation.

#### Concentrations of Credit Risk

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

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

#### Use of Estimates

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

#### Pending Governmental Accounting Standards Board Statements

At December 31, 2017, 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:

# 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. 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 reasonable 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. 85, Omnibus 2017, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2018.

GASB Statement No. 86, Certain Debt Extinguishment Issues, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2018

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 resource based on the payment provisions of the contract. It establishes a single model for lease accounting based on 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

# CITY OF GARDNER, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1 - Summary of Significant Accounting Policies (Continued)

#### Pending Governmental Accounting Standards Board Statements (Continued)

governments' leasing activities. Provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2020.

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 fiscal year ending December 31, 2019.

### 2 - Stewardship, Compliance and Accountability

#### Budgetary Information

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

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

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

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



# CITY OF GARDNER, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### 2 - Stewardship, Compliance and Accountability (Continued)

#### Budgetary Information (Continued)

to amend the budget. Ten days after publication, a public hearing is held and the governing body may amend the budget at that time.

During the fiscal year, the City Council adopted a budget amendment to increase budget authority in the Infrastructure Special Sales Tax Fund. This increase was to allow for additional spending in 2017 for cash-funded projects for council-approved trails, greenway bridges, and non-bond eligible street rehabilitation that were purposefully delayed from FY 2016 until sufficient cash was available in the fund. The Infrastructure Special Sales Tax Fund was created in 2016 after the citizens approved a half-cent sales tax in 2015 to fund improvements to streets and trails. No revenues in this fund are from property taxes. This fund is considered a major fund for financial statement purposes.

<b>2017 Budget Amendments</b>		
Fund	Original Budget	Amended Budget
Infrastructure Special Sales Tax Fund	\$ 1,172,900	\$ 3,212,424

### 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;

# CITY OF GARDNER, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### 3 - Deposits and Investments

#### Deposits (continued)

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

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

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

At December 31, 2017, the City had the following investments:

<b>Schedule of Investments at December 31, 2017</b>					
	Interest Rates	Maturities	Par Value	Fair Value	Fair Value Hierarchy
City Investments:					
U.S. Treasury Securities - Bonds	0.89% - 1.70%	04/01/2018 - 10/01/2019	\$ 3,697,863	\$ 3,697,863	Level 2
Certificate of Deposit	1.00%	02/07/2018	5,000,000	5,000,000	N/A
			<u>\$ 8,697,863</u>	<u>\$ 8,697,863</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.

##### *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, 2017, the City was not exposed to custodial credit risk.

# CITY OF GARDNER, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 3 - Deposits and Investments (Continued)

#### Investments (continued)

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

<b>Reconciliation of Cash</b>			
	Deposits Including Investments	Restricted Cash and Investments	Total
Government-type activities	\$ 8,174,518	\$ 3,697,863	\$ 11,872,381
Business-type activities	15,215,510	294,430	15,509,940
Agency funds	54,200	-	54,200
<b>Total</b>	<b>\$ 23,444,228</b>	<b>\$ 3,992,293</b>	<b>\$ 27,436,521</b>

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

<b>Reconciliation of Deposits and Investments</b>	
	Primary Government
Cash on hand	\$ 3,000
Carrying amount of deposits	18,735,658
Carrying amount of investments	8,697,863
Total deposits and investments	<u>\$ 27,436,521</u>
Deposits including investments	\$ 23,444,228
Restricted cash and investments	3,992,293
Total deposits and investments	<u>\$ 27,436,521</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, 2017 was as follows:

	December 31, 2016	Increases	Decreases	Transfers	December 31, 2017
<b>Governmental activities:</b>					
Capital assets, not being depreciated					
Land	\$ 4,780,152	\$ 14,288	\$ -	\$ -	\$ 4,794,440
Construction in progress	421,016	2,317,406	(1,020,306)	-	1,718,116
Total capital assets, not being depreciated	5,201,168	2,331,694	(1,020,306)	-	6,512,556
Capital assets, being depreciated					
Buildings	4,977,853	399,290	(13,395)	-	5,363,748
Improvements other than buildings	2,712,709	43,921	-	21,870	2,778,500
Infrastructure	65,200,927	958,944	(76,144)	(21,870)	66,061,857
Machinery and Equipment	2,025,234	122,054	(10,151)	-	2,137,137
Vehicles	1,433,350	296,401	(84,005)	(43,027)	1,602,719
Total capital assets being depreciated	76,350,073	1,820,610	(183,695)	(43,027)	77,943,961
Less accumulated depreciation for:					
Buildings	(2,037,301)	(133,811)	8,037	-	(2,163,075)
Improvements other than buildings	(1,668,411)	(113,359)	-	(10,388)	(1,792,158)
Infrastructure	(22,328,842)	(1,957,172)	27,174	10,388	(24,248,452)
Machinery and Equipment	(1,518,047)	(112,098)	10,151	-	(1,619,994)
Vehicles	(883,869)	(95,898)	57,893	43,027	(878,847)
Total accumulated depreciation	(28,436,470)	(2,412,338)	103,255	43,027	(30,702,526)
Total capital assets being depreciated, net	47,913,603	(591,728)	(80,440)	-	47,241,435
Governmental activities capital assets, net	\$ 53,114,771	\$ 1,739,966	\$ (1,100,746)	\$ -	\$ 53,753,991

	December 31, 2016	Increases	Decreases	Transfers	December 31, 2017
<b>Business-type activities:</b>					
Capital assets, not being depreciated					
Land	\$ 3,309,293	\$ -	\$ -	\$ -	\$ 3,309,293
Construction in progress	2,900,248	865,933	(2,964,848)	-	801,333
Total capital assets, not being depreciated	6,209,541	865,933	(2,964,848)	-	4,110,626
Capital assets, being depreciated/amortized					
Buildings	2,612,456	-	-	9,591,392	12,203,848
Intangibles	7,757,443	5,622	-	-	7,763,065
Improvements other than buildings	11,034,559	2,571,930	-	-	13,606,489
Infrastructure	115,842,567	321,261	-	(9,591,392)	106,572,436
Machinery and equipment	1,266,191	260,592	(23,250)	-	1,503,533
Vehicles	1,149,181	240,870	-	43,027	1,433,078
Total capital assets being depreciated/amortized	139,662,397	3,400,275	(23,250)	43,027	143,082,449
Less accumulated depreciation/amortization for:					
Buildings	(1,015,039)	(311,306)	-	(2,837,929)	(4,164,274)
Intangibles	(949,949)	(326,830)	-	-	(1,276,779)
Improvements other than buildings	(5,640,538)	(478,470)	-	-	(6,119,008)
Infrastructure	(47,867,885)	(2,856,583)	-	2,837,929	(47,886,539)
Machinery and equipment	(702,417)	(125,155)	15,540	-	(812,032)
Vehicles	(989,477)	(69,811)	-	(43,027)	(1,102,315)
Total accumulated depreciation/amortization	(57,165,305)	(4,168,155)	15,540	(43,027)	(61,360,947)
Total capital assets being depreciated, net	82,497,092	(767,880)	(7,710)	-	81,721,502
Business-type activities capital assets, net	\$ 88,706,633	\$ 98,053	\$ (2,972,558)	\$ -	\$ 85,832,128

# 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:

<b>Governmental activities</b>	
General Government	\$ 91,158
Police	89,817
Public Works	1,548,930
Culture and Recreation	631,146
Business & Economic Development	2,385
Internal Service Fund - Governmental Type Activities	48,902
Total depreciation expense for governmental activities	<u>\$ 2,412,338</u>

<b>Business-type activities</b>	
Electric	\$ 1,495,761
Water	807,833
Wastewater	1,705,187
Stormwater	28,298
Airport	125,862
Internal Service Fund - Business Type Activity	5,214
Total depreciation expense for business-type activities	<u>\$ 4,168,155</u>

### 5 - Capital Leases

The City has entered into a lease for land, which has been classified in the financial statements as a capital asset.

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

The following table details property under capital leases by major classification at December 31, 2017.

<b>Assets Under Capital Lease</b>	
	Governmental Activities
Land	<u>\$ 678,000</u>

### 6 - Defined Benefit Pension Plans

#### Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing multiple-employer

## CITY OF GARDNER, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

#### 6 - Defined Benefit Pension Plans (Continued)

##### Plan Description (Continued)

defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained on the KPERS website at <http://www.kpers.org> or by writing to KPERS (611S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803) or by calling 1-888-275-5737.

##### Benefits Provided

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

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

Member employees chose one of seven payment options for their monthly retirement benefits. At retirement a member employee may receive a lump-sum payment of up to 50% of the actuarial present value of the member employee's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump-sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

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.

## CITY OF GARDNER, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

#### 6 - Defined Benefit Pension Plans (Continued)

##### 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 8.46% for KPERS and 19.03% for KP&F for the fiscal year ended December 31, 2017.

Contributions to the pension plan from the City were \$540,580 for KPERS and \$400,344 for KP&F for the year ended December 31, 2017.

##### 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, 2017, the City reported a liability of \$5,144,428 for KPERS and \$3,881,648 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, 2017, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. 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, 2017. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2017, the City's proportion and change from its proportion measured as of June 30, 2016 were as follows:

# 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)

	Governmental Activities	Business-Type Activities	Total net pension liability as of December 31, 2017	Proportion as of June 30, 2017	Change in proportion from June 30, 2016
KPERS (local)	\$ 3,152,969	\$ 1,991,459	\$ 5,144,428	0.355167%	0.009487%
KP&F	3,881,648	-	3,881,648	0.413915%	0.026284%
Total	<u>\$ 7,034,617</u>	<u>\$ 1,991,459</u>	<u>\$ 9,026,076</u>		

For the year ended December 31, 2017, the City recognized pension expense of \$693,227 for KPERS and \$671,544 for KP&F. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Difference between expected and actual experience	\$ 203,168	\$ 9,357	\$ 136,528	\$ 70,393
Net difference between projected and actual earnings on pension plan investments	253,046	52,123	-	-
Changes in proportionate share	899,637	259,211	22,214	14,176
Changes in assumptions	437,048	111,050	40,382	14,582
City contributions subsequent to measurement date	368,007	106,054	-	-
Total	<u>\$ 2,160,906</u>	<u>\$ 537,795</u>	<u>\$ 199,124</u>	<u>\$ 99,151</u>

The \$474,061 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, 2018. 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:



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)

Year ended December 31:	Deferred Outflows (Inflows) of Resources	
	Governmental	Business-Type
	Activities	Activities
2018	\$ 361,673	\$ 72,206
2019	621,105	142,532
2020	431,080	94,928
2021	119,075	13,208
2022	60,842	9,716
	<u>\$ 1,593,775</u>	<u>\$ 332,590</u>

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017, 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 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, 2016, valuation were based on the results of an actuarial experience study conducted for the three-year period ended 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

# CITY OF GARDNER, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### 6 - Defined Benefit Pension Plans (Continued)

#### Actuarial assumptions (Continued)

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

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

#### Discount rate

The discount rate used by KPERS to measure the total pension liability was 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 2017 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	\$ 7,409,113	\$ 5,144,428	\$ 3,235,403
City's KP&F proportionate share of the net pension liability	5,506,686	3,881,648	2,521,271
	<u>\$ 12,915,799</u>	<u>\$ 9,026,076</u>	<u>\$ 5,756,674</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 2017, the City's contributions were \$49,056.

### 8 - Other Postemployment Healthcare Benefits

*Description.* The City offers postemployment health and dental insurance to retired employees through Midwest Public Risk (MPR) which is a risk pool comprised of more than 170 entity members. MPR functions as an agent multiple-employer plan. The pool arrangement that is maintained to collect premiums and pay claims/administrative costs does not qualify as an "OPEB Plan" and thus cannot be treated as holding assets in order to offset OPEB liabilities. Though retiree benefits are not directly paid by the City, they are implicitly paid over time through employer subsidization of active premiums that would be lower if retirees were not part of the experience group. Kansas statutes provide that postemployment healthcare benefits be extended to retired

# CITY OF GARDNER, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### 8 - Other Postemployment Healthcare Benefits (Continued)

employees who have met age and/or service eligibility requirements until the individuals become eligible for Medicare coverage at age 65. Retirees of the City (and their dependents) may elect to continue coverage in the medical and dental plans offered through MPR. Spousal coverage may continue for up to three years upon retiree death or retiree attainment of age 65. In any event, spousal coverage is not available beyond spouse age 65. MPR issues a publicly available financial report that may be obtained by writing to MPR at 19400 East Valley View Parkway, Independence, Missouri 64055.

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

The City appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditures on a pay-as-you-go basis through the General Fund, Proprietary Funds, and Internal Service Funds. In 2017, plan members receiving benefits contributed \$9,403 to the plan and the City contributed \$8,000 to the plan.

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

Annual required contribution	\$ 40,927
Interest on net OPEB obligation	14,732
Adjustment to annual required contribution	<u>(19,233)</u>
Annual OPEB cost (expense)	36,426
Contributions made	<u>(8,000)</u>
Increase in net OPEB obligation	28,426
Net OPEB obligation, January 1, 2017	<u>327,388</u>
Net OPEB obligation, December 31, 2017	<u>\$ 355,814</u>

# CITY OF GARDNER, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### 8 - Other Postemployment Healthcare Benefits (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2016 and 2017 are as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	\$38,261	15.68%	\$299,051
12/31/2016	36,337	22.01%	327,388
12/31/2017	36,426	21.96%	355,814

Funded Status and Funding Progress. As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$239,917. The City's policy is to fund the benefits on a pay-as-you-go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$239,917. The covered payroll (annual payroll of active employees covered by the plan) was \$6,713,194 and the ratio of the UAAL to the covered payroll was 3.6% percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present in time, multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was applied. The actuarial assumptions included a 4.50% percent discount rate, which reflects the expected rate of return of the MPR Health and Dental Fund as it is used to pay retiree claims. The valuation assumed annual healthcare cost trend rates of 5.25% to 7.00% in the first six years and an ultimate rate of 5.00% after six years. The UAAL is being amortized on a level dollar open basis over a period of 30 years with the remaining amortization period of 30 years.

### 9 - Risk 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

# CITY OF GARDNER, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### 9 - Risk Services (Continued)

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, 2017 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	\$ 18,914,428	\$ 2,738,423
Electric Improvements	3,435,867	2,484,467
Water Improvements	7,174,036	652,833
Wastewater Improvements	2,751,678	301,511
Airport Improvements	357,646	327,371
Total	<u>\$ 32,633,655</u>	<u>\$ 6,504,605</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, 2017.

Summary of Governmental Activities Debt for the year ended December 31, 2017					
	Outstanding January 1,	Additions	Reductions	Outstanding December 31	Due Within One Year
<b>Governmental activities:</b>					
Bonds:					
General obligation	\$ 9,216,264	\$ 1,350,000	\$ 780,094	\$ 9,786,170	\$ 907,683
Plus: issuance premium	345,252	179,886	32,417	492,721	-
Special assessment debt with government commitment	12,805,000	2,155,000	947,500	14,012,500	1,000,000
Construction loans payable	67,609	-	67,609	-	-
PBC lease revenue bonds	2,015,000	-	345,000	1,670,000	375,000
Capital lease obligations	792,115	-	181,115	611,000	64,000
Net Pension Liability	6,874,972	159,645	-	7,034,617	-
Compensated absences	305,556	306,030	280,434	331,152	331,152
Other postemployment benefit obligation	236,791	26,346	5,786	257,351	-
Total	<u>\$ 32,658,559</u>	<u>\$ 4,176,907</u>	<u>\$ 2,639,955</u>	<u>\$ 34,195,511</u>	<u>\$ 2,677,835</u>

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

2. Governmental Activities General Obligation Bonds

General obligation bonds payable at December 31, 2017 are comprised of the following issues:

Outstanding Governmental Activities General Obligation Bonds as of December 31, 2017				
	Original Issue Amount	Current Bonds Outstanding	Interest Rates	Original Term in Years
2008B	\$ 435,000	\$ 50,000	3.125-4.000%	10
2010A	2,770,000	1,970,000	2.000-3.600%	20
2013A	3,138,250	148,670	2.000-2.250%	10
2014A	1,975,000	1,657,500	2.000-3.125%	15
2014B	4,140,000	3,360,000	2.000-3.000%	15
2016A	1,380,000	1,250,000	3.00%	12
2017A	1,350,000	1,350,000	2.25%-3.000%	10
Total	\$ 15,188,250	\$ 9,786,170		

# CITY OF GARDNER, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 11 - Debt (Continued)

#### Governmental Activities General Obligation Bonds (Continued)

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

In December 2017, the City issued Series 2017A General Obligation Refunding and Improvement Bonds in the amount \$3,505,000. Of that, \$1,350,000 was issued to finance various street improvements within the City and \$2,155,000 was issued to effect a partial net cash advance refunding of the City's existing Series 2009A Bonds (special assessments). The refunding will realize a net savings of \$98,426 equal to 3.86% of the refunded debt service.

The refunding of the Series 2009A is considered a partial net cash advance refunding, as the new 2017A bonds were issued more than 90 days prior to the call date of the Series 2009A bonds. A portion of the 2017A bond proceeds are being held in an escrow account to make interest payments due on the Series 2009A Bonds through October 1, 2019 (the "Call Date"). The escrow account will also pay the 2020 through 2024 maturities on the call date.

The future annual requirements for general obligation bonds outstanding as of December 31, 2017 are as follows:

<b>Debt Service Requirements Governmental Activities for General Obligation Bonds</b>			
	Principal	Interest	Total
2018	\$ 907,683	\$ 261,200	\$ 1,168,883
2019	863,487	247,160	1,110,647
2020	815,000	224,470	1,039,470
2021	832,500	204,270	1,036,770
2022	842,500	182,346	1,024,846
2023-2027	4,115,000	573,076	4,688,076
2028-2032	1,410,000	78,168	1,488,168
Total	\$ 9,786,170	\$ 1,770,690	\$ 11,556,860

### 3. Governmental Activities Special Assessment Bonds

The City's special assessment debt was issued to provide funds for the construction of infrastructure in new commercial and residential developments. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. As aforementioned, the City issued 2017A which included \$2,155,000 related to the refunding of special assessment debt (2009A). Special assessment bonds at December 31, 2017 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)

<b>Outstanding Governmental Activities Special Assessment Bonds as of December 31, 2017</b>				
	Original Issue Amount	Current Bonds Outstanding	Interest Rates	Original Term in Years
2003C	\$ 270,000	\$ 20,000	1.500%-4.400%	15
2008B	3,215,000	1,630,000	3.125%-4.500%	20
2009A	5,437,972	2,870,000	2.000%-4.000%	15
2011A	1,325,000	1,000,000	0.500%-4.000%	20
2012A	3,995,000	3,215,000	1.000%-3.000%	20
2014A	1,975,000	1,657,500	2.000%-3.125%	15
2016A	1,490,000	1,465,000	3.000%	12
2017A	2,155,000	2,155,000	3.000%	7
	<u>\$ 19,862,972</u>	<u>\$ 14,012,500</u>		

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

<b>Debt Service Requirements Governmental Activities for Special Assessment Bonds</b>			
	Principal	Interest	Total
2018	\$ 1,000,000	\$ 424,966	\$ 1,424,966
2019	1,012,500	410,059	1,422,559
2020	1,400,000	379,898	1,779,898
2021	1,467,500	336,888	1,804,388
2022	1,512,500	289,839	1,802,339
2023-2027	5,405,000	782,559	6,187,559
2028-2032	2,215,000	169,968	2,384,968
Total	<u>\$ 14,012,500</u>	<u>\$ 2,794,177</u>	<u>\$ 16,806,677</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:

<b>Debt Service Requirements Governmental Activities for PBC lease revenue bonds</b>				
	Principal	Interest	Total	
<b>Primary Government</b>				
2018	\$ 375,000	\$ 34,576	\$ 409,576	
2019	395,000	27,076	422,076	
2020	430,000	19,176	449,176	
2021	470,000	10,576	480,576	
Total	\$ 1,670,000	\$ 91,404	\$ 1,761,404	

5. Capital Leases

As explained in Note 5, the City has entered into a lease for land, which has been classified in the financial statements as a capital asset. The future minimum lease obligations and the net present value of these lease payments as of December 31, 2017 were as follows:

<b>Future Minimum Lease Payments</b>	
Year Ending December 31:	Governmental Activities
2018	\$ 75,008
2019	74,620
2020	75,797
2021	75,011
2022	75,028
2023-2027	301,898
Total minimum lease payments	677,362
Less amounts representing interest	(66,362)
Present value of minimum lease payments	\$ 611,000

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

**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, 2017.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

11 - Debt (Continued)

Changes in Business-Type Activities Debt (Continued)

<b>Summary of Business-Type Activities Debt for the year ended December 31, 2017</b>					
	Outstanding January 1,	Additions	Reductions	Outstanding December 31	Due Within One Year
<b>Business-type activities:</b>					
General obligation bonds	\$ 15,398,736	\$ -	\$ 3,167,406	\$ 12,231,330	\$ 3,192,317
Issuance premiums	859,776	-	160,024	699,752	-
Construction loans payable	10,890,162	-	569,016	10,321,146	582,673
Compensated absences	133,373	137,123	139,542	130,954	130,954
Net Pension Liability	2,072,962	-	81,503	1,991,459	-
Other postemployment benefit obligation	90,597	10,080	2,214	98,463	-
Total	<u>\$ 29,445,606</u>	<u>\$ 147,203</u>	<u>\$ 4,119,705</u>	<u>\$ 25,473,104</u>	<u>\$ 3,905,944</u>

2. Business-Type Activities General Obligation Bonds

General obligation bonds payable at December 31, 2017 are comprised of the following issues:

Outstanding Business-Type Activities General Obligation Bonds as of December 31, 2017					
	Original Issue Amount	Current Bonds Outstanding	Interest Rates	Original Term in Years	
2008A	\$ 3,080,000	\$ 365,000	3.000%-3.650%	20	
2008B	6,250,000	720,000	1.500%-4.400%	20	
2009A	2,267,028	500,000	2.000%-3.700%	10	
2012C	11,745,000	5,555,000	2.000%-4.000%	20	
2013A	4,246,816	251,330	2.000%	20	
2014A	945,000	795,000	2.000%-3.125%	11	
2015A	3,945,000	3,270,000	3.000%	10	
2016B	855,000	775,000	2.000%-3.250%	10	
Total	\$ 33,333,844	\$ 12,231,330			

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, 2017 are as follows:

<b>Debt Service Requirements for Business-Type Activities General Obligation Bonds</b>			
	Principal	Interest	Total
2018	\$ 3,192,317	\$ 425,501	\$ 3,617,818
2019	2,164,013	307,803	2,471,816
2020	1,980,000	231,757	2,211,757
2021	2,055,000	159,557	2,214,557
2022	600,000	83,932	683,932
2023-2027	2,090,000	162,885	2,252,885
2028-2032	150,000	6,938	156,938
Total	\$ 12,231,330	\$ 1,378,373	\$ 13,609,703

3. Construction Loans Payable

Construction loans payable at December 31, 2017 are comprised of the following:

<b>Outstanding Business-Type Activities Loans as of December 31, 2017</b>				
	Original Issue Amount	Current Bonds Outstanding	Interest Rate	Original Term in Years
Kansas Water Pollution Control Loan # C20 1721 01	\$ 3,483,009	\$ 1,622,314	2.40%	20
Kansas Water Pollution Control Loan # C20 1956 01	10,167,808	8,698,832	2.05%	20
Total	\$ 13,650,817	\$ 10,321,146		

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

<b>Debt Service Requirements for Business-Type Activities Loans</b>			
	Principal	Interest	Total
2018	\$ 582,673	\$ 214,168	\$ 796,841
2019	596,661	201,646	798,307
2020	610,986	188,821	799,807
2021	625,655	175,689	801,344
2022	640,679	162,238	802,917
2023-2027	3,441,746	597,799	4,039,545
2028-2032	2,889,484	261,348	3,150,832
2033 thereafter	933,262	19,205	952,467
Total	\$ 10,321,146	\$ 1,820,914	\$ 12,142,060

# CITY OF GARDNER, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### 12 - Special Assessments

Kansas statutes require special benefit district projects financed in part by special assessments to be financed through the issuance of general obligation bonds that are secured by the full faith and credit of the City. Further, state statutes permit levying additional general ad valorem taxes in the City's Debt Service Fund to finance delinquent special assessments receivable. Accordingly, the special assessments receivable is accounted for within the City's debt service fund. Special assessments are levied over the repayment period of the bonds and the annual installments are due and payable with annual ad valorem taxes. At December 31, 2017, 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, 2017 was \$13,828,144.

### 13 - Interfund Transactions

Interfund transfers for the year ended December 31, 2017 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major funds:		
General Fund	\$ 759,700	\$ 80,800
Debt Service Fund	238,900	-
Capital Projects Fund	100,800	-
Electric Fund	-	785,000
Water Fund	-	1,041,200
Wastewater Fund	1,000,000	67,600
Non-major governmental funds	<u>60,000</u>	<u>184,800</u>
Total transfers	<u>\$ 2,159,400</u>	<u>\$ 2,159,400</u>

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

# CITY OF GARDNER, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### 13 - Interfund Transactions (Continued)

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

Amounts owed from the general fund to:

Electric fund	\$	18,882
Water		234
Wastewater		206
	\$	<u>19,322</u>

Amounts owed from the internal service funds to:

Electric fund	\$	2,945
Water fund		56
Wastewater fund		76
	\$	<u>3,077</u>

Amounts owed from the electric fund to:

Water fund	\$	12
Wastewater		54
	\$	<u>66</u>

Amounts owed from the water fund to:

Electric fund	\$	<u>1,222</u>
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Amounts owed from the wastewater fund to:

Electric fund	\$	587
Water fund		83
	\$	<u>670</u>

Amounts owed from the airport funds to:

Electric fund	\$	834
Water fund		118
	\$	<u>952</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 finance the purchase of land and construction of a facility leased to a business that relocated to the City. The lease agreement provides for rentals sufficient to service the related bonds. The debt service on this issue is paid solely from lease agreements; this issue does not constitute a debt of the City. The lessee has the option of purchasing the leased property at any time during the lease period for an amount sufficient to retire the related outstanding bonds. At the end of the lease period, which conforms to bond maturity schedules, the lessee may either purchase the property for a nominal amount or renew the lease annually at a nominal amount. As of December 31, 2017, industrial revenue bonds of \$46,950,431 are outstanding.

Encumbrances

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities, but, rather, as restricted, committed, or assigned fund balance. At December 31, 2017, the City's recorded encumbrances in governmental funds were as follows:

General	\$ 184,992
Capital Projects	939,229
Infrastructure Special Sales Tax	95,624
Nonmajor funds	581,465
	<u>\$ 1,801,310</u>

15 - Tax Abatements

The City enters into property tax abatement agreements with local businesses pursuant to the provisions of Section 13 of Article 11 of the Kansas Constitution and K.S.A. 12-1740 et seq and 79-

## CITY OF GARDNER, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

#### 15 - Tax Abatements (Continued)

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, 2017, the City abated property taxes totaling \$1,887,787 (for all taxing jurisdictions) under this program, including the following tax abatement agreement that is the sole property tax abatement currently in effect for the City:

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

#### 16 - Subsequent Events

The City of Gardner entered into a Capacity Purchase Agreement, with a term of not to exceed 40 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 Dogwood Energy Facility is a combined-cycle power generation plant that is an efficient, clean generating source with a nameplate capacity of 650 MW. The City will pay monthly invoices to KMEA that represent a) its allocable share of the fixed and variable costs KMEA incurs in connection with its undivided interest in the Dogwood Energy Facility, including Debt Service, and b) KMEA's administrative and other reasonable costs associated with its operation of the Dogwood Project. These monthly payments will be recorded as O & M (Operations & Maintenance) by the City, per the terms of the agreement, and will range in cost from \$1.4 million to \$2.2 million annually. The City will be recognizing this transaction as a joint venture and will record a capital asset in its utility funds representing the City's proportionate share of this agreement.

The City entered into a \$1,218,000 lease purchase agreement to replace a portion of the irrigation system, enhance an irrigation pond, and make turf improvements at the City's public golf course.



CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

16 - Subsequent Events (Continued)

The City issued IRB's (Industrial Revenue Bonds) in an amount not to exceed \$38,000,000 to pay a portion of the cost of acquiring, constructing and improving a commercial facility within the City at the Midwest Commerce Center, commonly referred to as the "Excelligence" warehouse logistics, manufacturing and call center facility. A PILOT (Payment In Lieu Of Taxes) agreement was approved in conjunction with the IRBs providing for a 10-year property tax abatement and associated "payments in lieu of taxes". The IRBs "shall not be general obligations of the Issuer, nor constitute a pledge of the full faith and credit of the Issuer and shall not be payable in any manner by taxation".

The City will issue approximately \$15,850,000 General Obligation Bonds, Series 2018A for three purposes: 1) construction of a new justice center, 2) street improvements, and 3) pool filter system replacement at the Aquatic Center.

## 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 Five Fiscal Years\*

	2017	2016	2015	2014	2013
City's proportion of the net pension liability (asset):					
KPERS (local group)	0.355167%	0.345680%	0.296578%	0.301717%	0.275540%
KP&F (police & firemen)	0.413915%	0.387631%	0.334365%	0.332422%	0.313729%
City's proportionate share of the net pension liability (asset)	\$ 9,026,076	\$ 8,947,934	\$ 6,322,077	\$ 5,893,730	\$ 6,744,453
City's covered payroll ^	\$ 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-employee payroll	105.16%	116.58%	98.31%	95.93%	115.59%
Plan fiduciary net position as a percentage of the total pension liability	67.12%	65.10%	64.95%	66.60%	59.94%

\* GASB 68 requires presentation of ten years. As of December 31, 2017, only five 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\*

	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 940,924	\$ 981,506	\$ 871,712	\$ 738,362	\$ 610,709	\$ 551,764	\$ 463,747
Contributions in relation to the contractually required contribution	(940,924)	(981,506)	(871,712)	(738,362)	(610,709)	(551,764)	(463,747)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll ^	\$ 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-employee payroll	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 Funding Progress

### Health Insurance Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll*	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	-	160,208	160,208	0.0%	4,527,176	3.5%
7/1/2013	-	242,341	242,341	0.0%	5,454,745	4.4%
7/1/2015	-	239,917	239,917	0.0%	6,713,194	3.6%

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

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

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

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

## OTHER SUPPLEMENTARY INFORMATION

## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

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

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

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

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

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, 2017**

Special Revenue				
Economic Development Reserve	Law Enforcement Trust	Special Alcohol/ Drug Program	Special Parks and Recreation	Total Special Revenue
\$ 72,906	\$ 12,406	\$ 33,358	\$ 19,316	\$ 137,986
19,321	-	-	-	19,321
149	25	67	39	280
-	-	-	-	-
<u>\$ 92,376</u>	<u>\$ 12,431</u>	<u>\$ 33,425</u>	<u>\$ 19,355</u>	<u>\$ 157,587</u>
700	-	-	-	700
<u>700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>700</u>
-	-	-	-	-
-	-	-	-	-
91,676	-	-	-	91,676
-	12,431	33,425	19,355	65,211
<u>91,676</u>	<u>12,431</u>	<u>33,425</u>	<u>19,355</u>	<u>156,887</u>
<u>\$ 92,376</u>	<u>\$ 12,431</u>	<u>\$ 33,425</u>	<u>\$ 19,355</u>	<u>\$ 157,587</u>

(Continued)



**CITY OF GARDNER, KANSAS**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

**(Continued)**

**December 31, 2017**

		<u>Capital Projects</u>				<u>Debt Service</u>	<u>Total Nonmajor</u>
		Park Improvement	Special Highway	Street Improvement	Total Capital Projects	Park Sales Tax	Governmental Funds
Assets							
	Deposits and investments	\$ 111,570	\$ 520,841	\$ 339,577	\$ 971,988	\$ 9,279	\$ 1,119,253
	Receivables:						
	Taxes	-	-	-	-	-	19,321
75	Other	71	1,529	685	2,285	19	2,584
	Intergovernmental	-	447,521	-	447,521	-	447,521
	Total assets	<u>\$ 111,641</u>	<u>\$ 969,891</u>	<u>\$ 340,262</u>	<u>\$ 1,421,794</u>	<u>\$ 9,298</u>	<u>\$ 1,588,679</u>
Liabilities							
	Accounts payable	-	22,137	-	22,137	-	22,837
	Total liabilities	<u>-</u>	<u>22,137</u>	<u>-</u>	<u>22,137</u>	<u>-</u>	<u>22,837</u>
Fund Balances (Deficits)							
	Restricted						
	Capital projects	111,641	947,754	-	1,059,395	9,298	1,068,693
	Street improvements	-	-	340,262	340,262	-	340,262
	Economic development	-	-	-	-	-	91,676
	Other	-	-	-	-	-	65,211
	Total fund balances	<u>111,641</u>	<u>947,754</u>	<u>340,262</u>	<u>1,399,657</u>	<u>9,298</u>	<u>1,565,842</u>
	Total liabilities and fund balances	<u>\$ 111,641</u>	<u>\$ 969,891</u>	<u>\$ 340,262</u>	<u>\$ 1,421,794</u>	<u>\$ 9,298</u>	<u>\$ 1,588,679</u>

**CITY OF GARDNER, KANSAS**

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

**NONMAJOR GOVERNMENTAL FUNDS**

**Year Ended December 31, 2017**

		Special Revenue Funds				
		Economic Development Reserve	Law Enforcement Trust	Special Alcohol/ Drug Program	Special Parks and Recreation	Total Special Revenue
Revenues						
Transient guest tax		\$ 71,383	\$ -	\$ -	\$ -	\$ 71,383
Intergovernmental		-	4,578	35,291	35,291	75,160
Investment earnings		469	72	160	71	772
76      Total revenues		<u>71,852</u>	<u>4,650</u>	<u>35,451</u>	<u>35,362</u>	<u>147,315</u>
Expenditures						
Current:						
General government		<u>75,155</u>	<u>-</u>	<u>19,200</u>	<u>-</u>	<u>94,355</u>
Total expenditures		<u>75,155</u>	<u>-</u>	<u>19,200</u>	<u>-</u>	<u>94,355</u>
Excess of revenues over (under) expenditures		<u>(3,303)</u>	<u>4,650</u>	<u>16,251</u>	<u>35,362</u>	<u>52,960</u>
Other financing sources (uses)						
Transfers out		<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>
Total other financing sources (uses)		<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>
Net change in fund balances		<u>(3,303)</u>	<u>4,650</u>	<u>16,251</u>	<u>5,362</u>	<u>22,960</u>
Fund balances, beginning of year		<u>94,979</u>	<u>7,781</u>	<u>17,174</u>	<u>13,993</u>	<u>133,927</u>
Fund balances, end of year		<u><u>\$ 91,676</u></u>	<u><u>\$ 12,431</u></u>	<u><u>\$ 33,425</u></u>	<u><u>\$ 19,355</u></u>	<u><u>\$ 156,887</u></u>

(Continued)

**CITY OF GARDNER, KANSAS**

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

**NONMAJOR GOVERNMENTAL FUNDS**

**Year Ended December 31, 2017**

	Capital Projects			Total Capital Projects	Debt Service Park Sales Tax	Total Nonmajor Governmental Funds
	Park Improvement	Special Highway	Street Improvement			
Revenues						
Transient guest tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,383
Intergovernmental	-	1,248,432	176,950	1,425,382	-	1,500,542
Fines and Fees	103,173	-	-	103,173	-	103,173
Investment earnings	117	5,019	1,773	6,909	76	7,757
Total revenues	<u>103,290</u>	<u>1,253,451</u>	<u>178,723</u>	<u>1,535,464</u>	<u>76</u>	<u>1,682,855</u>
Expenditures						
Current:						
General government	-	-	-	-	-	94,355
Capital outlay	-	891,327	-	891,327	-	891,327
Debt service:						
Principal	-	107,609	-	107,609	-	107,609
Interest and fiscal charges	-	17,541	-	17,541	-	17,541
Other	-	169	-	169	-	169
Total expenditures	<u>-</u>	<u>1,016,646</u>	<u>-</u>	<u>1,016,646</u>	<u>-</u>	<u>1,111,001</u>
Excess of revenues over (under) expenditures	<u>103,290</u>	<u>236,805</u>	<u>178,723</u>	<u>518,818</u>	<u>76</u>	<u>571,854</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	60,000	60,000
Transfers out	(50,000)	(25,000)	(25,800)	(100,800)	(54,000)	(184,800)
Total other financing sources (uses)	<u>(50,000)</u>	<u>(25,000)</u>	<u>(25,800)</u>	<u>(100,800)</u>	<u>6,000</u>	<u>(124,800)</u>
Net change in fund balances	<u>53,290</u>	<u>211,805</u>	<u>152,923</u>	<u>418,018</u>	<u>6,076</u>	<u>447,054</u>
Fund balances, beginning of year	58,351	735,949	187,339	981,639	3,222	1,118,788
Fund balances, end of year	<u>\$ 111,641</u>	<u>\$ 947,754</u>	<u>\$ 340,262</u>	<u>\$ 1,399,657</u>	<u>\$ 9,298</u>	<u>\$ 1,565,842</u>

**CITY OF GARDNER, KANSAS**

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

**ECONOMIC DEVELOPMENT RESERVE FUND**

**Year Ended December 31, 2017**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Transient guest tax	\$ 67,000	\$ 67,000	\$ 71,383	\$ 4,383
Investment earnings	100	100	469	369
Total revenues	<u>67,100</u>	<u>67,100</u>	<u>71,852</u>	<u>4,752</u>
Expenditures				
Project reserve	24,363	24,363	-	24,363
Contractual services	100,300	100,300	75,155	25,145
Total expenditures	<u>124,663</u>	<u>124,663</u>	<u>75,155</u>	<u>49,508</u>
Revenues over (under) expenditures	(57,563)	(57,563)	(3,303)	54,260
Net change in fund balance	(57,563)	(57,563)	(3,303)	54,260
Fund balances, beginning of year	57,563	57,563	94,979	37,416
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,676</u>	<u>\$ 91,676</u>

**CITY OF GARDNER, KANSAS**

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

**SPECIAL ALCOHOL/DRUG PROGRAM FUND**

**Year Ended December 31, 2017**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Special alcohol tax	\$ 33,200	\$ 33,200	\$ 35,291	\$ 2,091
Investment earnings	-	-	160	160
Total revenues	<u>33,200</u>	<u>33,200</u>	<u>35,451</u>	<u>2,251</u>
Expenditures				
Project reserve	14,990	14,990	-	14,990
Contractual services	32,000	32,000	19,200	12,800
Total expenditures	<u>46,990</u>	<u>46,990</u>	<u>19,200</u>	<u>27,790</u>
Revenues over (under) expenditures	(13,790)	(13,790)	16,251	30,041
Net change in fund balance	(13,790)	(13,790)	16,251	30,041
Fund balances, beginning of year	13,790	13,790	17,174	3,384
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,425</u>	<u>\$ 33,425</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, 2017**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Special alcohol tax	\$ 33,200	\$ 33,200	\$ 35,291	\$ 2,091
Investment earnings	-	-	71	71
Total revenues	<u>33,200</u>	<u>33,200</u>	<u>35,362</u>	<u>2,162</u>
Expenditures				
Project reserve	<u>13,811</u>	<u>13,811</u>	-	<u>13,811</u>
Total expenditures	<u>13,811</u>	<u>13,811</u>	-	<u>13,811</u>
Revenues over (under) expenditures	19,389	19,389	35,362	15,973
Other financing sources (uses)				
Transfers out	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net change in fund balance	(10,611)	(10,611)	5,362	15,973
Fund balances, beginning of year	<u>10,611</u>	<u>10,611</u>	<u>13,993</u>	<u>3,382</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,355</u>	<u>\$ 19,355</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, 2017**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Park impact fees	\$ 70,000	\$ 70,000	\$ 103,173	\$ 33,173
Investment earnings	-	-	117	117
Total revenues	<u>70,000</u>	<u>70,000</u>	<u>103,290</u>	<u>33,290</u>
Expenditures				
Project reserve	<u>89,166</u>	<u>89,166</u>	<u>-</u>	<u>89,166</u>
Total expenditures	<u>89,166</u>	<u>89,166</u>	<u>-</u>	<u>89,166</u>
Revenues over (under) expenditures	(19,166)	(19,166)	103,290	122,456
Other financing sources (uses)				
Transfers out	<u>(40,000)</u>	<u>(40,000)</u>	<u>(50,000)</u>	<u>(10,000)</u>
Total other financing sources (uses)	<u>(40,000)</u>	<u>(40,000)</u>	<u>(50,000)</u>	<u>(10,000)</u>
Net change in fund balance	(59,166)	(59,166)	53,290	112,456
Fund balances, beginning of year	<u>59,166</u>	<u>59,166</u>	<u>58,351</u>	<u>(815)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,641</u>	<u>\$ 111,641</u>

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

**SPECIAL HIGHWAY FUND**

**Year Ended December 31, 2017**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
State gasoline tax	\$ 536,400	\$ 536,400	\$ 562,812	\$ 26,412
Intergovernmental	842,700	842,700	685,620	(157,080)
Investment earnings	300	300	5,019	4,719
Total revenues	<u>1,379,400</u>	<u>1,379,400</u>	<u>1,253,451</u>	<u>(125,949)</u>
Expenditures				
Project reserve	454,673	454,673	-	454,673
Capital outlay	1,104,000	1,104,000	778,240	325,760
Principal & Interest	125,400	125,400	125,319	81
Total expenditures	<u>1,684,073</u>	<u>1,684,073</u>	<u>903,559</u>	<u>780,514</u>
Revenues over (under) expenditures	(304,673)	(304,673)	349,892	654,565
Other financing sources (uses)				
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Net change in fund balance subject to legal budget	<u>(329,673)</u>	<u>(329,673)</u>	324,892	<u>654,565</u>
Expenditures not subject to legal budget			<u>685,620</u>	
Net change in fund balance	(329,673)	(329,673)	(360,728)	(31,055)
Fund balances, beginning of year	<u>329,673</u>	<u>329,673</u>	<u>727,017</u>	<u>397,344</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>366,289</u>	<u>\$ 366,289</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>581,465</u>	
GAAP fund balance, end of year			<u>\$ 947,754</u>	



**CITY OF GARDNER, KANSAS**

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

**STREET IMPROVEMENT FUND**

**Year Ended December 31, 2017**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Excise tax	\$ 45,000	\$ 45,000	\$ 176,950	\$ 131,950
Investment earnings	200	200	1,773	1,573
Total revenues	<u>45,200</u>	<u>45,200</u>	<u>178,723</u>	<u>133,523</u>
Expenditures				
Project reserve	<u>183,487</u>	<u>183,487</u>	<u>-</u>	<u>183,487</u>
Total expenditures	<u>183,487</u>	<u>183,487</u>	<u>-</u>	<u>183,487</u>
Revenues over (under) expenditures	(138,287)	(138,287)	178,723	317,010
Other financing sources (uses)				
Transfers out	<u>(25,800)</u>	<u>(25,800)</u>	<u>(25,800)</u>	<u>-</u>
Total other financing sources (uses)	<u>(25,800)</u>	<u>(25,800)</u>	<u>(25,800)</u>	<u>-</u>
Net change in fund balance	(164,087)	(164,087)	152,923	317,010
Fund balances, beginning of year	<u>164,087</u>	<u>164,087</u>	<u>187,339</u>	<u>23,252</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 340,262</u>	<u>\$ 340,262</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, 2017**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Investment earnings	\$ -	\$ -	\$ 76	\$ 76
Total revenues	-	-	76	76
Expenditures				
Project reserve	19,206	19,206	-	19,206
Total expenditures	19,206	19,206	-	19,206
Revenues over (under) expenditures	(19,206)	(19,206)	76	19,282
Other financing sources (uses)				
Transfers in	70,000	70,000	60,000	(10,000)
Transfers out	(54,000)	(54,000)	(54,000)	-
Total other financing sources (uses)	16,000	16,000	6,000	(10,000)
Net change in fund balance	(3,206)	(3,206)	6,076	9,282
Fund balances, beginning of year	3,206	3,206	3,222	16
Fund balances, end of year	\$ -	\$ -	\$ 9,298	\$ 9,298

**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, 2017**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 1,067,500	\$ 1,067,500	\$ 1,170,214	\$ 102,714
Investment earnings	300	800	2,114	1,314
Total revenues	<u>1,067,800</u>	<u>1,068,300</u>	<u>1,172,328</u>	<u>104,028</u>
Expenditures				
Principal	189,600	161,300	130,000	31,300
Interest	-	-	31,280	(31,280)
Other	-	-	29,468	(29,468)
Public Works	-	-	546,666	(546,666)
Capital Outlay	275,000	2,544,000	1,733,488	810,512
Project Reserve	<u>708,300</u>	<u>507,124</u>	<u>-</u>	<u>507,124</u>
Total expenditures	<u>1,172,900</u>	<u>3,212,424</u>	<u>2,470,902</u>	<u>741,522</u>
Revenues over (under) expenditures	(105,100)	(2,144,124)	(1,298,574)	845,550
Other financing sources (uses)				
General obligation bonds issued	-	1,450,000	1,350,000	(100,000)
Issuance: Premium	<u>-</u>	<u>-</u>	<u>51,277</u>	<u>51,277</u>
Total other financing sources (uses)	-	1,450,000	1,401,277	(48,723)
Expenditures and other financing sources subject to legal budget	<u>1,172,900</u>	<u>3,212,424</u>	<u>2,470,902</u>	<u>741,522</u>
Net change in fund balance	(105,100)	(694,124)	102,703	796,827
Fund balances, beginning of year	<u>105,100</u>	<u>694,124</u>	<u>694,124</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 796,827</u>	<u>\$ 796,827</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>95,624</u>	
GAAP fund balance, end of year			<u>\$ 892,451</u>	

**CITY OF GARDNER, KANSAS**

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

**DEBT SERVICE FUND**

**Year Ended December 31, 2017**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 1,301,994	\$ 1,301,994	\$ 1,373,340	\$ 71,346
Special assessments	977,100	977,100	1,232,918	255,818
Intergovernmental	-	-	303,464	303,464
Investment earnings	2,700	2,700	25,169	22,469
Payments in lieu of taxes	43,549	43,549	-	(43,549)
Total revenues	<u>2,325,343</u>	<u>2,325,343</u>	<u>2,934,891</u>	<u>609,548</u>
Expenditures				
Principal	3,540,177	3,540,177	1,969,594	1,570,583
Interest	-	-	635,186	(635,186)
Other	-	-	162,790	(162,790)
Total expenditures	<u>3,540,177</u>	<u>3,540,177</u>	<u>2,767,570</u>	<u>772,607</u>
Revenues over (under) expenditures	(1,214,834)	(1,214,834)	167,321	1,382,155
Other financing sources				
General obligation bonds issued	-	-	2,155,000	2,155,000
Issuance: Premium	-	-	128,609	128,609
Transfers in	238,900	238,900	238,900	-
Total other financing sources	<u>238,900</u>	<u>238,900</u>	<u>2,522,509</u>	<u>2,283,609</u>
Expenditures and other financing sources subject to legal budget	<u>3,540,177</u>	<u>3,540,177</u>	<u>2,767,570</u>	<u>772,607</u>
Net change in fund balance	(975,934)	(975,934)	2,689,830	3,665,764
Fund balances, beginning of year	<u>975,934</u>	<u>975,934</u>	<u>2,427,189</u>	<u>1,451,255</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,117,019</u>	<u>\$ 5,117,019</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, 2017**

	Stormwater	Airport	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ -	\$ 296,599	\$ 296,599
Accounts receivable, net	-	8,866	8,866
Other receivable	-	580	580
Inventories	-	26,991	26,991
Restricted deposits and investments	-	5,000	5,000
Total current assets	-	338,036	338,036
Noncurrent assets:			
Capital assets:			
Land	-	954,573	954,573
Construction in progress	-	327,371	327,371
Buildings	-	1,745,363	1,745,363
Infrastructure	148,353	1,353,774	1,502,127
Improvements	737,691	130,547	868,238
Less accumulated depreciation and amortization	(222,475)	(1,486,918)	(1,709,393)
Total capital assets	663,569	3,024,710	3,688,279
Total noncurrent assets	663,569	3,024,710	3,688,279
Total assets	663,569	3,362,746	4,026,315
<b>Deferred outflows of resources</b>			
Pension related items	-	711	711
<b>Total deferred outflows of resources</b>	-	711	711
Liabilities			
Current liabilities:			
Accounts payable	-	16,865	16,865
Accrued payroll	-	541	541
Customer and developer deposits	-	5,000	5,000
Accrued interest payable	-	868	868
Due to other funds	-	952	952
Compensated absences	-	1,101	1,101
Current portion of bonds payable	-	57,317	57,317
Total current liabilities	-	82,644	82,644
Noncurrent liabilities:			
Bonds payable, net	-	223,283	223,283
Pension liability	-	1,195	1,195
Total noncurrent liabilities	-	224,478	224,478
Total liabilities	-	307,122	307,122
<b>Deferred inflows of resources</b>			
Pension related items	-	75	75
Net position			
Net investment in capital assets	663,569	2,744,110	3,407,679
Unrestricted	-	312,150	312,150
Total net position	\$ 663,569	\$ 3,056,260	\$ 3,719,829

**CITY OF GARDNER, KANSAS**

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

**NON-MAJOR ENTERPRISE FUNDS**

**Year Ended December 31, 2017**

	Stormwater	Airport	Total
Operating revenues			
Charges for sales and services	\$ -	\$ 252,380	\$ 252,380
Other	-	57,574	57,574
Total operating revenues	<u>-</u>	<u>309,954</u>	<u>309,954</u>
Operating expenses			
Administration	-	106,800	106,800
Repairs and maintenance	-	15,425	15,425
Depreciation and amortization	28,298	124,538	152,836
Total operating expenses	<u>28,298</u>	<u>246,763</u>	<u>275,061</u>
Operating income (loss)	<u>(28,298)</u>	<u>63,191</u>	<u>34,893</u>
<b>Nonoperating revenues (expenses)</b>			
Investment earnings	-	1,565	1,565
Interest expense	-	(4,634)	(4,634)
<b>Total nonoperating revenues (expenses)</b>	<u>-</u>	<u>(3,069)</u>	<u>(3,069)</u>
Income (loss) before transfers and contributions	(28,298)	60,122	31,824
Change in net position	(28,298)	60,122	31,824
Total net position, beginning of year	691,867	2,996,138	3,688,005
Total net position, end of year	<u>\$ 663,569</u>	<u>\$ 3,056,260</u>	<u>\$ 3,719,829</u>

**CITY OF GARDNER, KANSAS**

**COMBINING STATEMENT OF CASH FLOWS**

**NON-MAJOR ENTERPRISE FUNDS**

**Year Ended December 31, 2017**

	<u>Stormwater</u>	<u>Airport</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ -	\$ 321,837	\$ 321,837
Payments to suppliers	-	(101,338)	(101,338)
Payments to employees	-	(14,628)	(14,628)
	<u>-</u>	<u>(14,628)</u>	<u>(14,628)</u>
Net cash provided by operating activities	-	205,871	205,871
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	-	(12,131)	(12,131)
Principal paid on general obligation bonds	-	(62,404)	(62,404)
Interest paid on general obligation bonds, construction loan, and capital lease	-	(5,022)	(5,022)
	<u>-</u>	<u>(5,022)</u>	<u>(5,022)</u>
Net cash used in capital and related financing activities	-	(79,557)	(79,557)
Cash flows from investing activities:			
Interest received	-	1,565	1,565
	<u>-</u>	<u>1,565</u>	<u>1,565</u>
Net increase (decrease) in cash and cash equivalents	-	127,879	127,879
Cash and cash equivalents, beginning of year	-	173,720	173,720
	<u>-</u>	<u>173,720</u>	<u>173,720</u>
Cash and cash equivalents, end of year	\$ -	\$ 301,599	\$ 301,599
	<u><u>-</u></u>	<u><u>301,599</u></u>	<u><u>301,599</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	(28,298)	63,191	34,893
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Items not requiring cash:			
Depreciation and amortization expense	28,298	124,538	152,836
Pension expense	-	470	470
Changes in:			
Receivables	-	6,883	6,883
Inventories	-	(11,662)	(11,662)
Accounts payable	-	15,393	15,393
Due to other funds	-	952	952
Accrued liabilities	-	1,106	1,106
Customer deposits	-	5,000	5,000
	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Net cash provided by operating activities	\$ -	\$ 205,871	\$ 205,871
	<u><u>-</u></u>	<u><u>205,871</u></u>	<u><u>205,871</u></u>



# CITY OF GARDNER, KANSAS

## COMBINING STATEMENT OF NET POSITION

### INTERNAL SERVICE FUNDS

**December 31, 2017**

	Governmental Activities			Business-type Activities	
	Risk Services	Information Technology Services	Building Services	Utility Billing Services	Total
<b>Assets</b>					
Current assets:					
Deposits and investments	\$ 48,097	\$ 105,849	\$ 73,442	\$ 327,796	\$ 555,184
Noncurrent assets:					
Capital assets:					
Machinery and equipment	-	467,391	14,794	10,509	492,694
Vehicles	-	-	49,237	84,996	134,233
Less accumulated depreciation	-	(184,050)	(28,553)	(55,941)	(268,544)
<b>Total assets</b>	<b>48,097</b>	<b>389,190</b>	<b>108,920</b>	<b>367,360</b>	<b>913,567</b>
<b>Deferred outflows of resources</b>					
Pension related items	12,006	45,205	15,452	87,743	160,406
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	1,094	40,085	3,053	6,741	50,973
Compensated absences	2,418	5,295	6,048	20,654	34,415
Due to other funds	-	-	3,077	-	3,077
Accrued payroll	1,981	8,009	2,471	14,730	27,191
Noncurrent liabilities:					
Other postemployment benefit obligation	247	1,171	3,347	12,379	17,144
Net Pension liability	45,910	174,405	58,832	336,479	615,626
<b>Total liabilities</b>	<b>51,650</b>	<b>228,965</b>	<b>76,828</b>	<b>390,983</b>	<b>748,426</b>
<b>Deferred inflows of resources</b>					
Pension related items	2,299	8,831	2,920	16,744	30,794
<b>Net position</b>					
Net investment in capital assets	-	283,341	35,478	39,564	358,383
Unrestricted	6,154	(86,742)	9,146	7,812	(63,630)
<b>Total net position</b>	<b>\$ 6,154</b>	<b>\$ 196,599</b>	<b>\$ 44,624</b>	<b>\$ 47,376</b>	<b>\$ 294,753</b>

**CITY OF GARDNER, KANSAS**

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

**INTERNAL SERVICE FUNDS**

**Year Ended December 31, 2017**

	Governmental Activities			Business-type Activities	
	Risk Services	Information Technology Services	Building Services	Utility Billing Services	Total
Operating revenues					
Charges for services	\$ 834,076	\$ 1,035,589	\$ 355,088	\$ 1,162,389	\$ 3,387,142
Other	10,566	-	-	-	10,566
Total operating revenues	844,642	1,035,589	355,088	1,162,389	3,397,708
Operating expenses					
Administration	64,399	295,460	78,812	534,550	973,221
Contractual services	690,950	362,686	135,105	201,299	1,390,040
Other supplies and expenses	19,188	64,868	16,616	12,375	113,047
Repairs and maintenance	-	19,752	14,017	4,324	38,093
Depreciation	-	43,974	4,928	5,214	54,116
Other	70,105	77,743	71,124	363,001	581,973
Total operating expenses	844,642	864,483	320,602	1,120,763	3,150,490
Operating income	-	171,106	34,486	41,626	247,218
Nonoperating revenues (expenses)					
Interest expense	-	(2,994)	-	-	(2,994)
Change in net position	-	168,112	34,486	41,626	244,224
Total net position, beginning of year	6,154	28,487	10,138	5,750	50,529
Total net position, end of year	\$ 6,154	\$ 196,599	\$ 44,624	\$ 47,376	\$ 294,753

**CITY OF GARDNER, KANSAS**

**COMBINING STATEMENT OF CASH FLOWS**

**INTERNAL SERVICE FUNDS**

**Year Ended December 31, 2017**

	Governmental Activities			Business-type Activities	
	Risk Management	Information Technology Services	Building Services	Utility Billing Services	Total
Cash flows from operating activities:					
Receipts from customers	\$ 834,076	\$ 1,035,589	\$ 355,088	\$ 1,162,389	\$ 3,387,142
Other	10,566	-	-	-	10,566
Payments to suppliers	(841,371)	(519,614)	(385,675)	(606,712)	(2,353,372)
Payments to employees	(2,384)	(275,301)	76,252	(492,478)	(693,911)
Net cash provided by operating activities	<u>887</u>	<u>240,674</u>	<u>45,665</u>	<u>63,199</u>	<u>350,425</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	-	(73,717)	(34,488)	(41,625)	(149,830)
Principal paid on capital lease	-	(93,379)	-	-	(93,379)
Interest paid on capital lease	-	(2,994)	-	-	(2,994)
Net cash used in capital and related financing activities	<u>-</u>	<u>(170,090)</u>	<u>(34,488)</u>	<u>(41,625)</u>	<u>(246,203)</u>
Net increase (decrease) in cash and cash equivalents	887	70,584	11,177	21,574	104,222
Cash and cash equivalents, beginning of year	<u>47,210</u>	<u>35,265</u>	<u>62,265</u>	<u>306,222</u>	<u>450,962</u>
Cash and cash equivalents, end of year	<u><u>\$ 48,097</u></u>	<u><u>\$ 105,849</u></u>	<u><u>\$ 73,442</u></u>	<u><u>\$ 327,796</u></u>	<u><u>\$ 555,184</u></u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ -	\$ 171,106	\$ 34,486	\$ 41,626	\$ 247,218
Adjustments to reconcile operating income to net cash provided by operating activities:					
Items not requiring cash:					
Depreciation expense	-	43,974	4,928	5,214	54,116
Other postemployment benefit obligation	20	94	267	989	1,370
Pension expense	1,103	4,412	1,338	7,327	14,180
Changes in:					
Accounts payable	(2,178)	13,312	2,195	(5,345)	7,984
Accrued liabilities	1,942	7,776	2,469	13,388	25,575
Due to other funds	-	-	(18)	-	(18)
Net cash provided by operating activities	<u><u>\$ 887</u></u>	<u><u>\$ 240,674</u></u>	<u><u>\$ 45,665</u></u>	<u><u>\$ 63,199</u></u>	<u><u>\$ 350,425</u></u>

**CITY OF GARDNER, KANSAS**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**December 31, 2017**

	Alcohol Safety Action Program	Special Olympics Program	Mayor's Christmas Tree Program	Total
Assets				
Deposits and investments	\$ 34,809	\$ 12,699	\$ 6,692	\$ 54,200
Liabilities				
Due to others	\$ 34,809	\$ 12,699	\$ 6,692	\$ 54,200

**CITY OF GARDNER, KANSAS**

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

**AGENCY FUNDS**

**Year Ended December 31, 2017**

<u>Alcohol Safety Action Program</u>	Balance January 1, 2017	Additions	Deductions	Balance December 31, 2017
Assets				
Deposits and investments	<u>\$ 34,780</u>	<u>\$ 29</u>	<u>\$ -</u>	<u>\$ 34,809</u>
Liabilities				
Due to others	<u>\$ 34,780</u>	<u>\$ 29</u>	<u>\$ -</u>	<u>\$ 34,809</u>
 <u>Special Olympics Program</u>	 Balance January 1, 2017	 Additions	 Deductions	 Balance December 31, 2017
Assets				
Deposits and investments	<u>\$ 11,348</u>	<u>\$ 4,069</u>	<u>\$ 2,718</u>	<u>\$ 12,699</u>
Liabilities				
Due to others	<u>\$ 11,348</u>	<u>\$ 4,069</u>	<u>\$ 2,718</u>	<u>\$ 12,699</u>
 <u>Mayor's Christmas Tree Program</u>	 Balance January 1, 2017	 Additions	 Deductions	 Balance December 31, 2017
Assets				
Deposits and investments	<u>\$ 10,512</u>	<u>\$ 4,965</u>	<u>\$ 8,785</u>	<u>\$ 6,692</u>
Liabilities				
Due to others	<u>\$ 10,512</u>	<u>\$ 4,965</u>	<u>\$ 8,785</u>	<u>\$ 6,692</u>



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the fiscal year ended**

**December 31, 2017**

**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.

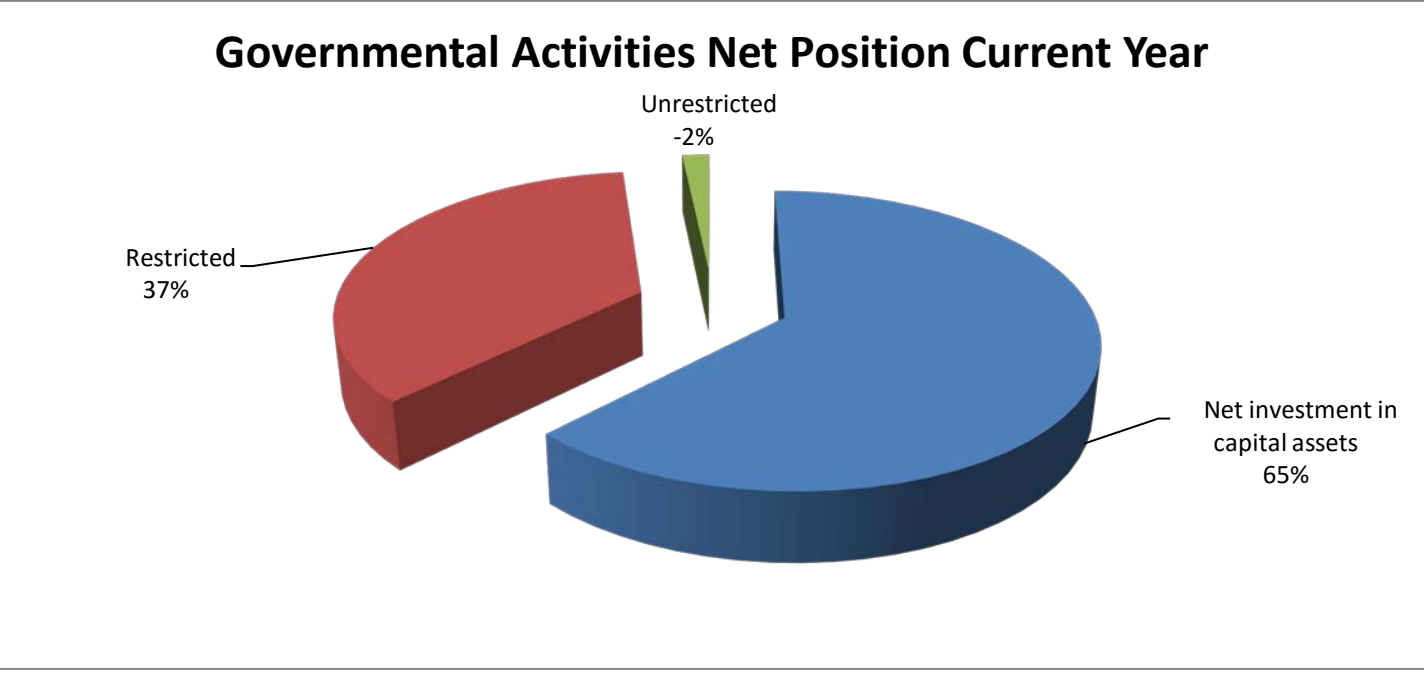
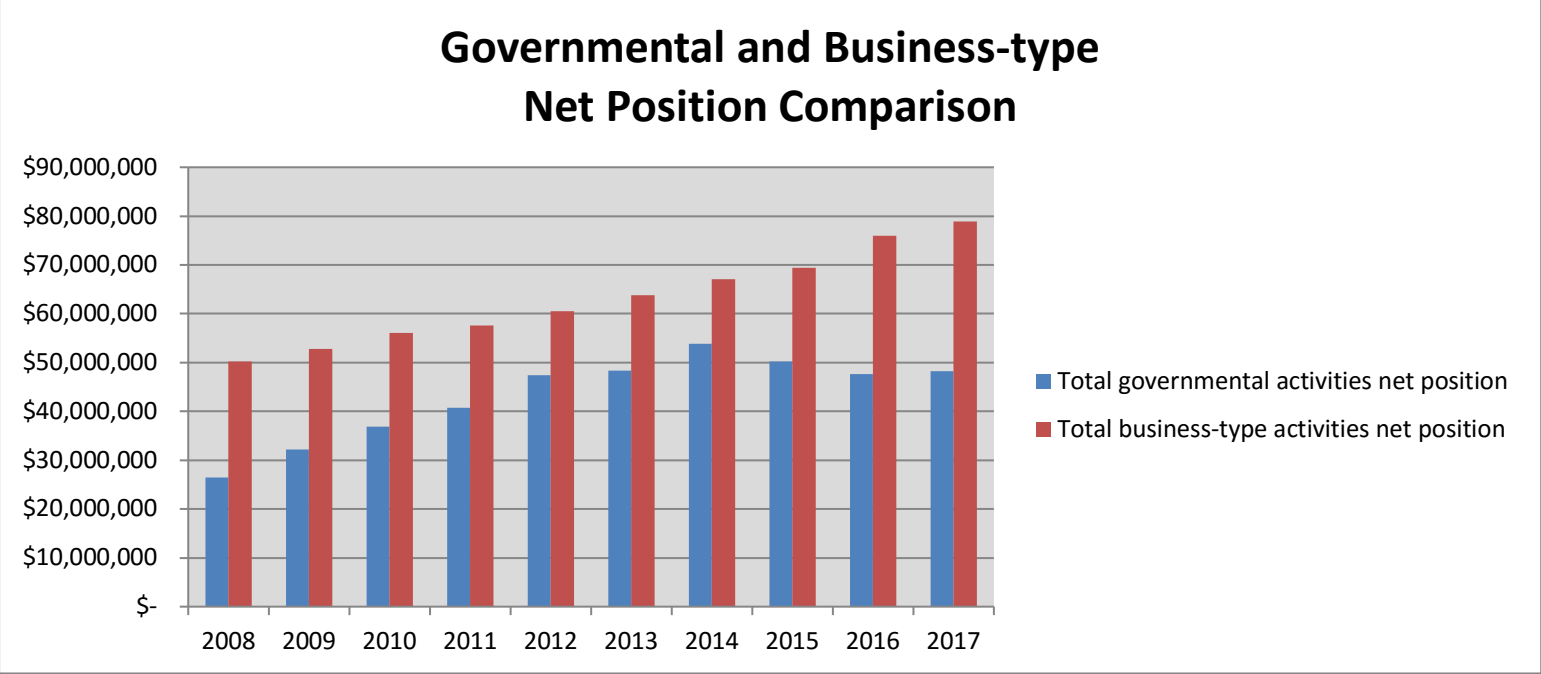
<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	<b>97 - 100</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the factors affecting the City's ability to generate its most significant local revenue source, which is the electric, water and wastewater revenues, as well as its property taxes.	<b>101 - 109</b>
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	<b>110 - 113</b>
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time with other governments.	<b>114 - 115</b>
<b>Operating Information</b> These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	<b>116 - 119</b>

**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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 11,793,968	\$ 11,427,079	\$ 17,247,111	\$ 20,316,915	\$ 17,955,758	\$ 23,990,859	\$ 28,346,555	\$ 30,941,934	\$ 29,574,314	\$ 31,189,584
Restricted	11,654,614	17,997,310	16,045,557	16,127,894	24,232,960	20,820,905	20,245,654	18,457,790	17,920,702	17,866,534
Unrestricted	2,984,646	2,785,686	3,604,098	4,345,432	5,166,777	3,548,049	5,208,773	806,326	161,452	(837,444)
Total governmental activities net position	\$ 26,433,228	\$ 32,210,075	\$ 36,896,766	\$ 40,790,241	\$ 47,355,495	\$ 48,359,813	\$ 53,800,982	\$ 50,206,050	\$ 47,656,468	\$ 48,218,674
Business-type activities										
Net investment in capital assets	\$ 42,592,536	\$ 45,202,862	\$ 46,462,027	\$ 48,330,111	\$ 51,630,963	\$ 53,358,039	\$ 55,182,468	\$ 57,021,062	\$ 61,598,308	\$ 62,611,603
Unrestricted	7,570,921	7,587,496	9,547,927	9,236,658	8,919,022	10,427,135	11,921,883	12,364,866	14,341,092	16,313,315
Total business-type activities net position	\$ 50,163,457	\$ 52,790,358	\$ 56,009,954	\$ 57,566,769	\$ 60,549,985	\$ 63,785,174	\$ 67,104,351	\$ 69,385,928	\$ 75,939,400	\$ 78,924,918
Primary government										
Net investment in capital assets	\$ 54,386,504	\$ 56,629,941	\$ 63,709,138	\$ 68,647,026	\$ 69,586,721	\$ 77,348,898	\$ 83,529,023	\$ 87,962,996	\$ 91,172,622	\$ 93,801,187
Restricted	11,654,614	17,997,310	16,045,557	16,127,894	24,232,960	20,820,905	20,245,654	18,457,790	17,920,702	17,866,534
Unrestricted	10,555,567	10,373,182	13,152,025	13,582,090	14,085,799	13,975,184	17,130,656	13,171,192	14,502,544	15,475,871
Total primary government net position	\$ 76,596,685	\$ 85,000,433	\$ 92,906,720	\$ 98,357,010	\$ 107,905,480	\$ 112,144,987	\$ 120,905,333	\$ 119,591,978	\$ 123,595,868	\$ 127,143,592

Source: City of Gardner Finance Department

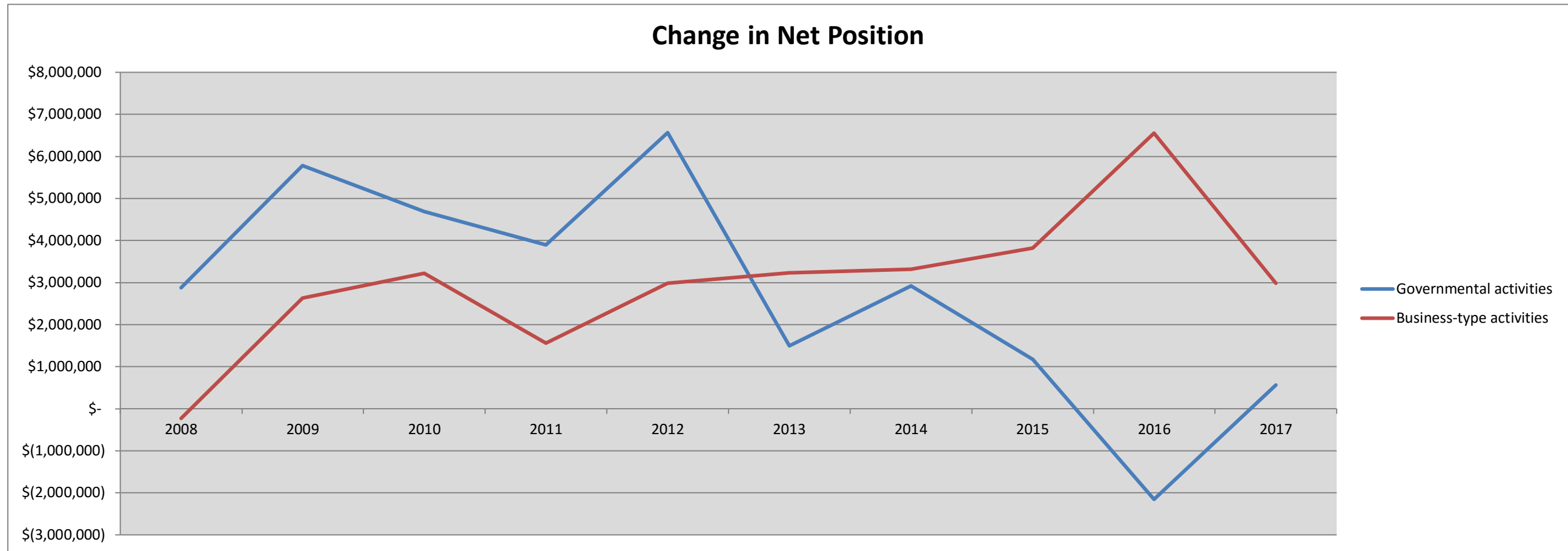




**City of Gardner, Kansas**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities:										
General government	\$ 3,467,896	\$ 3,164,663	\$ 2,822,418	\$ 2,620,535	\$ 2,697,372	\$ 2,817,304	\$ 3,558,824	\$ 3,896,677	\$ 4,598,982	\$ 3,068,153
Police	3,653,003	3,567,111	3,565,454	3,647,573	3,776,937	3,874,682	4,688,596	4,383,506	5,315,430	4,395,424
Public Works	3,274,927	2,674,913	2,614,530	2,650,257	2,846,701	2,631,533	3,354,014	3,940,033	3,744,547	4,247,297
Culture and recreation	2,280,655	2,271,682	2,211,773	2,424,862	2,593,737	2,460,190	2,368,847	2,433,317	2,604,472	3,219,356
Business & Economic Development	-	-	-	-	-	-	-	-	-	893,753
Interest on long-term debt	1,506,419	1,843,829	1,742,427	1,397,634	1,308,232	1,595,184	1,100,397	808,488	609,604	696,847
Total governmental activities expenses	14,182,900	13,522,198	12,956,602	12,740,861	13,222,979	13,378,893	15,070,678	15,462,021	16,873,035	16,520,830
Business-type activities:										
Electric	10,655,734	9,911,349	11,572,594	12,052,825	11,996,928	11,779,932	12,536,784	11,919,565	12,006,709	12,699,174
Water	2,829,545	2,874,987	2,952,669	3,235,397	3,447,469	3,345,254	3,549,784	3,692,470	4,032,587	4,228,110
Wastewater	4,194,130	3,678,278	3,661,411	3,590,360	3,513,416	3,657,553	4,317,776	4,675,174	4,591,624	4,503,508
Stormwater	220,061	70,817	71,086	25,167	25,167	25,167	25,167	28,298	28,298	28,298
Airport	-	-	-	-	-	-	-	-	204,879	251,234
Total business-type activities expenses	17,899,470	16,535,431	18,257,760	18,903,749	18,982,980	18,807,906	20,429,511	20,315,507	20,864,097	21,710,324
Total primary government expenses	\$ 32,082,370	\$ 30,057,629	\$ 31,214,362	\$ 31,644,610	\$ 32,205,959	\$ 32,186,799	\$ 35,500,189	\$ 35,777,528	\$ 37,737,132	\$ 38,231,154
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 606,513	\$ 622,807	\$ 502,102	\$ 553,992	\$ 604,625	\$ 748,785	\$ 1,607,129	\$ 1,907,297	\$ 2,171,668	\$ 2,085,061
Police	13,021	13,141	10,458	10,577	10,199	7,853	9,253	7,439	8,228	6,525
Public Works	-	2,300	-	-	-	-	-	-	-	-
Culture and recreation	767,693	937,542	970,405	887,173	883,516	858,658	910,947	910,041	963,169	1,002,553
Business & Economic Development	-	-	-	-	-	-	-	-	-	323,431
Operating grants and contributions	2,657,199	2,514,392	2,579,475	2,789,802	2,816,127	2,966,108	3,251,406	3,328,990	3,397,426	3,672,663
Capital grants and contributions	4,808,296	7,240,013	5,400,696	3,113,818	5,730,105	782,039	2,902,279	805,138	206,879	493,301
Total governmental activities program revenues	8,852,722	11,330,195	9,463,136	7,355,362	10,044,572	5,363,443	8,681,014	6,958,905	6,747,370	7,583,534
Business-type activities:										
Charges for services:										
Electric	11,688,030	12,661,952	14,329,969	14,089,709	15,060,888	14,196,340	14,393,780	14,539,925	14,440,663	14,414,445
Water	3,192,736	3,293,010	3,989,505	3,740,962	4,103,707	4,509,458	4,948,652	5,145,232	5,440,947	5,612,380
Wastewater	2,821,531	3,062,919	4,007,841	3,474,928	3,682,494	4,275,217	4,808,675	5,023,691	5,073,706	5,168,047
Stormwater	-	-	-	-	-	61,208	-	-	-	-
Airport	-	-	-	-	-	-	-	-	648,050	252,380
Capital grants and contributions	356,751	506,591	78,263	100,187	92,762	-	-	246,112	358,459	57,574
Total business-type program revenues	18,059,048	19,524,472	22,405,578	21,405,786	22,939,851	23,042,223	24,151,107	24,954,960	25,961,825	25,504,826
Total primary government program revenues	\$ 26,911,770	\$ 30,854,667	\$ 31,868,714	\$ 28,761,148	\$ 32,984,423	\$ 28,405,666	\$ 32,832,121	\$ 31,913,865	\$ 32,709,195	\$ 33,088,360
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (5,330,178)	\$ (2,192,003)	\$ (3,493,466)	\$ (5,385,499)	\$ (3,178,407)	\$ (8,015,450)	\$ (6,389,664)	\$ (8,503,116)	\$ (10,125,665)	\$ (8,937,296)
Business-type activities	159,578	2,989,041	4,147,818	2,502,037	3,956,871	4,234,317	3,721,596	4,639,453	5,097,728	3,794,502
Total primary government net expense	\$ (5,170,600)	\$ 797,038	\$ 654,352	\$ (2,883,462)	\$ 778,464	\$ (3,781,133)	\$ (2,668,068)	\$ (3,863,663)	\$ (5,027,937)	\$ (5,142,794)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 3,667,858	\$ 3,788,866	\$ 3,798,207	\$ 4,675,379	\$ 4,845,216	\$ 4,821,475	\$ 4,947,132	\$ 4,893,957	\$ 5,246,198	\$ 4,037,863
Sales taxes	2,815,576	2,696,984	2,821,088	2,999,426	3,123,255	3,190,773	3,467,735	3,535,132	3,827,653	4,041,798
Franchise taxes	412,989	396,100	380,715	365,435	320,227	348,956	352,792	312,625	269,736	360,268
Excise taxes	395,182	456,384	95,710	53,434	312,441	-	-	-	-	-
Transient guest taxes	45,573	34,702	29,338	29,764	38,470	42,493	42,976	62,892	74,272	71,383
Other	-	-	3	-	-	-	75,467	30,737	70,505	28,852
Unrestricted investment earnings	296,824	49,100	49,689	32,136	31,905	33,418	11,456	9,867	9,533	65,538
Gain on disposal of asset	-	-	2,095	136,232	67,329	40,567	-	-	(82,063)	-
Transfers	577,858	546,714	1,003,312	987,168	1,004,818	1,029,100	413,163	829,600	(1,445,460)	893,800
Total governmental activities	8,211,860	7,968,850	8,180,157	9,278,974	9,743,661	9,506,782	9,310,721	9,674,810	7,970,374	9,499,502
Business-type activities:										
Unrestricted investment earnings	188,063	28,208	38,020	31,421	31,163	29,972	10,744	10,442	10,284	84,816
Transfers	(577,858)	(546,714)	(1,003,312)	(987,168)	(1,004,818)	(1,029,100)	(413,163)	(829,600)	1,445,460	(893,800)
Other	-	156,366	37,070	10,525	-	-	-	-	-	-
Total business-type activities	(389,795)	(362,140)	(928,222)	(945,222)	(973,655)	(999,128)	(402,419)	(819,158)	1,455,744	(808,984)
Total primary government	\$ 7,822,065	\$ 7,606,710	\$ 7,251,935	\$ 8,333,752	\$ 8,770,006	\$ 8,507,654	\$ 8,908,302	\$ 8,855,652	\$ 9,426,118	\$ 8,690,518
<b>Change in Net Position</b>										
Governmental activities	\$ 2,881,682	\$ 5,776,847	\$ 4,686,691	\$ 3,893,475	\$ 6,565,254	\$ 1,491,332	\$ 2,921,057	\$ 1,171,694	\$ (2,155,291)	\$ 562,206
Business-type activities	(230,217)	2,626,901	3,219,596	1,556,815	2,983,216	3,235,189	3,319,177	3,820,295	6,553,472	2,985,518
Total primary government	\$ 2,651,465	\$ 8,403,748	\$ 7,906,287	\$ 5,450,290	\$ 9,548,470	\$ 4,726,521	\$ 6,240,234	\$ 4,991,989	\$ 4,398,181	\$ 3,547,724

Source: City of Gardner Finance Department

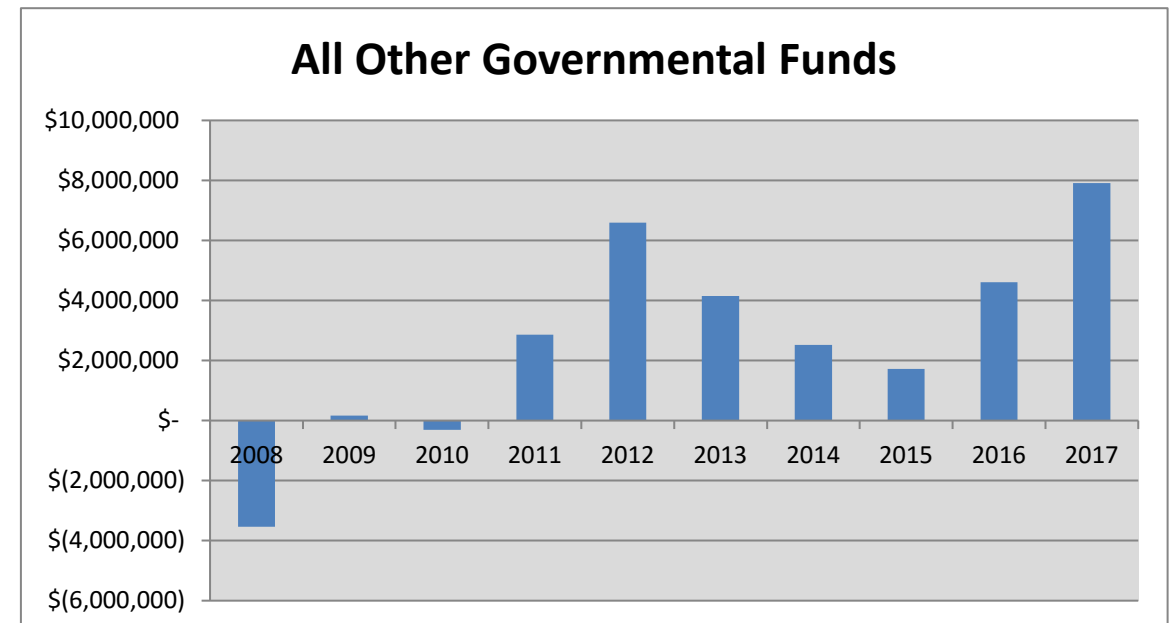
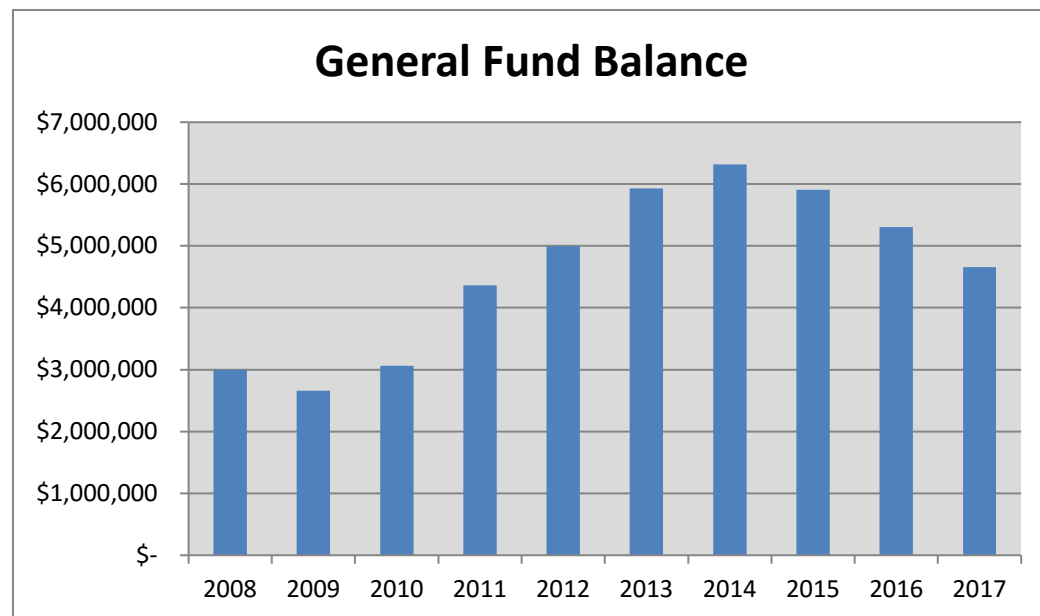


**City of Gardner, Kansas**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund										
Reserved	\$ 34,779	\$ 39,182	\$ 250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	2,964,795	2,619,334	3,058,934	-	-	-	-	-	-	-
Restricted	-	-	-	24,281	-	-	-	-	-	-
Assigned	-	-	-	20,619	-	64,474	9,640	115,541	22,221	184,992
Unassigned	-	-	-	4,321,492	4,997,241	5,864,734	6,305,486	5,792,880	5,280,652	4,471,284
Total general fund	<u>\$ 2,999,574</u>	<u>\$ 2,658,516</u>	<u>\$ 3,059,184</u>	<u>\$ 4,366,392</u>	<u>\$ 4,997,241</u>	<u>\$ 5,929,208</u>	<u>\$ 6,315,126</u>	<u>\$ 5,908,421</u>	<u>\$ 5,302,873</u>	<u>\$ 4,656,276</u>
All Other Governmental Funds										
Reserved	\$ 1,058,524	\$ 1,479,432	\$ 451,339	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Debt service fund	310,091	78,023	105,384	-	-	-	-	-	-	-
Special revenue funds	5,383,372	5,119,227	3,565,909	-	-	-	-	-	-	-
Capital projects funds	(10,291,113)	(6,515,040)	(4,434,896)	-	-	-	-	-	-	-
Restricted	-	-	-	2,603,807	6,590,028	4,147,059	2,520,366	1,715,705	4,611,811	7,911,908
Assigned	-	-	-	260,317	-	-	-	-	-	-
Total all other governmental funds	<u>\$ (3,539,126)</u>	<u>\$ 161,642</u>	<u>\$ (312,264)</u>	<u>\$ 2,864,124</u>	<u>\$ 6,590,028</u>	<u>\$ 4,147,059</u>	<u>\$ 2,520,366</u>	<u>\$ 1,715,705</u>	<u>\$ 4,611,811</u>	<u>\$ 7,911,908</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									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Revenues</b>										
Taxes	\$ 7,291,605	\$ 7,338,334	\$ 7,095,720	\$ 8,123,438	\$ 8,639,609	\$ 8,403,697	\$ 8,810,635	\$ 8,804,606	\$ 9,417,859	\$ 8,511,312
Licenses and permits	186,976	441,422	376,192	186,751	237,374	319,508	204,236	189,784	293,055	337,987
Fines and fees	305,001	263,248	217,900	289,358	335,319	415,312	451,700	524,540	591,913	632,258
Charges for services	792,935	727,625	800,534	825,751	844,814	744,055	1,867,940	2,103,849	2,253,903	2,444,420
Special assessments	300,420	387,736	974,839	951,328	966,502	1,401,884	977,266	1,129,613	1,869,075	1,235,823
Intergovernmental	2,606,764	2,383,778	7,722,154	4,069,190	3,339,121	3,368,473	4,306,908	3,769,237	3,604,305	4,165,964
Investment earnings	296,824	49,100	49,689	32,136	31,905	33,416	11,456	9,867	9,533	65,538
Other revenues	321,922	438,029	224,533	171,331	93,753	138,960	53,362	22,154	68,397	25,221
Total revenues	<u>12,102,447</u>	<u>12,029,272</u>	<u>17,461,561</u>	<u>14,649,283</u>	<u>14,488,397</u>	<u>14,825,305</u>	<u>16,683,503</u>	<u>16,553,650</u>	<u>18,108,040</u>	<u>17,418,523</u>
<b>Expenditures</b>										
General government	3,210,270	2,901,931	2,588,787	2,397,137	2,443,979	2,728,857	3,429,383	3,825,458	4,408,175	2,980,122
Police	3,411,999	3,286,448	3,224,327	3,557,178	3,678,525	3,793,325	4,188,261	4,466,208	5,087,946	3,994,544
Public works	1,694,200	1,482,616	1,459,363	1,417,646	1,547,336	1,439,557	1,600,153	1,918,905	1,944,363	2,725,561
Culture and recreation	1,843,126	1,781,799	1,843,546	1,881,715	1,925,478	1,868,548	1,970,858	2,124,243	2,272,346	2,600,834
Business & Economic Development										883,428
Capital outlay	4,431,783	3,563,318	9,102,539	2,870,018	1,795,401	3,786,717	1,720,480	1,239,165	2,445,875	3,058,193
Debt service:										
Interest	1,410,869	1,501,306	1,453,142	1,266,297	1,162,286	1,202,912	906,684	908,330	690,690	684,294
Principal	2,158,231	2,720,699	5,094,114	3,389,241	7,458,215	6,524,108	13,008,131	4,062,511	2,971,806	2,227,937
Other	183,014	314,416	159,058	146,166	196,839	73,359	245,493	58,379	155,738	192,427
Total expenditures	<u>18,343,492</u>	<u>17,552,533</u>	<u>24,924,876</u>	<u>16,925,398</u>	<u>20,208,059</u>	<u>21,417,383</u>	<u>27,069,443</u>	<u>18,603,199</u>	<u>19,976,939</u>	<u>19,347,340</u>
Excess of revenues										
over (under) expenditures	(6,241,045)	(5,523,261)	(7,463,315)	(2,276,115)	(5,719,662)	(6,592,078)	(10,385,940)	(2,049,549)	(1,868,899)	(1,928,817)
<b>Other Financing Sources (Uses)</b>										
Bonds issued	5,460,000	5,689,822	2,794,765	1,325,000	3,995,000	3,256,418	8,090,000	-	3,548,000	3,505,000
Premium on G.O. Bonds	36,180	-	-	-	-	-	224,484	-	124,700	179,886
Bond Anticipation notes issued	-	-	-	3,960,000	4,915,000	-	-	-	-	-
Construction loan	651,632	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
Capital leases	-	-	-	-	-	98,510	-	-	-	-
Insurance proceeds	997	-	8,457	8,261	-	-	-	-	-	-
Transfers in	2,513,128	3,181,035	3,420,400	3,126,455	3,027,043	2,983,153	1,866,968	1,416,567	1,714,113	1,159,400
Transfers out	(1,699,863)	(2,558,856)	(2,417,088)	(2,114,147)	(2,022,225)	(1,954,053)	(1,032,587)	(586,967)	(835,173)	(265,600)
Total other financing sources (uses)	<u>6,962,074</u>	<u>8,882,971</u>	<u>7,390,077</u>	<u>6,759,711</u>	<u>10,076,415</u>	<u>4,676,077</u>	<u>9,170,970</u>	<u>838,183</u>	<u>4,553,748</u>	<u>4,582,317</u>
Net change in fund balances	<u>\$ 721,029</u>	<u>\$ 3,359,710</u>	<u>\$ (73,238)</u>	<u>\$ 4,483,596</u>	<u>\$ 4,356,753</u>	<u>\$ (1,916,001)</u>	<u>\$ (1,214,970)</u>	<u>\$ (1,211,366)</u>	<u>\$ 2,684,849</u>	<u>\$ 2,653,500</u>
Debt service as a percentage of noncapital expenditures	24.1%	29.2%	42.0%	33.7%	46.2%	43.6%	53.6%	28.8%	20.9%	17.9%

**Source:** City of Gardner Finance Department

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

Fiscal Year	Electricity Generated & Purchased	Electricity Sold To Customers	<sup>(a)</sup> Electricity Consumed & Unbilled	<sup>(a)</sup> Average Percent Unbilled	Gallons of Water Produced & Purchased	Gallons of Water Sold	<sup>(a)</sup> Gallons of Water Unbilled	<sup>(a)</sup> Average Percent Unbilled	Gallons of Wastewater Treated	Total Direct Rate					
										Electric		Water		Wastewater	
										Base <sup>(b)</sup> Rate	Usage <sup>(c)</sup> Rate	Base <sup>(b)</sup> Rate	Usage <sup>(c)</sup> Rate	Base <sup>(b)</sup> Rate	Usage <sup>(c)</sup> Rate
2008	126,224	120,486	5,738	4.55%	758	552	206	27.18%	589	\$ 6.40	\$ 0.0960	\$ 8.95	\$ 4.05	\$ 8.10	\$ 5.16
2009	124,014	116,584	7,430	5.99%	717	473	244	34.03%	768	\$ 6.72	\$ 0.1008	\$ 9.40	\$ 4.25	\$ 8.75	\$ 5.57
2010	137,083	132,915	4,168	3.04%	721	497	224	31.07%	752	\$ 6.72	\$ 0.1008	\$ 9.90	\$ 4.45	\$ 9.45	\$ 6.00
2011	137,841	128,646	9,195	6.67%	795	501	294	36.98%	784	\$ 6.72	\$ 0.1008	\$ 10.40	\$ 4.65	\$ 10.20	\$ 6.50
2012	138,940	131,151	7,789	5.61%	835	589	246	29.46%	432	\$ 6.72	\$ 0.1008	\$ 10.70	\$ 4.80	\$ 10.70	\$ 6.85
2013	139,849	129,350	10,499	7.51%	745	675	70	9.40%	467	\$ 6.72	\$ 0.1082	\$ 11.55	\$ 5.15	\$ 11.90	\$ 7.60
2014	143,884	134,608	9,276	6.45%	753	664	70	9.30%	395	\$ 6.72	\$ 0.1082	\$ 12.45	\$ 5.55	\$ 13.20	\$ 8.44
2015	143,731	135,754	7,977	5.55%	673	577	28	4.16%	466	\$ 6.72	\$ 0.1082	\$ 13.45	\$ 5.99	\$ 13.73	\$ 8.78
2016	150,351	136,060	14,291	9.51%	794	633	74	9.32%	668	\$ 6.72	\$ 0.1082	\$ 13.45	\$ 5.99	\$ 13.73	\$ 8.78
2017	144,632	136,157	8,723	6.03%	841	699	142	16.88%	591	\$ 6.72	\$ 0.1082	\$ 13.45	\$ 5.99	\$ 13.73	\$ 8.78

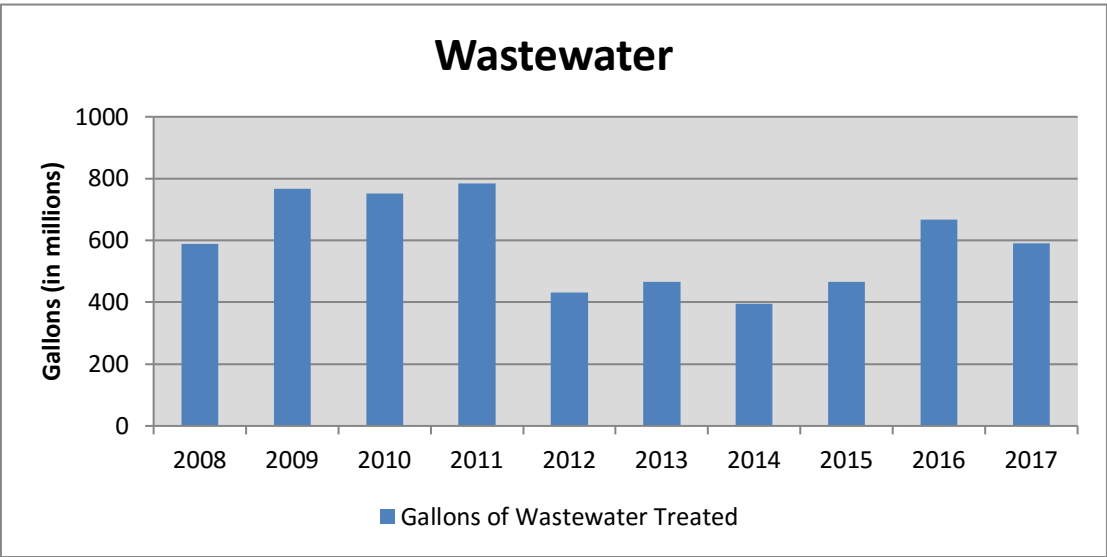
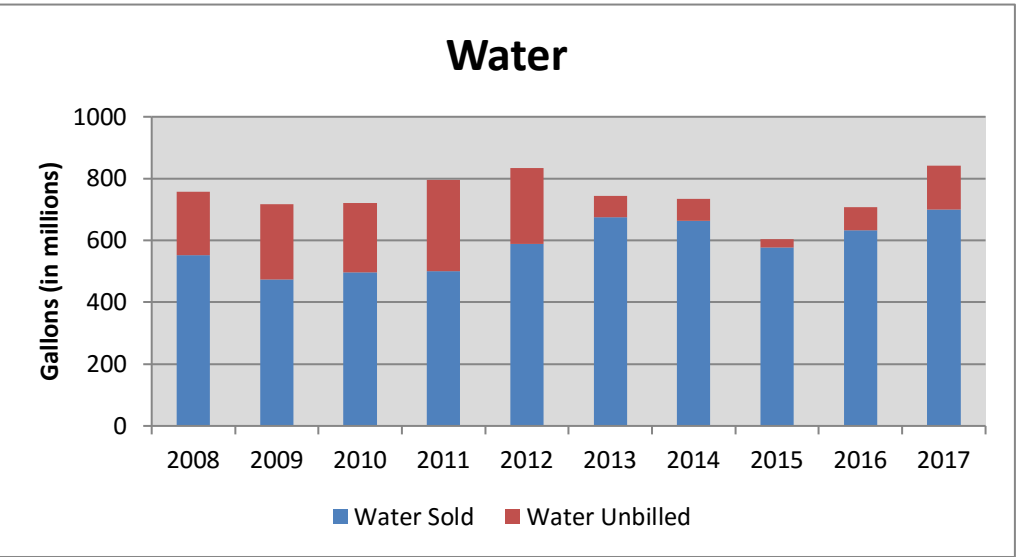
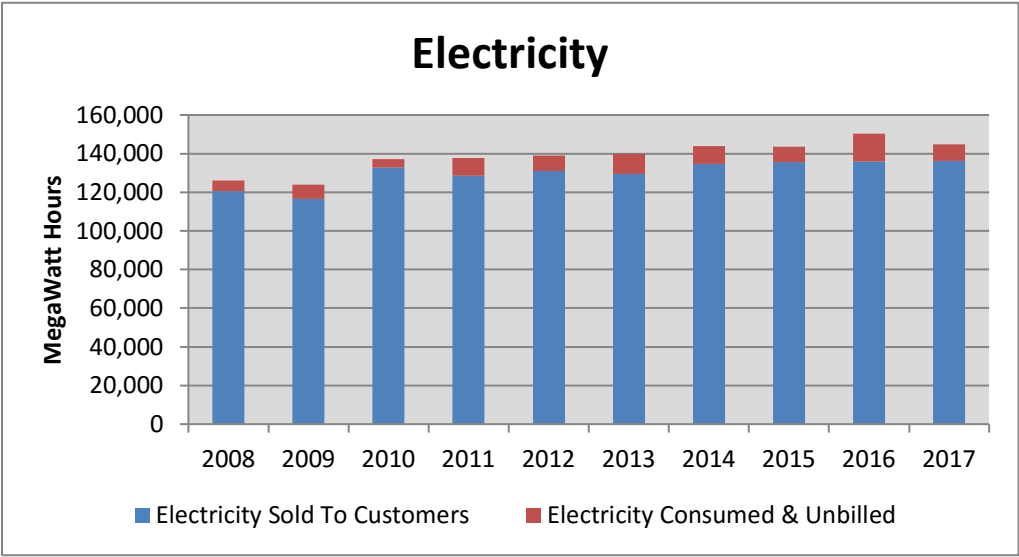
**Notes:** Electricity is presented in MegaWatt Hours and gallons are presented in millions.

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

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

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

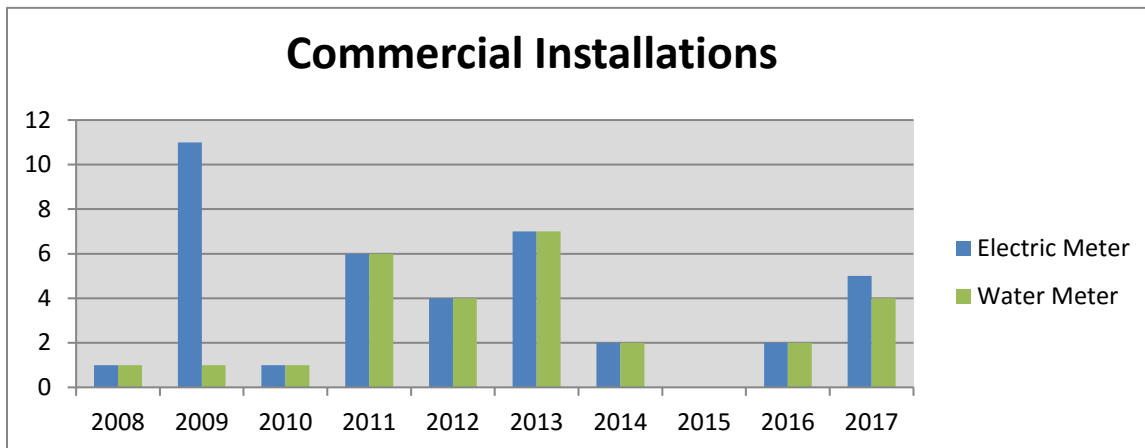
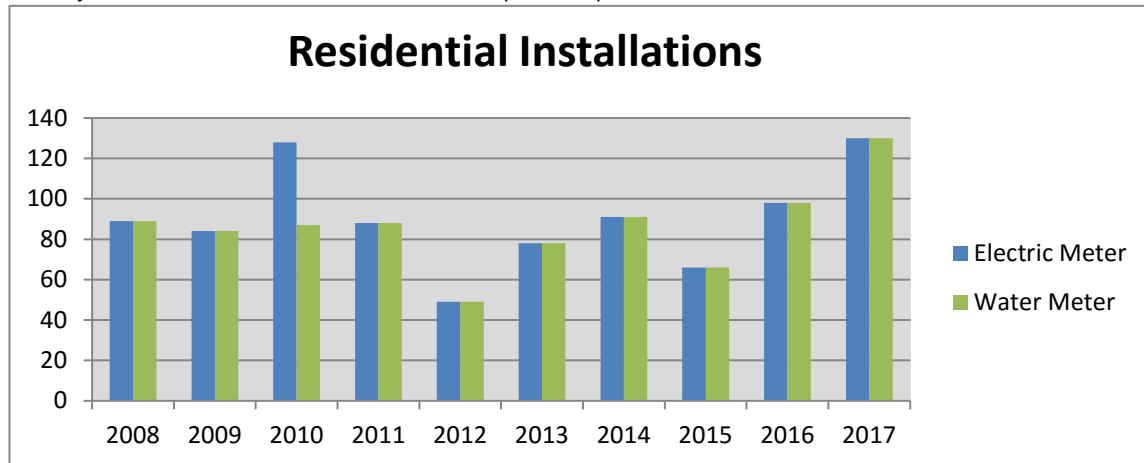
Source: City of Gardner Public Works Department & Utility Department



**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	
2008	89	1	89	1	180
2009	84	11	84	1	180
2010	128	1	87	1	217
2011	88	6	88	6	188
2012	49	4	49	4	106
2013	78	7	78	7	170
2014	91	2	91	2	186
2015	66	-	66	-	132
2016	98	2	98	2	200
2017	130	5	130	4	269

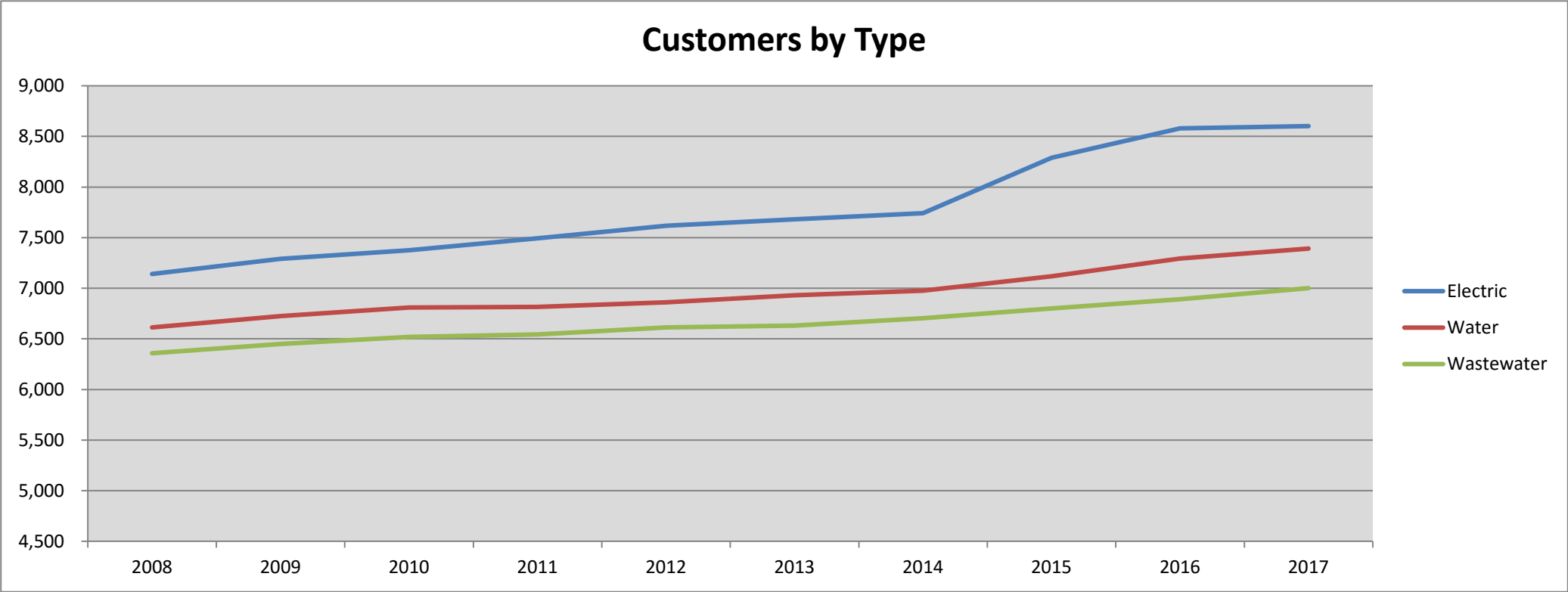
**Source:** City of Gardner Business and Economic Development Department



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

Fiscal Year	Electric			Water			Wastewater			Electric	Total	
	Residential	Commercial	Industrial	Residential	Commercial	Industrial	Residential	Commercial	Industrial		Water	Wastewater
2008	6,726	410	5	6,360	248	5	6,146	207	5	7,141	6,613	6,358
2009	6,867	418	6	6,476	243	5	6,239	206	5	7,291	6,724	6,450
2010	6,944	425	6	6,546	260	5	6,309	205	5	7,375	6,811	6,519
2011	7,064	424	6	6,554	256	5	6,333	204	5	7,494	6,815	6,542
2012	7,163	448	6	6,598	259	5	6,398	209	5	7,617	6,862	6,612
2013	7,214	462	6	6,655	270	7	6,408	216	7	7,682	6,932	6,631
2014	7,274	465	4	6,709	261	7	6,480	219	6	7,743	6,977	6,705
2015	7,806	479	4	6,821	290	7	6,577	219	6	8,289	7,118	6,802
2016	8,089	488	4	6,977	309	7	6,664	221	6	8,581	7,293	6,891
2017	8,081	517	4	7,069	316	7	6,766	229	6	8,602	7,392	7,001

**Source:** City of Gardner Utility Department



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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Water Rates<sup>(a)</sup></b>										
(All Meter Sizes)										
Base Rate	\$ 8.95	\$ 9.40	\$ 9.90	\$ 10.40	\$ 10.70	\$ 11.55	\$ 12.45	\$ 13.45	\$ 13.45	\$ 13.45
Usage Rate (per 1,000 gallons) First 40,000 gallons	4.05	4.25	4.45	4.65	4.80	5.15	-	-	-	-
Usage Rate (per 1,000 gallons) Over 40,000 gallons	3.26	3.42	3.60	3.80	3.90	4.20	-	-	-	-
Usage Rate (per 1,000 gallons) First 6,000 gallons	-	-	-	-	-	-	5.55	5.99	5.99	5.99
Usage Rate (per 1,000 gallons) 6,001-10,000 gallons	-	-	-	-	-	-	6.11	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
Usage Rate (per 1,000 gallons) 14,001-18,000 gallons	-	-	-	-	-	-	6.67	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
<b>Wastewater Rates</b>										
Base Rate	\$ 8.10	\$ 8.75	\$ 9.45	\$ 10.20	\$ 10.70	\$ 11.90	\$ 13.20	\$ 13.73	\$ 13.73	\$ 13.73
Usage Rate (per 1,000 gallons)	5.16	5.57	6.00	6.50	6.85	7.60	8.44	8.78	8.78	8.78
<b>Electric Rates</b>										
<i>Residential</i>										
Base Rate	\$ 6.40	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72
Usage Rate (per kWh)	0.09603	0.10083	0.10083	0.10083	0.10083	0.10819	0.10819	0.10819	0.10819	0.10819
<i>Commercial</i>										
Base Rate	\$ 7.00	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35
Usage Rate (per kWh)	0.09920	0.10416	0.10416	0.10416	0.10416	0.11152	0.11152	0.11152	0.11152	0.11152
<i>Commercial With Demand</i>										
Base Rate for Demand	\$ 15.90	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70
Usage Rate (per KW)	13.39	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	0.0486	0.05099	0.05099	0.05099	0.05099	0.05708	0.05708	0.05708	0.05708	0.05708
Usage Rate (per kWh) Over 5,000 kWh	0.04165	0.04373	0.04373	0.04373	0.04373	0.05053	0.05053	0.05053	0.05053	0.05053
<i>Commercial Large With Demand</i>										
Base Rate for Demand	\$ 21.20	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 2.26	\$ 2.26
Usage Rate (per KW)	13.39	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	0.04735	0.04972	0.04972	0.04972	0.04972	0.05080	0.05080	0.05080	0.05080	0.05080
Usage Rate (per kWh) Over 5,000 kWh	0.04111	0.04317	0.04317	0.04317	0.04317	0.05053	0.05053	0.05053	0.05053	0.05053
<b>All Electric Rates</b>										
<i>Residential</i>										
Base Rate	\$ 6.40	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20
Summer Usage Rate (per kWh)	0.09859	0.10352	0.10352	0.10352	0.10352	0.11088	0.11088	0.11088	0.11088	0.11088
Winter Usage Rate (per kWh) First 800 kWh	0.08088	0.10352	0.10352	0.10352	0.10352	0.11088	0.11088	0.11088	0.11088	0.11088
Winter Usage Rate (per kWh) Over 800 kWh	0.03921	0.04117	0.04117	0.04117	0.04117	0.04853	0.04853	0.04853	0.04853	0.04853
<i>Commercial</i>										
Base Rate	\$ 7.00	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35
Usage Rate (per KW)	5.05	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30
Summer Usage Rate (per kWh)	0.03297	0.03462	0.03462	0.03462	0.03462	0.04198	0.04198	0.04198	0.04198	0.04198
Winter Usage Rate (per kWh)	0.03008	0.03158	0.03158	0.03158	0.03158	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**

Fiscal Year 2017								
Customer	Electric Revenue		Customer	Water Revenue		Customer	Wastewater Revenue	
	Amount	%		Amount	%		Amount	%
Wal-Mart	\$ 351,059.06	2.49%	New Century	\$ 422,050.80	8.73%	USD 231 WMS Main Service	\$ 23,984.90	0.55%
USD 231 425 Waverly	262,256.97	1.86%	USD 231 495 Grand	27,654.66	0.57%	Trailswest Carwash	19,744.16	0.45%
Price Chopper	260,296.08	1.85%	Nottingham Village 29701 W 188th (residential)	23,522.98	0.49%	Pinnacle Health Care-427 Main	15,679.02	0.36%
Coleman	194,277.51	1.38%	USD 231 WMS Main Service	23,272.20	0.48%	Bristol Partners 205 Moonlight	14,318.12	0.33%
COG-Kill Creek WWTP	159,719.41	1.13%	KS Resource Explore & Develop 16201 Waverly	22,534.26	0.47%	Wal-Mart	14,230.32	0.33%
ITW Labels	140,473.97	1.00%	USD 231 425 Waverly	19,409.31	0.40%	USD 231 425 Waverly	13,966.92	0.32%
USD 231 16200 Killcreek Rd	132,719.49	0.94%	Trailswest Carwash	16,751.22	0.35%	The Winbury Group 925 Lincoln Ln	9,813.98	0.22%
USD 231 495 E Grand	123,033.18	0.87%	USD 231 High School IRR (Irrigation)	14,949.36	0.31%	Gardner Super 8	9,568.14	0.22%
USD 231 775 N Center	81,720.11	0.58%	Pinnacle Health Care-427 Main	14,544.93	0.30%	Jacobs Properties-794 Main	8,374.06	0.19%
USD 231 405 E Grand	74,540.10	0.53%	Bristol Partners 205 Moonlight	14,288.91	0.30%	Medical Lodges	7,102.08	0.16%
Subtotal (10 largest)	1,780,095.88	12.64%	Subtotal (10 largest)	598,978.63	12.39%	Subtotal (10 largest)	136,781.70	3.13%
Balance from other customers	12,305,954.12	87.36%	Balance from other customers	4,234,845.78	87.61%	Balance from other customers	4,229,888.49	96.87%
Grand Totals	\$ 14,086,050.00	100.00%	Grand Totals	\$ 4,833,824.41	100.00%	Grand Totals	\$ 4,366,670.19	100.00%

Fiscal Year 2008								
Customer	Electric Revenue		Customer	Water Revenue		Customer	Wastewater Revenue	
	Amount	%		Amount	%		Amount	%
Wal Mart	\$ 306,165	2.81%	New Century	\$ 138,668	4.93%	U.S.D. 231 - Wheat Ridge Middle School	\$ 14,847	0.61%
Price Chopper	217,008	1.99%	Wal Mart	19,593	0.70%	TradeNet Publishing	14,044	0.58%
U.S.D. 231 - High School	216,726	1.99%	Jacobs Property	12,755	0.45%	Pinnacle (Rehab Hospital)	11,080	0.46%
U.S.D. 231 - Pioneer Ridge Middle School	157,852	1.45%	U.S.D. 231 - High School Irrigation	11,027	0.39%	R & B Autowash	10,995	0.45%
TradeNet Publishing	141,131	1.29%	U.S.D. 231 - Wheat Ridge Middle School	10,882	0.39%	Jacobs Property	18,580	0.77%
ITW Labels	121,284	1.11%	U.S.D. 231 - High School	9,837	0.35%	U.S.D. 231 - High School	8,863	0.37%
U.S.D. 231 - Wheat Ridge Middle School	70,819	0.65%	TradeNet Publishing	9,708	0.35%	Wal Mart	9,236	0.38%
U.S.D. 231 - Madison Elementary	65,880	0.60%	Pinnacle (Rehab Hospital)	8,027	0.29%	Super 8 Motel	4,740	0.20%
U.S.D. 231 - Wheat Ridge Middle School GYM	65,459	0.60%	Bluehawk Townhome Assoc	7,456	0.27%	Cedar Niles 66	4,740	0.20%
U.S.D. 231 - Sunflower Elementary	58,593	0.54%	R & B Autowash	7,370	0.26%	Sonic	4,067	0.17%
Subtotal (10 largest)	1,420,917	13.02%	Subtotal (10 largest)	235,323	8.37%	Subtotal (10 largest)	101,192	4.19%
Balance from other customers	9,490,645	86.98%	Balance from other customers	2,574,711	91.63%	Balance from other customers	2,316,185	95.81%
Grand Totals	\$ 10,911,562	100.00%	Grand Totals	\$ 2,810,034	100.00%	Grand Totals	\$ 2,417,377	100.00%

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

**Source:** City of Gardner Utility Department



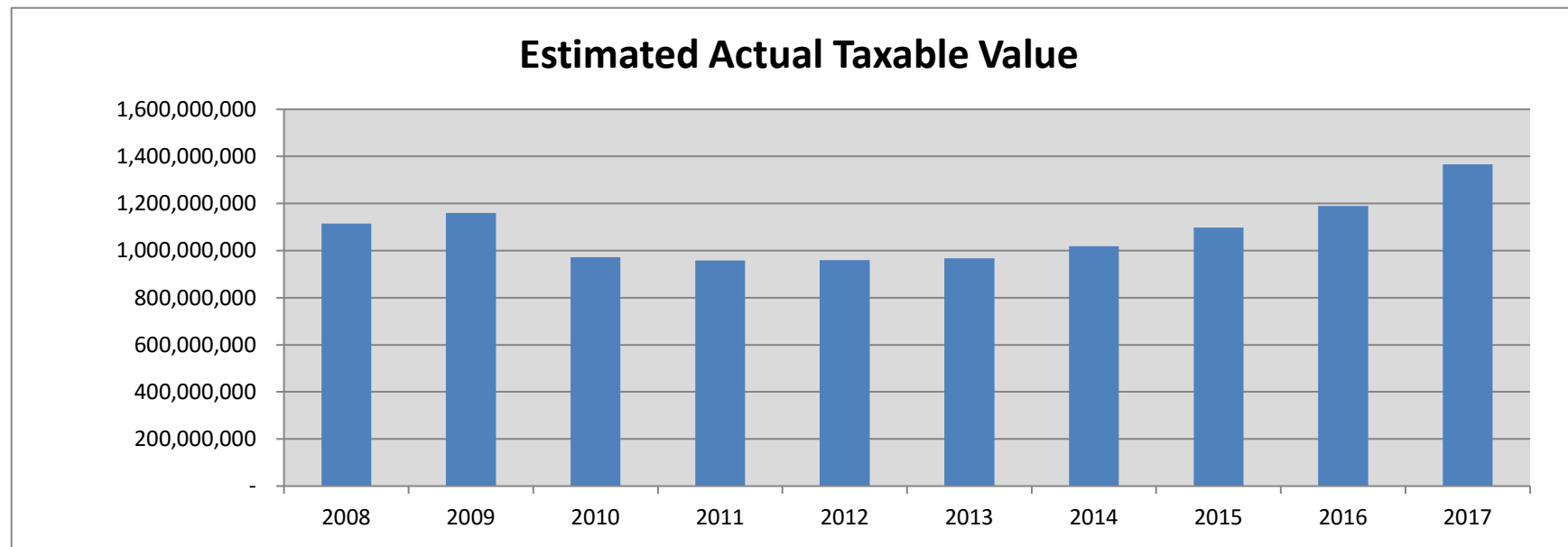
**City of Gardner, Kansas**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

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
2008	97,621,749	23,111,451	3,371,852	104,208	165,123	124,374,383	24.108	1,115,603,821	11.15%
2009	101,303,291	23,619,198	2,637,597	96,501	-	127,656,587	24.606	1,160,488,730	11.00%
2010	99,793,594	21,148,834	2,277,327	90,384	-	123,310,139	31.119	971,642,165	12.69%
2011	98,455,518	21,904,442	1,683,579	94,002	-	122,137,541	31.132	958,093,470	12.75%
2012	98,872,623	21,627,029	1,603,987	101,109	-	122,204,748	31.140	959,973,643	12.73%
2013	99,823,425	22,122,018	1,276,279	111,138	-	123,332,860	31.133	967,523,973	12.75%
2014	104,947,182	23,509,159	1,445,888	121,944	-	130,024,173	29.434	1,019,076,374	12.76%
2015	113,212,121	25,623,792	1,319,362	135,792	-	140,291,067	29.455	1,098,395,717	12.77%
2016	121,390,107	28,593,736	2,212,724	140,268	-	152,336,835	20.544 <sup>(a)</sup>	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%

**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.

<sup>(a)</sup> 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 <sup>(a)(b)</sup>	State of Kansas	Johnson County	Johnson County Library	Johnson County Parks and Recreation	Johnson County Community College	U.S.D. 231 (School District)	
2008	21.053	3.050	24.108	1.500	17.767	3.057	2.341	8.768	76.568	134.109
2009	21.551	3.055	24.606	1.500	17.716	3.151	2.346	8.784	78.539	136.642
2010	21.563	9.556	31.119	1.500	17.748	3.158	2.350	8.799	81.536	146.210
2011	23.107	8.025	31.132	1.500	17.700	3.145	2.343	8.776	82.595	147.191
2012	23.113	8.027	31.140	1.500	17.717	3.149	2.344	8.785	82.406	147.041
2013	23.108	8.025	31.133	1.500	17.745	3.155	2.347	9.551	79.170	144.601
2014	21.401	8.033	29.434	1.500	17.764	3.157	2.349	9.461	69.711	133.376
2015	19.415	10.040	29.455	1.500	19.582	3.912	3.101	9.469	69.185	136.204
2016	13.504	7.040	20.544	1.500	19.590	3.915	3.102	9.473	67.787	125.911
2017	11.977	8.563	20.540	1.500	19.318	3.921	3.112	9.503	66.981	124.875

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

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

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

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

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

2017					2008		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Taxpayer	Type of Business						
Wal-Mart	Retail	\$ 3,944,500	1	2.24%	\$ 2,121,750	1	1.56%
Moonlight Apartments L.L.C.	Real Estate	2,493,085	2	1.41%	1,097,870	6	0.81%
Horizon Trails, LLC	Real Estate	1,559,860	3	0.88%			
Martens Rentals, L.L.C.	Real Estate	1,270,361	4	0.72%	1,707,126	2	1.26%
C.L.S. Investment Company	Real Estate	1,230,605	5	0.70%	1,308,010	4	0.96%
Axiom-Aspen, LLC	Real Estate	1,071,685	6	0.61%			
Bristol Partner XVI, LLC	Real Estate	1,066,251	7	0.60%	1,106,751	5	0.82%
First Choice Properties, Inc	Real Estate	960,940	8	0.54%	896,080	8	0.66%
DJC Properties, L.L.C.	Real Estate	930,150	9	0.53%	1,069,509	7	0.79%
Axiom-Lincoln, LLC	Real Estate	894,011	10	0.51%			
Energy Center Industrial, LLC	Real Estate				1,500,001	3	1.10%
Moonlight Plaza, LLC	Shopping Mall				793,280	9	0.58%
Woodstone Apartments, L.P.	Real Estate				783,610	10	0.58%
Totals		\$ 15,421,448		8.74%	\$ 12,383,987		9.12%

**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, 2008 through December 31, 2017

Year Ended December 31 <sup>(1)</sup>	Adjusted Tax Levy	Current Year Collections		Collections in Subsequent Years	Total Tax Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	3,089,154	2,965,661	96.00%	121,175	3,086,836	99.92%
2009	3,206,980	3,077,032	95.95%	123,178	3,200,210	99.79%
2010	3,242,503	3,098,450	95.56%	133,233	3,231,683	99.67%
2011	4,079,977	3,924,028	96.18%	141,246	4,065,274	99.64%
2012	4,024,340	3,890,430	96.67%	122,071	4,012,501	99.71%
2013	4,026,981	3,968,415	98.55%	45,967	4,014,382	99.69%
2014	4,073,260	4,013,682	98.54%	41,152	4,054,834	99.55%
2015	4,063,552	3,997,901	98.38%	34,173	4,032,074	99.23%
2016	4,417,972	4,370,729	98.93%	13,713	4,384,442	99.24%
2017	3,357,821	3,319,439	98.86%	12,029	3,331,468	99.22%

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

For years ended December 31, 2008 through December 31, 2017

Year Ended December 31 <sup>(1)</sup>	Adjusted Tax Levy	Current Year Collections		Collections in Subsequent Years	Total Tax Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	249,500	249,500	100.00%	-	249,500	100.00%
2009	254,556	254,556	100.00%	-	254,556	100.00%
2010	214,715	214,715	100.00%	-	214,715	100.00%
2011	238,008	238,008	100.00%	-	238,008	100.00%
2012	264,743	264,743	100.00%	-	264,743	100.00%
2013	252,151	252,151	100.00%	-	252,151	100.00%
2014	252,950	252,950	100.00%	-	252,950	100.00%
2015	238,635	238,635	100.00%	-	238,635	100.00%
2016	136,471	136,471	100.00%	-	136,471	100.00%
2017	-	-	0.00%	-	-	0.00%

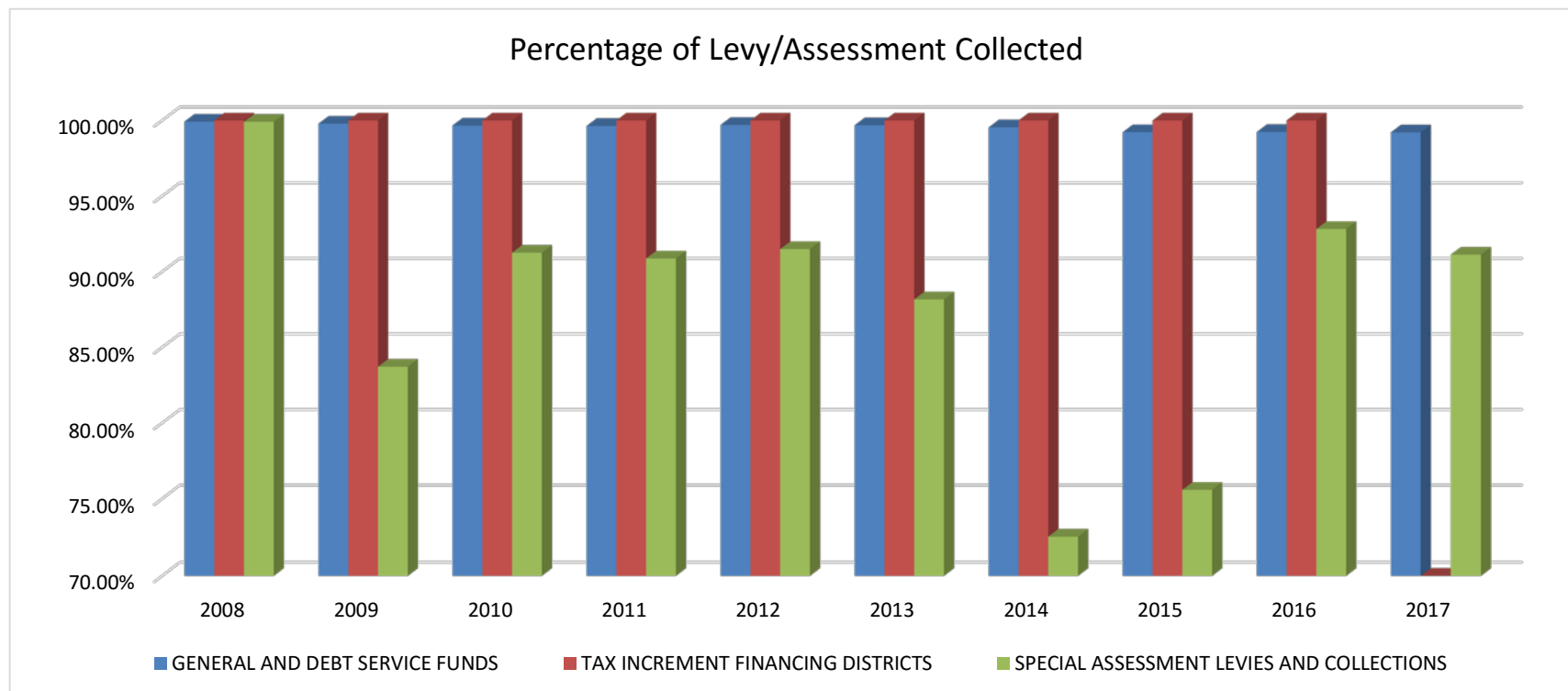
**SPECIAL ASSESSMENT LEVIES AND COLLECTIONS**

For years ended December 31, 2008 through December 31, 2017

Year Ended December 31 <sup>(1)</sup>	Assessments Certified to County	Current Year Collections		Collections in Subsequent Years	Total Assessment Collections	
		Amount	Percentage of Assessment		Amount	Percentage of Assessment
2008	298,800	224,279	75.06%	74,267	298,547	99.92%
2009	590,334	389,232	65.93%	104,988	494,220	83.72%
2010	1,075,608	826,909	76.88%	154,667	981,575	91.26%
2011	1,047,190	811,689	77.51%	139,985	951,675	90.88%
2012	1,105,492	904,363	81.81%	107,159	1,011,522	91.50%
2013	1,341,397	1,068,469	79.65%	114,246	1,182,715	88.17%
2014	1,306,910	857,846	65.64%	90,229	948,075	72.54%
2015	1,389,393	1,028,131	74.00%	21,991	1,050,122	75.58%
2016	1,388,634	1,288,438	92.78%	576	1,289,014	92.83%
2017	1,344,450	1,225,138	91.13%	47	1,225,185	91.13%

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

**Source:** Johnson County Treasurer's Office

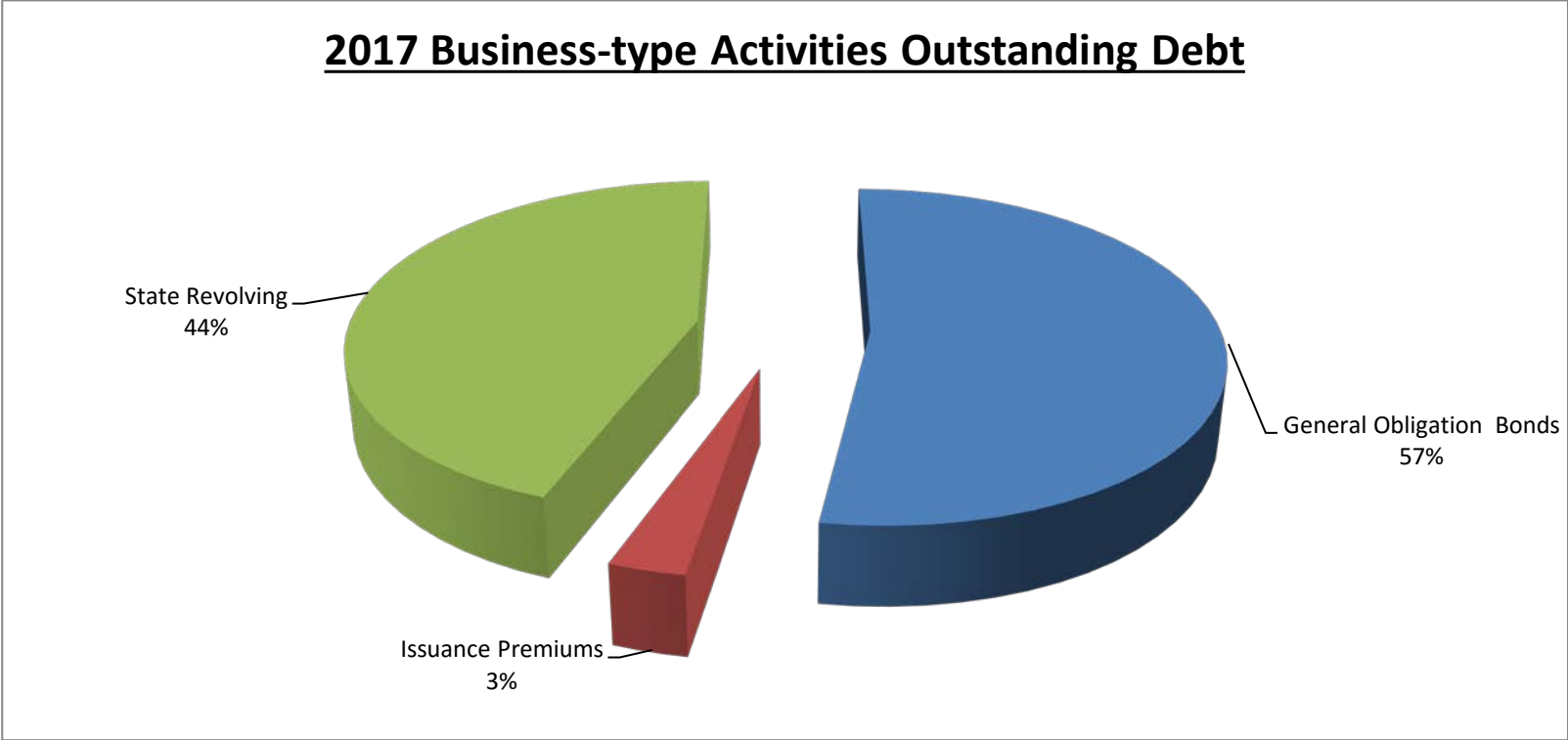
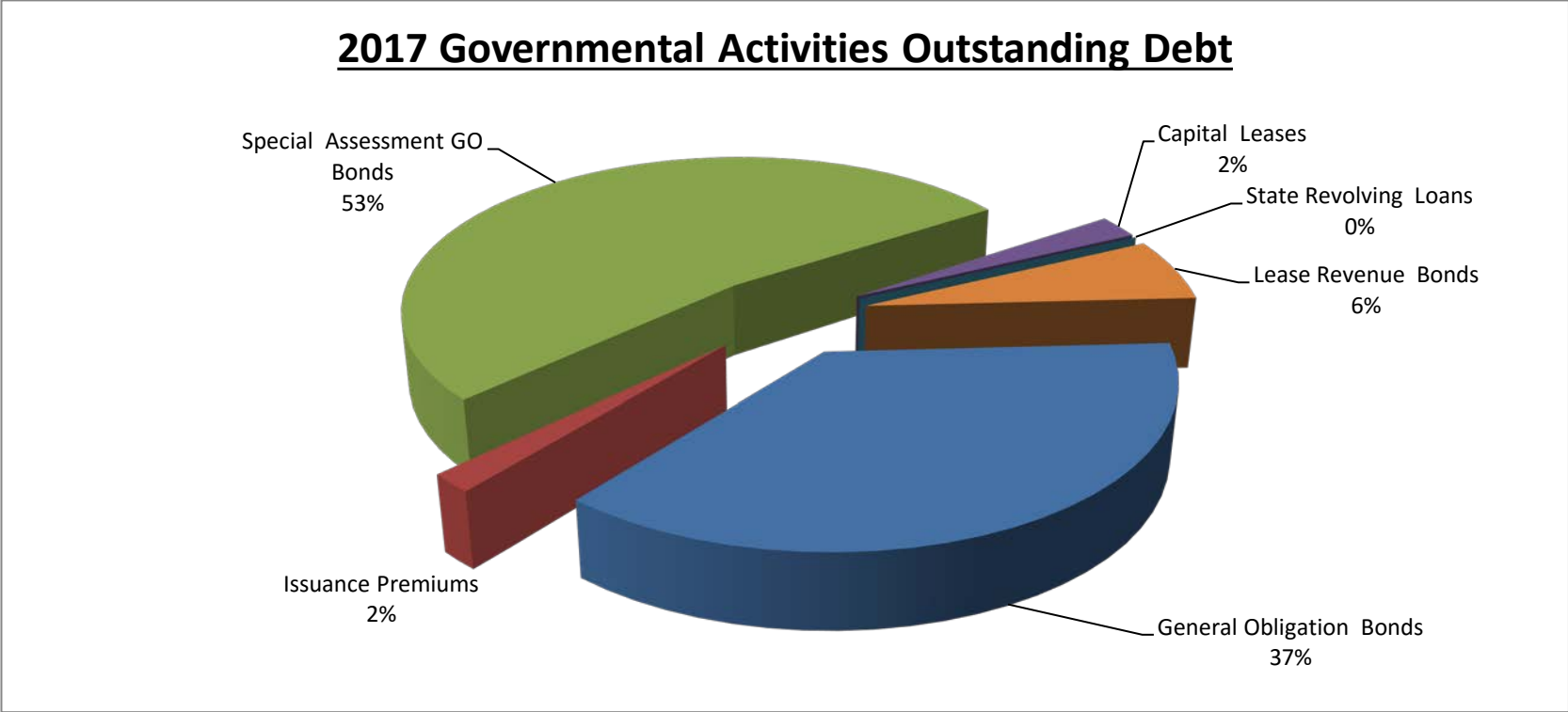


City of Gardner, Kansas  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Government Activities								Business-type Activities					Total Primary Government	Percentage of Personal Income <sup>(a)</sup>	Per Capita <sup>(a)</sup>
	General Obligation Bonds	Issuance Premiums	Special Assessment GO Bonds	Certificates of Participation	Bond Anticipation Notes	Capital Leases	State Revolving Loans	Lease Revenue Bonds	General Obligation Bonds	Issuance Premiums	Bond Anticipation Notes	Capital Leases	State Revolving Loans			
2008	10,483,950	36,180	5,255,000	6,140,000	11,715,000	911,755	1,799,761	3,660,000	23,891,050	124,403	-	135,533	25,433,886	89,586,518	12.37%	4,951
<sup>(b)</sup> 2009	9,377,200	31,657	10,307,972	5,665,000	5,515,000	830,353	4,065,034	3,545,000	23,524,828	111,962	-	92,781	24,183,410	87,250,197	11.84%	4,691
<sup>(c)</sup> 2010	9,626,450	51,387	9,605,000	5,045,000	5,180,000	-	5,082,322	3,410,000	20,728,550	99,521	-	47,647	22,832,614	81,708,491	15.63%	4,273
2011	8,444,150	45,637	10,215,000	4,235,000	3,960,000	-	4,876,446	3,250,000	17,735,850	87,082	-	-	21,509,041	74,358,206	14.76%	3,714
2012	7,049,550	39,887	13,425,000	3,480,000	4,915,000	-	4,581,094	3,105,000	25,850,450	1,145,828	-	-	11,780,890	75,372,699	14.34%	3,643
2013	6,153,300	147,910	12,385,000	2,670,000	4,915,000	77,489	4,515,624	2,880,000	21,181,700	1,146,323	1,330,000	-	16,155,452	73,557,798	13.52%	3,593
2014	8,816,334	359,318	15,035,000	1,670,000	-	59,064	477,884	2,620,000	18,113,666	1,032,792	-	-	16,679,528	64,863,586	11.89%	3,139
2015	9,310,684	332,742	12,215,000	475,000	-	226,113	244,290	2,330,000	18,049,316	1,108,699	-	-	11,590,158	55,882,002	9.68%	2,678
2016	9,216,264	345,252	12,805,000	-	-	792,116	67,609	2,015,000	15,398,736	859,776	-	-	10,890,162	52,389,915	8.12%	2,482
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

**Notes:** <sup>(a)</sup> See the Demographic and Economic Statistics schedule in this section for personal income and population data.  
<sup>(b)</sup> In 2009, the City issued Special Assessment bonds in the amount of \$5,437,972 to finance the completion of University Park and Kill Creek Waterline Benefit Districts.  
<sup>(c)</sup> In 2010, the Cities fire services moved to Johnson County Fire District No 1. The County purchased a fire pumper the City was leasing.

Source: City of Gardner Finance Department



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

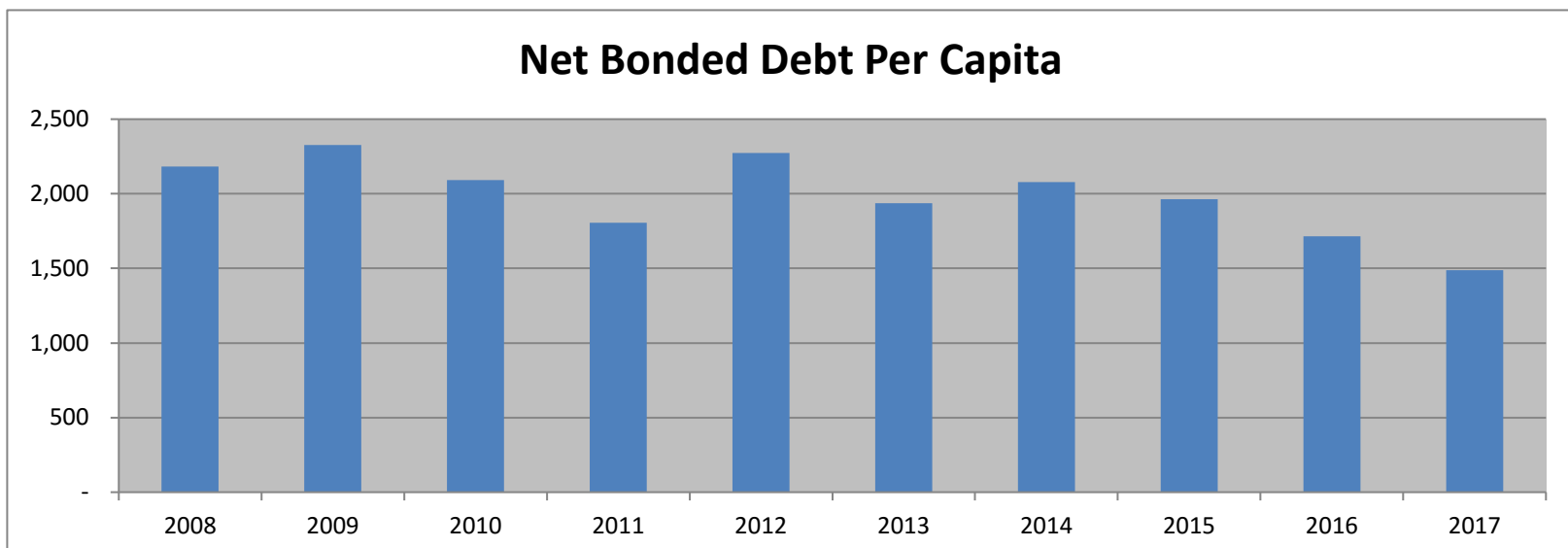
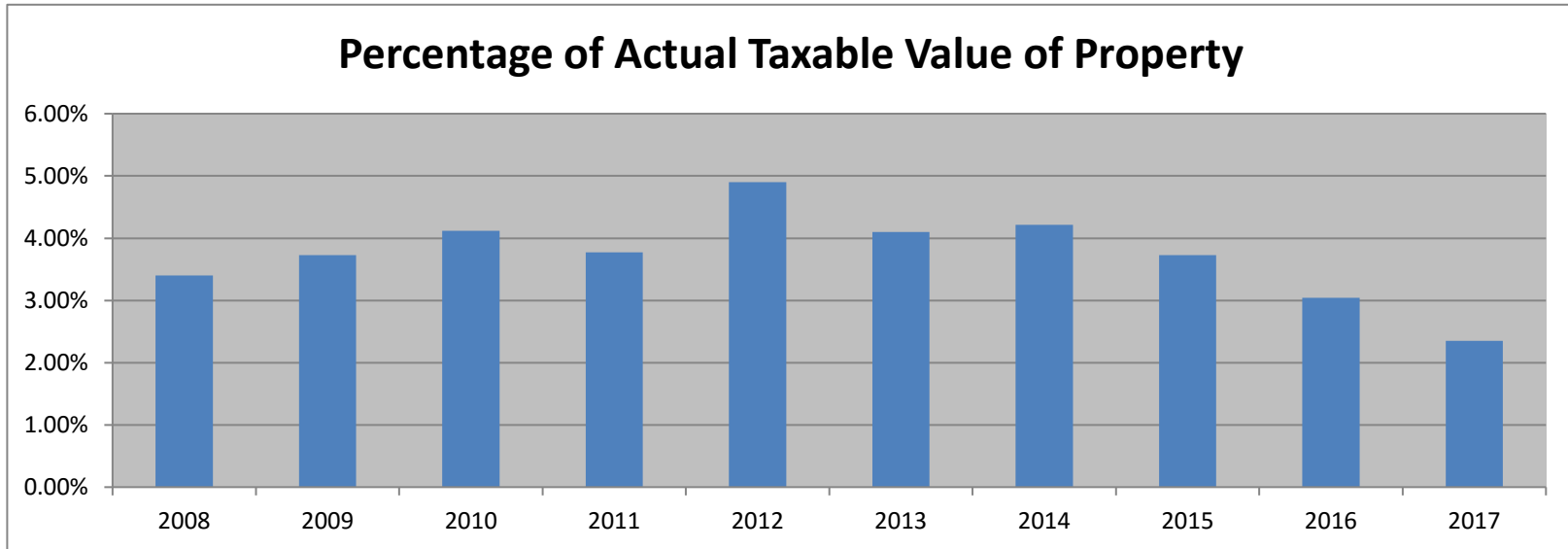
Fiscal Year	General Obligation Bonds	Issuance Premiums	Special Assessment GO Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value <sup>(a)</sup> of Property	Per Capita <sup>(b)</sup>
2008	34,375,000	160,583	5,255,000	310,091	39,480,492	3.40%	2,182
2009	32,902,028	143,619	10,307,972	78,023	43,275,596	3.73%	2,327
2010	30,355,000	150,908	9,605,000	105,384	40,005,524	4.12%	2,092
2011	26,180,000	132,719	10,215,000	373,870	36,153,849	3.77%	1,806
2012	32,900,000	1,185,715	13,425,000	493,029	47,017,686	4.90%	2,273
2013	27,335,000	1,294,233	12,385,000	1,351,864	39,662,369	4.10%	1,937
2014	26,930,000	1,392,110	15,035,000	425,504	42,931,606	4.21%	2,077
2015	27,360,000	1,441,441	12,215,000	55,734	40,960,707	3.73%	1,963
2016	24,615,000	1,205,028	12,805,000	2,427,189	36,197,839	3.04%	1,715
2017	22,017,500	1,192,472	14,012,500	5,117,019	32,105,453	2.35%	1,488

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

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

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

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



**City of Gardner, Kansas**  
**Direct and Overlapping Governmental Activities Debt**  
**As of December 31, 2017**

<b><u>Governmental Unit</u></b>	<b><u>Debt Outstanding</u></b>	<b><u>Estimated Percentage Applicable <sup>(a)</sup></u></b>	<b><u>Estimated Share of Direct and Overlapping Debt</u></b>
<b>GO Debt repaid with property taxes</b>			
Unified School District No. 231	\$ 146,205,000	59.30%	\$ 86,706,688
Johnson County	5,590,167	1.77%	98,724
Johnson County Community College	58,850,000	1.77%	1,039,304
Johnson County Park and Recreation	35,950,000	1.77%	634,885
 <b>Other</b>			
Johnson County: Public Building Commission	274,945,000	1.77%	<u>4,855,591</u>
Subtotal, overlapping debt			93,335,192
<b>City Direct Debt</b>			<u>25,241,241</u>
<b>Total direct and overlapping debt</b>			<u><b>\$ 118,576,433</b></u>

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

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

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

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

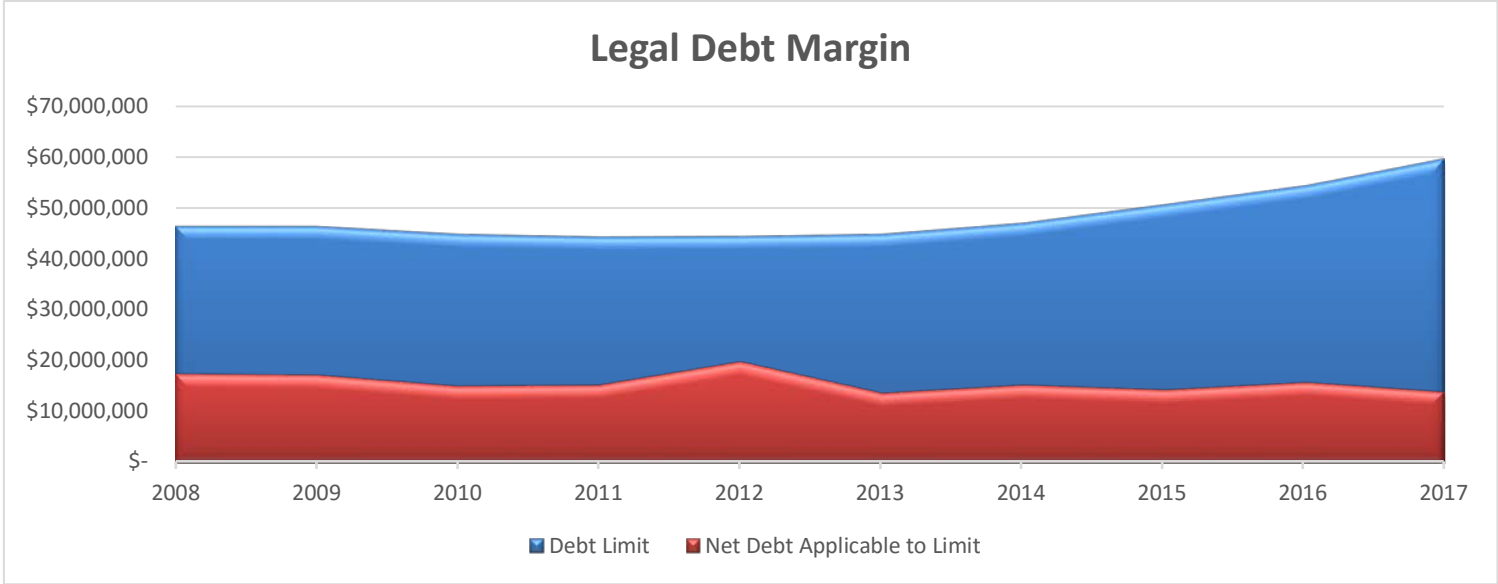
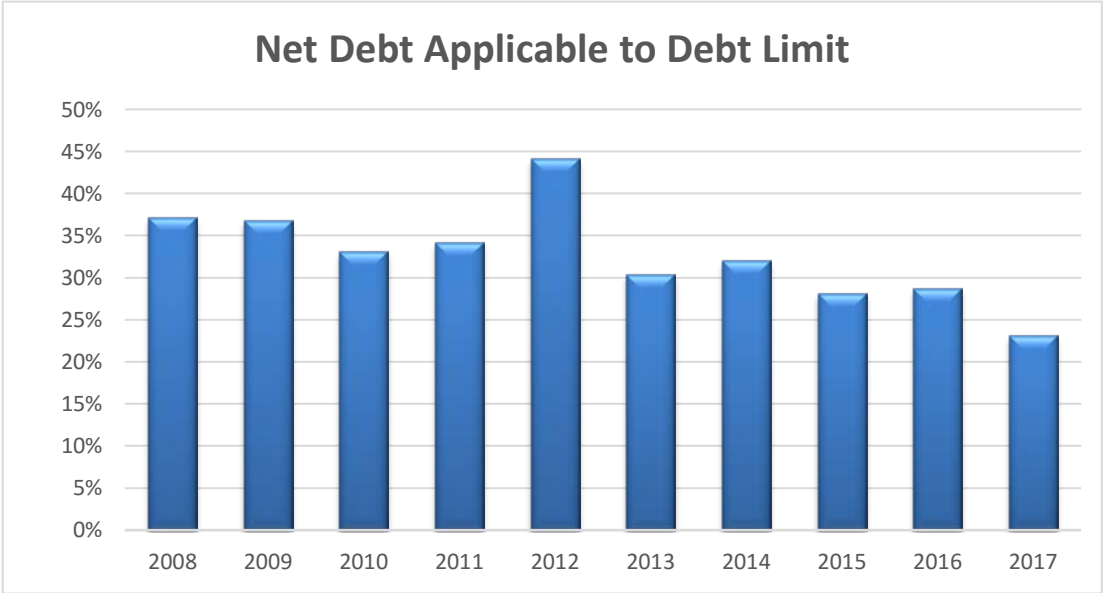
City of Gardner, Kansas  
Legal Debt Margin Information  
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 46,494,676	\$ 46,444,391	\$ 44,909,263	\$ 44,334,725	\$ 44,524,646	\$ 44,867,292	\$ 47,105,324	\$ 50,654,924	\$ 54,443,006	\$ 59,663,274
Total net debt applicable to limit	17,272,700	17,092,536	14,841,700	15,147,850	19,631,650	13,584,740	15,085,450	14,197,925	15,602,174	13,783,024
Legal debt margin	\$ 29,221,976	\$ 29,351,855	\$ 30,067,563	\$ 29,186,875	\$ 24,892,996	\$ 31,282,552	\$ 32,019,874	\$ 36,456,999	\$ 38,840,832	\$ 45,880,250
Total net debt applicable to the limit as a percentage of debt limit	37.15%	36.80%	33.05%	34.17%	44.09%	30.28%	32.02%	28.03%	28.66%	23.10%

Legal Debt Margin Calculation for Fiscal Year 2017	
Assessed value <sup>(a)</sup>	\$ 198,877,580
Debt limit (30% of assessed value) <sup>(b)</sup>	59,663,274
Debt applicable to limit:	
G.O. Bonds and Temporary Notes Outstanding	36,030,000
Less: Amount set aside for utilities, refunding, and revenue-supported bonds	(22,246,976)
Total net debt applicable to limit	13,783,024
Legal debt margin	\$ 45,880,250

**Notes:** <sup>(a)</sup> Assessed value includes property tax collected for motor vehicles.  
<sup>(b)</sup> The City is subject to Kansas statutes which limit the amount of net bonded debt (exclusive of revenue, utility, and refunding bonds) the City may have outstanding to 30% of the current assessed valuation of property.

Source: City of Gardner Finance Department





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

<b>Calendar Year</b>	<b>Population <sup>(1)</sup></b>	<b>Personal Income</b>	<b>Per Capita Personal Income <sup>(4)</sup></b>	<b>Median Age <sup>(4)</sup></b>	<b>School Enrollment <sup>(3)</sup></b>	<b>Unemployment Rate <sup>(2)</sup></b>
2008	18,096	724,002,864	40,009	31.6	4,491	4.3%
2009	18,600	736,727,400	39,609	31.6	4,721	6.6%
2010	19,195	524,733,715	27,337	30.0	4,977	6.5%
2011	19,944	501,791,040	25,160	30.0	5,229	5.4%
2012	20,267	515,004,737	25,411	30.4	5,411	4.5%
2013	20,473	543,988,083	26,571	30.7	5,452	3.8%
2014	20,667	545,629,467	26,401	31.8	5,647	3.1%
2015	20,868	577,104,540	27,655	31.9	5,858	2.9%
2016	21,110	639,907,430	30,313	31.9	6,041	3.1%
2017	21,583	790,952,201	36,647	32.3	6,116	2.9%

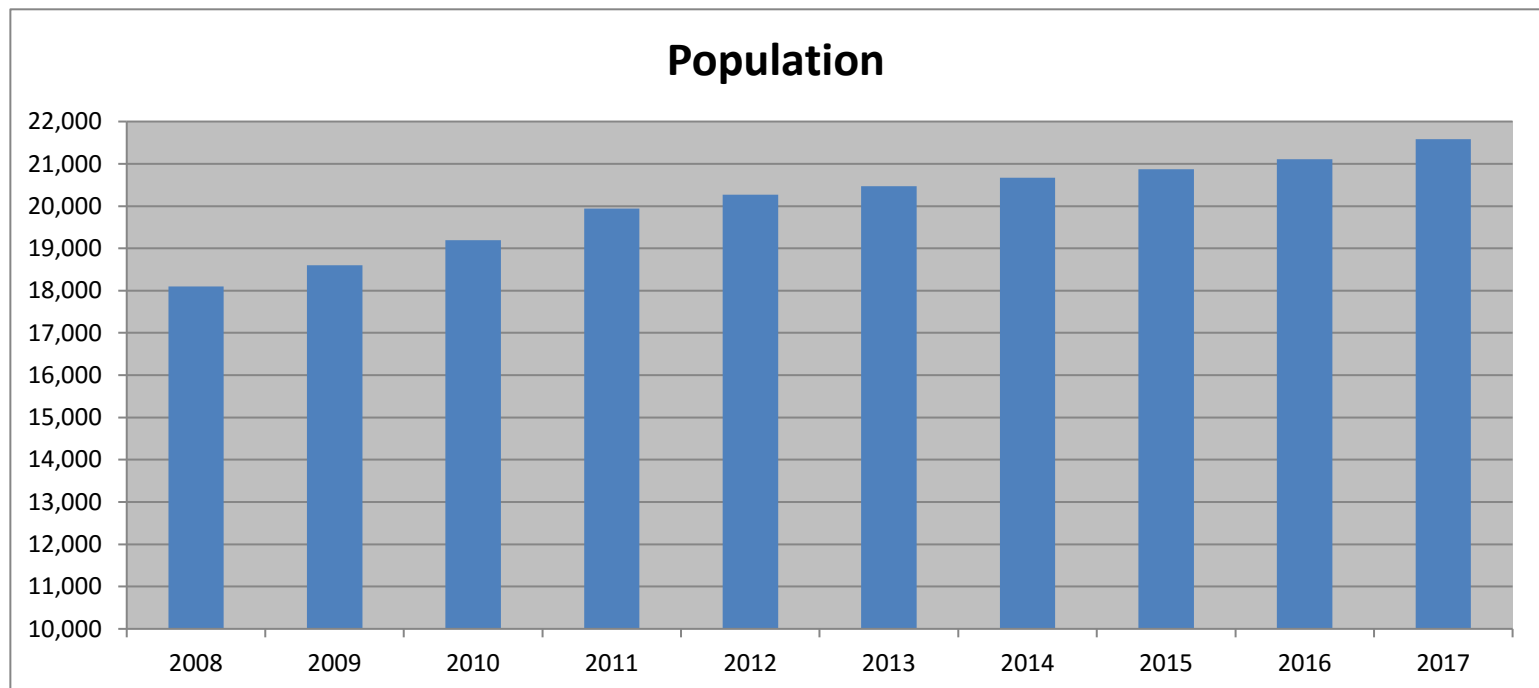
**Sources:** City of Gardner Finance Department and

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

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

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

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



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

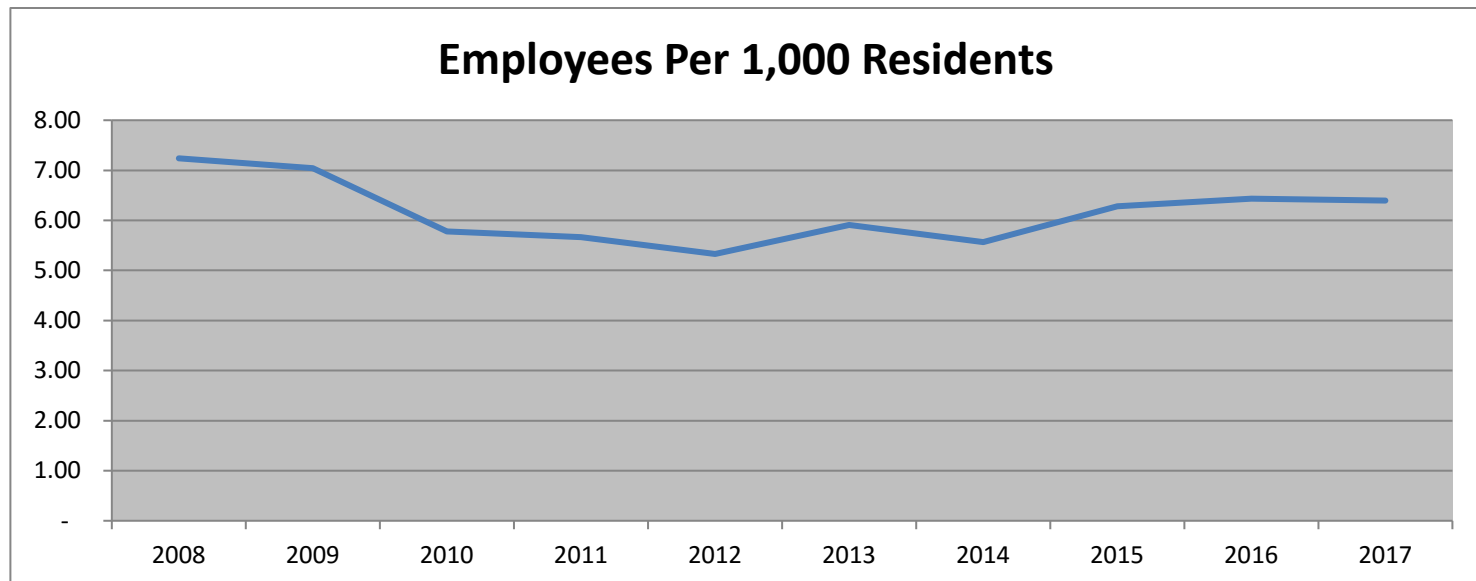
<b>Employer</b>	<b>2017</b>			<b>2008</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Unified School District No. 231	960	1	5.57%	760	1	9.24%
Epic Landscape Productions	298	2	1.73%			
Walmart	265	3	1.54%	170	2	2.07%
Meadowbrook Rehabilitation Hospital	174	4	1.01%	107	6	1.30%
City of Gardner	139	5	0.81%	131	3	1.59%
Price Chopper	130	6	0.75%	115	4	1.40%
TradeNet Publishing	130	6	0.75%	114	5	1.39%
Coleman	90	7	0.52%			
D.O.T. Label, Inc. (ITW)	87	8	0.50%	34	9	0.41%
Medical Lodge of Gardner	83	9	0.48%	102	7	1.24%
Cramer Products, Inc.	35	10	0.20%	50	8	0.61%
Central Bank (Metcalf Bank)	30	11	0.17%	30	10	0.36%
<b>Total</b>	<b>2,421</b>		<b>14.05%</b>	<b>1,613</b>		<b>19.61%</b>

**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**

<b>Function</b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>
General government										
Administration	3	3	3	3	2	6	5	5	5	5
Human Resources/City Clerk	3	3	3	3	3	2	2	4	4	4
Information Systems	1	1	1	1	1	1	1	3	3	3
Finance										
Fiscal Services	4	4	4	4	4	5	5	7	7	7
Court	2	2	2	2	1	2	2	2	2	2
Utilities	8	8	8	8	8	8	8	9	9	9
Planning	4	4	1	1	1	3	3	5	5	5
Codes	5	5	2	2	1	3	3	3	2	2
Police										
Administration	6	6	5	5	4	5	3	5	6	7
Operations	33	33	23	22	22	23	24	28	28	27
Animal Control	1	1	1	1	1	1	1	1	1	1
Public Works										
Administration	4	4	5	5	5	4	2	2	2	2
Fleet	1	1	1	1	1	1	1	1	1	1
Engineering	4	4	4	4	4	4	4	5	5	5
Building Services	1	1	1	1	1	1	1	1	1	1
Streets & Line Maintenance	8	8	12	11	12	15	17	12	15	15
Electric	9	10	13	16	18	16	10	14	16	18
Water	10	10	5	5	4	5	6	6	6	6
Wastewater	10	9	5	5	5	5	6	6	6	6
Culture and Recreation										
Recreation Services	6	6	5	5	5	5	5	6	7	6
Park Maintenance	8	8	7	8	5	6	6	6	6	6
<b>Total</b>	<b><u>131</u></b>	<b><u>131</u></b>	<b><u>111</u></b>	<b><u>113</u></b>	<b><u>108</u></b>	<b><u>121</u></b>	<b><u>115</u></b>	<b><u>131</u></b>	<b><u>137</u></b>	<b><u>138</u></b>

**Source:** City of Gardner Human Resources Department



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

<b>Function</b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b> <sup>(a)</sup>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b> <sup>(b)</sup>
General government <sup>(1)</sup>										
Building permits issued	524	511	503	570	578	534	607	594	744	852
Building inspections conducted	3,597	2,602	2,205	1,521	1,560	1,916	2,760	2,723	3,046	4,118
Police Department <sup>(2)</sup>										
Violations	3,763	2,459	2,087	3,732	2,908	3,251	3,056	3,426	4,252	4,389
Fire responses	430	432	331	113	343	415	235	186	188	227
Medical responses	901	980	825	622	1,052	1,114	904	1,048	1,001	1,064
Public Works <sup>(3)</sup>										
Street resurfacing (shown in linear feet)	5,280	3,370	1,100	13,610	270	3,453	2,420	-	29,276	100,320
Curb replacement (shown in linear feet)	-	1,165	-	315	260	2,575	1,945	648	16,310	10,441
Electric <sup>(4)</sup>										
Average daily consumption (in kWh)	322,695	319,408	364,150	354,075	360,000	357,700	370,924	371,929	386,687	373,025
Electric meters installed	90	95	129	94	53	85	93	66	112	80
Water <sup>(4)</sup>										
Average daily consumption (in thousands)	1,604	1,296	1,362	1,659	1,920	1,678	1,896	1,746	1,696	1,765
Water meters installed	90	85	88	94	53	85	93	66	178	107
Wastewater <sup>(4)</sup>										
Average daily sewage treatment (in thousands)	1,614	2,103	2,060	2,147	1,184	1,280	1,083	1,277	1,295	1,619
Culture and Recreation <sup>(5)</sup>										
Athletic Program Participants	2,428	2,984	4,462	5,133	5,205	4,838	4,894	5,085	4,758	4,691
Aquatic Admissions	103,206	97,984	89,163	78,102	84,313	64,636	66,179	65,301	71,627	64,403
Airport <sup>(6)</sup>										
Hangers	-	-	-	-	-	-	-	-	-	94
Aviation Fuel 100LL purchased (gallons)	-	-	-	-	-	-	-	-	-	18,500

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

**Note:** <sup>(b)</sup> In 2017, the City of Gardner acquired the Airport as a Department of the City.

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

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

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

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

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

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

<sup>(6)</sup> City of Gardner Public Works

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

<b>Function</b>	<b><u>2008<sup>(b)</sup></u></b>	<b><u>2009</u></b>	<b><u>2010<sup>(a)</sup></u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017<sup>(d)</sup></u></b>
Police <sup>(1)</sup>										
Stations	2	2	1	1	1	1	1	1	1	1
Patrol/AC Units	14	14	13	16	16	16	16	16	19	20
Fire Fleet	8	8	-	-	-	-	-	-	-	-
Public Works <sup>(2)</sup>										
Streets (lane miles) <sup>(c)</sup>	91.93	93.53	99.33	108.7	108.7	109.61	109.61	191.00	192.00	192.60
Streetlights	1,134	1,139	1,139	1,214	1,214	1,264	1,264	1,750	1,750	1,750
Electric <sup>(3)</sup>										
Generators	2	2	2	2	2	2	2	2	2	2
Substations	3	3	3	3	3	3	3	3	3	3
Overhead lines (miles)	46	49.5	49.75	51.5	56.5	58.8	58.8	58.4	45.0	44.5
Underground lines (miles)	51	52.5	52.5	53.5	55.2	55.8	56.3	56.8	97.0	97.8
Water <sup>(3)</sup>										
Water mains (miles)	104.35	105.52	106.01	106.24	106.24	107.61	107.61	134.00	135.00	136.00
Treatment Plants	1	1	1	1	1	1	1	1	1	1
Wastewater <sup>(3)</sup>										
Sanitary sewers (miles)	122.66	122.6	123.35	123.35	124.83	125.97	125.97	109.00	109.00	130.50
Storm sewers (miles)	41.16	42.59	42.64	42.64	42.64	43.92	43.92	45.00	45.00	45.00
Treatment Plants	3	3	3	3	3	3	3	3	3	3
Culture and Recreation <sup>(4)</sup>										
Acreage	330.58	332.24	332.24	339.95	339.95	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 <sup>(5)</sup>										
Asphalt Runway (feet)	-	-	-	-	-	-	-	-	-	2,960
Turf Runways (feet)	-	-	-	-	-	-	-	-	-	5,394

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

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

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

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

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

<sup>(5)</sup> 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.

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

(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

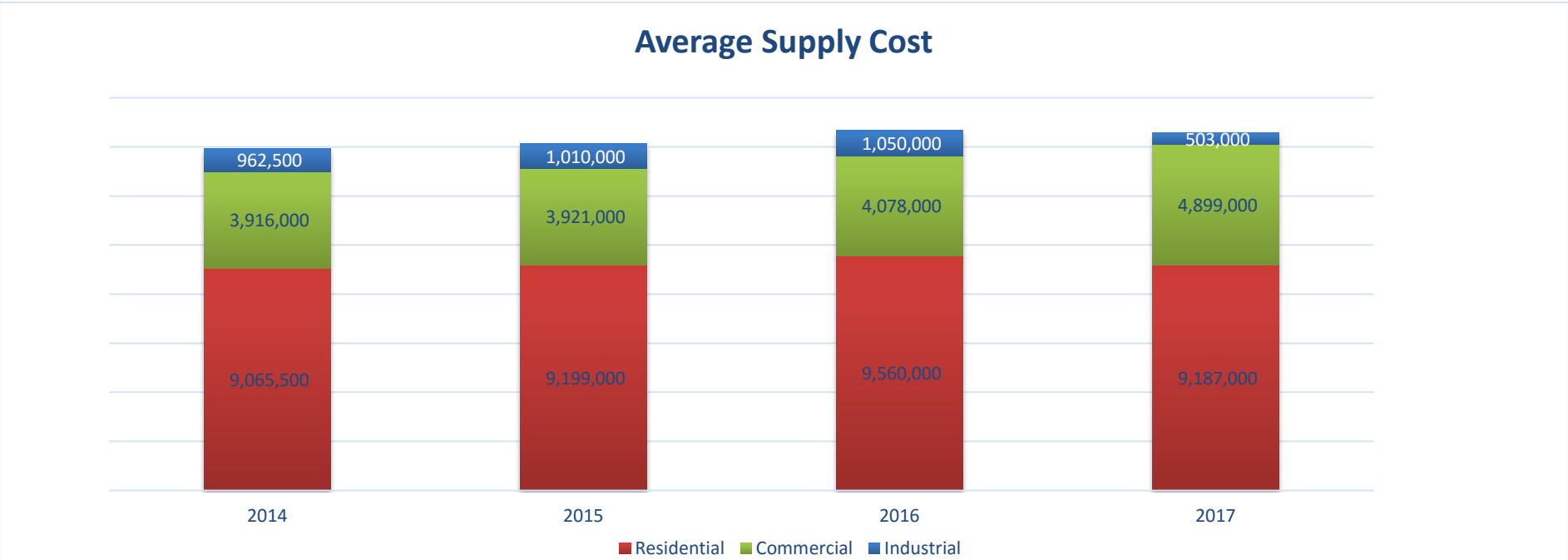
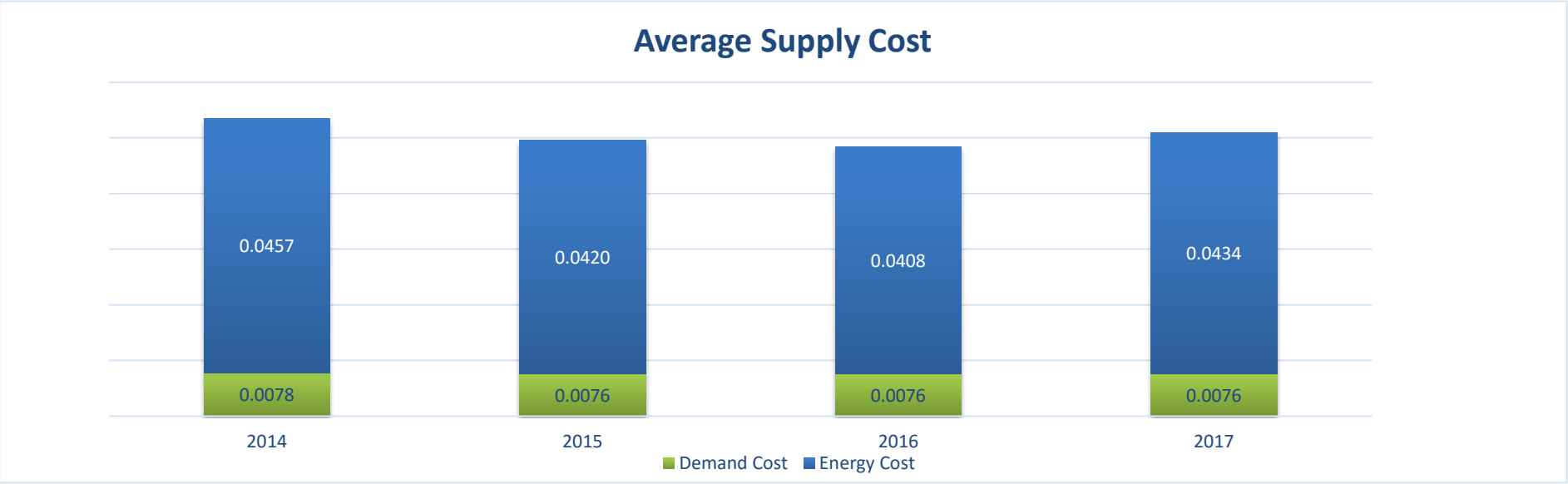
Electric Average Power Supply Cost Analysis per KWh and Customer Revenues

Last Four 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

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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2017, 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 8, 2018.

### **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 8, 2018  
Wichita, Kansas