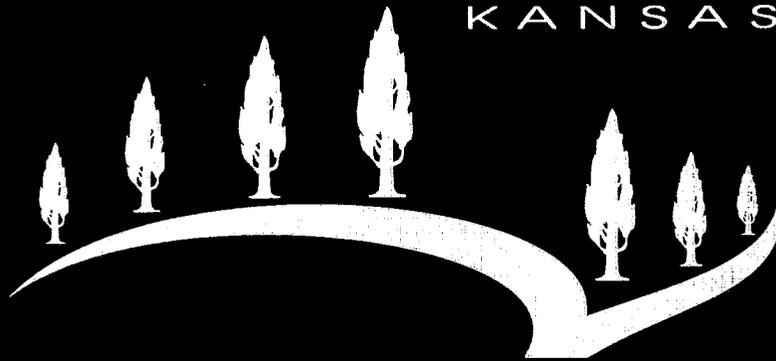


CITY OF  
**GARDNER**  
KANSAS



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the fiscal year ended  
December 31, 2009**

CITY OF GARDNER, KANSAS

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COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

Prepared by:

Finance Department  
City of Gardner, Kansas

CITY OF GARDNER, KANSAS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

Year Ended December 31, 2009

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CITY OF GARDNER, KANSAS

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CITY OF GARDNER, KANSAS

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CITY OF GARDNER, KANSAS

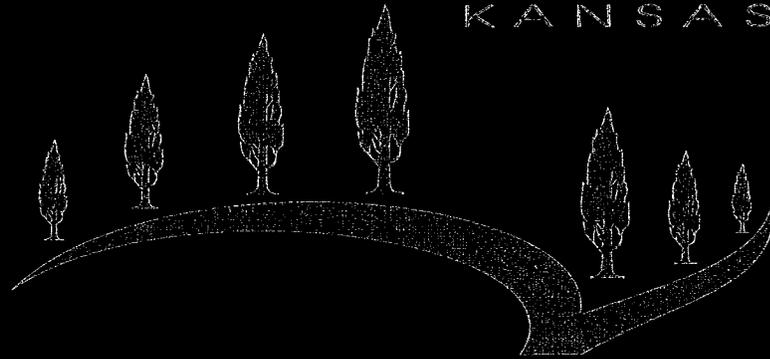
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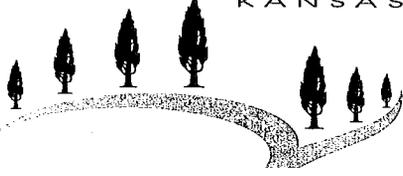
CITY OF  
**GARDNER**  
KANSAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended  
December 31, 2009

INTRODUCTORY SECTION



FINANCE  
June 23, 2010

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

The Comprehensive Annual Financial Report (CAFR) of the City of Gardner (the City) for the fiscal year ended December 31, 2009 is hereby submitted. This is the sixth year that the City has prepared a CAFR, and staff has submitted this CAFR for a Certificate of Achievement for Excellence in Financial Reporting with the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that conforms to program standards. The CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for one year only. We believe this report conforms to the Certificate of Achievement program requirements.

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

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

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

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

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

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

### **Profile of the Government**

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

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

The City provides a full range of services including police and fire protection through its combined Public Safety Department, and ambulance services through Johnson County Med-Act. The City also provides municipal electric, water, and wastewater services, street maintenance, and engineering through its Public Works department. Other City of Gardner services include: planning, zoning, and codes enforcement, comprehensive parks and recreational activities and facilities, and general administrative services.

The Governmental Accounting Standards Board has established the criteria to determine the financial reporting entity for a municipal government's financial report. This criterion is used to examine the relationship of the City to other associated but legally separate entities to determine if their inclusion in this report would be necessary to fairly present the financial position of the City. This criterion generally has to do with the financial benefit or burden and levels of influence over the activities of these associated, but legally separate, entities.

Using said criterion, it was determined that the City has both a blended component unit and a discretely presented component unit. The blended component unit - the Public Building Commission (PBC) - although a legally separate entity, is, in substance, part of the City's operations. The discretely presented component unit is the Airport Association, which operates the municipal airport.

## *Economic Condition and Outlook*

In the past decade, Gardner has been recognized as having the highest percentage of growth among Kansas communities with a population greater than 10,000. With its location on Interstate 35, and on a major rail transit route, and adjacent to New Century AirCenter, a premier multi-modal business park, the City benefits from a unique combination of interstate, air and rail infrastructure.

In 2009, the City Council voted to rescind the previous year's contractual agreements for a planned intermodal distribution facility and subsequently deannexed the associated 1,113 acres out of the corporate limits. Currently, Gardner is approximately 10.18 square miles in size. The City installed 1.6 miles of new streets, 1.4 miles of new storm sewer, 1.17 miles of water lines, 3.5 miles of new overhead electric distribution and transmission lines, 1.5 miles of new underground electric lines, and 5 new street lights.

Although Gardner was not immune to the national downturn in new home construction, the City still posted modest numbers in building permits. There were fifteen subdivisions with housing construction activity. The number of building permits for single-family home construction decreased from 79 in 2008 to 56 in 2009, but multi-family unit construction increased from 10 in 2008 to 28 in 2009.

The City welcomed an estimated 504 new residents to the community or about 1.3 new neighbors a day on average. There are approximately 18,600 people who now call Gardner home. This is a 26% increase from just five years ago, where the number of Gardner citizens was about 14,776.

Although residential growth continued to decline in 2009, the City received a very significant boost in commercial growth as the nationally recognized manufacturer of outdoor recreation gear, Coleman, relocated to Gardner in its newly constructed 1.1 million square-foot distribution center. Coleman's new facility is located in Midwest Commerce Center, Gardner's new 151 acre industrial park. Coleman is the area's largest industrial project and represents the first of the anticipated large warehouse/industrial facilities that are expected to locate near the future 1,000 acre, \$715 million KC Logistics Hub and BNSF intermodal facility on Gardner's western corporate limits. The Coleman facility brings with it about 200 jobs and \$50 million in capital investment. Although the City agreed to grant Coleman a 50% tax abatement for 10 years, the City's share of property tax revenues is still expected to be approximately \$150,000 per year, which is the equivalent of tax revenue generated by 325 single family homes.

Even with the slowing growth caused by the economic downturn, the City's assessed valuation has increased 69% in the last five years alone. Although much of the region expects a decrease in assessed valuation due to falling residential and commercial property sale prices, the City expects its assessed valuation to remain stable as the value of the Coleman facility offsets the expected 3-4% property value decline from reevaluation. Wealth levels and housing values exceed state averages, and Johnson County's 2009 unemployment rate at 5.8% was slightly below the state's unemployment rate of 6.2%.

Although the City's financial decline reflected the regional and national economic downturn, the City exhibited proactive and prudent management practices to mitigate the impact of revenue shortfalls caused by simultaneously declining building permits and declining property and sales tax. City management recognized the beginning of the downturn in 2007, and responded by delaying several capital projects and large, one-time purchases. In 2008, the City took further steps by reducing pay increases for employees and freezing 8 vacant positions, representing 6% of the workforce. In 2008, the City also used \$1,000,000 in reserves that had been deliberately built up over the several years of rapid growth.

The City expanded these sound management practices in 2009 by forming employee committees to brainstorm cost-saving solutions. The committees were very successful and presented savings of over \$400,000 for consideration. Among the successes were renegotiated contracts – including a 50% savings for the City's cell phones – and the refinancing and restructuring of some of the City's debt, and the use of flex time instead of overtime. The City also implemented a wage freeze, reduced the level of health insurance benefits, and eliminated some of the aforementioned vacant positions.

The City Council also exhibited proactive measures to mitigate the revenue shortfall. A Council budget subcommittee of Council President Dave Drovetta and Councilmember John Shepherd reviewed the entire City budget line item by line item. The combined result of the efforts of everyone was that 2009 General Fund expenditures were 8% less than 2008 expenditures.

The City also experienced significant leadership changes in 2009. The City Council created an Electric Utility Board (EUB) to manage the City's electric utility. Board members are responsible for overseeing and guiding the electric utility, setting electric rates, managing power purchase agreements with other power suppliers, approving an annual budget, and strategic planning. The Board has jurisdiction, control, and policy making responsibility for all operations and facilities of the electric utility.

Additionally, Carol Lehman, Gardner's mayor of the last twenty years, retired in 2009, and the citizens subsequently elected their first new mayor since 1989. Council President David Drovetta was elected to his new position as mayor following the April elections. Although former Mayor Lehman successfully led Gardner through rapidly changing times, especially during the last decade as the city's population more than doubled, Mayor Drovetta brings 14 years of City Council experience to his new position.

All of these factors combined with quality schools, affordable housing, sound management and governing body leadership, and a strong community spirit point to a continued positive outlook even in times of economic turbulence.

### *2009 Major Initiatives*

Following the 2008 extension of Lincoln Lane west of Moonlight Road to allow additional access to the Moonlight Plaza shopping center during construction, the long-awaited Moonlight Road construction began in 2009. The project is estimated at \$13.6 million with the city share at \$7.3 million, and the remainder made up of county, state, and federal funding. The project will widen approximately a mile-long section of Moonlight Road from two lanes to four lanes from 167<sup>th</sup> Street to Warren including associated storm sewer improvements, a 10-foot wide pedestrian/bike trail, street lighting, landscaping and also includes major improvements to the City's largest intersection at Moonlight and US Highway 56. In conjunction with the project, the City constructed 1,150 feet of new road south of the Moonlight and US-56 intersection to enable the realignment of Santa Fe Road further to the south of US-56. The existing intersection of Santa Fe Road and Moonlight was permanently closed for safety concerns due to its proximity to the railroad crossing and the Moonlight/US-56 intersection. An added benefit of realigning Santa Fe Road farther to the south is it will ease traffic congestion at the Moonlight and US 56 Highway intersection.

The downtown water storage tank was upgraded and automatic controls were installed on the above ground tank to prevent troublesome overflows. The pumps were also reoriented to push water to the northeast area of town to increase water pressure.

A new half-mile of 12" water main was constructed to replace an existing, leaking, 50-year old 6" main from Center Street to Poplar.

A new three-phase power line was constructed by Gardner electric crews along 175<sup>th</sup> Street from Waverly to the west end of the St. John's Trace subdivision. This new feeder extension will help reduce load from the underground line that currently feeds Double Gate, Prairie Brooke, and St. John's Trace subdivisions and will provide additional capacity for future development.

The City performed traffic modeling and completed a Transportation Master Plan update to prioritize both short-term and long-term needed street improvements and provide cost estimates for each. This should please Gardner's citizens as many of them identified traffic congestion as the most-needed improvement in city services during the 2009 Citizens Survey. The City also completed updates to both the Stormwater Master Plan and the Park System Master Plan.

The City's website was revamped to include search capabilities and 55 different social media posting options, including RSS and Facebook, to facilitate information sharing.

### *Future/Planned Initiatives*

Although City officials expect 2010 to be a much quieter year as most capital projects are delayed because of the economic downturn, the City expects an increase in commercial activity in the existing 151 acre Midwest Commerce Center when the KC Logistics Park and BNSF Intermodal facility begins construction as early as 2010.

The school district, USD 231, installed a fiber optic trunk for their facilities in 2009, and the City was offered the use of some of the fiber lines in reciprocation for allowing the fiber optic trunk to be hung on City utility poles. In 2010, the City will extend the fiber optic trunk to City facilities at a cost of approximately \$50,000, thus enhancing the City's wide-area network to include remote sites such as Public Safety buildings # 1 and # 2, the aquatic center, Gardner Electric Energy Center, the public works maintenance shop, 183<sup>rd</sup> Street water tower, and the parks and recreation maintenance shop. An additional benefit of connecting remote City sites to a fiber trunk is cost savings on telephone and DSL lines that can be eliminated once the fiber connections are complete. The City estimates that money saved will repay the \$50,000 capital outlay in approximately 1.5 years. This savings does not include increased efficiencies for personnel at the affected sites.

In 2009, the City was awarded American Recovery and Reinvestment Act of 2009 (ARRA) funding to construct improvements at the Old Highway 56 and US 56 intersection and to install a traffic signal. This project will begin construction in 2010.

Gardner will receive up to \$349,000 from the Johnson County CARS program for full pavement depth reconstruction of Madison Street between Center and Cherry Streets, and a mill and overlay between Cherry Street and the White Drive intersection. The project also includes relocating the mid-block school crossing to the school campus at the Spruce Street intersection. The total estimated cost, including design, construction, and inspection is estimated to be \$721,500 with the City's share at \$372,500.

The City will perform temporary repairs on 183rd Street until Johnson County CARS funding is approved; projected funding is in 2011. At that time, full pavement depth replacement will occur for the western half-mile of 183rd Street between Gardner Road and Moonlight Road and a pavement overlay will occur for the eastern half-mile if funds allow.

### **Financial Planning**

The City expects 2010 and 2011 to be difficult years due to serious revenue shortfalls from the struggling economy. As previously noted, the City began cost-cutting measures in 2008. The 2009 and 2010 budgets will contain no wage increases, and will continue reduced employee benefits, further reduction in line item expenses, and the continued delay of capital improvement projects other than the aforementioned projects that are significantly funded from outside grants.

In the City's main fund for services, the General Fund – which covers Public Safety, Parks and Recreation, Public Works, Finance, Community Development, and the Administration departments – the 2010 budget was reduced to 2% less than the 2007 budget, 14% less than the 2008 budget, and 7% less than the 2009 budget. The 2010 budget eliminated six vacant positions from the City's authorized staffing, resulting in staff levels below that of 2007. The 2010 budget also included a 0.5 mill increase to close a \$209,000 gap that still remained even after the aforementioned reductions. The additional cost of the 0.5 mill to an average home valued at \$163,625 is \$9.41 per year, or 78 cents per month. The bright spot is that the aforementioned property tax revenue from the Coleman facility will begin to be received in 2010.

The City continues to assess its utility rates in relation to current and future costs. In the City's water and wastewater utilities, two vacant positions were eliminated, and the City had to start transferring money from operating revenues to debt service to cover declining growth-related revenues caused by the significant decrease in new construction. Consequently, the 2010 budget included a 5% water rate increase and an 8% wastewater rate increase. The average impact for both increases is approximately \$56 a year, or \$4.67 per month for an average household in Gardner.

In the City's other funds, there are also significant impacts, especially related to capital improvements. There are no park projects planned as monies designated for park improvements are being used to offset declining sales tax revenue used for debt payments for the recently constructed Celebration Park and the aquatics center. All future capital projects have been reduced or delayed until such time as funds become available. There are limited dollars for road maintenance, but no funding exists for new road construction or widening over the next 5 year period. There are also limited dollars available to address stormwater issues.

The City Council will face tough decisions regarding how to fund services as it faces the 2011 budget process. Deliberation will center on further reduction in staffing, increasing the City mill levy, and a combination of reductions and rate increases to meet the funding gap over the next 5 years. In order to enhance citizen involvement and allow citizens to engage in the discussion of the challenges the City faces and the decisions being made, Mayor Drovetta will hold "Town Hall" style meetings during the budget process.

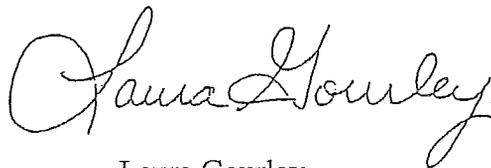
#### Acknowledgements

The preparation of this report could not have been accomplished without the support and cooperation of the Governing Body, Administration, other City departments, external auditors, and the efficient, dedicated efforts of the entire staff of the Accounting Department. In addition, Tom Riederer of the Southwest Johnson County Economic Development Corporation significantly contributed to the Statistical section of this document. Special thanks are also due to Assistant City Administrator Melissa Mundt for providing much of the information for the "2009 Major Initiatives" section of this letter. Credit must be given to the Governing Body for their unfailing support for maintaining the highest standards of professionalism in the management of Gardner's finances.

Sincerely,



Stewart Fairburn  
City Administrator

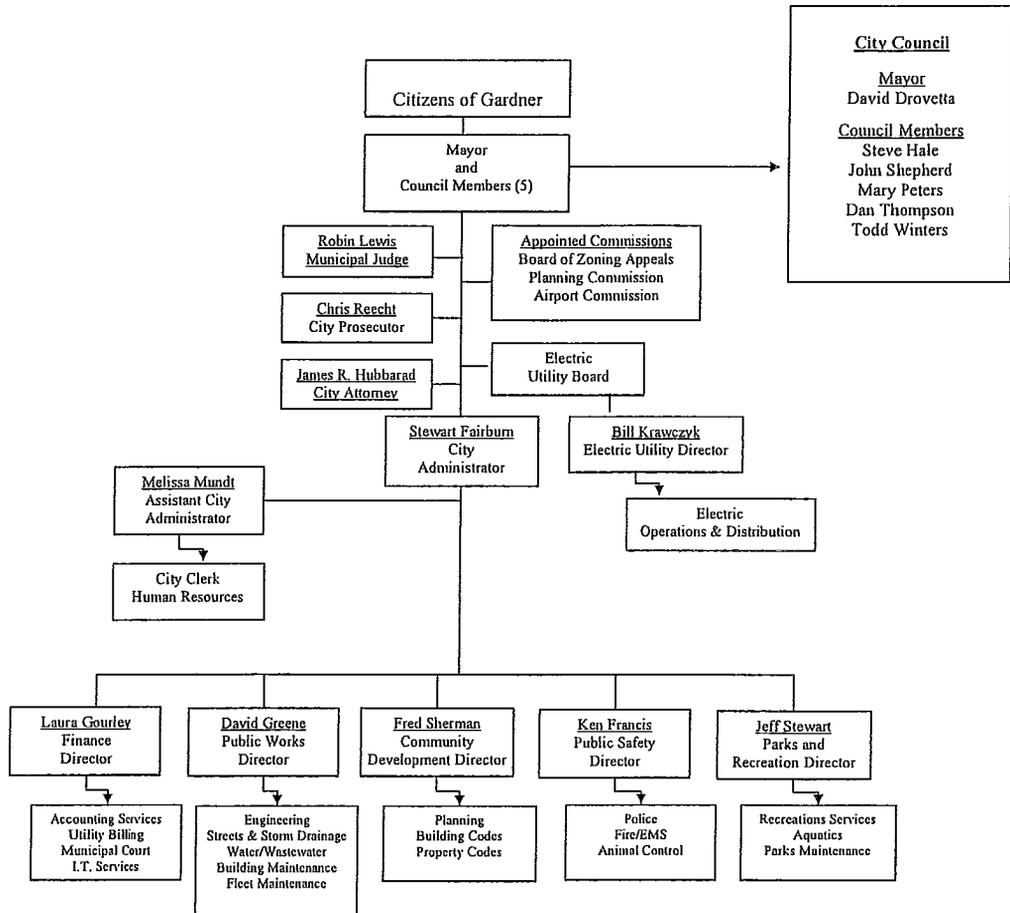


Laura Gourley  
Finance Director

CITY OF GARDNER, KANSAS

ORGANIZATIONAL CHART

December 31, 2009



City of Gardner, Kansas  
List of Elected and Appointed Officials  
December 31, 2009

Elected Officials

		<u>Term of Office</u>
Mayor	David Drovetta	2009-2013
Council President	John Shepherd	2007-2011
Council Vice President	Todd Winters	2007-2011
Councilmember	Mary Peters	2009-2013
Councilmember	Dan Thompson	2009-2013
Councilmember	Steve Hale	2009-2011

Appointed Officials

City Administrator	Stewart Fairburn
Assistant City Administrator	Melissa Mundt
Municipal Judge	Robin Lewis
City Prosecutor	Chris Reecht
City Attorney	James R. Hubbard
Finance Director	Laura Gourley
Public Works Director	David Greene
Community Development Director	Fred Sherman
Public Safety Director	Ken Francis
Parks and Recreation Director	Jeff Stewart

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Gardner  
Kansas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2008

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



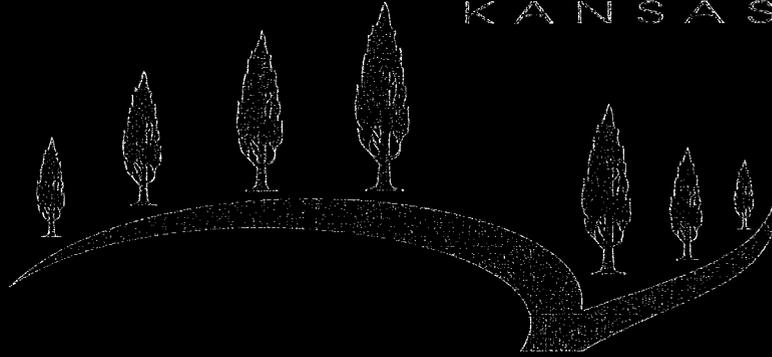
A stylized, handwritten signature in black ink, appearing to be "J.R.", written over a white background.

President

A handwritten signature in black ink that reads "Jeffrey R. Egan" in a cursive script.

Executive Director

CITY OF  
**GARDNER**  
KANSAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended  
December 31, 2009

FINANCIAL SECTION

FINANCIAL SECTION



BERBERICH TRAHAN & CO., P.A.  
 Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gardner, Kansas (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and applicable provisions of the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions. The financial statements of the Airport Association were not audited in accordance with *Government Auditing Standards*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gardner, Kansas, as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 23, 2010, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BERBERICH TRAHAN & CO., P.A. 3630 SW Burlingame Rd., Topeka, KS 66611-2050 f 785-234-3427 toll-free 800-530-5526 f 785-233-1768 btandco.cpa.com

The Management's Discussion and Analysis on pages 3 through 16 and the Schedule of Funding Progress on page 74 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules and statistical tables 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Berberich Trahan & Co., P.A.*

June 23, 2010

## 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, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of 2009 by \$85,000,433 (*net assets*). Of this amount, \$10,373,182 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$8,403,748 from the prior year.
- As of the close of 2009, the City's governmental funds reported combined ending fund balances of \$2,820,158, an increase of \$3,359,710 from the prior year's negative balance of \$(539,552). The City experienced an increase of over \$3.1 million in governmental fund assets during 2009. The increase to the governmental assets is due to the increase in special assessment receivables.
- At the end of 2009, the fund balance for the General Fund was \$2,658,516, or 30% of General Fund expenditures.
- In 2009, the City completed several benefit district projects totaling \$6,917,521, water and wastewater projects totaling \$14,095,722, two new street projects for \$2,282,540 and continued progress on many other infrastructure projects. In line with completion of multiple capital projects, the City's long-term liabilities increased \$3.8 million in total.

### 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 nonmajor 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 Assets* reports all of the City's assets and liabilities. Net assets, the difference between assets and liabilities, are an important measure of the City's overall financial health. Over time, the increases and decreases in net assets can be monitored to determine whether the City's financial position is improving or deteriorating.

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

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

### ***Fund Financial Statements***

The City uses three types of funds to manage its resources: Governmental Funds, Proprietary Funds, and Fiduciary Funds. A fund is a fiscal entity with a set of self-balancing accounts recording financial resources, together with all related liabilities and equity, and the changes therein. These accounting entities are separated for the purpose of carrying on specific activities or attaining certain objectives in accordance with regulations, restrictions, or limitations.

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

The City maintains 40 individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund, and Kill Creek Sewer fund, all of which are considered to be major funds. Data from the other 37 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

#### ***Notes to the Financial Statements***

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

#### ***Other Information***

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

## ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

### *Analysis of Net Assets*

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities (net assets) by \$85,000,433 at the close of 2009. The City's net assets increased by \$8,403,748 from the prior year, with governmental activities accounting for \$5,776,847 of the increase, and business-type activities accounting for \$2,626,901 of the increase.

#### City of Gardner, Kansas Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$27,168,891	\$22,271,293	\$9,425,272	\$9,282,711	\$36,594,163	\$31,554,004
Capital assets	49,645,331	48,386,921	92,844,593	92,546,115	142,489,924	140,933,036
Total assets	<u>76,814,222</u>	<u>70,658,214</u>	<u>102,269,865</u>	<u>101,828,826</u>	<u>179,084,087</u>	<u>172,487,040</u>
Long-term liabilities	34,126,037	28,530,324	47,885,892	49,566,414	82,011,929	78,096,738
Other liabilities	10,478,110	15,694,662	1,593,615	2,098,955	12,071,725	17,793,617
Total liabilities	<u>44,604,147</u>	<u>44,224,986</u>	<u>49,479,507</u>	<u>51,665,369</u>	<u>94,083,654</u>	<u>95,890,355</u>
Net assets:						
Invested in capital assets, net of related debt	11,427,079	11,793,968	45,202,862	42,592,536	56,629,941	54,386,504
Restricted for:						
Debt service	13,655,355	7,267,104	-	-	13,655,355	7,267,104
Streets	3,191,593	3,804,544	-	-	3,191,593	3,804,544
Capital Improvements	776,998	244,984	-	-	776,998	244,984
Other purposes	373,364	337,982	-	-	373,364	337,982
Unrestricted	<u>2,785,686</u>	<u>2,984,646</u>	<u>7,587,496</u>	<u>7,570,921</u>	<u>10,373,182</u>	<u>10,555,567</u>
Total net assets	<u>\$32,210,075</u>	<u>\$26,433,228</u>	<u>\$52,790,358</u>	<u>\$50,163,457</u>	<u>\$85,000,433</u>	<u>\$76,596,685</u>

The largest portion of the City's net assets (67 percent) reflects its investments in capital assets (e.g., land, buildings, infrastructure, construction in progress, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these are not available for future spending.

An additional \$17,997,310 of the City's net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of the net assets of \$10,373,182 (\$2,785,686 governmental activities and \$7,587,496 business-type activities) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

## Analysis of Changes in Net Assets

As stated earlier, the City's net assets increased by \$8,403,748 during the 2009 fiscal year. The following table reflects the revenues and expenditures for the City's activities for the year ended December 31, 2009, and illustrates the comparison between 2009 and the prior year:

City of Gardner, Kansas						
Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$1,575,790	\$1,387,227	\$19,017,881	\$17,702,297	\$20,593,671	\$19,089,524
Operating grants and contributions	2,514,392	2,657,199	-	-	2,514,392	2,657,199
Capital grants and contributions	7,240,013	4,808,296	506,591	356,751	7,746,604	5,165,047
<b>General Revenues:</b>						
Property taxes	3,788,866	3,667,858	-	-	3,788,866	3,667,858
Sales taxes	2,696,984	2,815,576	-	-	2,696,984	2,815,576
Franchise taxes	396,100	412,989	-	-	396,100	412,989
Excise taxes	456,384	395,182	-	-	456,384	395,182
Transient guest tax	34,702	45,573	-	-	34,702	45,573
Other	-	-	156,366	-	156,366	-
Unrestricted Investment Earnings	49,100	296,824	28,208	188,063	77,308	484,887
<b>Total Revenue &amp; transfers</b>	<b>18,752,331</b>	<b>16,486,724</b>	<b>19,709,046</b>	<b>18,247,111</b>	<b>38,461,377</b>	<b>34,733,835</b>
<b>Expenditures:</b>						
General government	3,164,663	3,467,896	-	-	3,164,663	3,467,896
Public safety	3,567,111	3,653,003	-	-	3,567,111	3,653,003
Public works	2,674,913	3,274,927	-	-	2,674,913	3,274,927
Culture and recreation	2,271,682	2,280,655	-	-	2,271,682	2,280,655
Interest on long-term debt	1,843,829	1,506,419	-	-	1,843,829	1,506,419
Electric	-	-	9,911,349	10,655,734	9,911,349	10,655,734
Water	-	-	2,874,987	2,829,545	2,874,987	2,829,545
Wastewater	-	-	3,678,278	4,194,130	3,678,278	4,194,130
Stormwater	-	-	70,817	220,061	70,817	220,061
<b>Total expenditures</b>	<b>13,522,198</b>	<b>14,182,900</b>	<b>16,535,431</b>	<b>17,899,470</b>	<b>30,057,629</b>	<b>32,082,370</b>
Increase in net assets before transfers	5,230,133	2,303,824	3,173,615	347,641	8,403,748	2,651,465
Transfers	546,714	577,858	(546,714)	(577,858)	-	-
Increase in net assets	5,776,847	2,881,682	2,626,901	(230,217)	8,403,748	2,651,465
Net assets, Jan. 1	26,433,228	23,551,546	50,163,457	50,393,674	76,596,685	73,945,220
<b>Net Assets, Dec 31</b>	<b>\$32,210,075</b>	<b>\$26,433,228</b>	<b>\$52,790,358</b>	<b>\$50,163,457</b>	<b>\$85,000,433</b>	<b>\$76,596,685</b>

### *Governmental Activities*

Governmental revenues increased by \$2,265,607 or 13.74% from the prior year. The key component in this increase was a \$2,431,717 increase in capital grants and contributions which is new special assessments revenue.

Property taxes also increased \$121,008. The City's total taxable assessed valuation increased \$3.7 million.

Significant decreases offset by the capital grants and contributions increase were investment earnings (\$247,724), transient guest taxes (\$10,871), sales taxes (\$118,592) and franchise taxes (\$16,889).

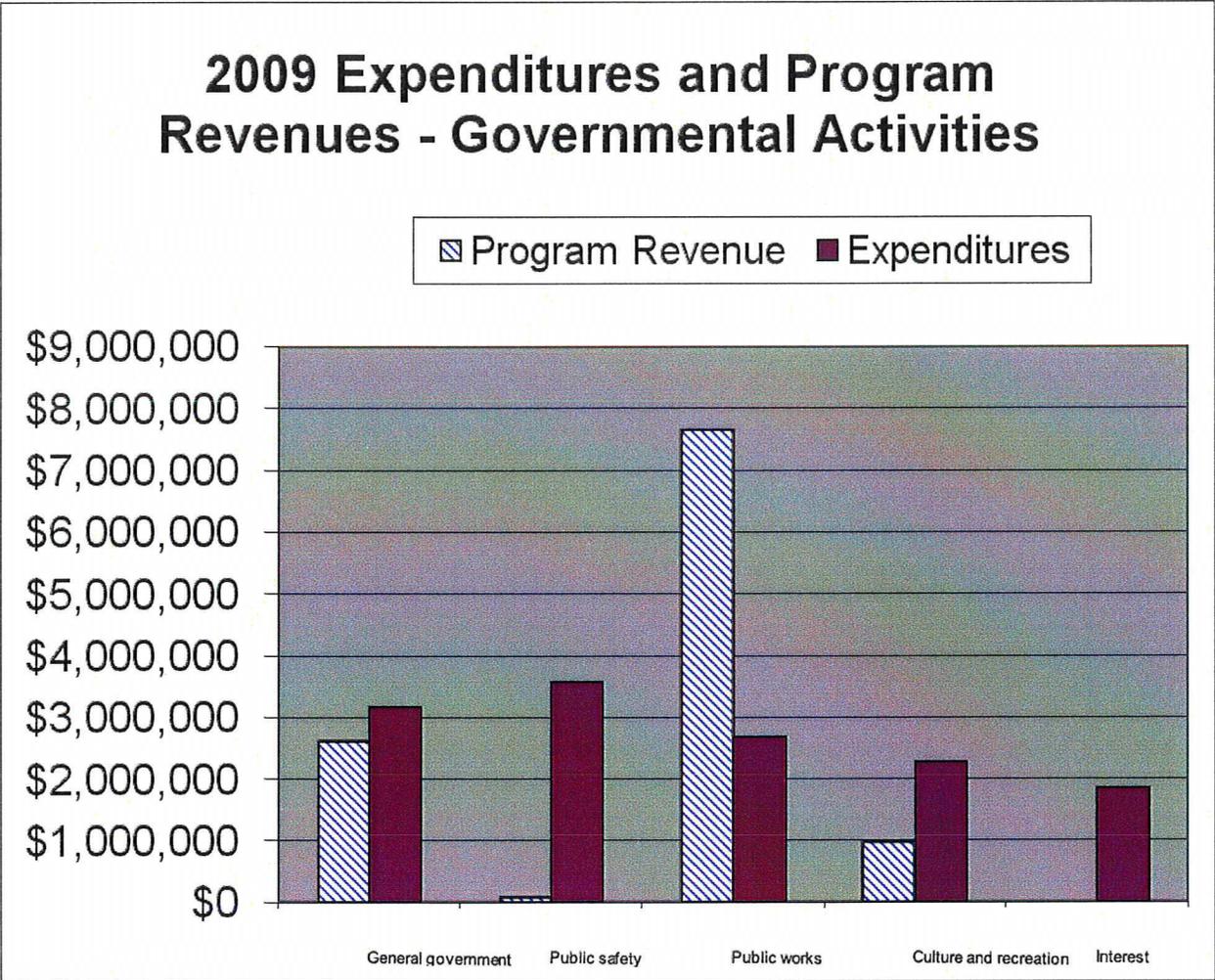
Governmental expenditures decreased by \$660,702 or 4.66% from the prior year. Key components of this decrease were a 18.32% decrease in Public Works expenditures and a 8.74% decrease in General Government expenditures. An increase in interest on long-term debt offset the overall decrease.

Public Works expenditures decreased by \$600,014 from the prior year. This was largely due to capital outlay and street overlay/repair decreases that were made in an effort to reduce expenditures. Other significant decreases were personnel related.

General Government had overall expenditure decreases of \$303,233. Of this, the KC Logistics Park project incurred \$124,000 in preliminary study expenses in 2008. In 2009, the project was cancelled and incurred no expenditures. Of the remaining \$214,000, the Finance, Community Development and Administration departments all had significant reductions in expenditures of \$60,000, \$28,000 and \$80,000, respectively. Most of this was due to position vacancies and the concentrated effort to reduce expenditures.

Interest on long-term debt expenditures increased due to \$14,620,000 in new debt incurred in 2008.

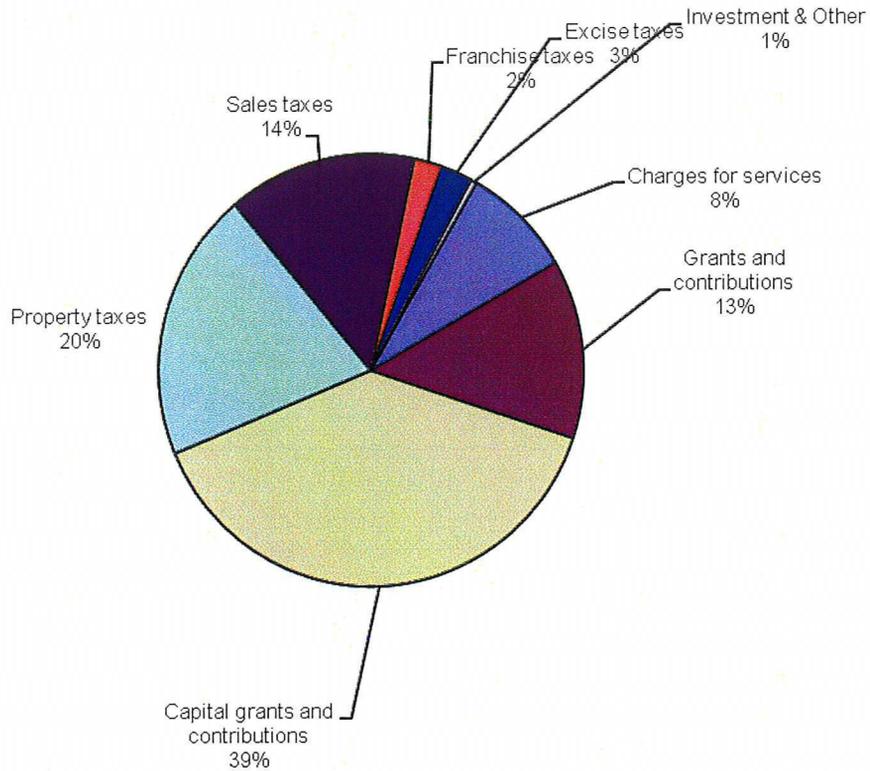
The chart below illustrates how the City's various governmental activities program revenues vs. program expenditures fared in 2009.



General government program revenues include the amount of building permit and related inspection fees received during the year, as well as fines and forfeitures collected by the Municipal Court department. Public Works program revenues include \$7,106,572 in new Special Assessments.

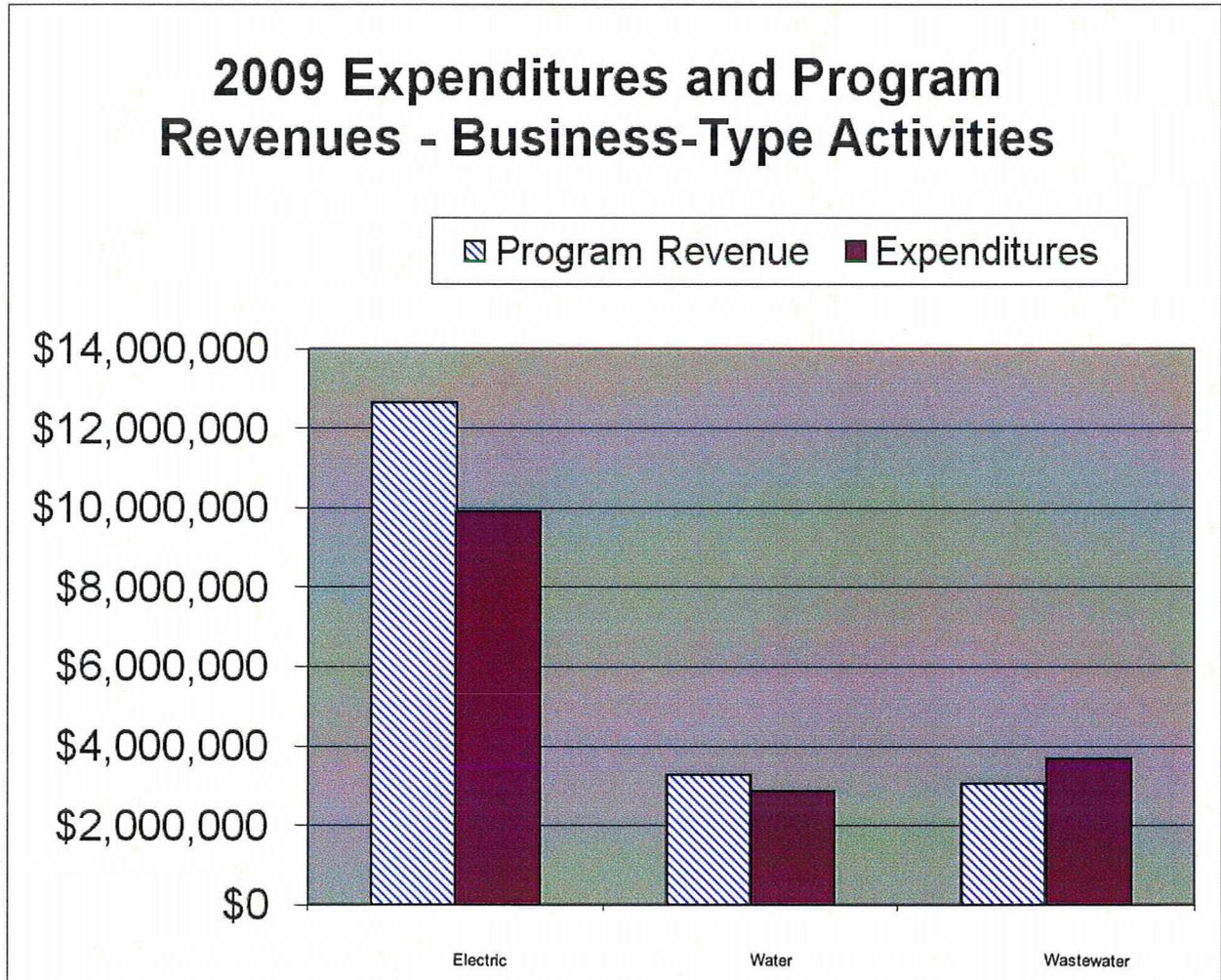
Overall program and general revenues for the City's governmental activities are:

## Revenues by Source - Governmental Activities

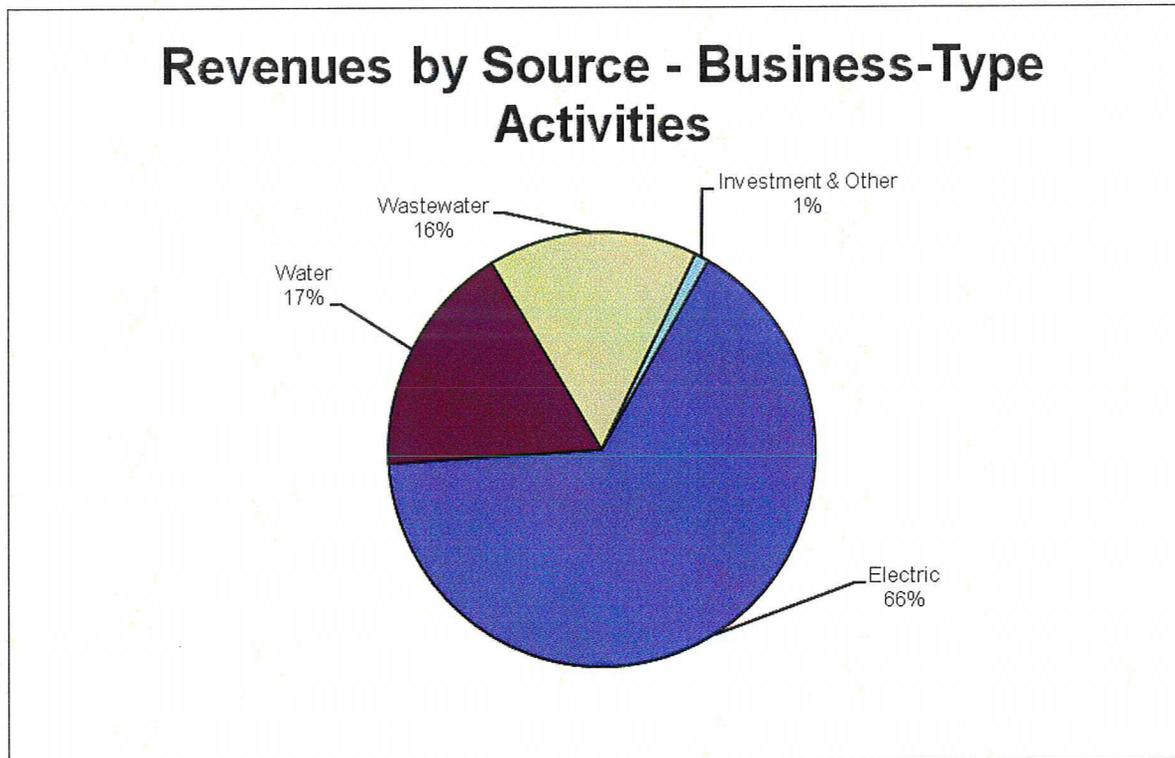


*Business Type Activities*

Business-type activities experienced a small overall increase in net assets since the prior year. The City's utilities implemented rate increases of 5% in water and electric base rates, and an 8% increase to the wastewater base rate. The program revenues vs. program expenditures for business-type activities chart below illustrates an overall increase in net assets for electric and water, and a decrease for wastewater.



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



#### FINANCIAL ANALYSIS OF THE CITY'S FUNDS:

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

#### *Governmental funds*

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of 2009, the City's governmental funds reported combined ending fund balances of \$2,820,158, an increase of \$3,359,710 in comparison with the prior year.

The General Fund is the chief operating fund of the City. At the end of 2009, the fund balance of the General Fund was \$2,658,516. Fund balance represents 30% of total General Fund expenditures of \$8,883,977. This year's fund balance represents a decrease of \$341,058 over the previous year's balance. This decrease is generally accredited to the slowing of growth in the number of consumers and citizens in the City and the decrease in property values. This decline in growth subsequently decreases the number of building permits and fees the City receives.

The Debt Service Fund has a fund balance of \$78,023. The Debt Service Fund fulfills the criteria to be considered a major governmental fund because of its large assets, liabilities, and expenditures.

Kill Creek Sewer has a fund balance of (\$3,847,015). This is an increase of \$249,222 from the previous year. The increase is due to an increase in debt service expenditures. Kill Creek Sewer is considered a major governmental fund because of its large liability. This capital project was completed in 2009.

### *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 2009, unrestricted net assets for the business-type activities amounted to \$7,587,496, an increase of \$16,575.

The Electric Fund had total net assets of \$25,305,472 at the end of 2009. This is an increase of \$2,238,963 from the previous year. The key component of this increase is an increase in operating income before transfers of \$2,919,522.

The Water Fund had total net assets of \$15,802,933 at the end of 2009. This is a decrease of \$554,307 from the previous year. This is attributable to a \$1,200,000 transfer of funds to the Sewer Fund, part of which was offset by an increase in operating income and a cancelled capital project of \$313,245.

The Wastewater Fund had total net assets of \$10,991,060 at the end of 2009. This is an increase of \$436,087 from the previous year. Key components of this increase include an increase in operating revenue for charges for sales and services of \$241,388 compared to the prior year and the aforementioned transfer from the Water Fund of \$1,200,000. This income increase was partially offset by an increase in debt service of \$775,198.

The City's Internal Service Funds had total net assets of \$37,743 at the end of 2009.

### *Fiduciary funds*

The City maintains a fiduciary fund for the assets of the Alcohol Safety Action Program. This fund accounts for the amount collected from municipal court to be remitted to the State of Kansas. At the end of 2009, the assets of the fund were \$30,627.

### **GENERAL FUND BUDGETARY HIGHLIGHTS:**

There was no difference between the original budget and the final budget. During the year, however, total revenues were less than budgetary estimates by \$659,466, or 7.8%. A summary of significant differences between budgetary estimates for revenue and actual collections is as follows:

- Property tax collections were less than the original estimate by \$43,203, or 1.3%.
- Sales tax was less than the revenue estimate by \$270,113, or 16%.

- Charges for services were more than the estimate by \$5,125. The majority of this increase is due to aquatic admissions, concessions and tournament fees exceeding expectations.
- Investment earnings were lower than anticipated by \$76,230, or 83%. Interest rates decreased steadily during 2009.
- Licenses and permits were less than the original estimate by \$57,259, or 20%. This decrease is seen in the reduction of building permits issued in 2009, compared to the prior year.

In addition, expenditures were less than budgeted by \$3,371,549. Project reserves of \$2,265,929 were budgeted but not utilized, accounting for much of the difference. Further budget variances are a result of both position vacancies and the elimination of salary increases, reduction in overtime, and the subsequent decreases in related employee benefits. A continuing conscious effort to reduce expenditures resulted in significant savings in contractual services, commodities, capital outlay, and internal service funds. The budget variances are as follows:

- General Government expenditures were \$306,991 less than budgeted, or 13%.
- Public Works expenditures were \$403,591 less than budgeted, or 21%.
- Public Safety expenditures were \$482,485 less than budgeted, or 13%.

## 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, 2009, amounted to \$142,489,924 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, roads, water lines, sewer collectors and electric lines. The total increase in the City's investment in capital assets for 2009 was 1.4% (a 2.6% increase for governmental activities and a .8% increase for business-type activities).

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$4,477,337	\$4,464,863	\$2,193,349	\$2,191,420	\$6,670,686	\$6,656,283
Water Rights	0	0	475,000	475,000	\$475,000	\$475,000
Construction in progress	10,674,031	13,526,490	1,989,351	18,119,313	\$12,663,382	\$31,645,803
Buildings	5,203,314	5,364,193	618,400	-	\$5,821,714	\$5,364,193
Improvements	1,207,663	1,314,644	-	-	\$1,207,663	\$1,314,644
Infrastructure	26,023,148	21,442,077	86,749,237	70,976,588	\$112,772,385	\$92,418,665
Machinery and equipment	609,809	688,300	214,159	168,750	\$823,968	\$857,050
Vehicles	1,450,029	1,586,354	605,097	615,044	\$2,055,126	\$2,201,398
	<u>\$49,645,331</u>	<u>\$48,386,921</u>	<u>\$92,844,593</u>	<u>\$92,546,115</u>	<u>\$142,489,924</u>	<u>\$140,933,036</u>

The majority of the City's increase in capital assets can be attributed to infrastructure additions. Some infrastructure projects that concluded and were placed in service include:

- Hillsdale Water Plant Expansion
- Bull Creek Lift Station
- Kill Creek Sewer
- Kill Creek Water Tower
- Kill Creek Drive/Storm Sewer
- Lincoln Lane

Additional information on the City's capital assets can be found in Note 6 of this report.

***Long-Term Debt***

At the end of 2009, the City had total long-term debt outstanding of \$81,591,578. Of this amount, \$32,902,028 was general obligation debt backed by the full faith and credit of the City. However, \$23,524,828 (72%) of the general obligation debt is supported by business-type revenues. Another \$10,307,972 of the City's long-term debt outstanding is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment.

In 2002, the City entered into an irrevocable lease agreement with the Public Building Commission (PBC), a separate, not-for-profit corporation formed for the sole purpose of financing the remodeling and enlarging of City Hall. The purpose of the lease agreement is for the City to rent the building financed by the PBC Lease Revenue bonds. The rental payments are the same as the scheduled debt payments, and because the lease is irrevocable, the City is liable for the associated revenue bonds.

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

**City of Gardner's Long-Term Debt  
December 31, 2009**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$9,377,200	\$10,483,950	\$23,524,828	\$23,891,050	\$32,902,028	\$34,375,000
Special assessment debt with government commitment	10,307,972	5,255,000	-	-	\$10,307,972	5,255,000
PBC revenue bonds	3,545,000	3,660,000	-	-	\$3,545,000	3,660,000
Construction loan payable	4,065,034	1,799,761	24,183,410	25,433,886	\$28,248,444	27,233,647
Certificates of Participation	5,665,000	6,140,000	-	-	\$5,665,000	6,140,000
Capital lease obligations	830,353	911,755	92,781	135,533	\$923,134	1,047,288
	\$33,790,559	\$28,250,466	\$47,801,019	\$49,460,469	\$81,591,578	\$77,710,935

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

## **ECONOMIC FACTORS**

Located in Johnson County along Interstate 35, about 30 miles southwest of downtown Kansas City, MO, Gardner has benefited from its location near the Kansas City Metro Area. This has contributed to growth in the City's assessed valuation of 69.1% in the last five years alone.

In addition, the 2000 census indicated considerable population growth of 295% since 1990. From 2000 through 2009, the City averaged an estimated additional population growth of 1,000 residents each year to its current estimated population of over 18,000. Wealth levels and housing values exceed state averages, and Johnson County's 2009 unemployment rate at 5.8% was slightly below the state's rate of 6.2%. More information regarding the City's demographics can be found in the Statistical section.

The City maintains an A2 rating from Moody's Investors Service. Moody's believes that despite the recent national economic slowdown Gardner's tax base growth will continue in the long run, driven by residential development that is the result of affordable housing and quality schools, as well as the availability of land for development. Although the Gardner City Council declined to move forward with a planned intermodal distribution facility and subsequently deannexed the 1,000 acres associated with the project that had been previously annexed into the City, the entire region is expected to benefit from the additional jobs that will be created when the industrial park is completed after it is annexed by a neighboring city. More information regarding the City's assessed valuation and property tax revenues can be found in the Statistical section.

Moody's notes their expectation that the City's financial health will remain satisfactory in the near term, but expresses some concern with the City's plan to draw down on General Fund reserves to a level where reserves will equal approximately 20% of the General Fund budget through 2011. Moody's favorably notes that expected increases in property and sales tax revenue as the City's only TIF district pays off in approximately 2014 should result in a rebound of reserves to 30% of General Fund revenue by 2015.

Moody's favorably notes that although the City's sales tax revenues were affected by the overall economic slowdown, (decreasing 3.8% from 2008) City officials made multiple adjustments to mitigate the shortfall, including delaying capital expenditures, cutting positions through attrition, eliminating pay increases for employees, and extending the payment terms for some state loans.

## **REQUESTS FOR INFORMATION**

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

CITY OF GARDNER, KANSAS

STATEMENT OF NET ASSETS

December 31, 2009

	Primary Government		Total	Component
	Governmental Activities	Business-type Activities		Unit Airport Association
<b>Assets:</b>				
Deposits and investments	\$ 7,432,090	\$ 5,379,316	\$ 12,811,406	\$ 157,721
Receivables, net of allowance for uncollectibles:				
Taxes	3,752,625	-	3,752,625	-
Accounts	-	2,530,910	2,530,910	2,395
Intergovernmental	379,911	-	379,911	-
Special assessments	13,968,887	-	13,968,887	-
Airport Association	165,517	-	165,517	-
Other	4,127	8,863	12,990	-
Internal balances	(40,787)	40,787	-	-
Deferred charges	338,642	320,388	659,030	-
Prepaid items	-	231,843	231,843	11,006
Inventories	-	285,759	285,759	23,548
Restricted deposits and investments	1,167,879	627,406	1,795,285	-
Capital assets, net of accumulated depreciation, where applicable:				
Land	4,477,337	2,193,349	6,670,686	301,500
Water rights	-	475,000	475,000	-
Construction in progress	10,674,031	1,989,351	12,663,382	-
Buildings	5,203,314	618,400	5,821,714	1,108,245
Improvements	1,207,663	-	1,207,663	36,539
Infrastructure	26,023,148	86,749,237	112,772,385	578,954
Machinery and equipment	609,809	214,159	823,968	-
Vehicles	1,450,029	605,097	2,055,126	-
Total assets	<u>76,814,222</u>	<u>102,269,865</u>	<u>179,084,087</u>	<u>2,219,908</u>
<b>Liabilities:</b>				
Accounts payable	1,298,077	572,088	1,870,165	6,089
Accrued expenses	74,515	28,314	102,829	-
Accrued interest payable	393,585	510,602	904,187	-
Due to primary government	-	-	-	13,118
Unearned revenue	3,148,018	-	3,148,018	5,805
Liabilities payable from restricted assets	48,915	482,611	531,526	-
Bond anticipation notes payable	5,515,000	-	5,515,000	-
Noncurrent liabilities:				
Due within one year	3,158,147	4,078,514	7,236,661	15,000
Due in more than one year	30,967,890	43,807,378	74,775,268	137,399
Total liabilities	<u>44,604,147</u>	<u>49,479,507</u>	<u>94,083,654</u>	<u>177,411</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	11,427,079	45,202,862	56,629,941	1,872,839
Restricted for:				
Debt service	13,655,355	-	13,655,355	-
Streets	3,191,593	-	3,191,593	-
Capital improvements	776,998	-	776,998	-
Other purposes	373,364	-	373,364	-
Unrestricted	2,785,686	7,587,496	10,373,182	169,658
Total net assets	<u>\$ 32,210,075</u>	<u>\$ 52,790,358</u>	<u>\$ 85,000,433</u>	<u>\$ 2,042,497</u>

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Airport Association
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 3,164,663	\$ 622,807	\$ 1,986,801	\$ -	\$ (555,055)	\$ -	\$ (555,055)	
Public safety	3,567,111	13,141	69,377	-	(3,484,593)	-	(3,484,593)	
Public works	2,674,913	2,300	426,804	7,240,013	4,994,204	-	4,994,204	
Culture and recreation	2,271,682	937,542	31,410	-	(1,302,730)	-	(1,302,730)	
Interest on long-term debt	1,843,829	-	-	-	(1,843,829)	-	(1,843,829)	
Total governmental activities	13,522,198	1,575,790	2,514,392	7,240,013	(2,192,003)	-	(2,192,003)	-
Business-type activities:								
Electric	9,911,349	12,661,952	-	-	-	2,750,603	2,750,603	
Water	2,874,987	3,293,010	-	-	-	418,023	418,023	
Wastewater	3,678,278	3,062,919	-	-	-	(615,359)	(615,359)	
Stormwater	70,817	-	-	506,591	-	435,774	435,774	
Total business-type activities	16,535,431	19,017,881	-	506,591	-	2,989,041	2,989,041	-
Total primary government	\$ 30,057,629	\$ 20,593,671	\$ 2,514,392	\$ 7,746,604	(2,192,003)	2,989,041	797,038	-
Component unit:								
Airport Association	\$ 330,881	\$ 278,543	\$ -	\$ -	-	-	-	(52,338)
General revenues:								
Property taxes					3,788,866	-	3,788,866	-
Sales taxes					2,696,984	-	2,696,984	-
Franchise taxes					396,100	-	396,100	-
Excise taxes					456,384	-	456,384	-
Transient guest tax					34,702	-	34,702	-
Other					-	156,366	156,366	-
Unrestricted investment earnings					49,100	28,208	77,308	2,277
Transfers					546,714	(546,714)	-	-
Total general revenues and transfers					7,968,850	(362,140)	7,606,710	2,277
Change in net assets					5,776,847	2,626,901	8,403,748	(50,061)
Net assets, beginning of year					26,433,228	50,163,457	76,596,685	2,092,558
Net assets, ending					\$ 32,210,075	\$ 52,790,358	\$ 85,000,433	\$ 2,042,497

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2009

	General	Debt Service	Kill Creek Sewer	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Deposits and investments	\$ 2,347,589	\$ 78,023	\$ -	\$ 5,006,478	\$ 7,432,090
Receivables (net of allowance for uncollectibles):					
Taxes	3,117,273	391,053	-	244,299	3,752,625
Special assessments	-	13,968,887	-	-	13,968,887
Intergovernmental	242,001	-	-	137,910	379,911
Airport Association	-	-	-	165,517	165,517
Other	2,389	-	-	1,738	4,127
Restricted deposits and investments	48,915	-	12,985	1,105,979	1,167,879
Due from other funds	-	-	-	251,975	251,975
<b>Total assets</b>	<b>\$ 5,758,167</b>	<b>\$ 14,437,963</b>	<b>\$ 12,985</b>	<b>\$ 6,913,896</b>	<b>\$ 27,123,011</b>
<b>Liabilities and fund balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 207,401	\$ -	\$ -	\$ 1,076,287	\$ 1,283,688
Accrued payroll	72,974	-	-	-	72,974
Temporary notes payable	-	-	3,860,000	1,655,000	5,515,000
Other	48,915	-	-	-	48,915
Deferred revenue	2,758,995	14,359,940	-	-	17,118,935
Due to other funds	11,366	-	-	251,975	263,341
<b>Total liabilities</b>	<b>3,099,651</b>	<b>14,359,940</b>	<b>3,860,000</b>	<b>2,983,262</b>	<b>24,302,853</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Encumbrances	39,182	-	-	1,327,033	1,366,215
Long-term loan receivable	-	-	-	152,399	152,399
<b>Unreserved, reported in:</b>					
General fund	2,619,334	-	-	-	2,619,334
Debt service fund	-	78,023	-	-	78,023
Special revenue funds	-	-	-	5,119,227	5,119,227
Capital projects funds	-	-	(3,847,015)	(2,668,025)	(6,515,040)
<b>Total fund balances</b>	<b>2,658,516</b>	<b>78,023</b>	<b>(3,847,015)</b>	<b>3,930,634</b>	<b>2,820,158</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,758,167</b>	<b>\$ 14,437,963</b>	<b>\$ 12,985</b>	<b>\$ 6,913,896</b>	<b>\$ 27,123,011</b>

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS

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

December 31, 2009

Total fund balances in Governmental Funds Balance Sheet	\$ 2,820,158
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	49,566,300
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	13,970,917
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(34,178,960)
Internal service funds are used by management to charge the costs of building maintenance and information technology services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	<u>31,660</u>
Net assets of governmental activities	<u><u>\$ 32,210,075</u></u>

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS

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

Year Ended December 31, 2009

	General	Debt Service	Kill Creek Sewer	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property	\$ 3,086,315	\$ 447,995	\$ -	\$ 254,556	\$ 3,788,866
Sales	1,398,887	-	-	1,298,097	2,696,984
Franchise	396,100	-	-	-	396,100
Excise	-	-	-	456,384	456,384
Special assessments	-	387,736	-	-	387,736
Intergovernmental	1,478,500	-	-	905,278	2,383,778
Licenses and permits	233,541	-	-	207,881	441,422
Charges for services	727,625	-	-	-	727,625
Fines and fees	263,248	-	-	-	263,248
Investment earnings	15,970	1,003	1,251	30,876	49,100
Other	107,733	57,943	-	272,353	438,029
Total revenues	<u>7,707,919</u>	<u>894,677</u>	<u>1,251</u>	<u>3,425,425</u>	<u>12,029,272</u>
Expenditures:					
Current:					
General government	2,059,026	-	-	842,905	2,901,931
Public safety	3,286,448	-	-	-	3,286,448
Public works	1,482,616	-	-	-	1,482,616
Culture and recreation	1,781,799	-	-	-	1,781,799
Capital outlay	143,634	-	311	3,419,373	3,563,318
Debt service:					
Principal	81,402	1,864,297	-	775,000	2,720,699
Interest and fiscal charges	49,052	865,008	151,020	436,226	1,501,306
Other	-	71,325	99,142	143,949	314,416
Total expenditures	<u>8,883,977</u>	<u>2,800,630</u>	<u>250,473</u>	<u>5,617,453</u>	<u>17,552,533</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,176,058)</u>	<u>(1,905,953)</u>	<u>(249,222)</u>	<u>(2,192,028)</u>	<u>(5,523,261)</u>
Other financing sources (uses):					
General obligation bonds	-	251,850	-	5,437,972	5,689,822
Construction loan	-	-	-	2,570,970	2,570,970
Transfers in	849,000	1,422,035	-	910,000	3,181,035
Transfers out	(14,000)	-	-	(2,544,856)	(2,558,856)
Total other financing sources (uses)	<u>835,000</u>	<u>1,673,885</u>	<u>-</u>	<u>6,374,086</u>	<u>8,882,971</u>
Net change in fund balances	(341,058)	(232,068)	(249,222)	4,182,058	3,359,710
Fund balances, beginning of year	<u>2,999,574</u>	<u>310,091</u>	<u>(3,597,793)</u>	<u>(251,424)</u>	<u>(539,552)</u>
Fund balances, ending	<u>\$ 2,658,516</u>	<u>\$ 78,023</u>	<u>\$(3,847,015)</u>	<u>\$ 3,930,634</u>	<u>\$ 2,820,158</u>

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS

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

Year Ended December 31, 2009

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

Net change in fund balances - total governmental funds	\$ 3,359,710
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	1,340,824
Capital contributions are not recorded in the governmental funds because there has been no flow of current financial resources.	(75,465)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	6,723,059
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(5,540,093)
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.	(23,826)
Internal service funds are used by management to charge the costs of building maintenance and information technology services to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(7,362)
Change in net assets of governmental activities	<u>\$ 5,776,847</u>

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS

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

GENERAL FUND

Year Ended December 31, 2009

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>			
Taxes:			
Property	\$ 3,129,518	\$ 3,086,315	\$ (43,203)
Sales	1,669,000	1,398,887	(270,113)
Franchise	434,000	396,100	(37,900)
Intergovernmental	1,701,000	1,478,500	(222,500)
Licenses and permits	290,800	233,541	(57,259)
Charges for services	722,500	727,625	5,125
Fines and fees	314,000	263,248	(50,752)
Investment earnings	92,200	15,970	(76,230)
Other	14,367	107,733	93,366
<b>Total revenues</b>	<b>8,367,385</b>	<b>7,707,919</b>	<b>(659,466)</b>
<b>Expenditures:</b>			
General government	2,365,600	2,058,609	306,991
Public safety	3,752,900	3,270,415	482,485
Public works	1,907,200	1,503,609	403,591
Culture and recreation	1,968,300	1,781,659	186,641
Capital outlay	-	143,634	(143,634)
Project reserve	2,265,929	-	2,265,929
Debt service:			
Principal	-	81,402	(81,402)
Interest and fiscal charges	-	49,052	(49,052)
<b>Total expenditures</b>	<b>12,259,929</b>	<b>8,888,380</b>	<b>3,371,549</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(3,892,544)</b>	<b>(1,180,461)</b>	<b>2,712,083</b>
<b>Other financing sources and (uses):</b>			
Transfers in	863,900	849,000	(14,900)
Transfers out	-	(14,000)	(14,000)
<b>Total other financing sources and (uses)</b>	<b>863,900</b>	<b>835,000</b>	<b>(28,900)</b>
<b>Net change in fund balances</b>	<b>(3,028,644)</b>	<b>(345,461)</b>	<b>2,683,183</b>
Fund balances, beginning of year	3,028,644	2,964,795	(63,849)
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>2,619,334</b>	<b>\$ 2,619,334</b>
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		39,182	
<b>GAAP fund balance, end of year</b>		<b>\$ 2,658,516</b>	

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2009

	Major Funds	
	Electric	Water
<b>Assets:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,650,188	\$ 3,268,218
Accounts receivable, net	1,720,992	393,665
Other receivable	-	8,863
Restricted deposits and investments	545,178	65,921
Prepaid items	231,843	-
Inventories	203,729	82,030
Due from other funds	51,032	105
Total current assets	<u>4,402,962</u>	<u>3,818,802</u>
<b>Noncurrent assets:</b>		
Deferred charges	139,149	38,824
<b>Capital assets:</b>		
Land	634,908	964,968
Water rights	-	475,000
Buildings	626,228	-
Construction in progress	1,380,771	434,636
Infrastructure	45,311,449	26,862,153
Machinery and equipment	307,067	111,682
Vehicles	384,690	365,424
Less accumulated depreciation	(16,616,642)	(4,992,986)
Total capital assets	<u>32,028,471</u>	<u>24,220,877</u>
Total noncurrent assets	<u>32,167,620</u>	<u>24,259,701</u>
Total assets	<u>36,570,582</u>	<u>28,078,503</u>
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts payable	440,330	102,545
Accrued expenses	10,488	9,380
Customer and developer deposits	416,690	65,921
Accrued interest payable	90,394	146,976
Due to other funds	-	3,149
Compensated absences	24,810	21,949
Current portion of capital lease payable	-	-
Current portion of bonds payable	1,326,628	684,650
Current portion of construction loans payable	-	253,533
Total current liabilities	<u>2,309,340</u>	<u>1,288,103</u>
<b>Noncurrent liabilities:</b>		
Other postemployment benefit obligation	9,267	9,166
Compensated absences	1,758	1,557
Capital lease payable, net	-	-
Bonds payable, net	8,944,745	5,463,765
Construction loan payable	-	5,512,979
Total noncurrent liabilities	<u>8,955,770</u>	<u>10,987,467</u>
Total liabilities	<u>11,265,110</u>	<u>12,275,570</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	21,885,586	12,305,950
Unrestricted	3,419,886	3,496,983
Total net assets	<u>\$ 25,305,472</u>	<u>\$ 15,802,933</u>

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

Net assets of business-type activities

See accompanying notes to basic financial statements.

Wastewater	Nonmajor Fund Stormwater	Total	Internal Service Funds
\$ 459,351	\$ -	\$ 5,377,757	\$ 1,559
416,253	-	2,530,910	-
-	-	8,863	-
16,307	-	627,406	-
-	-	231,843	-
-	-	285,759	-
63,890	-	115,027	7,957
955,801	-	9,177,565	9,516
142,415	-	320,388	-
593,473	-	2,193,349	-
-	-	475,000	-
-	-	626,228	-
131,463	42,481	1,989,351	-
44,553,918	718,290	117,445,810	-
191,630	-	610,379	81,831
409,586	-	1,159,700	14,749
(10,033,143)	(12,453)	(31,655,224)	(17,549)
35,846,927	748,318	92,844,593	79,031
35,989,342	748,318	93,164,981	79,031
36,945,143	748,318	102,342,546	88,547
13,166	-	556,041	30,436
8,446	-	28,314	1,541
-	-	482,611	-
273,232	-	510,602	-
31,026	63,507	97,682	13,936
19,739	-	66,498	-
45,134	-	45,134	-
785,000	-	2,796,278	-
917,071	-	1,170,604	-
2,092,814	63,507	5,753,764	45,913
6,848	-	25,281	4,891
1,400	-	4,715	-
47,647	-	47,647	-
6,305,547	-	20,714,057	-
17,499,827	-	23,012,806	-
23,861,269	-	43,804,506	4,891
25,954,083	63,507	49,558,270	50,804
10,263,008	748,318	45,202,862	79,031
728,052	(63,507)	7,581,414	(41,288)
\$ 10,991,060	\$ 684,811	52,784,276	\$ 37,743
		6,082	
		\$ 52,790,358	

CITY OF GARDNER, KANSAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year Ended December 31, 2009

	Major Funds	
	Electric	Water
Operating revenues:		
Charges for sales and services	\$ 12,661,952	\$ 3,293,010
Other	121,006	-
Total operating revenues	<u>12,782,958</u>	<u>3,293,010</u>
Operating expenses:		
Administration	563,131	317,473
Wholesale energy cost	6,395,070	-
Generation	285,974	-
Treatment	-	1,174,619
Distribution and collection	911,176	293,098
Contractual services	-	-
Other supplies and expenses	-	-
Repairs and maintenance	58,728	-
Depreciation and amortization	1,239,234	578,601
Other	16,325	43,961
Total operating expenses	<u>9,469,638</u>	<u>2,407,752</u>
Operating income (loss)	<u>3,313,320</u>	<u>885,258</u>
Nonoperating revenues (expenses):		
Investment earnings	9,549	15,625
Bond issuance costs	-	-
Developer reimbursements	27,950	-
Interest expense	(438,707)	(453,778)
Other	7,410	(11,304)
Total nonoperating revenues (expenses)	<u>(393,798)</u>	<u>(449,457)</u>
Income before transfers and contributions	2,919,522	435,801
Capital contributions	4,848	-
Transfers in	18,500	313,245
Transfers out	(720,482)	(1,303,353)
Change in net assets	2,222,388	(554,307)
Total net assets, beginning of year	<u>23,083,084</u>	<u>16,357,240</u>
Total net assets, end of year	<u>\$ 25,305,472</u>	<u>\$ 15,802,933</u>

Change in net assets

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 assets of business-type activities

See accompanying notes to basic financial statements.

Wastewater	Nonmajor Fund Stormwater	Total	Internal Service Funds
\$ 3,062,919	\$ -	\$ 19,017,881	\$ 1,689,138
-	-	121,006	29,742
<u>3,062,919</u>	<u>-</u>	<u>19,138,887</u>	<u>1,718,880</u>
274,430	-	1,155,034	484,397
-	-	6,395,070	-
-	-	285,974	-
891,761	-	2,066,380	-
224,279	-	1,428,553	-
44,924	58,653	103,577	1,064,648
-	-	-	71,581
-	-	58,728	44,868
1,307,096	12,164	3,137,095	6,949
-	-	60,286	61,265
<u>2,742,490</u>	<u>70,817</u>	<u>14,690,697</u>	<u>1,733,708</u>
320,429	(70,817)	4,448,190	(14,828)
3,034	-	28,208	-
(1,665)	-	(1,665)	-
-	-	27,950	-
(889,476)	-	(1,781,961)	-
(42,335)	-	(46,229)	-
<u>(930,442)</u>	<u>-</u>	<u>(1,773,697)</u>	<u>-</u>
(610,013)	(70,817)	2,674,493	(14,828)
311	601,019	606,178	-
1,200,503	-	1,532,248	-
(154,714)	-	(2,178,549)	-
436,087	530,202	2,634,370	(14,828)
10,554,973	154,609	50,149,906	52,571
<u>\$ 10,991,060</u>	<u>\$ 684,811</u>	<u>\$ 52,784,276</u>	<u>\$ 37,743</u>
		\$ 2,634,370	
		(7,469)	
		<u>\$ 2,626,901</u>	

CITY OF GARDNER, KANSAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended December 31, 2009

	Major Funds	
	Electric	Water
Cash flows from operating activities:		
Receipts from customers	\$ 12,355,414	\$ 3,255,855
Other	121,006	-
Payments to suppliers	(7,724,385)	(1,296,797)
Payments to employees	(683,988)	(560,343)
Net cash provided by (used in) operating activities	4,068,047	1,398,715
Cash flows from noncapital financing activities:		
Advances from other funds	-	-
Transfers from other funds	18,500	313,245
Transfers to other funds	(720,482)	(1,303,353)
Net cash provided by (used in) noncapital financing activities	(701,982)	(990,108)
Cash flows from capital and related financing activities:		
Proceeds from construction loan	-	-
Proceeds from general obligation bonds	3,937,828	857,350
Acquisition and construction of capital assets	(2,503,763)	(628,374)
Principal paid on capital lease	-	-
Refunding of general obligation bond principal	(1,729,800)	(839,100)
Principal paid on general obligation bonds	(1,301,000)	(661,500)
Principal paid on construction loan	-	(464,479)
Interest paid on general obligation bonds, construction loan, and capital lease	(423,602)	(491,646)
Reimbursements from developers	27,950	-
Proceeds from capital grants	-	-
Other financing costs	(53,893)	(11,304)
Net cash provided by (used in) capital and related financing activities	(2,046,280)	(2,239,053)
Cash flows from investing activities:		
Interest received	9,549	15,625
Net increase (decrease) in cash and cash equivalents	1,329,334	(1,814,821)
Cash and cash equivalents, beginning of year	866,032	5,148,960
Cash and cash equivalents, end of year	\$ 2,195,366	\$ 3,334,139

(Continued)

<u>Wastewater</u>	<u>Nonmajor Fund Stormwater</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 2,958,826	\$ 342,872	\$ 18,912,967	\$ 1,682,490
-	-	121,006	29,742
(1,066,454)	(63,710)	(10,151,346)	(1,264,862)
(520,248)	-	(1,764,579)	(481,581)
<u>1,372,124</u>	<u>279,162</u>	<u>7,118,048</u>	<u>(34,211)</u>
-	(785,753)	(785,753)	-
1,200,503	-	1,532,248	-
(154,714)	-	(2,178,549)	-
<u>1,045,789</u>	<u>(785,753)</u>	<u>(1,432,054)</u>	<u>-</u>
408,119	-	408,119	-
100,000	-	4,895,178	-
(203,849)	-	(3,335,986)	-
(42,752)	-	(42,752)	-
-	-	(2,568,900)	-
(730,000)	-	(2,692,500)	-
(1,194,116)	-	(1,658,595)	-
(907,225)	-	(1,822,473)	-
-	-	27,950	-
-	506,591	506,591	-
(44,002)	-	(109,199)	-
<u>(2,613,825)</u>	<u>506,591</u>	<u>(6,392,567)</u>	<u>-</u>
3,034	-	28,208	-
(192,878)	-	(678,365)	(34,211)
668,536	-	6,683,528	35,770
<u>\$ 475,658</u>	<u>\$ -</u>	<u>\$ 6,005,163</u>	<u>\$ 1,559</u>

CITY OF GARDNER, KANSAS

STATEMENT OF CASH FLOWS  
(Continued)

PROPRIETARY FUNDS

Year Ended December 31, 2009

	Major Funds	
	Electric	Water
Cash consists of:		
Cash	\$ 1,650,188	\$ 3,268,218
Restricted deposits and investments	545,178	65,921
	<u>\$ 2,195,366</u>	<u>\$ 3,334,139</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 3,313,320	\$ 885,258
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Items not requiring cash:		
Depreciation expense	1,239,234	578,601
Changes in:		
Receivables	(292,239)	(36,100)
Due from other funds	(4,959)	(18)
Prepaid expenses	37,671	-
Accounts payable	(225,302)	(36,152)
Other postemployment benefit obligation	4,466	4,418
Due to other funds	-	527
Accrued liabilities	5,196	3,218
Customer deposits	(9,340)	(1,037)
Net cash provided by (used in) operating activities	<u>\$ 4,068,047</u>	<u>\$ 1,398,715</u>

Non-cash capital financing activities:

Capital assets of \$ 99,587 were acquired through contributions from governmental funds.

See accompanying notes to basic financial statements.

<u>Wastewater</u>	<u>Nonmajor Fund Stormwater</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 459,351	\$ -	\$ 5,377,757	\$ 1,559
16,307	-	627,406	-
<u>\$ 475,658</u>	<u>\$ -</u>	<u>\$ 6,005,163</u>	<u>\$ 1,559</u>
\$ 320,429	\$ (70,817)	\$ 4,448,190	\$ (14,828)
1,307,096	12,164	3,137,095	6,949
(40,635)	342,872	(26,102)	-
(63,458)	-	(68,435)	(6,648)
-	-	37,671	-
(164,701)	(5,057)	(431,212)	(26,684)
3,301	-	12,185	2,358
5,007	-	5,534	4,187
5,085	-	13,499	455
-	-	(10,377)	-
<u>\$ 1,372,124</u>	<u>\$ 279,162</u>	<u>\$ 7,118,048</u>	<u>\$ (34,211)</u>

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
December 31, 2009

	<u>Agency Fund</u> <u>Alcohol Safety</u> <u>Action Program</u>
<u>ASSETS</u>	
Deposits and investments	<u>\$ 30,627</u>
<u>LIABILITIES</u>	
Due to others	<u>\$ 30,627</u>

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2009

1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Gardner, Kansas (the City) is located in Johnson County, Kansas and was first incorporated in 1887 under the provisions of the constitution and general statutes of the State of Kansas. The City operates under a Mayor-Council-Administrator form of government and provides a full range of services including public safety (police and fire); public works; community services; recreation and leisure; planning and codes enforcement; general management; and electric, water, wastewater, and stormwater utilities. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The blended component unit, although a legally separate entity, is, in substance, part of the City's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

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

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This fund accounts for the general operating transactions of the City including public safety, public works, parks, recreation, and administration.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The Kill Creek Sewer fund is used to account for the acquisition and construction of a major capital sewer improvement.

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

The agency fund accounts for the amounts collected from the municipal court to be remitted to the State of Kansas.

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the electric, water, wastewater and stormwater funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pooled Cash and Investments

Cash and investments of the individual funds are combined to form a pool that is managed by the Director of Finance. Each fund's equity in the pool is included in "deposits and investments" in the financial statements. These pooled deposits and investments consist of operating accounts, money market mutual funds, and investments in the Kansas Municipal Investment Pool (MIP) which is overseen by the State of Kansas. The money market mutual funds are recorded at fair value. The fair value of the City's position in the MIP is the same as the pool value of the shares. Investment earnings, including interest income, are allocated to the funds required to accumulate interest; other investment earnings are allocated based on management discretion and upon their average daily equity balances. If a fund is not required to account for its own earnings by law or regulation, the earnings are allocated to the General Fund.

For the fiscal year ended December 31, 2009, interest earnings of \$ 77,309 were allocated to the various funds.

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

Statement of Cash Flows

For purposes of the statement of cash flows, the City considers deposits and highly liquid investments with an original maturity of three months or less to be cash equivalents. At December 31, 2009, cash equivalents consisted of money market mutual funds included in pooled cash described above.

Allowances for Uncollectibles

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 238 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 5% of outstanding property taxes at December 31, 2009.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Restricted Assets

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

Property Taxes

The City's property tax is levied each year on the assessed value of all real estate listed as of the prior January 1, the lien date. Assessed values are established by Johnson County. The assessed value at January 1, 2008 upon which the 2009 levy was based was approximately \$ 135,771,883.

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

Receivable and Payables

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

General fund property taxes receivable	\$ 2,758,995
Debt service fund property taxes receivable	391,053
Debt service fund special assessments receivable	<u>13,968,887</u>
	<u>\$ 17,118,935</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Inventories

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

Capital Assets

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

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

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

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

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

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

CITY OF GARDNER, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences

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

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

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

Long-Term Obligations

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

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Concentrations of Credit Risk

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

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

Use of Estimates

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements

At December 31, 2009, the Governmental Accounting Standards Board (GASB) had issued a statement not yet implemented by the City. The statement that might impact the City is as follows:

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, was issued in June 2007. This statement establishes standards for when and whether intangible assets should be considered capital assets for financial reporting purposes. It requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The provisions of this statement are effective for periods beginning after June 15, 2009.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was issued in February 2009. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The provisions of this statement are effective for periods beginning after June 15, 2010.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$ 34,178,960 difference are as follows:

General obligation bonds payable	\$ (19,685,172)
Issuance premium	(31,657)
PBC lease revenue bonds	(3,545,000)
Construction loans payable	(4,065,034)
Certificates of participation	(5,665,000)
Capital leases payable	(830,353)
Accrued interest payable	(393,585)
Other postemployment benefit obligations	(79,379)
Deferred charges for issuance costs	338,642
Compensated absences	<u>(222,422)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ (34,178,960)</u></u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

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

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

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$ 1,340,824 difference are as follows:

Capital outlay	\$ 3,099,472
Depreciation expense	<u>(1,758,648)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ 1,340,824</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

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

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

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$ 5,540,093 difference are as follows:

Debt issued or incurred:	
Construction loans	\$ (2,570,970)
General obligation bonds	(5,689,822)
Principal repayments:	
General obligation bonds payable	1,743,600
PBC lease revenue bonds	115,000
Certificates of participation	475,000
Construction loans	305,697
Capital leases payable	<u>81,402</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ (5,540,093)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$ 23,826 difference are as follows:

Compensated absences	\$ (20,908)
Accrued interest	(28,107)
Other postemployment benefit obligation	(38,261)
Capitalized bond issuance costs and issuance premiums	90,543
Amortization of issuance costs	<u>(27,093)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (23,826)</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

3 - Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

Kansas statutes permit transferring budgeted amounts from one object or purpose to another within the same fund; however, such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures in an individual fund. The City Administrator is authorized to approve over-expenditures at the departmental level or transfers of budgeted appropriations between departments. However, management may not amend a fund's total budgeted expenditures without Council approval. The legal level of budgetary control is the fund level. Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the City. All unencumbered appropriations lapse at the end of the year. Encumbered appropriations are not reappropriated in the ensuing year's budget but are carried forward until liquidated or cancelled. Kansas statutes permit original budgets to be increased for previously unbudgeted increases in revenue other than ad valorem property taxes. The City must first publish a notice of public hearing to amend the budget. Ten days after publication, a public hearing is held and the governing body may amend the budget at that time. There were no budget amendments in 2009.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

3 - Stewardship, Compliance and Accountability (Continued)

Deficit Fund Balances

The Kill Creek Sewer, Prairiebrooke, North Moonlight, 175<sup>th</sup> & Moonlight Intersection, Celebration Park, Nike School Sewer and Gardner Junction Park capital projects funds had deficit fund balances of \$ 3,847,015, \$ 893,944, \$ 512,310, \$ 502,829, \$ 8,216, \$ 11 and \$ 8,518, respectively, as of December 31, 2009. The funds incurred expenditures for which permanent financing had not yet become available. The building maintenance, utility billing services and risk management internal service funds had deficit net assets of \$ 3,995, \$ 7,210 and \$ 1,687, respectively, as of December 31, 2009.

4 - Deposits and Investments

Deposits

*Custodial Credit Risk-Deposits*

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

The Airport Association does not have a policy covering custodial credit risk. At December 31, 2009, the Airport Association's deposits were not exposed to custodial credit risk.

Investments

At December 31, 2009, the City had the following investments:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
State of Kansas Municipal Investment Pool	< 1 year	\$ 1,044,996
Money market mutual funds	< 1 year	218,659

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

4 - Deposits and Investments (Continued)

Investments (Continued)

*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 City's investments in the Municipal Investment Pool are rated AA Af/S1+ by Standard & Poor's. The City's investments in money market mutual funds are rated AA Am by Standard & Poor's and Aaa by Moody's.

*Custodial Credit Risk – Investments*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investments are not exposed to custodial credit risk.

5 - Loan Receivable

During 2007 and 2008, the City made loans to the Airport Association for airport improvements. At December 31, 2009, the receivable balance was \$ 152,399 and is included in noncurrent liabilities on the Airport Association component unit column of the statement of net assets. The final principal and interest payments are to be made in 2019.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

6 - Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 4,464,863	\$ 12,474	\$ -	\$ -	\$ 4,477,337
Construction in progress	13,526,490	2,909,130	(5,761,589)	-	10,674,031
Total capital assets not being depreciated	17,991,353	2,921,604	(5,761,589)	-	15,151,368
Capital assets being depreciated:					
Buildings	6,452,200	-	-	-	6,452,200
Improvements	2,191,785	-	-	-	2,191,785
Infrastructure	30,899,098	5,707,404	-	-	36,606,502
Machinery and equipment	1,415,379	54,186	-	-	1,469,565
Vehicles	2,621,526	78,280	(14,606)	68,920	2,754,120
Total capital assets being depreciated	43,579,988	5,839,870	(14,606)	68,920	49,474,172
Less accumulated depreciation for:					
Buildings	(1,088,007)	(160,879)	-	-	(1,248,886)
Improvements	(877,141)	(106,981)	-	-	(984,122)
Infrastructure	(9,457,021)	(1,126,333)	-	-	(10,583,354)
Machinery and equipment	(727,079)	(132,677)	-	-	(859,756)
Vehicles	(1,035,172)	(238,727)	14,606	(44,798)	(1,304,091)
Total accumulated depreciation	(13,184,420)	(1,765,597)	14,606	(44,798)	(14,980,209)
Total capital assets being depreciated, net	30,395,568	4,074,273	-	24,122	34,493,963
Governmental activities capital assets, net	\$ 48,386,921	\$ 6,995,877	\$ (5,761,589)	\$ 24,122	\$ 49,645,331

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

6 - Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type activities:</b>					
Capital assets not being depreciated:					
Land	\$ 2,191,420	\$ 1,929	\$ -	\$ -	\$ 2,193,349
Water rights	475,000	-	-	-	475,000
Construction in progress	18,119,313	2,382,259	(18,512,221)	-	1,989,351
<b>Total capital assets not being depreciated</b>	<b>20,785,733</b>	<b>2,384,188</b>	<b>(18,512,221)</b>	<b>-</b>	<b>4,657,700</b>
Capital assets being depreciated:					
Infrastructure	98,687,294	18,758,516	-	-	117,445,810
Buildings	-	626,228	-	-	626,228
Machinery and equipment	516,644	93,735	-	-	610,379
Vehicles	1,119,371	109,249	-	(68,920)	1,159,700
<b>Total capital assets being depreciated</b>	<b>100,323,309</b>	<b>19,587,728</b>	<b>-</b>	<b>(68,920)</b>	<b>119,842,117</b>
Less accumulated depreciation for:					
Infrastructure	(27,710,706)	(2,985,867)	-	-	(30,696,573)
Buildings	-	(7,828)	-	-	(7,828)
Machinery and equipment	(347,894)	(48,326)	-	-	(396,220)
Vehicles	(504,327)	(95,074)	-	44,798	(554,603)
<b>Total accumulated depreciation</b>	<b>(28,562,927)</b>	<b>(3,137,095)</b>	<b>-</b>	<b>44,798</b>	<b>(31,655,224)</b>
<b>Total capital assets being depreciated, net</b>	<b>71,760,382</b>	<b>16,450,633</b>	<b>-</b>	<b>(24,122)</b>	<b>88,186,893</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 92,546,115</b>	<b>\$ 18,834,821</b>	<b>\$ (18,512,221)</b>	<b>\$ (24,122)</b>	<b>\$ 92,844,593</b>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

6 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 187,683
Public safety	239,063
Public works	966,035
Culture and recreation	<u>372,816</u>

Total depreciation expense - governmental activities \$ 1,765,597

Business-type activities:

Electric	\$ 1,239,234
Water	578,601
Wastewater	1,307,096
Stormwater	<u>12,164</u>

Total depreciation expense - business-type activities \$ 3,137,095

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

6 - Capital Assets (Continued)

Capital asset activity for the Airport Association component unit for the year ended December 31, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 301,500	\$ -	\$ -	\$ 301,500
Total capital assets not being depreciated	301,500	-	-	301,500
Capital assets being depreciated:				
Buildings	1,574,903	47,500	-	1,622,403
Equipment	13,390	-	-	13,390
Improvements	54,433	-	-	54,433
Infrastructure	770,545	8,377	-	778,922
Total capital assets being depreciated	2,413,271	55,877	-	2,469,148
Less accumulated depreciation for:				
Buildings	(470,552)	(43,606)	-	(514,158)
Equipment	(10,712)	(2,678)	-	(13,390)
Improvements	(15,172)	(2,722)	-	(17,894)
Infrastructure	(173,648)	(26,320)	-	(199,968)
Total accumulated depreciation	(670,084)	(75,326)	-	(745,410)
Total capital assets being depreciated, net	1,743,187	(19,449)	-	1,723,738
Airport Association capital assets, net	\$ 2,044,687	\$ (19,449)	\$ -	\$ 2,025,238

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

7 - Defined Benefit Pension Plans

Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100; Topeka, Kansas 66603-3803) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. K.S.A. 74-49,210 establishes the KPERS member-employee contribution rate at 6% for employees hired after July 1, 2009. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute from January through December 2009 was 6.54%. The City employer contributions to KPERS for the years ending December 31, 2009, 2008, and 2007 were \$ 235,225, \$ 216,519, and \$ 176,034, respectively, equal to the statutory required contributions for each year. The KP&F uniform participating employer rate established for fiscal years beginning in 2009 is 13.51%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The contributions to KP&F for the years ending December 31, 2009, 2008, and 2007 were \$ 259,422, \$ 280,510, and \$ 231,212, respectively, equal to the statutory required contributions for each year.

CITY OF GARDNER, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

8 - Defined Contribution Plan

The City has established a Section 457 deferred compensation plan for those full-time employees not covered by the KP&F program. The plan administrator International City/County Management Association establishes the annual employee and employer contribution rates for those participating in KPERS as the difference between the rates under the KP&F and KPERS programs. For employees not yet eligible for KPERS, the rates are the same as those for the KP&F program. For 2009, the City's contributions were \$ 91,039.

9 - Other Postemployment Healthcare Benefits

*Description.* The City offers postemployment health and dental insurance to retired employees through MARCIT which is a risk pool comprised of about 59 entity members. MARCIT functions as an agent multiple-employer plan. The pool arrangement that is maintained to collect premiums and pay claims/administrative costs does not qualify as an "OPEB Plan" and thus cannot be treated as holding assets in order to offset OPEB liabilities. Though retiree benefits are not directly paid by the City, they are implicitly paid over time through employer subsidization of active premiums that would be lower if retirees were not part of the experience group. Kansas statutes provide that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements until the individuals become eligible for Medicare coverage at age 65. Retirees of the City (and their dependants) may elect to continue coverage in the medical and dental plans offered through MARCIT. 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. MARCIT issues a publicly available financial report that may be obtained by writing to MARCIT at 600 Broadway, Suite 300, Kansas City, Missouri 65104-1659.

*Funding Policy.* Through MARCIT, the City provides health and dental insurance benefits to retirees and their dependants 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 MARCIT Board of Directors. Retirees contribute 100% of the cost of premiums, which vary depending on the coverage selected.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

9 - Other Postemployment Healthcare Benefits (Continued)

The City appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditures on a pay-as-you-go basis through the General Fund, Proprietary Funds, and Internal Service Funds. In 2009, plan members receiving benefits contributed \$ 18,936 to the plan and the City contributed \$ 52,092 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	\$ 57,630
Interest on net OPEB obligation	3,405
Adjustment to annual required contribution	<u>(3,889)</u>
Annual OPEB cost (expense)	57,146
Contributions made	<u>(4,341)</u>
Increase in net OPEB obligation	52,805
Net OPEB obligation, January 1, 2009	<u>56,747</u>
Net OPEB obligation, December 31, 2009	<u><u>\$ 109,552</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and 2009 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 61,088	7.11%	\$ 56,747
2009	57,146	7.60%	109,552

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

9 - Other Postemployment Healthcare Benefits (Continued)

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$ 340,949. 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 \$ 340,949. The covered payroll (annual payroll of active employees covered by the plan) was \$ 6,197,639 and the ratio of the UAAL to the covered payroll was 5.5 percent.

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

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

In the July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was applied. The actuarial assumptions included a 6 percent discount rate, which reflects the expected rate of return of the MARCIT Health and Dental Fund as it is used to pay retiree claims. The valuation assumed annual healthcare cost trend rates of six and one-half to nine percent in the first six years and an ultimate rate of six percent after seven years. The UAAL is being amortized on a level dollar closed basis over a period of 30 years with the remaining amortization period of 28 years.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Risk Management

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

The City obtains workers' compensation and employee health insurance through its membership in the Kansas Eastern Region Insurance Trust (KERIT) and the Mid-America Regional Council Insurance Trust (MARCIT), 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. MARCIT operates as a purchasing pool to provide medical and dental insurance coverage on both a self-insured and conventional basis. The City does not anticipate any additional assessments in excess of premiums paid as a result of its participation in these trusts.

11 - Capital Projects

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

11 - Capital Projects (Continued)

Following is a summary of project-to-date costs to December 31, 2009 on the capital projects compared to the amount authorized:

	<u>Costs to Date</u>	<u>Amount Authorized</u>
Governmental improvements	\$ 7,510,604	\$ 7,900,300
Benefit districts	3,163,427	10,205,000
Sewer improvements	131,463	154,000
Water improvements	434,636	500,000
Electric improvements	1,380,771	1,750,000
Stormwater improvements	42,481	42,604
	<u>\$ 12,663,382</u>	<u>\$ 20,551,904</u>

12 - Long-Term Debt

General Obligation Bonds

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

General obligation bonds payable at December 31, 2009 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2009	Outstanding December 31, 2009
<b>General Obligation Bonds:</b>					
<b>Governmental activities:</b>					
1998B refunding	4.0%-4.8%	\$ 519,800	9/1/2015	\$ 280,600	\$ -
2001A refunding	3.5%-4.6%	394,661	11/1/2016	25,000	215,000
2002B refunding and improvement	2.0%-4.2%	210,000	9/1/2016	15,000	45,000
2003C refunding and improvement	1.5%-3.6%	2,821,000	10/1/2013	298,000	1,100,350
2004D refunding and improvement	3.5%-4.5%	830,000	10/1/2024	35,000	570,000
2005A improvement	3.1%-4.05%	3,355,000	10/1/2015	315,000	2,160,000
2006A improvement	4.0%-4.125%	3,545,000	10/1/2016	215,000	2,965,000
2008A improvement	3.00%-4.00%	1,810,000	10/1/2018	140,000	1,670,000
2008B improvement	3.125%-4.5%	435,000	10/1/2018	35,000	400,000
2009C refunding and improvement	1.50%-2.90%	251,850	9/1/2016	-	251,850
				<u>\$ 1,358,600</u>	<u>\$ 9,377,200</u>
<b>Business-type activities:</b>					
1998A improvement	4.1%-4.9%	1,415,000	9/1/2016	\$ 780,000	\$ -
1998B refunding	4.0%-4.8%	1,740,200	9/1/2015	939,400	-
1999A improvement	4.3%-5.0%	2,270,000	9/1/2015	1,195,000	-
2002B refunding and improvement	2.0%-4.2%	4,650,000	9/1/2016	330,000	2,635,000
2003C refunding and improvement	1.5%-3.5%	329,000	10/1/2012	47,000	44,650
2004D refunding and improvement	3.5%-3.85%	495,000	10/1/2014	50,000	275,000
2005A improvement	3.1%-4.05%	1,320,000	10/1/2015	125,000	845,000
2006A improvement	4.0%-4.125%	7,150,000	10/1/2016	660,000	5,395,000
2008A improvement	3.00%-4.00%	2,910,000	10/1/2018	215,000	2,695,000
2008B improvement	3.125%-4.5%	6,250,000	10/1/2018	530,000	5,720,000
2008D refunding	3.25%-5.40%	1,410,000	11/1/2016	390,000	1,020,000
2009A improvement	2.00%-4.00%	2,267,028	10/1/2019	-	2,267,028
2009C refunding and improvement	1.50%-2.90%	2,628,150	9/1/2016	-	2,628,150
				<u>\$ 5,261,400</u>	<u>\$ 23,524,828</u>

CITY OF GARDNER, KANSAS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 (Continued)

12 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

The future annual requirements for general obligation bonds outstanding as of December 31, 2009 are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 1,155,750	\$ 339,980	\$ 2,796,278	\$ 709,886
2011	1,222,300	300,941	2,992,700	628,243
2012	1,444,600	259,268	3,065,400	541,034
2013	1,498,700	207,814	3,121,300	449,524
2014	1,309,850	153,759	3,015,150	354,886
2015 - 2019	2,536,000	227,530	8,534,000	561,878
2020 - 2024	210,000	28,865	-	-
	<u>\$ 9,377,200</u>	<u>\$ 1,518,157</u>	<u>\$ 23,524,828</u>	<u>\$ 3,245,451</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

Special Assessment Bonds

The City's special assessment debt was issued to provide funds for the construction of infrastructure in new commercial and residential developments. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. Special assessment bonds at December 31, 2009 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2009	Outstanding December 31, 2009
Special Assessment Bonds:					
Governmental activities:					
2001A refunding	3.5%-4.6%	\$ 480,339	11/1/2016	\$ 30,000	\$ 265,000
2002B refunding and improvement	2.0%-4.2%	100,000	9/1/2016	10,000	10,000
2003C refunding and improvement	1.5%-4.4%	670,000	10/1/2018	55,000	350,000
2004D refunding and improvement	3.5%-4.1%	1,835,000	10/1/2019	145,000	1,175,000
2008B improvement	3.125%-4.5%	3,215,000	10/1/2028	145,000	3,070,000
2009A improvement	2.00%-4.00%	5,437,972	10/1/2024	-	5,437,972
				<u>\$ 385,000</u>	<u>\$ 10,307,972</u>

CITY OF GARDNER, KANSAS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 (Continued)

12 - Long-Term Debt (Continued)

Special Assessment Bonds (Continued)

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

	Governmental Activities	
	Principal	Interest
2010	\$ 702,972	\$ 191,748
2011	715,000	177,340
2012	735,000	162,750
2013	755,000	147,455
2014	730,000	131,473
2015 - 2019	3,240,000	451,409
2020 - 2024	2,785,000	231,950
2025 - 2029	645,000	74,025
	\$ 10,307,972	\$ 1,568,150

Refundings

In the current year, the City issued Series 2009C General Obligation Refunding Bonds in the amount of \$ 2,880,000 to currently refund Series 1998A, Series 1998B and Series 1999A General Obligation bonds totaling \$ 2,815,000. The reacquisition price exceeded the net carrying amount of the old debt by \$ 43,850. This amount is being netted against the new debt and amortized over the life of the new debt, which is shorter than the life of the refunded debt.

The refunding transactions resulted in an economic gain of \$ 211,018 and a decrease of \$ 212,712 in future debt service payments.

Construction Loans Payable

During 1996, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$ 2,223,206 to finance improvements to the wastewater system. The loan is being repaid over twenty years at an interest rate of 3.22%. The outstanding balance of \$ 913,319 is shown as a liability in the wastewater fund.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

Construction Loans Payable (Continued)

During 2000, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$ 20,078,700 to finance improvements to the wastewater system. The loan is being repaid over twenty years at an interest rate of 3.30%. The outstanding balance of \$ 14,803,962 is shown as a liability in the wastewater fund.

During 2006, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$ 4,318,315 to finance improvements to the wastewater system. The loan will be repaid over twenty years at an interest rate of 2.65%. As of December 31, 2009, the City has drawn \$ 3,473,413 on this loan. Payments of \$ 308,066 were made in 2009, leaving a total outstanding balance of \$ 2,699,617 which is shown as a liability in the wastewater fund. The debt service requirements to the maturity date will not be determinable until the final draw has been made.

During 2005, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Public Water Supply Loan Fund. The agreement enabled the City to borrow \$ 7,582,910 to finance improvements to the water system. The loan will be repaid over ten years at an interest rate of 3.49%. Payments of \$ 464,479 were made in 2009, leaving a total outstanding balance of \$ 5,766,512, which is shown as a liability in the water fund.

During 2006, the City entered into two loan agreements with the Kansas Department of Transportation. The agreements enabled the City to borrow \$ 1,994,206 to finance significant street improvement projects. The loans will be repaid over ten years at an interest rate of 3.6%. Payments of \$ 162,503 were made in 2009, leaving a total outstanding balance of \$ 484,685. The loans are shown as liabilities in the governmental activities column of the statement of net assets.

During 2007, the City entered into a loan agreement with the Kansas Department of Transportation. The agreement enabled the City to borrow \$ 1,533,638 to finance significant street improvement projects. The loans will be repaid over ten years at an interest rate of 3.62%. Payments of \$ 143,194 were made in 2009, leaving a total outstanding balance of \$ 1,182,041. The loan is shown as a liability in the governmental activities column of the statement of net assets.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

Construction Loans Payable (Continued)

During 2009, the City entered into two loan agreements with the Kansas Department of Transportation. The agreement enabled the City to borrow \$ 6,000,000 to finance significant street improvement projects. The loans will be repaid over twenty years at an interest rate of 4.18%. As of December 31, 2009, the City has drawn \$ 2,398,308 on these loans. No payments were made in 2009, leaving a total outstanding balance of \$ 2,398,308. The loan is shown as a liability in the governmental activities column of the statement of net assets. The debt service requirements to the maturity dates will not be determinable until the final draws have been made.

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

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 250,951	\$ 61,488	\$ 1,170,604	\$ 748,863
2011	221,856	52,155	1,212,276	707,188
2012	230,062	43,946	1,415,096	662,625
2013	238,575	35,433	1,465,510	612,212
2014	247,402	26,606	1,517,719	560,002
2015 - 2019	477,880	28,742	8,675,572	1,938,673
2020 - 2024	-	-	5,159,986	486,292
2025 - 2029	-	-	867,030	38,151
	<u>\$ 1,666,726</u>	<u>\$ 248,370</u>	<u>\$ 21,483,793</u>	<u>\$ 5,754,006</u>

PBC Lease Revenue Bonds

The PBC has issued \$ 4,000,000 of Public Building Commission lease revenue bonds series 2002A with interest rates ranging from 3% to 4.7% and with a final maturity in 2021. Principal payments are scheduled annually ranging from \$ 115,000 to \$ 505,000.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

PBC Lease Revenue Bonds (Continued)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 135,000	\$ 159,277	\$ 294,277
2011	160,000	153,743	313,743
2012	180,000	146,863	326,863
2013	205,000	139,123	344,123
2014	235,000	130,308	365,308
2015-2019	1,670,000	469,773	2,139,773
2020-2024	960,000	68,628	1,028,628
	<u>\$ 3,545,000</u>	<u>\$ 1,267,715</u>	<u>\$ 4,812,715</u>

On August 1, 2002, the City entered into an irrevocable lease agreement with the PBC. The purpose of the lease agreement is for the City to rent the building financed by the PBC Lease Revenue Bonds, Series 2002A. The rental payments are the same as the scheduled 2002A debt payments.

Certificates of Participation

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

Future maturities of the certificates of participation are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 620,000	\$ 219,112	\$ 839,112
2011	810,000	195,863	1,005,863
2012	755,000	165,488	920,488
2013	810,000	137,175	947,175
2014	1,000,000	106,800	1,106,800
2015-2019	1,670,000	85,800	1,755,800
	<u>\$ 5,665,000</u>	<u>\$ 910,238</u>	<u>\$ 6,575,238</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

Capital Leases

The City has entered into the following capital lease in governmental funds:

	<u>Fire Pumper</u>
Cost	\$ 989,000
Accumulated depreciation at December 31, 2009	247,250
Interest rate	5.38%
Dated	04/06/07
Term	10 years

The annual debt service requirements for the capital lease to be paid with governmental funds at December 31, 2009 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 85,781	\$ 44,673	\$ 130,454
2011	90,396	40,058	130,454
2012	95,260	35,195	130,455
2013	100,385	30,070	130,455
2014	105,785	24,669	130,454
2015-2019	352,746	38,618	391,364
	<u>\$ 830,353</u>	<u>\$ 213,283</u>	<u>\$ 1,043,636</u>

2009 amortization of \$ 98,900 on the asset acquired through capital lease has been included in depreciation expense in the governmental activities.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

Capital Leases (Continued)

The City has entered into the following capital lease in a proprietary fund:

	<u>Vactor</u>
Cost	\$ 226,331
Accumulated depreciation at December 31, 2009	56,583
Interest rate	5.57%
Dated	02/12/07
Term	4 years

The annual debt service requirements for the capital lease to be paid with proprietary funds at December 31, 2009 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 45,134	\$ 5,167	\$ 50,301
2011	47,647	2,655	50,302
	<u>\$ 92,781</u>	<u>\$ 7,822</u>	<u>\$ 100,603</u>

2009 amortization of \$ 22,633 on the asset acquired through a capital lease has been included in depreciation expense in the proprietary activities.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 10,483,950	\$ 251,850	\$ 1,358,600	\$ 9,377,200	\$ 1,155,750
Plus deferred amounts:					
Issuance premiums	36,180	-	4,523	31,657	-
Special assessment debt with government commitment	5,255,000	5,437,972	385,000	10,307,972	702,972
Construction loans payable	1,799,761	2,570,970	305,697	4,065,034	250,951
Certificates of participation	6,140,000	-	475,000	5,665,000	620,000
PBC lease revenue bonds	3,660,000	-	115,000	3,545,000	135,000
Capital lease obligations	911,755	-	81,402	830,353	85,781
Compensated absences	201,514	246,365	225,457	222,422	207,693
Other postemployment benefit obligation	42,164	39,235	-	81,399	-
<b>Governmental activities long- term liabilities</b>	<b>\$ 28,530,324</b>	<b>\$ 8,546,392</b>	<b>\$ 2,950,679</b>	<b>\$ 34,126,037</b>	<b>\$ 3,158,147</b>
<b>Business-type activities:</b>					
General obligation bonds	\$ 23,891,050	\$ 4,895,178	\$ 5,261,400	\$ 23,524,828	\$ 2,796,278
Construction loans payable	25,433,886	408,119	1,658,595	24,183,410	1,170,604
Capital lease obligations	135,533	-	42,752	92,781	45,134
Less deferred amounts:					
Issuance premiums	124,403	-	12,441	111,962	-
Refunding difference	(98,650)	16,045	43,850	(126,455)	-
<b>Total</b>	<b>49,486,222</b>	<b>5,319,342</b>	<b>7,019,038</b>	<b>47,786,526</b>	<b>4,012,016</b>
Compensated absences	65,609	77,949	72,345	71,213	66,498
Other postemployment benefit obligation	14,583	13,570	-	28,153	-
<b>Business-type activities long- term liabilities</b>	<b>\$ 49,566,414</b>	<b>\$ 5,410,861</b>	<b>\$ 7,091,383</b>	<b>\$ 47,885,892</b>	<b>\$ 4,078,514</b>
<b>Component unit:</b>					
Loan payable to primary government	\$ 167,399	\$ -	\$ 15,000	\$ 152,399	\$ 15,000

For the governmental activities, compensated absences are generally liquidated by the general fund.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

13 - Bond Anticipation Notes Payable

The City issues bond anticipation notes to provide temporary financing for capital improvement projects. Bond anticipation notes payable at December 31, 2009 were as follows:

Issue	Original Amount	Interest Rate	Maturity Date
2009B	\$ 5,515,000	1.00%	10/1/2010
	Beginning Balance	Additions	Reductions
Governmental activities:			Ending Balance
Bond anticipation notes	\$ 11,715,000	\$ 5,515,000	\$ 11,715,000
	\$ 5,515,000	\$ 11,715,000	\$ 5,515,000

14 - Special Assessments

Kansas statutes require special benefit district projects financed in part by special assessments to be financed through the issuance of general obligation bonds that are secured by the full faith and credit of the City. Further, state statutes permit levying additional general ad valorem taxes in the City's Debt Service Fund to finance delinquent special assessments receivable. Accordingly, special assessments receivable are accounted for within the City's debt service fund. Special assessments are levied over the repayment period of the bonds and the annual installments are due and payable with annual ad valorem taxes. At December 31, 2009, the special assessment taxes levied are a lien on the property and are recorded as a special assessments receivable in the debt service fund with a corresponding amount recorded as deferred revenue. Special assessments receivable at December 31, 2009 was \$ 13,968,887.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

15 - Interfund Transactions

Interfund transfers for the year ended December 31, 2009 consisted of the following:

Transfers to general fund from:	
Electric fund	\$ 702,222
Water fund	57,300
Wastewater fund	107,300
Nonmajor governmental funds	6,300
	<hr/>
	\$ 873,122
	<hr/>
Transfers to debt service fund from:	
Electric fund	\$ 18,260
Water fund	26,300
Wastewater fund	45,164
Nonmajor governmental funds	1,332,311
	<hr/>
	\$ 1,422,035
	<hr/>
Transfers to electric fund from:	
General fund	\$ 14,000
Water fund	2,250
Wastewater fund	2,250
	<hr/>
	\$ 18,500
	<hr/>
Transfers to water fund from:	
Nonmajor governmental funds	\$ 313,245
	<hr/>
Transfers to wastewater fund from:	
Water fund	\$ 1,200,503
	<hr/>
Transfers to nonmajor governmental funds from:	
Water fund	\$ 17,000
Nonmajor governmental funds	893,000
	<hr/>
	\$ 910,000
	<hr/>

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

CITY OF GARDNER, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

15 - Interfund Transactions (Continued)

Transfers in and out do not balance at the fund level. During the year, the electric fund transferred a capital asset with a net book value of \$ 24,122 to the general government. The electric fund reported a transfer out but no transfer in was reported because there is nothing to report in the governmental funds.

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

Amounts owed from nonmajor governmental funds to:	
Nonmajor governmental funds	\$ <u>251,975</u>
Amounts owed from the nonmajor enterprise fund to:	
Wastewater fund	\$ <u>63,507</u>
Amounts owed from the internal service funds to:	
Water fund	\$ 105
Wastewater fund	383
Electric fund	5,491
Internal service funds	7,957
	\$ <u>13,936</u>
Amounts owed from the general fund to:	
Electric fund	\$ <u>11,366</u>
Amounts owed from the water fund to:	
Electric fund	\$ <u>3,149</u>
Amounts owed from the wastewater fund to:	
Electric fund	\$ <u>31,026</u>

The outstanding balances between nonmajor governmental funds were created to eliminate negative cash balances in the payable funds due to project payment timing.

The outstanding balance between proprietary funds was created to reflect the balance owed for services provided.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

16 - Commitments and Contingencies

Litigation

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

Industrial Revenue Bonds

The City has issued industrial revenue bonds to finance the purchase of land and construction of a facility leased to a business that relocated to the City. The lease agreement provides for rentals sufficient to service the related bonds. The debt service on this issue is paid solely from lease agreements; this issue does not constitute a debt of the City. The lessee has the option of purchasing the leased property at any time during the lease period for an amount sufficient to retire the related outstanding bonds. At the end of the lease period, which conforms to bond maturity schedules, the lessee may either purchase the property for a nominal amount or renew the lease annually at a nominal amount. As of December 31, 2009, industrial revenue bonds of \$ 39,049,845 are outstanding.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GARDNER, KANSAS

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 (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2007	\$ -	\$ 340,949	\$ 340,949	0.0%	\$ 6,197,639	5.5%

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.

**Airport Fund** – This fund is used to account for receipt of loan payments for a loan the City made in 2002 to the Airport Association component unit for airport improvements.

**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.

**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.

**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.

**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.

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

**East Santa Fe TIF District Fund** – This fund is used to account for the captured ad valorem tax increment and sales tax increment from properties within the Redevelopment District created by Ordinance 2110, adopted June 21, 2004. The captured increments are to be used to reimburse the developer for "reimbursable project costs" as defined in the 175<sup>th</sup> and Cedar Niles Redevelopment Agreement dated January 3, 2005.

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

**Risk Management Reserve Fund** – This fund is used to account for monies that the City may transfer from other funds to cover any risk that would otherwise be insurable, such as deductibles, etc.

**Capital Improvement Reserve Fund** – This fund is used to account for monies that the City may transfer from time to time from other funds to finance multi-year capital projects.

Park Improvement Reserve Fund – This fund is used to account for impact fees assessed by the City on every new building permit and is restricted for the purpose of park improvements and park land purchases necessitated by the City’s new development growth.

### **Capital Projects Funds**

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The funds listed below are used to account for the construction of various capital projects as identified by the name of each fund:

Prairiebrooke Fund	New Century Fund
Airport Runway Rehab Fund	Public Works Facility Fund
City Hall Fund	175 <sup>th</sup> & Moonlight Intersection Fund
Cedar Street Fund	University Park Fund
North Moonlight Fund	Kill Creek Drive/Waterline
South Moonlight Fund	Center Street Commons
167 <sup>th</sup> Street Fund	North Center Street
Waverly Street Fund	Nike School Sewer Fund
183 <sup>rd</sup> Street Fund	Public Safety Station #2 Fund
Lincoln Lane Fund	Pool Expansion Fund
Moonlight & Main Fund	Gardner Junction Park Fund
Shean’s Crossing Fund	Celebration Park Fund
Airport Hangars Fund	

CITY OF GARDNER, KANSAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2009

	Special Revenue				
	Airport	Law Enforcement Trust	Park Sales Tax	Special Alcohol/ Drug Program	Street Improvement
<u>ASSETS</u>					
Deposits and investments	\$ 8,577	\$ 1,008	\$ -	\$ 33,196	\$ 3,210,033
Receivables:					
Taxes	-	-	121,993	-	-
Intergovernmental	-	-	-	-	-
Airport Association	-	-	-	-	-
Other	-	-	-	-	-
Restricted deposits and investments	-	-	205,419	-	-
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 8,577</u>	<u>\$ 1,008</u>	<u>\$ 327,412</u>	<u>\$ 33,196</u>	<u>\$ 3,210,033</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 18,440
Temporary notes payable	-	-	-	-	-
Due to other funds	-	-	127,842	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>127,842</u>	<u>-</u>	<u>18,440</u>
Fund balances:					
Reserved for encumbrances	-	-	-	-	46,839
Reserved for long-term loan receivable	-	-	-	-	-
Unreserved, undesignated	8,577	1,008	199,570	33,196	3,144,754
Total fund balances	<u>8,577</u>	<u>1,008</u>	<u>199,570</u>	<u>33,196</u>	<u>3,191,593</u>
Total liabilities and fund balances	<u>\$ 8,577</u>	<u>\$ 1,008</u>	<u>\$ 327,412</u>	<u>\$ 33,196</u>	<u>\$ 3,210,033</u>

(Continued)

CITY OF GARDNER, KANSAS

COMBINING BALANCE SHEET  
(Continued)

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2009

	Special Revenue						
	Special Highway	Special Parks and Recreation	E. Santa Fe TIF District	Economic Development Reserve	Risk Management Reserve	Capital Improvement Reserve	Park Improvement Reserve
<u>ASSETS</u>							
Deposits and investments	\$ 100,122	\$ 48,150	\$ 2	\$ 95,491	\$ 92,762	\$ 631,091	\$ 279,454
Receivables:							
Taxes	-	-	76,875	-	-	-	45,431
Intergovernmental	119,860	-	-	9,942	-	8,108	-
Airport Association	-	-	-	-	-	13,118	-
Other	-	-	-	-	-	1,738	-
Restricted deposits and investments	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	124,133	127,842
Total assets	<u>\$ 219,982</u>	<u>\$ 48,150</u>	<u>\$ 76,877</u>	<u>\$ 105,433</u>	<u>\$ 92,762</u>	<u>\$ 778,188</u>	<u>\$ 452,727</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,190	\$ -
Temporary notes payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,190</u>	<u>-</u>
Fund balances:							
Reserved for encumbrances	14,607	12,000	-	-	-	14,200	-
Reserved for long-term loan receivable	-	-	-	-	-	-	-
Unreserved, undesignated	<u>205,375</u>	<u>36,150</u>	<u>76,877</u>	<u>105,433</u>	<u>92,762</u>	<u>762,798</u>	<u>452,727</u>
Total fund balances	<u>219,982</u>	<u>48,150</u>	<u>76,877</u>	<u>105,433</u>	<u>92,762</u>	<u>776,998</u>	<u>452,727</u>
Total liabilities and fund balances	<u>\$ 219,982</u>	<u>\$ 48,150</u>	<u>\$ 76,877</u>	<u>\$ 105,433</u>	<u>\$ 92,762</u>	<u>\$ 778,188</u>	<u>\$ 452,727</u>

(Continued)

CITY OF GARDNER, KANSAS

COMBINING BALANCE SHEET  
(Continued)

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2009

	Special Revenue		Capital Projects				
	Total	Prairiebrooke	Airport Runway Rehab	City Hall	Cedar Street	North Moonlight	South Moonlight
<u>ASSETS</u>							
Deposits and investments	\$ 4,499,886	\$ -	\$ -	\$ -	\$ 35,674	\$ 12,641	\$ 157,617
Receivables:							
Taxes	244,299	-	-	-	-	-	-
Intergovernmental	137,910	-	-	-	-	-	-
Airport Association	13,118	-	152,399	-	-	-	-
Other	1,738	-	-	-	-	-	-
Restricted deposits and investments	205,419	873,839	-	103	-	-	-
Due from other funds	251,975	-	-	-	-	-	-
Total assets	<u>\$ 5,354,345</u>	<u>\$ 873,839</u>	<u>\$ 152,399</u>	<u>\$ 103</u>	<u>\$ 35,674</u>	<u>\$ 12,641</u>	<u>\$ 157,617</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ 19,630	\$ 112,783	\$ -	\$ -	\$ -	\$ 524,951	\$ -
Temporary notes payable	-	1,655,000	-	-	-	-	-
Due to other funds	127,842	-	-	-	-	-	-
Total liabilities	<u>147,472</u>	<u>1,767,783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>524,951</u>	<u>-</u>
Fund balances:							
Reserved for encumbrances	87,646	394,909	-	-	-	308,022	-
Reserved for long-term loan receivable	-	-	152,399	-	-	-	-
Unreserved, undesignated	5,119,227	(1,288,853)	-	103	35,674	(820,332)	157,617
Total fund balances	<u>5,206,873</u>	<u>(893,944)</u>	<u>152,399</u>	<u>103</u>	<u>35,674</u>	<u>(512,310)</u>	<u>157,617</u>
Total liabilities and fund balances	<u>\$ 5,354,345</u>	<u>\$ 873,839</u>	<u>\$ 152,399</u>	<u>\$ 103</u>	<u>\$ 35,674</u>	<u>\$ 12,641</u>	<u>\$ 157,617</u>

(Continued)

CITY OF GARDNER, KANSAS

COMBINING BALANCE SHEET  
(Continued)

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2009

Capital Projects

	167th Street	Waverly Street	183rd Street	Lincoln Lane	Moonlight & Main	Shean's Crossing	Airport Hangars
<u>ASSETS</u>							
Deposits and investments	\$ 22,829	\$ 139,112	\$ 67,776	\$ 6,047	\$ 2,300	\$ -	\$ 33,472
Receivables:							
Taxes	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Airport Association	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Restricted deposits and investments	-	-	-	-	-	4,775	-
Due from other funds	-	-	-	-	-	-	-
Total assets	<u>\$ 22,829</u>	<u>\$ 139,112</u>	<u>\$ 67,776</u>	<u>\$ 6,047</u>	<u>\$ 2,300</u>	<u>\$ 4,775</u>	<u>\$ 33,472</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ (15)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Temporary notes payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>(15)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:							
Reserved for encumbrances	-	-	-	-	29,930	-	-
Reserved for long-term loan receivable	-	-	-	-	-	-	-
Unreserved, undesignated	22,844	139,112	67,776	6,047	(27,630)	4,775	33,472
Total fund balances	<u>22,844</u>	<u>139,112</u>	<u>67,776</u>	<u>6,047</u>	<u>2,300</u>	<u>4,775</u>	<u>33,472</u>
Total liabilities and fund balances	<u>\$ 22,829</u>	<u>\$ 139,112</u>	<u>\$ 67,776</u>	<u>\$ 6,047</u>	<u>\$ 2,300</u>	<u>\$ 4,775</u>	<u>\$ 33,472</u>

(Continued)

CITY OF GARDNER, KANSAS

COMBINING BALANCE SHEET  
(Continued)

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2009

	Capital Projects						
	New Century	Public Works Facility	175th & Moonlight Intersection	University Park	Kill Creek Drive/ Waterline	Center Street Commons	North Center Street
<u>ASSETS</u>							
Deposits and investments	\$ 8	\$ -	\$ 9,912	\$ 371	\$ 3	\$ 5,924	\$ 5,574
Receivables:							
Taxes	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Airport Association	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Restricted deposits and investments	-	-	-	7,092	1,510	-	-
Due from other funds	-	-	-	-	-	-	-
Total assets	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ 9,912</u>	<u>\$ 7,463</u>	<u>\$ 1,513</u>	<u>\$ 5,924</u>	<u>\$ 5,574</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 418,357	\$ 344	\$ -	\$ -	\$ -
Temporary notes payable	-	-	-	-	-	-	-
Due to other funds	-	-	94,384	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>512,741</u>	<u>344</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:							
Reserved for encumbrances	-	-	369,730	-	-	-	-
Reserved for long-term loan receivable	-	-	-	-	-	-	-
Unreserved, undesignated	8	-	(872,559)	7,119	1,513	5,924	5,574
Total fund balances	<u>8</u>	<u>-</u>	<u>(502,829)</u>	<u>7,119</u>	<u>1,513</u>	<u>5,924</u>	<u>5,574</u>
Total liabilities and fund balances	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ 9,912</u>	<u>\$ 7,463</u>	<u>\$ 1,513</u>	<u>\$ 5,924</u>	<u>\$ 5,574</u>

(Continued)

CITY OF GARDNER, KANSAS

COMBINING BALANCE SHEET  
(Continued)

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2009

	Capital Projects					Total	Total Nonmajor Governmental Funds
	Nike School Sewer	Public Safety Station #2	Pool Expansion	Gardner Junction Park	Celebration Park		
<u>ASSETS</u>							
Deposits and investments	\$ -	\$ 1,099	\$ 6,233	\$ -	\$ -	\$ 506,592	\$ 5,006,478
Receivables:							
Taxes	-	-	-	-	-	-	244,299
Intergovernmental	-	-	-	-	-	-	137,910
Airport Association	-	-	-	-	-	152,399	165,517
Other	-	-	-	-	-	-	1,738
Restricted deposits and investments	-	-	-	-	13,241	900,560	1,105,979
Due from other funds	-	-	-	-	-	-	251,975
Total assets	<u>\$ -</u>	<u>\$ 1,099</u>	<u>\$ 6,233</u>	<u>\$ -</u>	<u>\$ 13,241</u>	<u>\$ 1,559,551</u>	<u>\$ 6,913,896</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 237	\$ 1,056,657	\$ 1,076,287
Temporary notes payable	-	-	-	-	-	1,655,000	1,655,000
Due to other funds	11	-	-	8,518	21,220	124,133	251,975
Total liabilities	<u>11</u>	<u>-</u>	<u>-</u>	<u>8,518</u>	<u>21,457</u>	<u>2,835,790</u>	<u>2,983,262</u>
Fund balances:							
Reserved for encumbrances	-	-	-	-	136,796	1,239,387	1,327,033
Reserved for long-term loan receivable	-	-	-	-	-	152,399	152,399
Unreserved, undesignated	(11)	1,099	6,233	(8,518)	(145,012)	(2,668,025)	2,451,202
Total fund balances	<u>(11)</u>	<u>1,099</u>	<u>6,233</u>	<u>(8,518)</u>	<u>(8,216)</u>	<u>(1,276,239)</u>	<u>3,930,634</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 1,099</u>	<u>\$ 6,233</u>	<u>\$ -</u>	<u>\$ 13,241</u>	<u>\$ 1,559,551</u>	<u>\$ 6,913,896</u>

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2009

	Special Revenue				
	Airport	Law Enforcement Trust	Park Sales Tax	Special Alcohol/ Drug Program	Street Improvement
Revenues:					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	798,976	-	-
Excise tax	-	-	-	-	456,384
Intergovernmental	-	-	-	29,050	-
Licenses and permits	-	-	-	-	-
Investment earnings	48	5	639	201	15,667
Other	-	-	-	-	-
Total revenues	<u>48</u>	<u>5</u>	<u>799,615</u>	<u>29,251</u>	<u>472,051</u>
Expenditures:					
Current:					
General government	-	-	-	31,772	-
Capital outlay	-	-	-	-	275,635
Debt service:					
Principal	-	-	475,000	-	-
Interest and fiscal charges	-	-	236,925	-	-
Other	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>711,925</u>	<u>31,772</u>	<u>275,635</u>
Excess of revenues over (under) expenditures	<u>48</u>	<u>5</u>	<u>87,690</u>	<u>(2,521)</u>	<u>196,416</u>
Other financing sources (uses):					
General obligation bonds issued	-	-	-	-	-
Construction loan	-	-	-	-	-
Transfers in	-	-	425,000	-	-
Transfers out	-	-	(395,200)	-	(809,367)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>29,800</u>	<u>-</u>	<u>(809,367)</u>
Net change in fund balances	48	5	117,490	(2,521)	(612,951)
Fund balances, beginning of year	8,529	1,003	82,080	35,717	3,804,544
Fund balances, end of year	<u>\$ 8,577</u>	<u>\$ 1,008</u>	<u>\$ 199,570</u>	<u>\$ 33,196</u>	<u>\$ 3,191,593</u>

(Continued)

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2009

	Special Revenue						
	Special Highway	Special Parks and Recreation	E. Santa Fe TIF District	Economic Development Reserve	Risk Management Reserve	Capital Improvement Reserve	Park Improvement Reserve
Revenues:							
Property tax	\$ -	\$ -	\$ 254,556	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	499,121	-	-	-	-
Excise tax	-	-	-	-	-	-	-
Intergovernmental	426,804	29,050	-	34,702	-	-	275,710
Licenses and permits	-	-	-	-	-	-	207,881
Investment earnings	797	259	333	428	-	2,947	2,888
Other	-	-	-	-	-	262,362	-
Total revenues	<u>427,601</u>	<u>29,309</u>	<u>754,010</u>	<u>35,130</u>	<u>-</u>	<u>265,309</u>	<u>486,479</u>
Expenditures:							
Current:							
General government	-	-	769,043	36,848	5,242	-	-
Capital outlay	140,710	20,000	-	-	8,620	201,295	-
Debt service:							
Principal	300,000	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total expenditures	<u>440,710</u>	<u>20,000</u>	<u>769,043</u>	<u>36,848</u>	<u>13,862</u>	<u>201,295</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(13,109)</u>	<u>9,309</u>	<u>(15,033)</u>	<u>(1,718)</u>	<u>(13,862)</u>	<u>64,014</u>	<u>486,479</u>
Other financing sources (uses):							
General obligation bonds issued	-	-	-	-	-	-	-
Construction loan	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	468,000	-
Transfers out	(18,015)	(35,000)	(5,000)	-	(1,300)	-	(858,000)
Total other financing sources (uses)	<u>(18,015)</u>	<u>(35,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>(1,300)</u>	<u>468,000</u>	<u>(858,000)</u>
Net change in fund balances	<u>(31,124)</u>	<u>(25,691)</u>	<u>(20,033)</u>	<u>(1,718)</u>	<u>(15,162)</u>	<u>532,014</u>	<u>(371,521)</u>
Fund balances, beginning of year	251,106	73,841	96,910	107,151	107,924	244,984	824,248
Fund balances, end of year	<u>\$ 219,982</u>	<u>\$ 48,150</u>	<u>\$ 76,877</u>	<u>\$ 105,433</u>	<u>\$ 92,762</u>	<u>\$ 776,998</u>	<u>\$ 452,727</u>

(Continued)

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2009

	Special Revenue	Capital Projects					
	Total	Prairiebrooke	Airport Runway Rehab	City Hall	Cedar Street	North Moonlight	South Moonlight
Revenues:							
Property tax	\$ 254,556	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	1,298,097	-	-	-	-	-	-
Excise tax	456,384	-	-	-	-	-	-
Intergovernmental	795,316	-	-	-	-	21,929	-
Licenses and permits	207,881	-	-	-	-	-	-
Investment earnings	24,212	1,308	8	-	180	83	795
Other	262,362	-	-	-	-	-	-
Total revenues	<u>3,298,808</u>	<u>1,308</u>	<u>8</u>	<u>-</u>	<u>180</u>	<u>22,012</u>	<u>795</u>
Expenditures:							
Current:							
General government	842,905	-	-	-	-	-	-
Capital outlay	646,260	663,200	-	-	-	641,733	-
Debt service:							
Principal	775,000	-	-	-	-	-	-
Interest and fiscal charges	236,925	42,802	-	-	-	-	-
Other	-	14,474	-	-	-	-	-
Total expenditures	<u>2,501,090</u>	<u>720,476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>641,733</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>797,718</u>	<u>(719,168)</u>	<u>8</u>	<u>-</u>	<u>180</u>	<u>(619,721)</u>	<u>795</u>
Other financing sources (uses):							
General obligation bonds issued	-	-	-	-	-	-	-
Construction loan	-	-	-	-	-	255,441	-
Transfers in	893,000	-	-	-	-	-	-
Transfers out	(2,121,882)	-	(16,729)	-	-	-	-
Total other financing sources (uses)	<u>(1,228,882)</u>	<u>-</u>	<u>(16,729)</u>	<u>-</u>	<u>-</u>	<u>255,441</u>	<u>-</u>
Net change in fund balances	<u>(431,164)</u>	<u>(719,168)</u>	<u>(16,721)</u>	<u>-</u>	<u>180</u>	<u>(364,280)</u>	<u>795</u>
Fund balances, beginning of year	5,638,037	(174,776)	169,120	103	35,494	(148,030)	156,822
Fund balances, end of year	<u>\$ 5,206,873</u>	<u>\$ (893,944)</u>	<u>\$ 152,399</u>	<u>\$ 103</u>	<u>\$ 35,674</u>	<u>\$ (512,310)</u>	<u>\$ 157,617</u>

(Continued)

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2009

	Capital Projects						
	167th Street	Waverly Street	183rd Street	Lincoln Lane	Moonlight & Main	Shean's Crossing	Airport Hangars
Revenues:							
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	-	-	-	-	-
Excise tax	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Investment earnings	115	702	342	25	-	3	169
Other	-	-	-	-	2,300	-	-
Total revenues	<u>115</u>	<u>702</u>	<u>342</u>	<u>25</u>	<u>2,300</u>	<u>3</u>	<u>169</u>
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Capital outlay	-	-	-	5,347	373,662	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,347</u>	<u>373,662</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>115</u>	<u>702</u>	<u>342</u>	<u>(5,322)</u>	<u>(371,362)</u>	<u>3</u>	<u>169</u>
Other financing sources (uses):							
General obligation bonds issued	-	-	-	-	-	-	-
Construction loan	-	-	-	172,662	858,303	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,662</u>	<u>858,303</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>115</u>	<u>702</u>	<u>342</u>	<u>167,340</u>	<u>486,941</u>	<u>3</u>	<u>169</u>
Fund balances, beginning of year	22,729	138,410	67,434	(161,293)	(484,641)	4,772	33,303
Fund balances, end of year	<u>\$ 22,844</u>	<u>\$ 139,112</u>	<u>\$ 67,776</u>	<u>\$ 6,047</u>	<u>\$ 2,300</u>	<u>\$ 4,775</u>	<u>\$ 33,472</u>

(Continued)

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2009

	Capital Projects						
	New Century	Public Works Facility	175th & Moonlight Intersection	University Park	Kill Creek Drive/Waterline	Center Street Commons	North Center Street
Revenues:							
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	-	-	-	-	-
Excise tax	-	-	-	-	-	-	-
Intergovernmental	-	-	88,033	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Investment earnings	8	1,582	-	513	218	30	498
Other	-	-	-	4,071	3,620	-	-
<b>Total revenues</b>	<b>8</b>	<b>1,582</b>	<b>88,033</b>	<b>4,584</b>	<b>3,838</b>	<b>30</b>	<b>498</b>
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Capital outlay	-	-	811,153	6,972	863	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	89,049	67,450	-	-
Other	-	-	-	66,487	62,988	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>811,153</b>	<b>162,508</b>	<b>131,301</b>	<b>-</b>	<b>-</b>
Excess of revenues over (under) expenditures	8	1,582	(723,120)	(157,924)	(127,463)	30	498
Other financing sources (uses):							
General obligation bonds issued	-	-	-	2,895,000	2,542,972	-	-
Construction loan	-	-	1,284,564	-	-	-	-
Transfers in	-	-	17,000	-	-	-	-
Transfers out	-	(313,245)	-	-	-	-	(93,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(313,245)</b>	<b>1,301,564</b>	<b>2,895,000</b>	<b>2,542,972</b>	<b>-</b>	<b>(93,000)</b>
Net change in fund balances	8	(311,663)	578,444	2,737,076	2,415,509	30	(92,502)
Fund balances, beginning of year	-	311,663	(1,081,273)	(2,729,957)	(2,413,996)	5,894	98,076
Fund balances, end of year	<b>\$ 8</b>	<b>\$ -</b>	<b>\$ (502,829)</b>	<b>\$ 7,119</b>	<b>\$ 1,513</b>	<b>\$ 5,924</b>	<b>\$ 5,574</b>

(Continued)

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2009

	Capital Projects					Total	Total Nonmajor Governmental Funds
	Nike School Sewer	Public Safety Station #2	Pool Expansion	Gardner Junction Park	Celebration Park		
Revenues:							
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 254,556
Sales tax	-	-	-	-	-	-	1,298,097
Excise tax	-	-	-	-	-	-	456,384
Intergovernmental	-	-	-	-	-	109,962	905,278
Licenses and permits	-	-	-	-	-	-	207,881
Investment earnings	-	6	31	-	48	6,664	30,876
Other	-	-	-	-	-	9,991	272,353
Total revenues	-	6	31	-	48	126,617	3,425,425
Expenditures:							
Current:							
General government	-	-	-	-	-	-	842,905
Capital outlay	-	-	-	-	270,183	2,773,113	3,419,373
Debt service:							
Principal	-	-	-	-	-	-	775,000
Interest and fiscal charges	-	-	-	-	-	199,301	436,226
Other	-	-	-	-	-	143,949	143,949
Total expenditures	-	-	-	-	270,183	3,116,363	5,617,453
Excess of revenues over (under) expenditures	-	6	31	-	(270,135)	(2,989,746)	(2,192,028)
Other financing sources (uses):							
General obligation bonds issued	-	-	-	-	-	5,437,972	5,437,972
Construction loan	-	-	-	-	-	2,570,970	2,570,970
Transfers in	-	-	-	-	-	17,000	910,000
Transfers out	-	-	-	-	-	(422,974)	(2,544,856)
Total other financing sources (uses)	-	-	-	-	-	7,602,968	6,374,086
Net change in fund balances	-	6	31	-	(270,135)	4,613,222	4,182,058
Fund balances, beginning of year	(11)	1,093	6,202	(8,518)	261,919	(5,889,461)	(251,424)
Fund balances, end of year	\$ (11)	\$ 1,099	\$ 6,233	\$ (8,518)	\$ (8,216)	\$ (1,276,239)	\$ 3,930,634

CITY OF GARDNER, KANSAS

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

PARK SALES TAX FUND

Year Ended December 31, 2009

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	\$ 840,500	\$ 798,976	\$ (41,524)
Investment earnings	1,800	639	(1,161)
Total revenues	<u>842,300</u>	<u>799,615</u>	<u>(42,685)</u>
Expenditures:			
Principal	475,000	475,000	-
Interest	236,900	236,925	(25)
Project reserve	26,710	-	26,710
Total expenditures	<u>738,610</u>	<u>711,925</u>	<u>26,685</u>
Excess (deficit) of revenues over (under) expenditures	<u>103,690</u>	<u>87,690</u>	<u>(16,000)</u>
Other financing sources (uses):			
Transfers in	200,000	425,000	225,000
Transfers out	(393,100)	(395,200)	(2,100)
Total other financing sources (uses)	<u>(193,100)</u>	<u>29,800</u>	<u>222,900</u>
Net changes in fund balances	(89,410)	117,490	206,900
Fund balances, beginning of year	<u>89,410</u>	<u>82,080</u>	<u>(7,330)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 199,570</u>	<u>\$ 199,570</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, 2009

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Special alcohol tax	\$ 32,500	\$ 29,050	\$ (3,450)
Investment earnings	1,400	201	(1,199)
Total revenues	<u>33,900</u>	<u>29,251</u>	<u>(4,649)</u>
Expenditures:			
Project reserve	37,612	-	37,612
Contractual services	<u>32,000</u>	<u>31,772</u>	<u>228</u>
Total expenditures	<u>69,612</u>	<u>31,772</u>	<u>37,840</u>
Net change in fund balances	(35,712)	(2,521)	33,191
Fund balances, beginning of year	<u>35,712</u>	<u>35,717</u>	<u>5</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 33,196</u>	<u>\$ 33,196</u>

CITY OF GARDNER, KANSAS

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

STREET IMPROVEMENT FUND

Year Ended December 31, 2009

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Excise tax	\$ 958,000	\$ 456,384	\$ (501,616)
Investment earnings	120,000	15,667	(104,333)
Total revenues	<u>1,078,000</u>	<u>472,051</u>	<u>(605,949)</u>
Expenditures:			
Capital outlay	-	210,703	(210,703)
Project reserve	3,997,154	-	3,997,154
Total expenditures	<u>3,997,154</u>	<u>210,703</u>	<u>3,786,451</u>
Excess (deficit) of revenues over (under) expenditures	(2,919,154)	261,348	3,180,502
Other financing uses:			
Transfers out	(1,350,700)	(809,367)	541,333
Net change in fund balances	(4,269,854)	(548,019)	3,721,835
Fund balances, beginning of year	4,269,854	3,692,773	(577,081)
Fund balances, end of year	<u>\$ -</u>	<u>3,144,754</u>	<u>\$ 3,144,754</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>46,839</u>	
GAAP fund balance, end of year		<u>\$ 3,191,593</u>	

CITY OF GARDNER, KANSAS

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

SPECIAL HIGHWAY FUND

Year Ended December 31, 2009

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
State gasoline tax	\$ 465,000	\$ 426,804	\$ (38,196)
Investment earnings	5,700	797	(4,903)
Total revenues	<u>470,700</u>	<u>427,601</u>	<u>(43,099)</u>
Expenditures:			
Project reserve	162,058	-	162,058
Capital outlay	500,000	155,317	344,683
Principal	-	300,000	(300,000)
Total expenditures	<u>662,058</u>	<u>455,317</u>	<u>206,741</u>
Excess (deficit) of revenues over (under) expenditures	(191,358)	(27,716)	163,642
Other financing sources (uses):			
Transfers out	(18,000)	(18,015)	(15)
Net change in fund balances	(209,358)	(45,731)	163,627
Fund balances, beginning of year	<u>209,358</u>	<u>251,106</u>	<u>41,748</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 205,375</u>	<u>\$ 205,375</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>14,607</u>
GAAP fund balance, end of year	<u>\$ 219,982</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, 2009

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Special alcohol tax	\$ 32,500	\$ 29,050	\$ (3,450)
Investment earnings	1,200	259	(941)
Total revenues	<u>33,700</u>	<u>29,309</u>	<u>(4,391)</u>
Expenditures:			
Contractual services	30,000	-	30,000
Capital outlay	-	10,631	(10,631)
Project reserve	41,860	-	41,860
Total expenditures	<u>71,860</u>	<u>10,631</u>	<u>61,229</u>
Excess (deficit) of revenues over (under) expenditures	(38,160)	18,678	56,838
Other financing uses:			
Transfers out:	-	(35,000)	(35,000)
Net change in fund balances	(38,160)	(16,322)	21,838
Fund balances, beginning of year	<u>38,160</u>	<u>52,472</u>	<u>14,312</u>
Fund balances, end of year	<u><u>\$ -</u></u>	<u>36,150</u>	<u><u>\$ 36,150</u></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>12,000</u>
GAAP fund balance, end of year	<u><u>\$ 48,150</u></u>

CITY OF GARDNER, KANSAS

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

EAST SANTA FE TIF DISTRICT

Year Ended December 31, 2009

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues:			
Taxes	\$ 800,000	\$ 753,677	\$ (46,323)
Investment earnings	-	333	333
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total revenues	800,000	754,010	(45,990)
Expenditures:			
Contractual services	800,000	769,043	30,957
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Excess (deficit) of revenues over (under) expenditures	-	(15,033)	(15,033)
Other financing uses:			
Transfers out	-	(5,000)	(5,000)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net change in fund balances	-	(20,033)	(20,033)
Fund balances, beginning of year	-	96,910	96,910
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 76,877</u>	<u>\$ 76,877</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, 2009

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Transient guest tax	\$ 43,300	\$ 34,702	\$ (8,598)
Investment earnings	3,200	428	(2,772)
Total revenues	<u>46,500</u>	<u>35,130</u>	<u>(11,370)</u>
Expenditures:			
Project reserve	108,313	-	108,313
Contractual services	46,700	36,848	9,852
Total expenditures	<u>155,013</u>	<u>36,848</u>	<u>118,165</u>
Net change in fund balances	(108,513)	(1,718)	106,795
Fund balances, beginning of year	<u>108,513</u>	<u>107,151</u>	<u>(1,362)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 105,433</u>	<u>\$ 105,433</u>

CITY OF GARDNER, KANSAS

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

RISK MANAGEMENT RESERVE FUND

Year Ended December 31, 2009

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Expenditures:			
Contractual services	\$ 15,000	\$ 5,242	\$ 9,758
Project reserve	79,450	8,620	70,830
Total expenditures	<u>94,450</u>	<u>13,862</u>	<u>80,588</u>
Other financing uses:			
Transfers out	<u>-</u>	<u>(1,300)</u>	<u>(1,300)</u>
Net change in fund balances	(94,450)	(15,162)	79,288
Fund balances, beginning of year	<u>94,450</u>	<u>107,924</u>	<u>13,474</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 92,762</u>	<u>\$ 92,762</u>

CITY OF GARDNER, KANSAS

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

CAPITAL IMPROVEMENT RESERVE FUND

Year Ended December 31, 2009

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental - grants	\$ 100,000	\$ -	\$ (100,000)
Investment earnings	3,300	2,947	(353)
Other	5,200	262,362	257,162
Total revenues	<u>108,500</u>	<u>265,309</u>	<u>156,809</u>
Expenditures:			
Capital outlay	683,000	93,970	589,030
Project reserve	55,348	-	55,348
Total expenditures	<u>738,348</u>	<u>93,970</u>	<u>644,378</u>
Excess (deficit) of revenues over (under) expenditures	(629,848)	171,339	801,187
Other financing sources:			
Transfers in	470,000	468,000	(2,000)
Net change in fund balances	(159,848)	639,339	799,187
Fund balances, beginning of year	<u>159,848</u>	<u>123,459</u>	<u>(36,389)</u>
Fund balances, end of year	<u>\$ -</u>	<u>762,798</u>	<u>\$ 762,798</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>14,200</u>
GAAP fund balance, end of year	<u>\$ 776,998</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, 2009

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ -	\$ 275,710	\$ 275,710
Park impact fees	175,700	207,881	32,181
Investment earnings	21,000	2,888	(18,112)
Total revenues	196,700	486,479	289,779
Expenditures:			
Project reserve	419,328	-	419,328
Excess (deficit) of revenues over (under) expenditures	(222,628)	486,479	709,107
Other financing uses:			
Transfers out	(670,000)	(858,000)	(188,000)
Net change in fund balances	(892,628)	(371,521)	521,107
Fund balances, beginning of year	892,628	824,248	(68,380)
Fund balances, end of year	\$ -	\$ 452,727	\$ 452,727

CITY OF GARDNER, KANSAS

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

DEBT SERVICE FUND

Year Ended December 31, 2009

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	\$ 451,390	\$ 447,995	\$ (3,395)
Special assessments	896,900	387,736	(509,164)
Investment earnings	13,200	1,003	(12,197)
Other	-	57,943	57,943
	<u>1,361,490</u>	<u>894,677</u>	<u>(466,813)</u>
Total revenues			
Expenditures:			
Principal	3,561,957	1,864,297	1,697,660
Interest	-	865,008	(865,008)
Other	2,077	71,325	(69,248)
	<u>3,564,034</u>	<u>2,800,630</u>	<u>763,404</u>
Total expenditures			
Excess (deficit) of revenues over (under) expenditures	(2,202,544)	(1,905,953)	296,591
Other financing sources:			
General obligation bonds issued	-	251,850	251,850
Transfers in	1,863,300	1,422,035	(441,265)
	<u>1,863,300</u>	<u>1,673,885</u>	<u>(189,415)</u>
Total other financing sources			
Net change in fund balances	(339,244)	(232,068)	107,176
Fund balances, beginning of year	<u>339,244</u>	<u>310,091</u>	<u>(29,153)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 78,023</u>	<u>\$ 78,023</u>

## **Internal Service Funds**

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

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

Building maintenance fund – This fund is used to account for the accumulation and allocation of costs associated with maintenance and miscellaneous repairs at City Hall.

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.

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

CITY OF GARDNER, KANSAS

COMBINING STATEMENT OF NET ASSETS

INTERNAL SERVICE FUNDS

December 31, 2009

	Governmental Activities		Business-type Activities		Total
	Information Technology Services	Building Maintenance	Utility Billing Services	Risk Management	
<b>Assets:</b>					
Current assets:					
Deposits and investments	\$ -	\$ -	\$ 1,559	\$ -	\$ 1,559
Due from other funds	-	-	7,957	-	7,957
Noncurrent assets:					
Capital assets:					
Machinery and equipment	81,831	-	-	-	81,831
Vehicles	-	14,749	-	-	14,749
Less accumulated depreciation	(12,387)	(5,162)	-	-	(17,549)
Total assets	<u>69,444</u>	<u>9,587</u>	<u>9,516</u>	<u>-</u>	<u>88,547</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	10,048	4,341	15,107	940	30,436
Due to other funds	5,408	7,781	-	747	13,936
Accrued expenses	792	749	-	-	1,541
Noncurrent liabilities:					
Other postemployment benefit obligation	759	1,261	2,871	-	4,891
Total liabilities	<u>17,007</u>	<u>14,132</u>	<u>17,978</u>	<u>1,687</u>	<u>50,804</u>
<b>Net assets:</b>					
Invested in capital assets, net of related debt	69,444	9,587	-	-	79,031
Unrestricted	(17,007)	(14,132)	(8,462)	(1,687)	(41,288)
Total net assets	<u>\$ 52,437</u>	<u>\$ (4,545)</u>	<u>\$ (8,462)</u>	<u>\$ (1,687)</u>	<u>\$ 37,743</u>

CITY OF GARDNER, KANSAS

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

INTERNAL SERVICE FUNDS

Year Ended December 31, 2009

	Governmental Activities		Business-type Activities		Total
	Information Technology Services	Building Maintenance	Utility Billing Services	Risk Management	
Operating revenues:					
Charges for services	\$ 299,268	\$ 283,032	\$ 579,054	\$ 527,784	\$ 1,689,138
Other	-	-	-	29,742	29,742
Total operating revenues	<u>299,268</u>	<u>283,032</u>	<u>579,054</u>	<u>557,526</u>	<u>1,718,880</u>
Operating expenses:					
Administration	71,843	51,460	361,094	-	484,397
Contractual services	155,133	205,268	147,725	556,522	1,064,648
Other supplies and expenses	41,849	16,431	12,296	1,005	71,581
Repairs and maintenance	30,618	10,482	3,768	-	44,868
Depreciation	5,474	1,475	-	-	6,949
Other	-	-	61,265	-	61,265
Total operating expenses	<u>304,917</u>	<u>285,116</u>	<u>586,148</u>	<u>557,527</u>	<u>1,733,708</u>
Operating loss	(5,649)	(2,084)	(7,094)	(1)	(14,828)
Total net assets, beginning of year	<u>58,086</u>	<u>(2,461)</u>	<u>(1,368)</u>	<u>(1,686)</u>	<u>52,571</u>
Total net assets, end of year	<u>\$ 52,437</u>	<u>\$ (4,545)</u>	<u>\$ (8,462)</u>	<u>\$ (1,687)</u>	<u>\$ 37,743</u>

CITY OF GARDNER, KANSAS  
COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

Year Ended December 31, 2009

	Governmental Activities		Business-type Activities		Total
	Information Technology Services	Building Maintenance	Utility Billing Services	Risk Management	
Cash flows from operating activities:					
Receipts from customers	\$ 300,577	\$ 283,032	\$ 571,097	\$ 527,784	\$ 1,682,490
Other	-	-	-	29,742	29,742
Payments to suppliers	(248,539)	(233,833)	(224,964)	(557,526)	(1,264,862)
Payments to employees	(71,315)	(50,556)	(359,710)	-	(481,581)
Net decrease in cash and cash equivalents	(19,277)	(1,357)	(13,577)	-	(34,211)
Cash and cash equivalents, beginning of year	19,277	1,357	15,136	-	35,770
Cash and cash equivalents, end of year	\$ -	\$ -	\$ 1,559	\$ -	\$ 1,559
Reconciliation of operating loss to net cash used by operating activities:					
Operating loss	\$ (5,649)	\$ (2,084)	\$ (7,094)	\$ (1)	\$ (14,828)
Adjustments to reconcile operating loss to net cash used by operating activities:					
Items not requiring cash:					
Depreciation expense	5,474	1,475	-	-	6,949
Changes in:					
Due from other funds	1,309	-	(7,957)	-	(6,648)
Accounts payable	(26,346)	(991)	90	563	(26,684)
Due to other funds	5,408	(659)	-	(562)	4,187
Other postemployment benefit obligation	366	608	1,384	-	2,358
Accrued liabilities	161	294	-	-	455
Net cash used by operating activities	\$ (19,277)	\$ (1,357)	\$ (13,577)	\$ -	\$ (34,211)

CITY OF GARDNER, KANSAS

STATEMENT OF CASH FLOWS

AIRPORT ASSOCIATION COMPONENT UNIT

Year Ended December 31, 2009

Cash flows from operating activities:	
Receipts from customers	\$ 278,868
Payments to suppliers	(222,859)
Payments to employees	(6,933)
	<hr/>
Net cash provided by operating activities	49,076
	<hr/>
Cash flows from capital and related financing activities:	
Principal paid on capital debt	(15,000)
Acquisition and construction of capital assets	(55,877)
	<hr/>
Net cash used by capital and related financing activities	(70,877)
	<hr/>
Cash flows from investing activities:	
Interest received	2,277
	<hr/>
Net decrease in cash and cash equivalents	(19,524)
Cash and cash equivalents, beginning of year	177,245
	<hr/>
Cash and cash equivalents, end of year	\$ 157,721
	<hr/> <hr/>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (52,338)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Items not requiring cash:	
Depreciation expense	75,326
Changes in:	
Receivables	(484)
Prepaid items	740
Inventories	9,442
Accounts payable	2,463
Due to related parties	13,118
Deferred revenue	809
	<hr/>
Net cash provided by operating activities	\$ 49,076
	<hr/> <hr/>

CITY OF GARDNER, KANSAS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

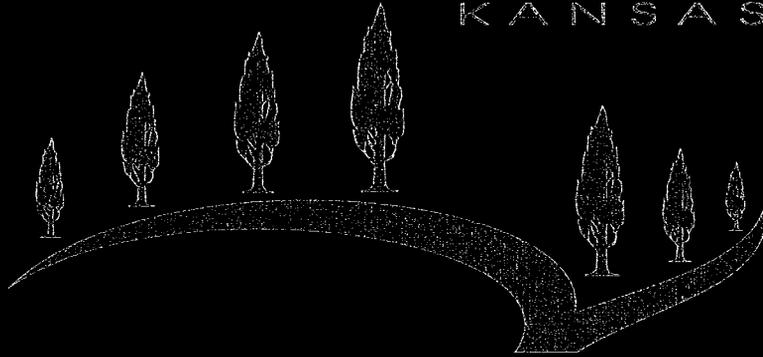
AGENCY FUND

Year Ended December 31, 2009

Alcohol Safety Action Program:

	Balance January 1, 2009	Additions	Deductions	Balance December 31, 2009
Assets:				
Deposits and investments	\$ 28,036	\$ 18,641	\$ 16,050	\$ 30,627
Liabilities:				
Due to others	\$ 28,036	\$ 18,641	\$ 16,050	\$ 30,627

CITY OF  
**GARDNER**  
KANSAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended  
December 31, 2009

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.	104 - 107
<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.	108 - 116
<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.	117 - 120
<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.	121 - 122
<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.	123 - 125

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

City of Gardner, Kansas  
 Net Assets by Component  
 Last Seven Fiscal Years  
 (accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>Fiscal Year</u> <u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities							
Invested in capital assets, net of related debt	\$ 7,460,781	\$ 9,085,457	\$ 14,068,012	\$ 12,854,680	\$ 15,189,970	\$ 11,793,968	\$ 11,427,079
Restricted	619,460	209,186	8,375,348	8,637,479	8,508,190	11,654,614	17,997,310
Unrestricted	<u>8,247,839</u>	<u>10,187,715</u>	<u>285,475</u>	<u>3,572,437</u>	<u>(146,614)</u>	<u>2,984,646</u>	<u>2,785,886</u>
Total governmental activities net assets	<u>\$ 16,328,080</u>	<u>\$ 19,482,358</u>	<u>\$ 22,728,835</u>	<u>\$ 25,064,596</u>	<u>\$ 23,551,546</u>	<u>\$ 26,433,228</u>	<u>\$ 32,210,075</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 22,669,570	\$ 28,593,163	\$ 37,238,650	\$ 36,644,874	\$ 43,009,998	\$ 42,592,536	\$ 45,202,862
Unrestricted	<u>8,574,639</u>	<u>9,868,088</u>	<u>4,437,961</u>	<u>8,438,191</u>	<u>7,383,676</u>	<u>7,570,921</u>	<u>7,587,496</u>
Total business-type activities net assets	<u>\$ 31,244,209</u>	<u>\$ 36,461,251</u>	<u>\$ 41,676,611</u>	<u>\$ 45,083,065</u>	<u>\$ 50,393,674</u>	<u>\$ 50,163,457</u>	<u>\$ 52,790,358</u>
Primary government							
Invested in capital assets, net of related debt	\$ 30,130,351	\$ 35,678,620	\$ 51,306,662	\$ 49,499,554	\$ 58,199,968	\$ 54,386,504	\$ 56,629,941
Restricted	619,460	209,186	8,375,348	8,637,479	8,508,190	11,654,614	17,997,310
Unrestricted	<u>16,822,478</u>	<u>20,055,803</u>	<u>4,723,436</u>	<u>12,010,628</u>	<u>7,237,062</u>	<u>10,555,567</u>	<u>10,373,182</u>
Total primary government net assets	<u>\$ 47,572,289</u>	<u>\$ 55,943,609</u>	<u>\$ 64,405,446</u>	<u>\$ 70,147,661</u>	<u>\$ 73,945,220</u>	<u>\$ 76,596,685</u>	<u>\$ 85,000,433</u>

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

Source: City of Gardner Finance Department

City of Gardner, Kansas  
Changes in Net Assets  
Last Seven Fiscal Years  
(accrual basis of accounting)

	2003	2004	2005	Fiscal Year 2006	2007	2008	2009
<b>Expenses</b>							
<b>Governmental activities:</b>							
General government	\$ 667,923	\$ 2,481,063	\$ 2,487,540	\$ 2,283,679	\$ 3,378,759	\$ 3,467,896	\$ 3,164,663
Public Safety	1,578,382	1,793,104	2,133,175	2,698,278	3,248,539	3,653,003	3,567,111
Public Works	1,870,330	2,702,878	1,814,204	1,953,847	2,730,439	3,274,927	2,674,913
Culture and recreation	925,051	1,008,522	1,191,341	1,280,138	2,025,252	2,280,655	2,271,682
Interest on long-term debt	463,569	679,071	912,018	1,098,258	1,450,723	1,506,419	1,843,829
<b>Total governmental activities expenses</b>	<u>5,505,255</u>	<u>8,664,638</u>	<u>8,538,278</u>	<u>9,314,200</u>	<u>12,833,712</u>	<u>14,182,900</u>	<u>13,522,198</u>
<b>Business-type activities:</b>							
Electric	4,401,222	5,235,673	7,065,972	9,369,802	10,369,407	10,655,734	9,911,349
Water	2,074,904	1,809,446	2,045,852	2,353,432	2,606,773	2,829,545	2,874,987
Wastewater	2,763,238	2,980,535	3,176,131	3,215,418	3,659,179	4,194,130	3,678,278
Stormwater	-	-	-	-	75,643	220,061	70,817
<b>Total business-type activities expenses</b>	<u>9,239,364</u>	<u>10,025,654</u>	<u>12,287,955</u>	<u>14,938,652</u>	<u>16,711,002</u>	<u>17,899,470</u>	<u>16,535,431</u>
<b>Total primary government expenses</b>	<u>\$ 14,744,619</u>	<u>\$ 18,690,292</u>	<u>\$ 20,826,233</u>	<u>\$ 24,252,852</u>	<u>\$ 29,544,714</u>	<u>\$ 32,082,370</u>	<u>\$ 30,057,629</u>
<b>Program Revenues</b>							
<b>Governmental activities:</b>							
<b>Charges for services:</b>							
General government	\$ 831,756	\$ 1,241,976	\$ 1,348,564	\$ 1,132,996	\$ 712,907	\$ 606,513	\$ 622,807
Public Safety	-	5,655	4,737	11,443	10,344	13,021	13,141
Public Works	676,890	275	-	-	1,900	-	2,300
Culture and recreation	348,307	428,120	446,685	436,514	905,149	767,693	937,542
Operating grants and contributions	1,553,297	2,352,704	2,139,253	2,216,293	2,529,574	2,657,199	2,514,392
Capital grants and contributions	2,349,249	2,817,443	1,087,882	218,234	360,016	4,808,296	7,240,013
<b>Total governmental activities program revenues</b>	<u>5,759,499</u>	<u>6,846,173</u>	<u>5,027,121</u>	<u>4,015,480</u>	<u>4,519,890</u>	<u>8,852,722</u>	<u>11,330,195</u>
<b>Business-type activities:</b>							
<b>Charges for services:</b>							
Electric	6,998,195	7,887,555	10,240,759	10,229,014	11,805,651	11,688,030	12,661,952
Water	3,072,348	3,725,407	3,639,347	3,511,004	4,201,647	3,192,736	3,293,010
Wastewater	2,544,156	3,419,810	3,518,583	3,304,989	3,835,313	2,821,531	3,062,919
Capital grants and contributions	-	-	50,000	589,004	59,606	356,751	506,591
<b>Total business-type program revenues</b>	<u>12,614,699</u>	<u>15,032,772</u>	<u>17,448,689</u>	<u>17,634,011</u>	<u>19,902,217</u>	<u>18,059,048</u>	<u>19,524,472</u>
<b>Total primary government program revenues</b>	<u>\$ 18,374,198</u>	<u>\$ 21,878,945</u>	<u>\$ 22,475,810</u>	<u>\$ 21,649,491</u>	<u>\$ 24,422,107</u>	<u>\$ 26,911,770</u>	<u>\$ 30,854,667</u>
<b>Net (Expense)/Revenue</b>							
Governmental activities	\$ 254,244	\$ (1,818,465)	\$ (3,511,157)	\$ (5,298,720)	\$ (8,313,822)	\$ (5,330,178)	\$ (2,192,003)
Business-type activities	3,375,335	5,007,118	5,160,734	2,695,359	3,191,215	159,578	2,989,041
<b>Total primary government net expense</b>	<u>\$ 3,629,579</u>	<u>\$ 3,188,653</u>	<u>\$ 1,649,577</u>	<u>\$ (2,603,361)</u>	<u>\$ (5,122,607)</u>	<u>\$ (5,170,600)</u>	<u>\$ 797,038</u>
<b>General Revenues and Other Changes in Net Assets</b>							
<b>Governmental activities:</b>							
<b>Taxes</b>							
Property taxes	1,739,385	\$ 2,030,664	\$ 2,311,209	\$ 2,676,275	\$ 3,290,415	\$ 3,667,858	\$ 3,788,866
Sales taxes	1,128,934	1,483,480	1,566,055	2,636,630	2,854,565	2,815,576	2,696,984
Franchise taxes	236,073	305,843	337,916	350,024	386,139	412,989	396,100
Excise taxes	-	1,211,458	1,455,739	1,289,599	819,908	395,182	456,384
Transient guest taxes	-	31,150	34,338	40,680	41,073	45,573	34,702
Unrestricted investment earnings	88,024	181,268	497,681	831,916	993,815	296,824	49,100
Gain on disposal of asset	-	-	-	-	1,617	-	-
Transfers	34,641	989,891	329,158	(190,643)	(1,586,760)	577,858	546,714
<b>Total governmental activities</b>	<u>3,227,057</u>	<u>6,233,754</u>	<u>6,532,096</u>	<u>7,634,481</u>	<u>6,800,772</u>	<u>8,211,860</u>	<u>7,968,850</u>
<b>Business-type activities:</b>							
Unrestricted investment earnings	79,755	205,001	532,024	520,452	532,634	188,063	28,208
Transfers	(34,641)	(989,891)	(329,158)	190,643	1,586,760	(577,858)	(546,714)
Other	107,320	-	-	-	-	-	156,366
<b>Total business-type activities</b>	<u>152,434</u>	<u>(784,890)</u>	<u>202,866</u>	<u>711,095</u>	<u>2,119,394</u>	<u>(389,795)</u>	<u>(362,140)</u>
<b>Total primary government</b>	<u>\$ 3,379,491</u>	<u>\$ 5,448,864</u>	<u>\$ 6,734,962</u>	<u>\$ 8,345,576</u>	<u>\$ 8,920,166</u>	<u>\$ 7,822,065</u>	<u>\$ 7,606,710</u>
<b>Change in Net Assets</b>							
Governmental activities	\$ 3,481,301	\$ 4,415,289	\$ 3,020,939	\$ 2,335,761	\$ (1,513,050)	\$ 2,881,682	\$ 5,776,847
Business-type activities	3,527,769	4,222,228	5,363,600	3,406,454	5,310,609	(230,217)	2,626,901
<b>Total primary government</b>	<u>\$ 7,009,070</u>	<u>\$ 8,637,517</u>	<u>\$ 8,384,539</u>	<u>\$ 5,742,215</u>	<u>\$ 3,797,559</u>	<u>\$ 2,651,465</u>	<u>\$ 8,403,748</u>

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

Source: City of Gardner Finance Department

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$ 33,379	\$ 6,261	\$ -	\$ 73,395	\$ -	\$ -	\$ 1,019,948	\$ 15,151	\$ 34,779	\$ 39,182
Unreserved	596,301	659,085	851,220	1,549,455	2,392,171	3,321,238	3,107,516	4,008,117	2,964,795	2,619,334
Total general fund	<u>\$ 629,680</u>	<u>\$ 665,346</u>	<u>\$ 851,220</u>	<u>\$ 1,622,850</u>	<u>\$ 2,392,171</u>	<u>\$ 3,321,238</u>	<u>\$ 4,127,464</u>	<u>\$ 4,023,268</u>	<u>\$ 2,999,574</u>	<u>\$ 2,658,516</u>
All Other Governmental Funds										
Reserved	\$ 14,319	\$ 261,208	\$ -	\$ 57,500	\$ -	\$ -	\$ 9,998,577	\$ 2,164,409	\$ 1,058,524	\$ 1,479,432
Unreserved, reported in:										
Debt service fund	69,045	193,608	329,980	488,565	313,625	258,152	184,701	237,844	310,091	78,023
Special revenue funds	1,456,644	1,546,341	1,903,127	3,124,695	4,953,169	5,597,454	6,771,640	6,525,624	5,383,372	5,119,227
Capital projects funds	2,951,155	3,632,057	4,948,112	2,370,633	(565,001)	(3,188,976)	(10,700,412)	(14,211,726)	(10,291,113)	(6,515,040)
Total all other governmental funds	<u>\$ 4,491,163</u>	<u>\$ 5,633,214</u>	<u>\$ 7,181,219</u>	<u>\$ 6,041,393</u>	<u>\$ 4,701,793</u>	<u>\$ 2,666,630</u>	<u>\$ 6,254,506</u>	<u>\$ (5,283,849)</u>	<u>\$ (3,539,126)</u>	<u>\$ 161,642</u>

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

*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									
	2000	2001	2002	2003 <sup>(a)</sup>	2004	2005	2006	2007	2008	2009
<b>Revenues</b>										
Taxes	\$ 1,878,059	\$ 2,099,438	\$ 2,633,287	\$ 4,366,955	\$ 5,031,445	\$ 5,670,919	\$ 6,952,528	\$ 7,351,027	\$ 7,291,605	\$ 7,338,334
Licenses and permits	442,716	1,046,365	950,004	687,140	886,846	942,495	750,727	615,355	186,976	441,422
Fines and fees	115,907	129,166	188,099	204,886	265,911	282,659	316,720	240,072	305,001	263,248
Charges for services	164,531	250,978	133,748	161,889	335,289	423,579	337,022	654,973	792,935	727,625
Special assessments	35,828	34,221	76,161	77,341	466,514	298,989	229,317	345,883	300,420	387,736
Intergovernmental	1,624,257	1,403,072	1,889,659	2,641,553	2,611,934	3,262,304	2,352,409	2,415,554	2,606,764	2,383,778
Investment earnings	209,611	225,241	177,013	88,024	181,268	497,682	831,916	993,815	296,824	49,100
Loan revenue	-	-	-	32,652	37,465	35,378	41,875	-	-	-
Other revenues	509,827	204,486	119,734	155,056	221,921	147,338	257,407	347,542	321,922	438,029
<b>Total revenues</b>	<b>4,980,736</b>	<b>5,392,967</b>	<b>6,167,705</b>	<b>8,415,496</b>	<b>10,038,593</b>	<b>11,561,343</b>	<b>12,069,921</b>	<b>12,964,221</b>	<b>12,102,447</b>	<b>12,029,272</b>
<b>Expenditures</b>										
General government	563,699	1,730,428	2,117,659	588,524	2,220,815	2,170,591	2,068,118	3,055,358	3,210,270	2,901,931
Public safety	1,497,282	1,319,402	1,506,022	1,710,856	1,727,208	2,059,613	2,526,659	3,040,870	3,411,999	3,286,448
Public works	848,263	841,594	1,679,088	1,345,077	1,072,924	925,613	1,161,471	1,554,889	1,694,200	1,482,616
Culture and recreation	582,645	798,394	832,531	828,581	835,493	935,986	1,122,244	1,670,953	1,843,126	1,781,799
Capital outlay	1,657,455	1,497,192	3,933,507	5,160,746	4,248,331	9,831,552	11,992,665	14,508,283	4,431,783	3,563,318
Debt service:										
Interest	-	-	-	405,611	506,669	774,222	914,694	1,529,276	1,410,869	1,501,306
Principal	1,663,065	1,589,076	4,446,338	3,097,500	4,062,598	694,737	1,156,069	2,160,583	2,158,231	2,720,699
Other	89,815	12,000	-	43,266	12,127	96,444	202,359	61,669	183,014	314,416
<b>Total expenditures</b>	<b>6,922,224</b>	<b>7,788,086</b>	<b>14,515,145</b>	<b>13,180,163</b>	<b>14,686,165</b>	<b>17,488,758</b>	<b>21,144,279</b>	<b>27,581,881</b>	<b>18,343,492</b>	<b>17,552,533</b>
Excess of revenues over (under) expenditures	(1,941,488)	(2,395,119)	(8,347,440)	(4,764,667)	(4,647,572)	(5,927,415)	(9,074,358)	(14,617,660)	(6,241,045)	(5,523,261)
<b>Other Financing Sources (Uses)</b>										
Bonds issued	-	866,142	4,144,102	3,091,000	725,000	3,355,000	3,545,000	-	5,460,000	5,689,822
Premium on G.O. Bonds	-	-	-	-	-	-	-	-	36,180	-
Certificates of participation issued	-	-	-	-	-	-	7,150,000	-	-	-
Loan proceeds	-	-	-	-	-	-	1,053,190	-	-	-
Revenue bonds issued	-	1,000,000	-	-	-	-	-	-	-	-
Refunding bonds issued	-	-	-	-	105,000	-	-	-	-	-
Special assessment bonds issued	-	-	-	-	1,835,000	-	-	-	-	-
Temporary notes issued	3,745,000	-	4,500,000	1,095,750	-	-	-	-	-	-
Construction loan	-	-	-	-	-	-	-	910,757	651,632	2,570,970
Sale of capital assets	-	-	-	-	-	-	-	23,001	-	-
Capital leases	232,755	30,558	-	175,080	-	-	97,958	989,000	-	-
Insurance proceeds	-	-	-	-	-	-	19,302	3,053	997	-
Payments to escrow agent	-	-	(218,250)	-	(105,000)	-	-	-	-	-
Transfers in	423,742	2,747,452	2,291,197	743,534	2,982,920	2,625,016	2,796,990	2,441,559	2,513,128	3,181,035
Transfers out	(273,742)	(1,292,188)	(420,000)	(708,893)	(1,378,863)	(1,158,697)	(1,193,980)	(1,392,261)	(1,699,863)	(2,558,856)
<b>Total other financing sources (uses)</b>	<b>4,127,755</b>	<b>3,351,964</b>	<b>10,297,049</b>	<b>4,396,471</b>	<b>4,164,057</b>	<b>4,821,319</b>	<b>13,468,460</b>	<b>2,975,109</b>	<b>6,962,074</b>	<b>8,882,971</b>
<b>Net change in fund balances</b>	<b>\$ 2,186,267</b>	<b>\$ 956,845</b>	<b>\$ 1,949,609</b>	<b>\$ (368,196)</b>	<b>\$ (483,515)</b>	<b>\$ (1,106,096)</b>	<b>\$ 4,394,102</b>	<b>\$ (11,642,551)</b>	<b>\$ 721,029</b>	<b>\$ 3,359,710</b>
Debt service as a percentage of noncapital expenditures	33.7%	25.5%	42.0%	41.1%	36.8%	19.0%	24.6%	27.4%	25.4%	31.4%

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

Source: City of Gardner Finance Department

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

Fiscal Year	Electricity Generated & Purchased	Electricity Sold To Customers	<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>(d)</sup> Rate	Usage <sup>(e)</sup> Rate	Base <sup>(d)</sup> Rate	Usage <sup>(e)</sup> Rate	Base <sup>(d)</sup> Rate	Usage <sup>(e)</sup> Rate
2000	74,123	68,506	5,617	7.58%	511	408	103	20.16%	235	\$5.00	\$0.0839	\$8.70	\$3.94	\$4.70	\$3.80
2001	77,663	68,751	8,912	11.48%	509	381	128	25.15%	299	\$5.00	\$0.0839	\$8.70	\$3.94	\$4.70	\$3.80
2002	82,923	76,842	6,081	7.33%	583	444	139	23.84%	353	\$5.00	\$0.0839	\$8.70	\$3.94	\$4.70	\$3.80
2003	93,554	83,082	10,472	11.19%	519	414	105	20.23%	412	\$5.00	\$0.0839	\$8.70	\$3.94	\$7.00	\$4.45
2004	94,470	81,988	12,482	13.21%	598	463	135	22.59%	499	\$5.00	\$0.0839	\$8.70	\$3.94	\$7.00	\$4.45
<sup>(b,c)</sup> 2005	103,687	97,863	5,824	5.62%	691	469	223	32.21%	554	\$6.00	\$0.0862	\$8.27	\$3.75	\$7.35	\$4.68
2006	117,288	111,371	5,917	5.04%	712	494	218	30.62%	476	\$6.00	\$0.0905	\$8.52	\$3.86	\$7.72	\$4.91
2007	135,953	118,858	17,095	12.57%	723	488	235	32.50%	517	\$6.20	\$0.0932	\$8.52	\$3.86	\$7.72	\$4.91
2008	126,224	120,486	5,738	4.55%	758	552	206	27.18%	589	\$6.40	\$0.0960	\$8.95	\$4.05	\$8.10	\$5.16
2009	124,014	116,584	7,430	5.99%	717	473	244	34.03%	768	\$6.72	\$0.1008	\$9.40	\$4.25	\$8.75	\$5.57

**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> In 2005, the City implemented interdepartmental billing, thus reducing the amount of unbilled electric usage.

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

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

Source: City of Gardner Public Works Department & Gardner Energy

**City of Gardner, Kansas  
Annual Electric and Water Meter Installations  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Electric Meter Installations</u>		<u>Water Meter Installations</u>		<u>Total Installations</u>
	<u>Residential</u>	<u>Commercial</u>	<u>Residential</u>	<u>Commercial</u>	
2000	162	5	311	4	482
2001	238	5	229	5	477
2002	384	15	384	6	789
2003	546	6	507	4	1,063
2004	563	4	510	7	1,084
2005	527	20	466	8	1,021
2006	345	24	307	7	683
2007	382	17	278	6	683
2008	89	1	89	1	180
2009	84	11	84	1	180

*Source: City of Gardner Community Development Department*

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

Fiscal Year	Electric			Water			Wastewater			Total		
	Residential	Commercial	Industrial	Residential	Commercial	Industrial	Residential	Commercial	Industrial	Electric	Water	Wastewater
2000	3,604	250	7	3,598	160	7	3,448	154	4	3,861	3,765	3,606
2001	3,881	259	7	3,874	172	7	3,724	166	4	4,147	4,053	3,894
2002	4,120	270	7	4,020	187	7	3,870	181	7	4,397	4,214	4,058
2003	4,252	270	7	4,744	195	7	4,560	189	7	4,529	4,946	4,756
2004	4,821	269	7	4,699	185	7	4,549	179	7	5,097	4,891	4,735
2005	5,254	283	6	5,439	204	6	5,278	198	6	5,543	5,649	5,482
2006	6,156	325	6	5,812	220	6	5,657	214	6	6,487	6,038	5,877
2007	6,547	407	5	6,065	253	5	5,958	197	5	6,959	6,323	6,160
2008	6,726	410	5	6,360	248	5	6,146	207	5	7,141	6,613	6,358
2009	6,867	418	6	6,476	243	5	6,239	206	5	7,291	6,724	6,450

Source: City of Gardner Utility Department

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Water Rates</b>										
<i>(All Meter Sizes)</i>										
Base Rate	\$ 8.70	\$ 8.70	\$ 8.70	\$ 8.70	\$ 8.70	\$ 8.27	\$ 8.52	\$ 8.52	\$ 8.95	\$ 9.40
Usage Rate (per 1,000 gallons) First 40,000 gallons	3.94	3.94	3.94	3.94	3.94	3.75	3.86	3.86	4.05	4.25
Usage Rate per 1,000 gallons) Over 40,000 gallons	3.15	3.15	3.15	3.15	3.15	3.00	3.10	3.10	3.26	3.42
<b>Wastewater Rates</b>										
Base Rate	\$ 4.70	\$ 4.70	\$ 4.70	\$ 7.00	\$ 7.00	\$ 7.35	\$ 7.72	\$ 7.72	\$ 8.10	\$ 8.75
Usage Rate (per 1,000 gallons)	3.80	3.80	3.80	4.45	4.45	4.68	4.91	4.91	5.16	5.57
<b>Electric Rates</b>										
<i>Residential</i>										
Base Rate	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 6.00	\$ 6.00	\$ 6.20	\$ 6.40	\$ 6.72
Usage Rate (per kWh)	0.08390	0.08390	0.08390	0.08390	0.08390	0.08620	0.09051	0.09323	0.09603	0.10083
<i>Commercial</i>										
Base Rate	6.00	6.00	6.00	6.00	6.00	6.60	6.80	6.80	7.00	7.35
Usage Rate (per kWh)	0.0890	0.0890	0.0890	0.0890	0.0890	0.9350	0.0963	0.09631	0.09920	0.10416
<i>Commercial With Demand</i>										
Base Rate for Demand	100.00	100.00	100.00	100.00	100.00	15.00	15.00	15.45	15.90	16.70
Usage Rate (per KW)	10.00	10.00	10.00	10.00	10.00	12.00	12.60	13.00	13.39	14.06
Usage Rate (per kWh) First 5,000 kWh	0.0432	0.0432	0.0432	0.0432	0.0432	0.0436	0.0458	0.0472	0.0486	0.05099
Usage Rate (per kWh) Over 5,000 kWh	0.0370	0.0370	0.0370	0.0370	0.0370	0.0374	0.0393	0.0404	0.04165	0.04373
<i>Commercial Large With Demand</i>										
Base Rate for Demand	100.00	100.00	100.00	100.00	100.00	20.00	20.00	20.60	21.20	22.26
Usage Rate (per KW)	10.00	10.00	10.00	10.00	10.00	12.00	12.60	13.00	13.39	14.06
Usage Rate (per kWh) First 5,000 kWh	0.04000	0.04000	0.04000	0.04000	0.04000	0.04250	0.04463	0.04597	0.04735	0.04972
Usage Rate (per kWh) Over 5,000 kWh	0.03470	0.03470	0.03470	0.03470	0.03470	0.03690	0.03875	0.03991	0.04111	0.04317
<b>All Electric Rates</b>										
<i>Residential</i>										
Base Rate	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 6.00	\$ 6.00	\$ 6.20	\$ 6.40	\$ 6.72
Summer Usage Rate (per kWh)	0.08390	0.08390	0.08390	0.08390	0.08390	0.08850	0.09293	0.09572	0.09859	0.10352
Winter Usage Rate (per kWh) First 800 kWh	0.06800	0.06800	0.06800	0.06800	0.06800	0.07260	0.07623	0.07852	0.08088	0.10352
Winter Usage Rate (per kWh) Over 800 kWh	0.02700	0.02700	0.02700	0.02700	0.02700	0.03520	0.03696	0.03807	0.03921	0.04117
<i>Commercial</i>										
Base Rate	6.00	6.00	6.00	6.00	6.00	6.60	6.60	6.80	7.00	7.35
Usage Rate (per KW)	-	-	-	-	-	4.55	4.78	4.90	5.05	5.30
Summer Usage Rate (per kWh)	0.08900	0.08900	0.08900	0.08900	0.08900	0.02960	0.03108	0.03201	0.03297	0.03462
Winter Usage Rate (per kWh)	0.02700	0.02700	0.02700	0.02700	0.02700	0.02700	0.02835	0.02920	0.03008	0.03158

Source: City of Gardner Utility Department

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

Customer	Fiscal Year 2009							
	Electric Revenue		Customer	Water Revenue		Customer	Wastewater Revenue	
	Amount	%		Amount	%		Amount	%
Walmart	\$ 333,878	2.81%	New Century	\$ 239,842	8.24%	U.S.D. 231 - Wheat Ridge Middle School	\$ 17,080	0.65%
Price Chopper	254,837	2.15%	U.S.D. 231 - Gardner-Edgerton H.S. Irrigat	36,050	1.24%	Jacobs Properties	12,449	0.47%
U.S.D. 231 - Gardner-Edgerton H.S.	243,439	2.05%	U.S.D. 231 - Wheat Ridge Middle School	12,414	0.43%	TradeNet	11,650	0.44%
U.S.D. 231 - Pioneer Ridge Middle School	149,659	1.26%	WalMart	10,568	0.36%	Pinnacle (Rehab Hospital)	11,004	0.42%
ITW Labels	141,274	1.19%	U.S.D. 231 - Gardner-Edg. H.S.	8,797	0.30%	R&B Autowash	10,347	0.39%
TradeNet Publishing (Expansion)	90,109	0.76%	Jacobs Properties	8,119	0.28%	Wal-Mart	10,333	0.39%
U.S.D. 231 - Wheat Ridge Middle School	81,633	0.69%	TradeNet Publishing	7,614	0.26%	U.S.D. 231 - Gardner-Edgerton H.S.	10,320	0.39%
U.S.D. 231 - Madison Elementary	77,524	0.65%	Pinnacle (Rehab Hospital)	7,222	0.25%	Medical Lodge	8,803	0.33%
U.S.D. 231 - Wheat Ridge Middle School GYM	70,279	0.59%	Sonic	7,155	0.25%	Gardner Super 8	6,902	0.26%
TradNet Publishing	58,189	0.49%	R&B Autowash	6,822	0.23%	Sonic	5,406	0.20%
Subtotal (10 largest)	1,500,821	12.64%	Subtotal (10 largest)	344,603	11.84%	Subtotal (10 largest)	104,294	3.94%
Balance from other customers	10,373,453	87.36%	Balance from other customers	2,567,735	88.16%	Balance from other customers	2,543,362	96.06%
Grand Totals	<u>\$ 11,874,274</u>	<u>100.00%</u>	Grand Totals	<u>\$ 2,912,338</u>	<u>100.00%</u>	Grand Totals	<u>\$ 2,647,656</u>	<u>100.00%</u>

Customer	Fiscal Year 2000							
	Electric Revenue		Customer	Water Revenue		Customer	Wastewater Revenue	
	Amount	%		Amount	%		Amount	%
Mid-America Plastics	\$ 405,974	6.96%	New Century Air Center	\$ 136,176	8.73%	Blazers Power Wash	\$ 13,308	1.42%
U.S.D. #231 425 N Waverly DAC	240,180	4.11%	Jacobs Properties	12,658	0.81%	Jacobs Property	12,054	1.28%
Price Chopper	229,850	3.94%	Blazer's Power Wash	11,505	0.74%	Mid-America Plastics	8,497	0.90%
Dot Label	113,604	1.95%	U.S.D. #231 High School DAC	10,208	0.65%	CLC HealthCare	8,292	0.88%
Cramer Products, Inc.	106,556	1.83%	Mid America Plastics	7,517	0.48%	Medical Lodge of Gardner	8,056	0.86%
U.S.D. 231 - Sunflower Elementary	86,402	1.48%	Medical Lodges	7,397	0.47%	U.S.D. #231 High School DAC	7,144	0.76%
U.S.D. 231 - Wheat Ridge Middle School	80,931	1.39%	CLC Healthcare	7,347	0.47%	Super 8 Motel	5,760	0.61%
Empire Plastics	79,266	1.36%	Gardner Super 8	6,771	0.43%	Dot Label	4,956	0.53%
Medical Lodges of Gardner	52,147	0.89%	Price Chopper	5,791	0.37%	Price Chopper	4,804	0.51%
CLC Healthcare	40,121	0.69%	ITW Labels	4,530	0.29%	EZ Car Wash	4,085	0.43%
Subtotal (10 largest)	1,435,031	24.60%	Subtotal (10 largest)	209,900	13.46%	Subtotal (10 largest)	76,956	8.19%
Balance from other customers	4,401,811	75.40%	Balance from other customers	1,349,674	86.54%	Balance from other customers	862,716	91.81%
Grand Totals	<u>\$ 5,836,842</u>	<u>100.00%</u>	Grand Totals	<u>\$ 1,559,574</u>	<u>100.00%</u>	Grand Totals	<u>\$ 939,672</u>	<u>100.00%</u>

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
2000	\$ 25,499,787	\$ 6,761,729	\$1,406,725	\$ 42,963	\$ -	\$ 33,711,204	23.824	\$ 260,648,992	12.93%
2001	33,838,364	7,758,868	1,326,019	39,963	-	42,963,214	22.771	336,464,237	12.77%
2002	40,961,196	8,765,345	1,198,167	331,626	-	51,256,334	22.850	402,334,372	12.74%
2003	45,593,076	10,257,888	1,434,550	1,921,260	-	59,206,774	22.854	515,395,275	11.49%
2004	53,793,458	12,073,033	1,492,565	72,441	-	67,431,497	23.914	603,016,135	11.18%
2005	61,026,225	12,090,961	2,290,585	325,419	-	75,733,190	23.994	678,670,888	11.16%
2006	73,120,689	13,675,841	2,279,893	112,374	-	89,188,797	24.092	801,727,555	11.12%
2007	87,598,362	18,592,967	2,717,458	108,681	-	109,017,468	24.080	976,309,650	11.17%
2008	97,621,749	23,111,451	3,371,852	104,208	165,123	124,374,383	24.103	1,115,603,821	11.15%
2009	101,968,269	22,988,646	3,035,503	99,813	-	128,092,231	24.606	1,160,488,730	11.04%

*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 and tax exempt property. Estimated actual taxable value is calculated by dividing taxable assessed value by those percentages. Tax rates are per \$1,000 of assessed value.*

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

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

Fiscal Year	Direct Rates			Overlapping Rates						Total Direct & Overlapping Rates
	Gardner General Operating	Bond and Interest	Total Direct Rate - Gardner City <sup>(a)</sup>	State of Kansas	Johnson County	Johnson County Library	Johnson County Parks and Recreation	Johnson County Community College	U.S.D. 231 (School District)	
2000	19.674	4.150	23.824	1.500	16.112	3.137	1.451	7.184	67.920	121.128
2001	18.693	4.078	22.771	1.500	15.676	2.981	1.322	7.646	75.318	127.214
2002	18.758	4.092	22.850	1.500	16.333	2.971	1.382	7.743	75.243	128.022
2003	19.822	3.032	22.854	1.500	16.221	2.948	1.602	9.428	75.494	130.047
2004	20.882	3.032	23.914	1.500	16.381	2.954	2.365	9.432	72.957	129.503
2005	20.952	3.042	23.994	1.500	16.041	2.956	2.367	9.438	73.008	129.304
2006	21.038	3.054	24.092	1.500	17.922	2.955	2.286	8.960	78.016	135.731
2007	21.028	3.052	24.080	1.500	17.949	2.960	2.290	8.872	76.546	134.197
2008	21.053	3.050	24.103	1.500	17.767	3.057	2.341	8.768	76.568	134.104
2009	21.551	3.055	24.606	1.500	17.716	3.151	2.346	8.784	78.539	136.642

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

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

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

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

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Walmart	1,726,000	1	1.28%	-		-
Martens Rentals, L.L.C.	1,566,126	2	1.16%	-		-
Moonlight Apartments L.L.C.	1,431,749	3	1.06%	330,257	9	0.67%
Energy Center Industrial, LLC	1,307,751	4	0.97%	-		-
C.L.S. Investment Company	1,289,380	5	0.95%	379,473	4	0.77%
Bristol Partners XVI, L.L.C.	1,081,750	6	0.80%	-		-
DJC Properties, L.L.C.	1,016,534	7	0.75%	441,801	2	0.89%
First Choice Properties, Inc.	826,965	8	0.61%	-		-
Moonlight Plaza, L.L.C.	767,605	9	0.57%	400,304	3	0.81%
Woodstone Apartments, L.P.	710,815	10	0.53%	345,001	8	0.70%
Santa Fe Storage, L.L.C.	608,501	11	0.45%	-		-
Walgreen Co.	580,251	12	0.43%	-		-
Fountain Gate Village, L.L.C.	566,455	13	0.42%	-		-
Collective Investments, L.L.C.	549,943	14	0.41%	-		-
Mid America Plastics, Inc.				545,926	1	1.10%
Cramer Products, Inc.				378,160	5	0.76%
DD & Associates, Inc.				361,577	6	0.73%
Gardner Super 8, L.L.C.				353,979	7	0.71%
Mertz, Thomas D.				327,035	10	0.66%
Totals	<u>\$ 14,029,825</u>		<u>10.38%</u>	<u>\$ 3,863,513</u>		<u>7.80%</u>

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

<u>Fiscal Year Ended December 31</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections for Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2000	\$ 1,001,117	\$ 927,268	92.62%	\$ 44,998	\$ 972,266	97.12%
2001	1,194,589	1,133,494	94.89%	48,491	1,181,985	98.94%
2002	1,437,687	1,369,550	95.26%	61,879	1,431,429	99.56%
2003	1,610,557	1,492,539	92.67%	102,416	1,594,955	99.03%
2004	1,953,944	1,845,505	94.45%	94,566	1,940,071	99.29%
2005	2,327,047	2,192,537	94.22%	131,961	2,324,498	99.89%
2006	2,675,243	2,542,334	95.03%	97,610	2,639,944	98.68%
2007	3,146,176	3,101,873	98.59%	39,646	3,141,519	99.85%
2008	3,488,729	3,439,440	98.59%	-	3,439,440	98.59%
2009	3,863,634	3,720,821	96.30%	-	3,720,821	96.30%

*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	Special Assessment GO Bonds	Certificates of Participation	Capital Leases	State Revolving Loans	Lease Revenue Bonds	General Obligation Bonds	Capital Leases	State Revolving Loans	Electric Revenue Bonds			
2000	\$ 1,089,610	\$ 199,740	\$ -	\$ 439,107	\$ -	\$ -	\$ 10,300,650	\$ 37,550	\$ 1,820,681	\$ 10,040,000	\$ 23,927,338	5.77%	\$ 2,547
2001	1,415,039	648,561	-	359,579	-	1,000,000	18,656,400	-	8,521,192	-	30,600,771	6.91%	3,023
<sup>(b)</sup> 2002	1,087,843	752,057	-	114,008	-	4,000,000	17,685,100	-	20,270,974	-	43,909,982	9.36%	4,088
2003	3,112,272	1,321,128	-	191,747	-	4,000,000	16,416,600	-	20,285,005	-	45,326,752	8.75%	3,841
2004	4,129,800	3,200,000	-	94,749	-	3,960,000	16,025,200	-	19,643,931	-	47,053,680	7.64%	3,552
2005	6,873,400	3,035,000	-	54,412	-	3,905,000	15,466,600	-	18,976,298	-	48,310,710	8.42%	3,270
<sup>(c)</sup> 2006	9,757,850	2,790,000	7,150,000	108,152	911,889	3,840,000	20,337,150	-	24,996,620	-	69,891,661	10.78%	4,315
2007	9,162,650	2,270,000	6,535,000	1,056,393	1,513,022	3,760,000	17,482,350	176,030	25,349,440	-	67,304,885	9.39%	3,934
2008	10,483,950	5,255,000	6,140,000	911,755	1,799,761	3,660,000	23,891,050	135,533	25,433,886	-	77,710,935	10.73%	4,294
<sup>(d)</sup> 2009	9,377,200	10,307,972	5,665,000	830,353	4,065,034	3,545,000	23,524,828	92,781	24,183,410	-	81,591,578	11.07%	4,387

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

<sup>(b)</sup> In 2002, the City received a \$20,078,700 revolving loan from the Kansas Department of Health and Environment for the construction of a new sewer plant. The City also issued \$4,000,000 of Lease Revenue Bonds to finance the construction of a new City Hall.

<sup>(c)</sup> In 2006, the City issued Certificates of Participation in the amount of \$7,150,000 for the purpose of the construction of a new park complex.

<sup>(d)</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.

Source: City of Gardner Finance Department

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

Fiscal Year	General Obligation Bonds	Special Assessment GO Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value <sup>(a)</sup> of Property	Per Capita <sup>(b)</sup>
2000	\$ 11,390,260	\$ 199,740	\$ 69,045	\$ 11,520,955	3%	\$ 1,226
2001	20,071,439	648,561	193,608	20,526,392	5%	2,028
2002	18,772,943	752,057	329,980	19,195,020	4%	1,787
2003	19,528,872	1,321,128	488,565	20,361,435	3%	1,726
2004	20,155,000	3,200,000	313,625	23,041,375	3%	1,739
2005	22,340,000	3,035,000	258,152	25,116,848	3%	1,700
2006	30,095,000	2,790,000	184,701	32,700,299	3%	2,019
2007	26,645,000	2,270,000	237,844	28,677,156	3%	1,676
2008	34,375,000	5,255,000	310,091	39,319,909	3%	2,173
2009	32,902,028	10,307,972	78,023	43,131,977	5%	2,868

*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, 2009**

<u>Governmental Unit</u>	<u>GO Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>(a)</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Unified School District No. 231	\$ 102,350,000	57.49%	\$ 58,841,015
Johnson County	24,571,715	1.76%	432,462
Johnson County Park and Recreation	4,030,000	1.76%	70,928
<b>Other</b>			
Johnson County: Public Building Commission	160,315,000	1.65%	<u>2,645,198</u>
Subtotal, overlapping debt			61,989,603
<b>City Direct Debt</b>			<u>33,790,559</u>
<b>Total direct and overlapping debt</b>			<u>\$ 95,780,162</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.*

<sup>(a)</sup> Johnson County Park and Recreation outstanding GO debt not available from County; using 2008 total.

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

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt Limit	\$ 14,503,378	\$ 17,586,796	\$ 23,173,071	\$ 26,225,612	\$ 29,025,556	\$ 33,798,595	\$ 40,485,098	\$ 45,321,494	\$ 46,494,676	\$ 46,444,391
Total net debt applicable to limit	<u>5,318,179</u>	<u>4,272,679</u>	<u>6,403,815</u>	<u>11,052,125</u>	<u>12,405,932</u>	<u>14,375,447</u>	<u>13,046,486</u>	<u>12,546,504</u>	<u>17,272,700</u>	<u>17,092,536</u>
Legal debt margin	<u>\$ 9,185,199</u>	<u>\$ 13,314,117</u>	<u>\$ 16,769,256</u>	<u>\$ 15,173,487</u>	<u>\$ 16,619,624</u>	<u>\$ 19,423,148</u>	<u>\$ 27,438,612</u>	<u>\$ 32,774,990</u>	<u>\$ 29,221,976</u>	<u>\$ 29,351,855</u>
Total net debt applicable to the limit as a percentage of debt limit	36.67%	24.29%	27.63%	42.14%	42.74%	42.53%	32.23%	27.68%	37.15%	36.80%

**Legal Debt Margin Calculation for Fiscal Year 2009**

Assessed value <sup>(a)</sup>	\$ 154,814,636
Debt limit (30% of assessed value) <sup>(b)</sup>	46,444,391
Debt applicable to limit:	
G.O. Bonds and Temporary Notes Outstanding	48,725,000
Less: Amount set aside for utilities, refunding, and revenue-supported bonds	<u>(31,632,464)</u>
Total net debt applicable to limit	<u>17,092,536</u>
Legal debt margin	<u>\$ 29,351,855</u>

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**

Calendar Year	Population <sup>(1)</sup>	Personal Income	Per Capita Personal Income <sup>(2)</sup>	Median Age <sup>(2)</sup>	School Enrollment <sup>(3)</sup>	Unemployment Rate <sup>(2)</sup>
2000	9,396	\$ 415,021,320	\$ 44,170	33.9	2,670	2.4%
2001	10,122	442,594,572	43,726	35.0	2,879	3.4%
2002	10,742	468,909,784	43,652	30.7	3,097	4.3%
2003	11,800	518,161,600	43,912	31.2	3,215	4.5%
2004	13,247	615,959,006	46,498	31.2	3,401	4.9%
2005	14,776	573,914,616	38,841	31.5	3,593	4.5%
2006	16,199	648,105,791	40,009	31.4	3,811	4.3%
2007	17,110	716,515,470	41,877	31.6	4,293	3.9%
2008	18,096	724,002,864	40,009	31.6	4,491	4.3%
2009	18,600	736,727,400	39,609	31.6	4,721	6.6%

Sources: City of Gardner Finance Department and

<sup>(1)</sup> City of Gardner Community Development Department

<sup>(2)</sup> information for Johnson County, Kansas. Provided by Southwest Johnson County Economic Development Corporation

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

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

Employer	2009			2000		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Unified School District No. 231	760	1	19.84%	424	1	19.27%
Walmart	170	2	4.44%			
City of Gardner	132	3	3.45%	74	6	3.36%
Price Chopper	115	4	3.00%	85	5	3.86%
TradeNet Publishing	114	5	2.98%	150	4	6.82%
Meadowbrook Rehabilitation Hospital	107	6	2.79%	50	9	2.27%
Medical Lodge of Gardner	102	7	2.66%			
Cramer Products, Inc.	50	8	1.31%	65	8	2.95%
D.O.T. Label, Inc. (ITW)	34	9	0.89%	200	2	9.09%
Metcalf Bank	30	10	0.78%			
Mid America Plastics, Inc.	-	0	0.00%	175	3	7.95%
Gardner Bank	17	11	0.44%			
Empire Plastics	6	12	0.16%	20	10	0.91%
LSI Healthcare				72	7	3.27%
<b>Total</b>	<b>1,637</b>		<b>42.74%</b>	<b>1,315</b>		<b>59.75%</b>

Source: Southwest Johnson County Economic Development Corporation

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

<u>Function</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General government										
Administration	2	2	2	2	2	3	3	3	3	3
Human Resources/City Clerk	1	1	1	2	2	2	2	2	3	3
Finance										
Accounting	3	3	4	4	5	5	5	5	4	4
Court	1	1	1	1	2	2	2	2	2	2
Utilities	4	5	6	7	8	8	8	8	8	8
Information Systems	-	-	-	-	-	-	1	1	1	1
Planning	2	3	3	3	4	4	5	4	4	4
Codes	2	3	4	5	5	5	6	7	5	5
Public Safety										
Administration	3	3	3	4	4	4	5	6	6	6
Operations	10	12	18	21	21	24	28	34	33	33
Animal Control	-	-	-	-	1	1	1	1	1	1
Public Works										
Administration	4	5	5	5	5	5	5	4	4	4
Fleet	-	-	1	1	1	1	1	1	1	1
Engineering	3	3	3	3	3	5	6	6	4	4
Building Maintenance	-	-	-	-	-	-	1	1	1	1
Streets & Maintenance	6	6	8	8	8	11	12	9	8	8
Electric	4	5	9	9	9	10	10	12	9	10
Water	4	4	5	6	6	8	9	10	10	10
Wastewater	4	4	4	6	6	7	9	10	10	9
Culture and Recreation										
Recreation Services	3	3	3	3	3	4	4	6	6	6
Park Maintenance	3	3	4	4	5	6	6	8	8	8
<b>Total</b>	<u>59</u>	<u>66</u>	<u>84</u>	<u>94</u>	<u>100</u>	<u>115</u>	<u>129</u>	<u>140</u>	<u>131</u>	<u>131</u>

Source: City of Gardner Human Resources Department

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

<u>Function</u>	<u>2000</u>	<u>2001</u>	<u>2002</u> <sup>(a)</sup>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u> <sup>(b)</sup>	<u>2008</u>	<u>2009</u>
General government <sup>(1)</sup>										
Building permits issued	220	202	319	432	505	475	300	255	82	65
Building inspections conducted	unavailable	2,548	4,393	5,748	8,142	9,669	7,419	4,862	3,432	2,579
Public Safety <sup>(2)</sup>										
Traffic violations	1,465	2,652	2,938	2,820	2,931	3,366	3,799	2,742	3,763	2,459
Fire responses	266	247	298	257	298	333	319	364	430	432
Medical responses	616	634	650	616	640	824	871	922	901	980
Public Works <sup>(3)</sup>										
Street resurfacing (shown in linear feet)	9,750	6,400	9,500	5,860	12,766	8,420	11,080	19,183	5,280	3,370
Curb replacement (shown in linear feet)	unavailable	1,000	1,435	1,505	2,897	2,547	4,340	8,627	-	1,165
Electric <sup>(4)</sup>										
Average daily consumption (in kWh)	214,004	218,683	363,002	214,543	224,965	287,326	292,556	327,896	322,695	319,408
Electric meters installed	167	243	399	552	567	547	369	399	90	95
Water <sup>(4)</sup>										
Average daily consumption (in thousands)	1,396	1,233	2,088	1,565	1,402	1,457	1,543	1,634	1,604	1,296
Water meters installed	311	229	398	511	514	477	317	284	90	85
Wastewater <sup>(4)</sup>										
Average daily sewage treatment (in thousands)	644	819	967	1,129	1,367	1,518	1,304	1,415	1,614	2,103
Culture and Recreation <sup>(5)</sup>										
Athletic Program Participants	1,645	1,883	1,622	1,903	1,823	1,863	2,132	2,182	2,428	2,984
Aquatic Admissions	19,957	22,945	22,294	17,175	14,057	21,969	27,174	100,247	101,727	97,984

Note: <sup>(a)</sup> In 2002, the City of Gardner implemented a new utility billing software. In order to convert to the new system, the City was required to process an extra billing cycle to bring the meter reading dates current, rather than for the 30 days prior to the billing date. The extra billing cycle in 2002 also explains the drop in consumption in 2003.

Note: <sup>(b)</sup> In 2007, the City of Gardner Streets Dept. began a new resurfacing program using slurry seal. The savings allowed more linear feet to be completed in both streets and curbs.

Also in 2007, a new Aquatic Facility opened. The added features and capacity attracted patrons from miles around.

Sources: City of Gardner Finance Department and

<sup>(1)</sup> City of Gardner Community Development Department

<sup>(2)</sup> City of Gardner Public Safety 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

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

<u>Function</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007<sup>(6)</sup></u>	<u>2008<sup>(7)</sup></u>	<u>2009</u>
Public Safety <sup>(2)</sup>										
Stations	1	1	1	1	1	1	1	1	2	2
Patrol/AC Units	4	4	5	10	11	11	14	15	14	14
Fire Fleet	3	4	4	4	4	5	5	7	8	8
Public Works <sup>(3)</sup>										
Streets (miles)	36.57	39.76	42.08	47.91	53.23	60.84	66.34	87.40	91.93	93.53
Streetlights	751	801	853	908	964	1,022	1,070	1,085	1,134	1,139
Electric <sup>(4)</sup>										
Generators	2	2	2	2	2	2	2	2	2	2
Substations	2	2	2	2	2	2	3	3	3	3
Overhead lines (miles)	25	26	26	28	34	38	45	46	46	49.5
Underground lines (miles)	20	23	27	32	40	44	50	51	51	52.5
Water <sup>(4)</sup>										
Water mains (miles)	65.51	69.00	72.35	80.44	86.26	93.86	99.93	104.05	104.35	105.52
Treatment Plants	2	2	2	2	2	2	1	1	1	1
Wastewater <sup>(4)</sup>										
Sanitary sewers (miles)	54.89	61.49	71.77	84.45	93.27	107.68	112.54	119.40	122.66	122.6
Storm sewers (miles)	15.63	17.43	19.33	24.09	27.72	33.68	38.26	39.72	41.16	42.59
Treatment Plants	2	3	3	3	3	3	3	3	3	3
Culture and Recreation <sup>(5)</sup>										
Acreage	unavailable	unavailable	unavailable	unavailable	96.04	177.06	196.40	226.93	330.58	332.24
Parks	8	8	8	9	9	10	10	10	13	13
Baseball/softball/soccer fields	3	4	4	4	4	4	4	4	14	14
Community Centers	1	1	1	1	1	1	1	1	1	1
Golf Course	1	1	1	1	1	1	1	1	1	1

Sources: City of Gardner Finance Department and

<sup>(1)</sup> City of Gardner Community Development Department

<sup>(2)</sup> City of Gardner Public Safety 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> Streets Dept. new inventory process begun in 2006 found unreported miles.

<sup>(7)</sup> Culture and Recreation acreage includes 19.21 acres undeveloped park land.



BERBERICH TRAHAN & CO., P.A.  
Certified Public Accountants

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gardner, Kansas (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 23, 2010. We conducted our audit 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 Airport Association were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not extend to that component unit.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as Findings 2009-1 and 2009-2, that we consider to be significant deficiencies in internal control over financial reporting. 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.

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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the City, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

*Berberich Trahan & Co., P.A.*

June 23, 2010

CITY OF GARDNER, KANSAS  
SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2009

**Finding 2009-1 – Significant Deficiency**

*Condition* – Significant adjustments to the trial balance were not initially identified by the City’s internal control structure in order for the financial statements to be in accordance with generally accepted accounting principles (GAAP). In addition, there were journal entries being posted to the general ledger that were not being reviewed or approved before they were posted. This finding is repeated from the prior year.

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

*Cause* – Inappropriate application of generally accepted accounting principles.

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

*Recommendation* – We recommend that the City review its trial balance throughout the year and at year-end to ensure that all adjustments have been made for the financial statements to be in accordance with GAAP. All journal entries should also be reviewed and approved before posting.

*Management’s Response/Corrective Action Plan (Unaudited)* – Although the finance department was operating with newly promoted staff with new and unfamiliar responsibilities throughout the 2009 audit process, progress was still made to decrease the number of unidentified adjustments to the trial balance from the prior year. Additional progress to reduce the number of unidentified adjustments is expected with increased staff knowledge and experience for the fiscal year 2010 audit. Additional review and approval procedures have been implemented in 2010 for entries to the general ledger.

**Finding 2009-2 – Significant Deficiency**

*Condition* – Bank reconciliations were not performed timely for 2009. The bank reconciliations were not completed until April 2010.

*Criteria* – The City’s internal controls should be designed to ensure that all bank accounts are timely reconciled to the cash balances on the general ledger.

*Cause* – Deposits and disbursements were being reconciled on a monthly basis, but no bank reconciliation was being completed.

CITY OF GARDNER, KANSAS

SCHEDULE OF FINDINGS AND RESPONSES  
(Continued)

*Effect* – The City was vulnerable to the occurrence of fraud while the bank reconciliations were not being performed.

*Recommendation* – We recommend that bank reconciliations be performed on a timely basis.

*Management's Response/Corrective Action Plan (Unaudited)* – Restructured responsibilities combined with inexperience of newly promoted staff caused staff to prioritize their tasks and concentrate their efforts on the recording of capital asset additions and depreciation calculations in order to address a significant deficiency noted in the previous fiscal year's audit. Consequently, these efforts did indeed eliminate the prior year's deficiency regarding capital assets, but to the detriment of having a new deficiency for fiscal year 2009 regarding late bank reconciliations. New procedures developed by staff combined with increasing staff experience and knowledge will eliminate this finding in 2010.

CITY OF GARDNER, KANSAS  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Year Ended December 31, 2009

**Finding 2008-1 – Significant Deficiency**

*Condition* – The City is not currently recording some of its capital asset additions in the City’s capital assets system until the end of the year when they are identified during the audit. Depreciation of capital assets is not being calculated until the end of the year at the time of the audit. This finding is repeated from the prior year.

*Criteria* – The financial statements are the responsibility of management. As such, the City’s internal control over capital assets should identify all fixed asset additions on a consistent basis so that they may be properly recorded in the financial statements.

*Cause* – Inappropriate application of generally accepted accounting principles.

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

*Recommendation* – We recommend that the City implement a procedure to record all capital asset additions, including additions to construction in progress, at the time of acquisition or construction. Proprietary fund additions should be recorded in the City’s capital assets system and on the general ledger at the time of acquisition or construction, and governmental fund additions should be traced separately from the general ledger in the City’s capital assets system. In addition, depreciation of capital assets should be calculated and recorded.

*Management’s Response/Corrective Action Plan (Unaudited)* – The number of capital asset additions not recorded in the City’s capital assets system until the end of the year when they are identified during the audit has been steadily decreasing since 2006. In addition to the ongoing training received, the advanced knowledge needed to enable full completion of the capital asset cycle each year can only be gained through increasing governmental accounting experience. Existing staff gained valuable experience in the 2008 audit, and believes their judgment related to capitalization decisions will further reduce incomplete capital asset transactions and possibly eliminate this finding in 2009.

*Follow-up* – The City recorded all entries related to capital assets in the current year, including depreciation expense. This finding is considered resolved.

CITY OF GARDNER, KANSAS

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
(Continued)

**Finding 2008-2 – Significant Deficiency**

*Condition* – During the course of our audit, we identified significant adjustments to the trial balance that were not initially identified by the City's internal control structure. In addition, there were journal entries being posted to the general ledger that were not being reviewed or approved before they were posted. This finding is repeated from the prior year.

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

*Cause* – Inappropriate application of generally accepted accounting principles.

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

*Recommendation* – We recommend that the City review its trial balance at year-end to ensure that all adjustments have been made. All journal entries should also be reviewed and approved before posting.

*Management's Response/Corrective Action Plan (Unaudited)* – Progress was made by City Staff to decrease the number (by one-third fewer) of unidentified adjustments to the trial balance. Additional progress is expected with increased experience of existing staff in assuming responsibility for year end journal entries for 2009. Additional review and approval procedures have been implemented in 2009 for entries to the general ledger.

*Follow-up* – Significant journal entries were made during the current year audit. In addition, in the current year, there were journal entries being posted to the general ledger that were not being reviewed or approved before they were posted. This significant deficiency is repeated in the current year as Finding 2009-1.