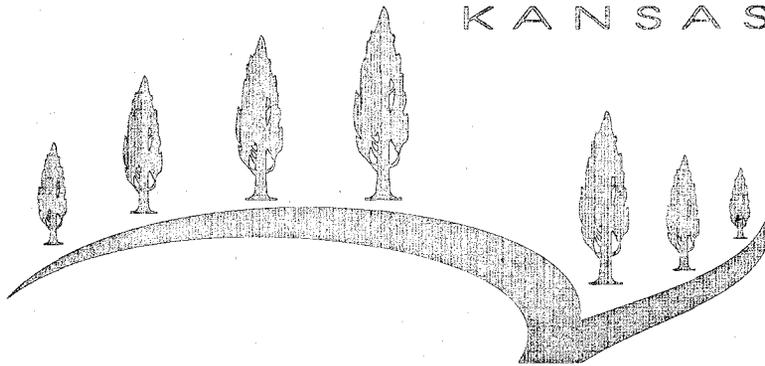


CITY OF  
**GARDNER**  
KANSAS



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the fiscal year ended  
December 31, 2007

CITY OF GARDNER, KANSAS

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COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

Prepared by:

Finance Department  
City of Gardner, Kansas

CITY OF GARDNER, KANSAS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

Year Ended December 31, 2007

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CITY OF GARDNER, KANSAS

COMPREHENSIVE ANNUAL  
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CITY OF GARDNER, KANSAS

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CITY OF GARDNER, KANSAS

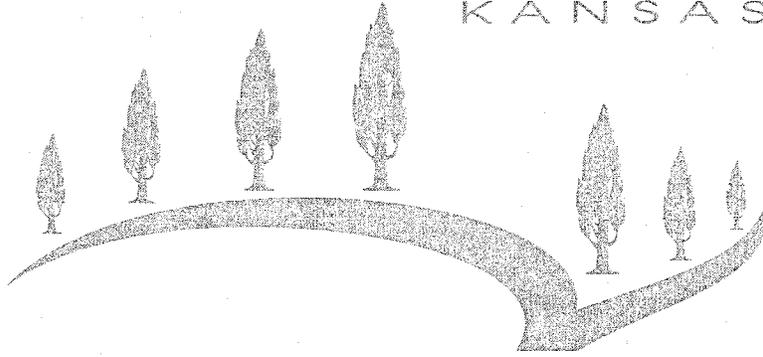
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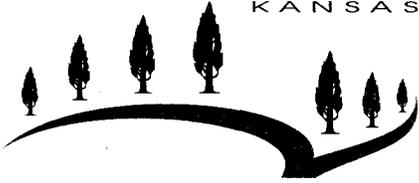
CITY OF  
**GARDNER**  
KANSAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended  
December 31, 2007

INTRODUCTORY SECTION



FINANCE  
June 26, 2008

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, 2007 is hereby submitted. This is the fourth 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 complement 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 enjoys a unique combination of interstate, air and rail infrastructure.

In 2007, the City annexed an additional 57 acres into its corporate limits. Currently, Gardner is approximately 9.8 square miles in size. The City installed 1.3 miles of new streets, 6.7 miles of new wastewater lines, 1.5 miles of new storm sewer, 4.1 miles of water lines, .5 miles of new overhead electric distribution and transmission lines, and 70 new street lights. There are currently 23 subdivisions with housing construction activity. The number of building permits for single-family home construction decreased from 228 in 2006 to 192 in 2007, and multi-family home construction increased from 117 in 2006 to 190 in 2007.

The City welcomed nearly 995 new residents to the community or about three new neighbors a day on average. There are approximately 17,100 people who now call Gardner home. This is a 45% increase from just five years ago, where the number of Gardner citizens was about 11,800.

Commercial growth continued in 2007 with New Century Business Park adding Entire, Sherwin Williams, and Little Peoples Daycare. First Choice Office Building is the new home for Gardner Dental and others. Whiskey Creek provides a new dining option on the eastern edge of the City, while Pizza Hut remodeled on Main Street. Additions were done at Gardner Family Care and the Rural Water 7 Office. Another new business that located in Gardner was Auto Zone.

Negotiations with Burlington Northern Santa Fe Railroad began in 2007 regarding an intermodal facility it intends to develop near Gardner, Kansas. After the nationally recognized Allen Group was chosen by BNSF to develop a warehousing and logistics park around BNSF's intermodal facility, the City engaged IRR Corporate and Public Finance, LLC to negotiate on its behalf. Local and state governments are participating in this project to varying degrees. One such example was the ordering of a break-in-access study by the Kansas Dept. of Transportation. The study indicated the need for a new I-35 interchange somewhere between 199<sup>th</sup> St. and Homestead Rd.

Pioneer Ridge Middle School opened in the fall of 2007, making it one of two district middle schools which educate grades five through eight. It is located in the rapidly expanding northwest section of the city.

All of this growth has contributed to an increase in the City's assessed valuation of 89% in the last five years alone. Wealth levels and housing values exceed state averages, and Johnson County's May 2007 unemployment rate at 3.9% was slightly below the state's rate of 4.1%. Additionally, in 2007, the City's sales tax collections increased by 8%.

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 economic outlook for years to come.

## Major Initiatives

### *2007 Initiatives*

Construction of the approximately 5,000 square foot Plum Creek Public Safety Station No. 2 neared completion in 2007, to be opened in February 2008. The facility will house a fire pumper purchased in 2005 and a new Bronto 100 foot rescue ladder truck that was delivered early in 2007. Staffing will include the Fire Captain and four officers, allowing for improved response times in the southern part of the city.

The new aquatic facility opened on schedule Memorial Day weekend of 2007. Record numbers enjoyed a lazy river, multiple water slides, floatable walk, spray grounds, climbing net, zero depth entry, and a toddler pool, making it a popular area attraction. Construction neared completion on Celebration Park, which will open in the Spring of 2008. The 83 acre complex includes baseball, softball, football, and soccer fields, as well as walking paths, a lake, shelters, and bathroom facilities. The City also received its fifth Tree City USA Award from the National Arbor Day Foundation. Finally, the City was pleased to celebrate with its Parks & Recreation Director, Jeff Stewart, who received the 2007 Kansas Recreation and Park Association Distinguished Professional of the Year Award.

Gardner Junction Park, a historic landmark denoting the division of the Santa Fe, Oregon and California Trails, was constructed on 56 Highway through grants from KDOT and several civic organizations.

In 2007, the City spent over \$300,000 on improvements to its existing 175 lane miles of residential streets, and implemented for some streets a new slurry seal program which will be more cost-effective.

Lincoln Lane was extended west of Moonlight Road to allow additional access to the Moonlight Plaza shopping center. Final work will be completed in 2008.

An emergency stoplight was installed on Main Street at Public Safety Station No. 1 to both ease traffic congestion and enhance safety when moving emergency equipment in and out of the station.

Gardner celebrated 150 years of history with a September 2007 Festival on the Trails event. It was a great success with over 10,000 attendees.

Construction of a new elevated water storage tower was completed in the northwest area of the city. It stands approximately 200 feet and has the capacity of 1 million gallons. The tower will increase storage capacity, as well as improve water pressure for City residents.

The new North Lift Station neared completion in 2007, to be brought on line in early 2008. It will serve the growing northwest section of the city. A lift station was also constructed south of town to serve the Nike School. Construction began on the conversion of the former Bull Creek Wastewater Treatment Plant into a lift station, enabling all wastewater to be most efficiently treated at the City's award winning Kill Creek Wastewater Treatment Plant. The project is expected to be completed in 2008.

The City's Electric Division completed a fiber optic link between the Energy Center and Substation No. 2 to allow SCADA (Supervisory Control and Data Acquisition) by operators in the Energy Center.

A new outdoor warning siren was installed in the northwest part of town.

Eleven new positions were added in 2007 to better serve Gardner's citizens including: city clerk and human resources manager as two positions instead of one, three public safety officers, an additional public safety sergeant, one streets maintenance worker, one streets leadworker, an additional recreation supervisor, a parks and recreation administrative assistant, and two parks and recreation maintenance workers.

Enhancements to the city website in 2007 include availability of the annual budget and Comprehensive Annual Financial Report (CAFR). A blast feature was also added for persons to sign up to receive email notification of important city news. A citizen survey was also conducted in 2007, having last been done in 2005.

The City's Utility department started signing up utility customers in 2007 for its new budget billing program and currently serves 355 customers. This program allows customers to pay the same amount for their utility bills every month based on a twelve month rolling average.

### ***Future/Planned Initiatives***

In 2008, four additional public safety personnel will be added to increase the City of Gardner's coverage. Veterans Trail will be rehabilitated. Doublegate subdivision stormwater improvements are planned.

The City is seeking land to purchase for the new Parks/Public Works Operations Facility, which may be purchased in the future. This area will house parks and public works equipment and provide a base for operations. In 2009, the City will ease traffic congestion at the Santa Fe and Moonlight Road intersection by relocating Santa Fe Street to the south. Construction for widening Moonlight Road to four lanes will be bid late in 2008, to be completed in 2010.

The City has \$485,000 budgeted for its existing street improvement and development program for 2008. The City will replace over \$300,000 worth of aging waterlines, as part of the waterline replacement program.

The City has been working with a developer to construct a Lowe's Store at 175<sup>th</sup> and Clare Road. There are several other retail projects in the works as well.

### ***Financial Planning***

In 2007, the water and wastewater funds no longer paid a "franchise" fee to the General Fund, keeping rates in line with our competitors serving the surrounding area. However, each fund paid a small amount to cover human resource and accounting services. The electric utility continues to pay a franchise fee equal to 7% of revenues and will decrease to 5% in 2008. Five percent is equal to the franchise fee paid by Kansas City Power and Light for its service area inside the city limits.

The City continues to assess its utility rates in relation to current and future costs. Electric rates were increased an average of 3% for all rate classes. The City also reviewed the rates for water and wastewater services in 2007 and they remained the same.

The City will continue to update its costs studies on a biannual basis. In addition, the City will continue to perform overall needs assessments on future facilities and rates.

With the rapid growth Gardner is experiencing, building infrastructure for the City's utility systems continue to be a major focus. The City assesses impact fees on new development in keeping with the idea of having new growth pay its own way.

Also in 2007, the City began a study of the viability of continuing to operate its own electric system given changes in the electric market, and a decision is expected to be made in 2008.

The City has budgeted \$180,000 in 2008 for a Transportation Master Plan to address future transportation needs and growing traffic congestion concerns in Gardner.

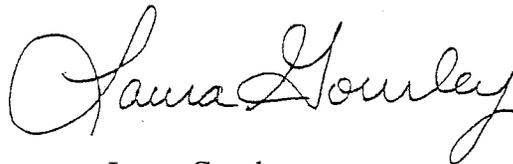
**Acknowledgements**

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. Finance Staff also thanks Administrative Assistant for Administration, Janet Hackney, for providing information on the City's many accomplishments in 2007. 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

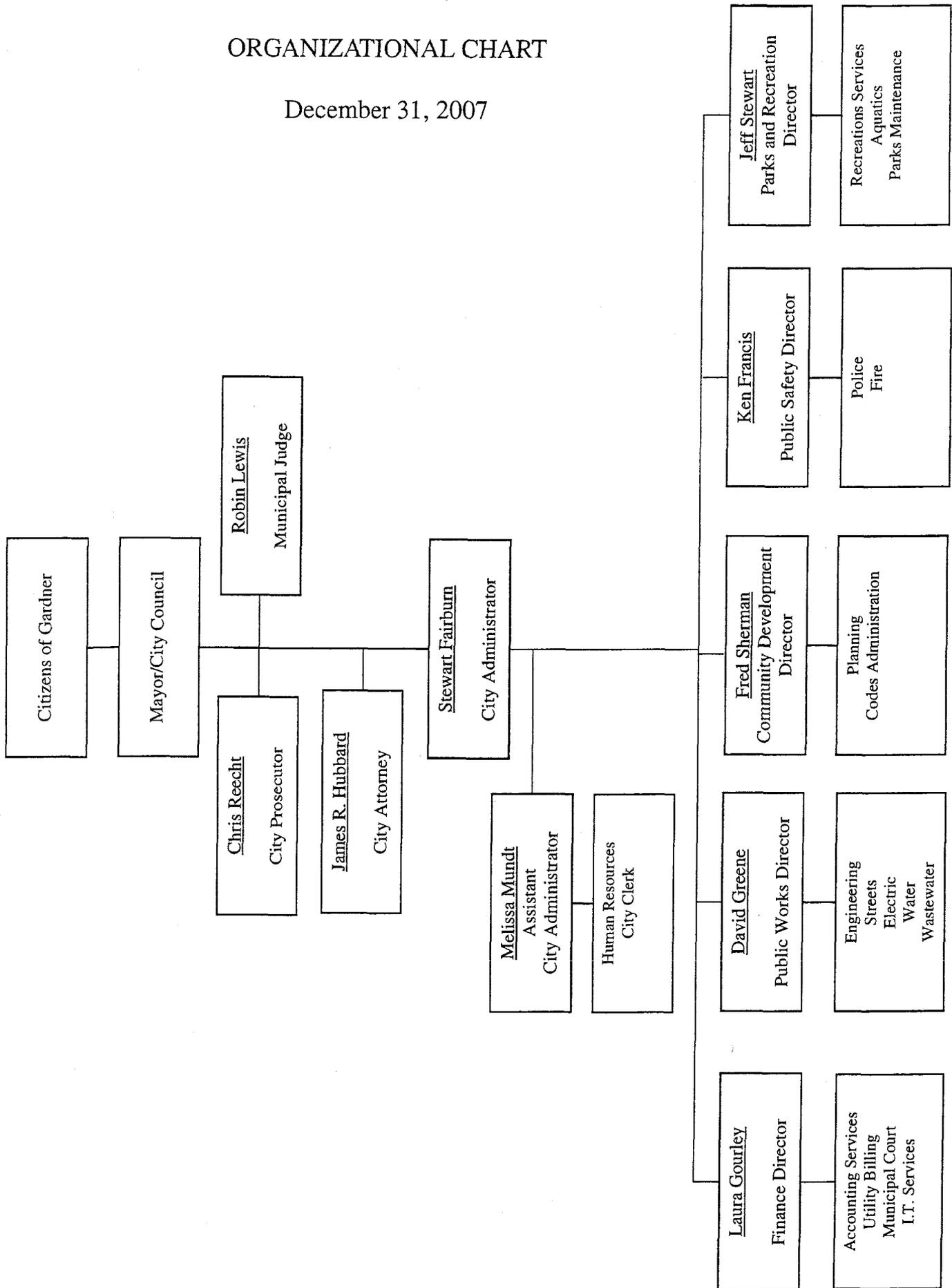


Laura Gourley  
Finance Director

CITY OF GARDNER, KANSAS

ORGANIZATIONAL CHART

December 31, 2007



City of Gardner  
List of Elected and Appointed Officials  
December 31, 2007

Elected Officials

		<u>Term of Office</u>
Mayor	Carol Lehman	2005-2009
Council President	David Drovetta	2007-2011
Council Vice President	Mark Raney	2005-2009
Councilmember	Eric Schultz	2007-2009
Councilmember	John Shepherd	2007-2011
Councilmember	Todd Winters	2007-2011

Appointed Officials

City Administrator	Stewart Fairburn
Assistant City Administrator	Melissa Mundt
Municipal Judge	Robin Lewis
City Prosecutor	Chris Reece
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, 2006

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.



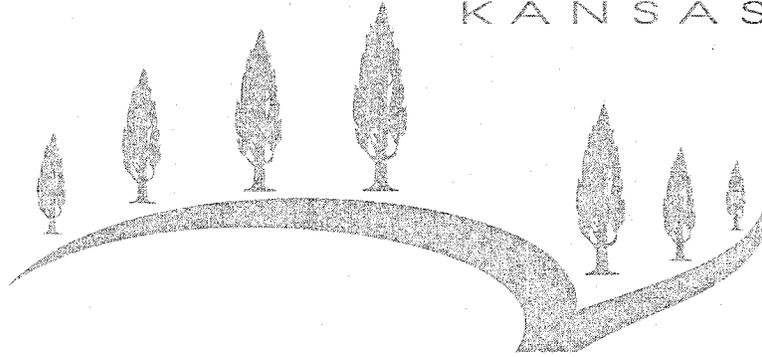
*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director

CITY OF  
**GARDNER**  
KANSAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended  
December 31, 2007

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, 2007, 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, 2007, 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 26, 2008, 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

785-234-3427 toll-free 800-530-5526 f 785-233-1768

btrahandco@cpa.com

The Management's Discussion and Analysis on pages 3 through 16 is not a required part of the basic financial statements but is 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 26, 2008

## 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, 2007. 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 2007 by \$73,945,220 (*net assets*). Of this amount, \$7,237,062 (*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 \$3,797,559 from the prior year.
- As of the close of 2007, the City's governmental funds reported combined ending fund balances of \$(1,260,581), a decrease of \$11,642,551 from the prior year. The City experienced a decrease of over \$6.9 million in governmental fund assets during 2007. The decrease to the governmental assets is due to the spending of debt proceeds on the many construction projects of the City.
- At the end of 2007, the fund balance for the General Fund was \$4,023,268, or 40% of General Fund expenditures.
- In 2007, the City continued progress on its many infrastructure projects, which are in varying stages of completion. The City was also approved for a state revolving loan from the Kansas Department of Transportation in the amount of \$2,003,593 for the construction of a Lincoln Lane extension. The City's long-term liabilities decreased \$2.6 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 expenses related to specific programs and how much of the programs were supported by the general taxes of the City. Since this statement is prepared on the accrual basis of accounting, all revenues and expenses are included, regardless of when cash is actually received.

Both statements show the operations of the City broken down by governmental activities and business-type activities. Governmental activities are the operations of the City generally supported by taxes, such as public works, 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 38 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, Celebration Park fund, and Kill Creek Sewer fund, all of which are considered to be major funds. Data from the other 35 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, supplementary information regarding non-major funds has 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 \$73,945,220 at the close of 2007. The City's net assets increased by \$3,797,559 from the prior year, with governmental activities accounting for (\$1,513,050) of the increase, and business-type activities accounting for \$5,310,609 of the increase.

#### City of Gardner, Kansas Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$16,488,644	\$27,599,012	\$10,479,435	\$12,605,356	\$26,968,079	\$40,204,368
Capital assets	46,610,092	36,773,167	92,015,791	86,782,395	138,625,883	123,555,562
Total assets	<u>63,098,736</u>	<u>64,372,179</u>	<u>102,495,226</u>	<u>99,387,751</u>	<u>165,593,962</u>	<u>163,759,930</u>
Long-term liabilities	24,479,158	24,725,918	43,089,902	45,410,574	67,569,060	70,136,492
Other liabilities	15,068,032	14,581,665	9,011,650	8,894,112	24,079,682	23,475,777
Total liabilities	<u>39,547,190</u>	<u>39,307,583</u>	<u>52,101,552</u>	<u>54,304,686</u>	<u>91,648,742</u>	<u>93,612,269</u>
Net assets:						
Invested in capital assets, net of related debt	15,189,970	12,854,680	43,009,998	36,644,874	58,199,968	49,499,554
Restricted for:						
Debt service	2,760,293	2,584,081	-	-	2,760,293	2,584,081
Streets	4,622,354	4,842,062	-	-	4,622,354	4,842,062
Capital Improvements	530,548	629,642	-	-	530,548	629,642
Other purposes	594,995	581,694	-	-	594,995	581,694
Unrestricted	<u>(146,614)</u>	<u>3,572,437</u>	<u>7,383,676</u>	<u>8,438,191</u>	<u>7,237,062</u>	<u>12,010,628</u>
Total net assets	<u>\$23,551,546</u>	<u>\$25,064,596</u>	<u>\$50,393,674</u>	<u>\$45,083,065</u>	<u>\$73,945,220</u>	<u>\$70,147,661</u>

The largest portion of the City's net assets (79 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 \$8,508,190 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 \$7,237,062 (\$-146,614 governmental activities and \$7,383,676 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 \$3,797,559 during the 2007 fiscal year. The following table reflects the revenues and expenses for the City's activities for the year ended December 31, 2007, and illustrates the comparison between 2007 and the prior year:

City of Gardner, Kansas						
Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$1,630,300	\$1,580,953	\$19,842,611	\$17,045,007	\$21,472,911	\$18,625,960
Operating grants and contributions	2,529,574	2,216,293	-	-	2,529,574	2,216,293
Capital grants and contributions	360,016	218,234	59,606	589,004	419,622	807,238
General Revenues:						
Property taxes	3,290,415	2,676,275	-	-	3,290,415	2,676,275
Sales taxes	2,854,565	2,636,630	-	-	2,854,565	2,636,630
Franchise taxes	386,139	350,024	-	-	386,139	350,024
Excise taxes	819,908	1,289,599	-	-	819,908	1,289,599
Transient guest tax	41,073	40,680	-	-	41,073	40,680
Unrestricted Investment earnings	993,815	831,916	532,634	520,452	1,526,449	1,352,368
Gain on disposal of asset	1,617	-	-	-	1,617	-
Total Revenue & transfers	<u>12,907,422</u>	<u>11,840,604</u>	<u>20,434,851</u>	<u>18,154,463</u>	<u>33,342,273</u>	<u>29,995,067</u>
<b>Expenses:</b>						
General government	3,378,759	2,283,679	-	-	3,378,759	2,283,679
Public safety	3,248,539	2,698,278	-	-	3,248,539	2,698,278
Public works	2,730,439	1,953,847	-	-	2,730,439	1,953,847
Culture and recreation	2,025,252	1,280,138	-	-	2,025,252	1,280,138
Interest on long-term debt	1,450,723	1,098,258	-	-	1,450,723	1,098,258
Electric	-	-	10,369,407	9,369,802	10,369,407	9,369,802
Water	-	-	2,606,773	2,353,432	2,606,773	2,353,432
Wastewater	-	-	3,659,179	3,215,418	3,659,179	3,215,418
Stormwater	-	-	75,643	-	75,643	-
Total Expenses	<u>12,833,712</u>	<u>9,314,200</u>	<u>16,711,002</u>	<u>14,938,652</u>	<u>29,544,714</u>	<u>24,252,852</u>
Increase in net assets						
before transfers	73,710	2,526,404	3,723,849	3,215,811	3,797,559	5,742,215
Transfers	(1,586,760)	(190,643)	1,586,760	190,643	-	-
Increase (decrease) in net assets	<u>(1,513,050)</u>	<u>2,335,761</u>	<u>5,310,609</u>	<u>3,406,454</u>	<u>3,797,559</u>	<u>5,742,215</u>
Net assets, Jan 1	<u>25,064,596</u>	<u>22,728,835</u>	<u>45,083,065</u>	<u>41,676,611</u>	<u>70,147,661</u>	<u>64,405,446</u>
Net Assets, Dec 31	<u>\$23,551,546</u>	<u>\$25,064,596</u>	<u>\$50,393,674</u>	<u>\$45,083,065</u>	<u>\$73,945,220</u>	<u>\$70,147,661</u>

### *Governmental Activities*

Governmental revenues increased by \$1,066,818 or 9.0% from the prior year. Key components in this increase were a 22.9% increase in property taxes, a 19.5% increase in investment revenue, a 65.0% increase in capital grants and contributions, and an 8.3% increase in sales tax, offset by a 36.4% decrease in excise taxes.

Property taxes accounted for \$614,140 of the increase. The City didn't raise its mill levy, but rather, experienced an increase in overall taxable assessed valuation of nearly \$20 million.

Another significant source of the increase was in Operating Grants and Contributions (\$313,281). Those increases came mostly from funding for Junction Park (\$125,407) and increases of \$117,561 in County sharing of sales and use tax.

Governmental expenses increased by \$3,519,512 or 37.8% from the prior year. Key components of this increase were a 20.4% increase in Public Safety expenses and a 48.0% increase in general government expenses.

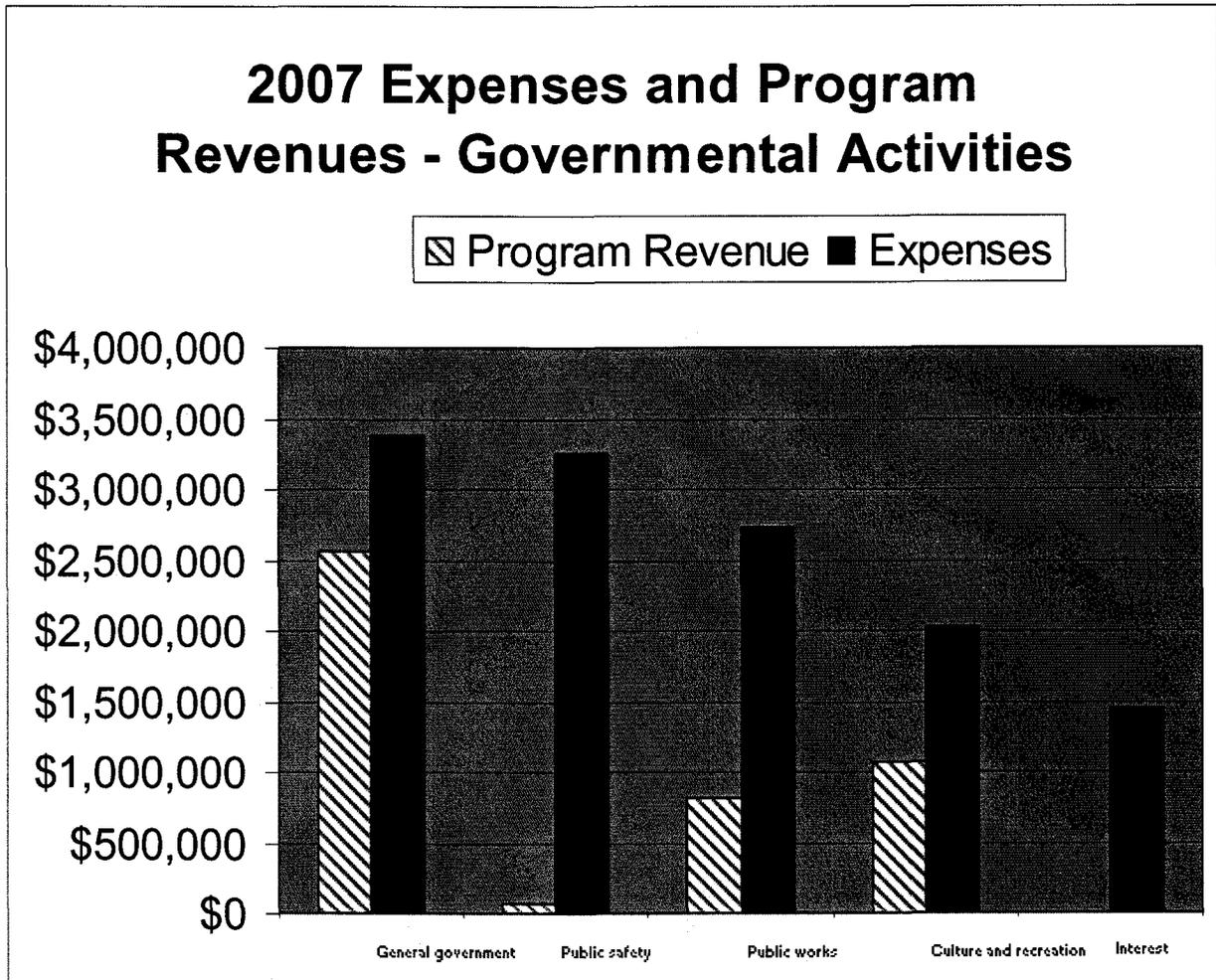
Public Safety increases of \$550,261 came in the form of personnel services and internal service fund costs. Overtime and four added positions contributed to \$311,969 in increased costs. Internal service fund costs were re-structured to better represent the areas served, and resulted in \$121,195 to Public Safety.

Public Works had overall expenditure increases of \$776,592, of which \$377,329 were street repair and maintenance costs that had been deemed capital outlay in prior years, but Public Works expenditures in the current year due to a process change. Additionally, the streets department added three new positions which contributed to \$125,705 in personnel cost increases. The streets department also began paying for electricity in 2007 for all signal and street lights, which was \$117,485.

Culture and recreation increased its expenditures by \$745,114, largely due to the addition of new facilities such as the Aquatic Center. Additional maintenance, staffing and management amounted to \$340,460. Additionally, depreciation expense increased by \$187,997.

General government expenses increased by \$1,095,080. A significant portion of the increase was repayment to a TIF district of \$610,947 for 2007.

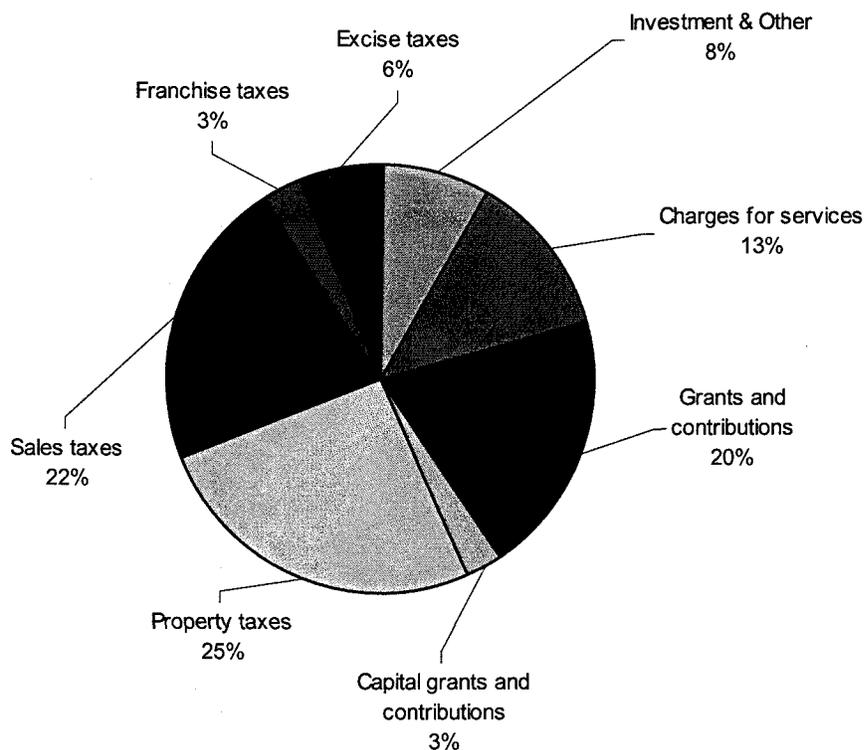
The chart below illustrates how the City's various governmental activities program revenues vs. program expenses fared in 2007.



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.

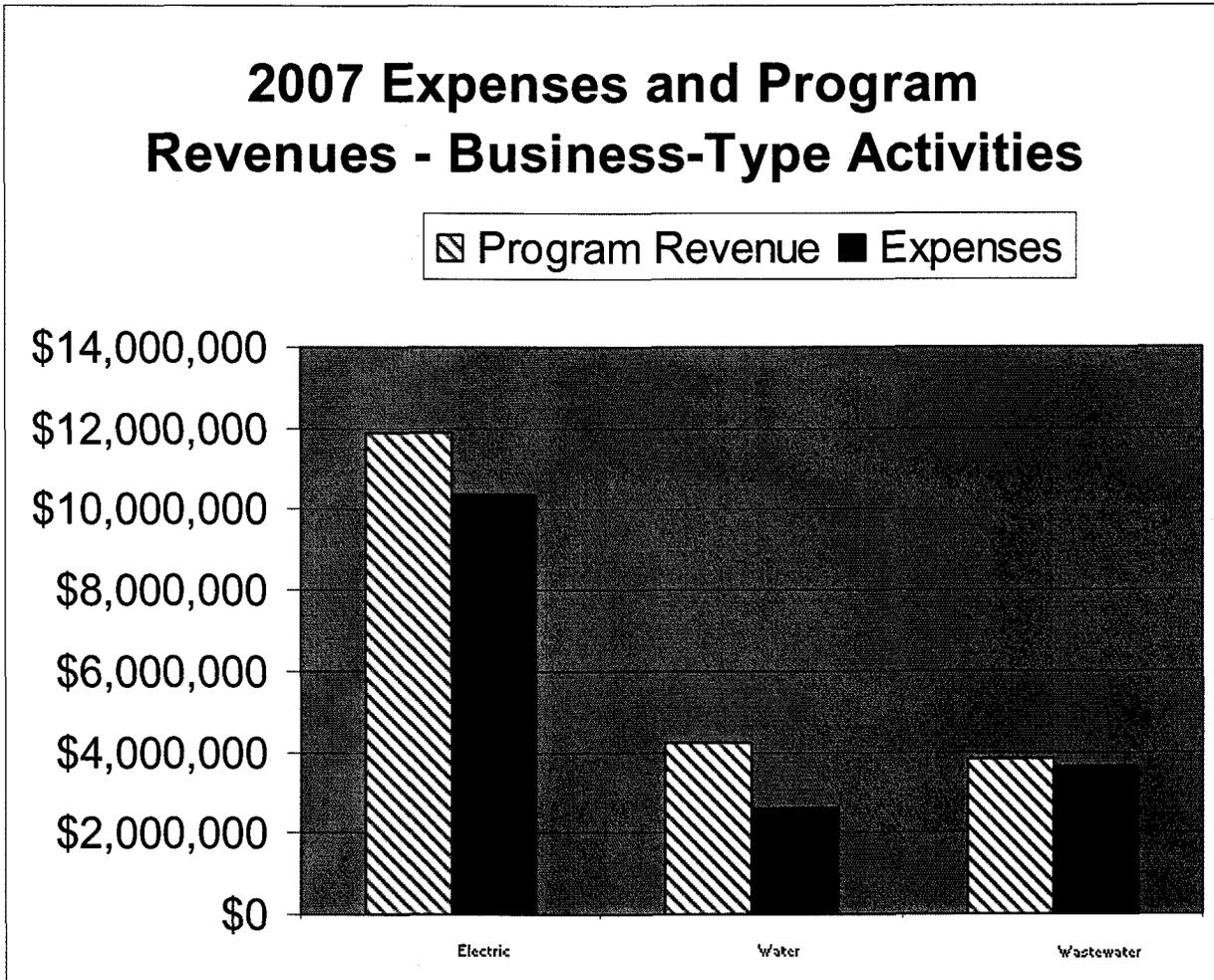
Overall program and general revenues for the City's governmental activities are:

## Revenues by Source - Governmental Activities

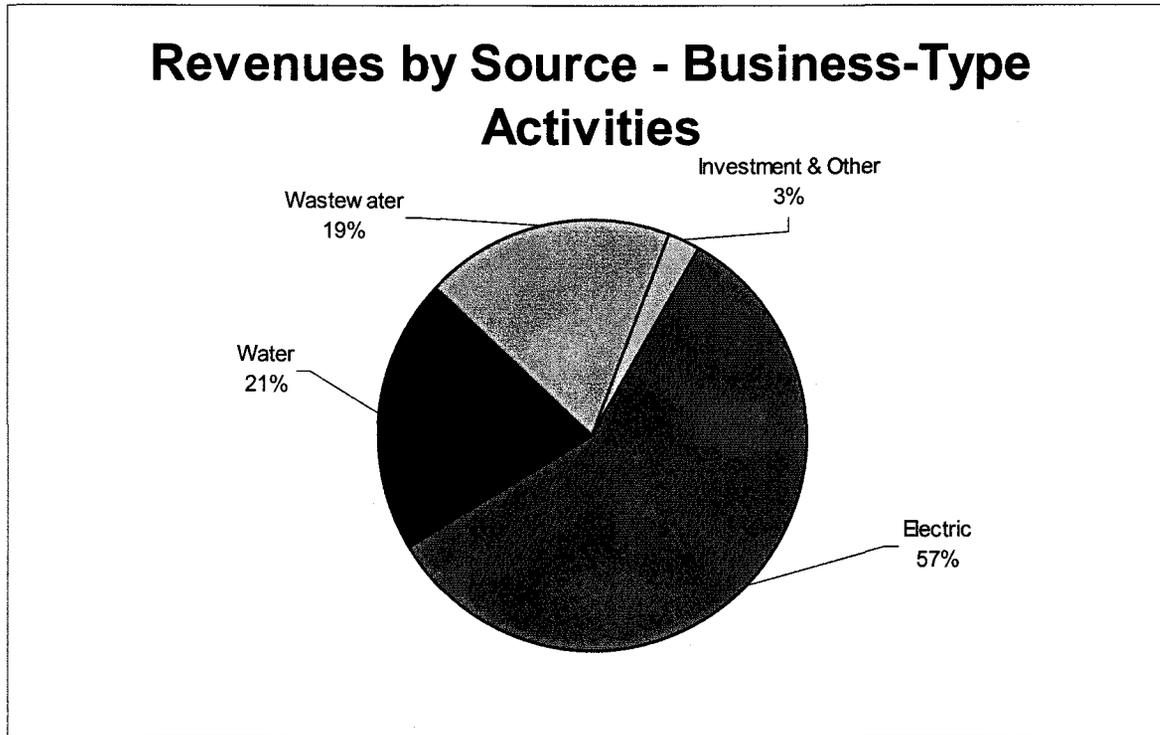


## Business-Type Activities

Business-type activities accounted for \$5,310,609, or 100%, of the increase in the City's net assets since the prior year. The City's utilities operated efficiently, allowing revenues to exceed expenses by \$5,194,974 with no rate increases in water or wastewater, and a 3% increase to the electric base rate. The program revenues vs. program expenses for business-type activities chart below illustrates an overall increase in net assets for all business-type activities.



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 2007, the City's governmental funds reported combined ending fund balances of \$(1,260,581), a decrease of \$11,642,551 in comparison with the prior year. This decrease can be attributed to the spending of debt proceeds issued for the City's capital projects.

The General Fund is the chief operating fund of the City. At the end of 2007, the fund balance of the General Fund was \$4,023,268. Fund balance represents 40% of total General Fund expenditures of \$10,001,288. This year's fund balance represents a decrease of \$104,196 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. This leveling off subsequently decreases the number of building permits and fees the City receives.

The Celebration Park Fund has a fund balance of \$957,994. Celebration Park fulfills the criteria to be considered a major governmental fund because of its large expenditures. This capital project will be completed in 2008.

Kill Creek Sewer has a fund balance of (\$3,422,358). This is a decrease of \$2,499,902 from the previous year. \$590,645 of this decrease is due to an increase in liabilities, as well as a \$1,909,257 decrease in total assets. Kill Creek Sewer is considered a major governmental fund because of its large liabilities. This capital project is estimated to be complete in 2008.

### ***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 2007, unrestricted net assets for the business-type activities amounted to \$7,383,676, a decrease of \$1,054,515, or 12% due to the financing of increased infrastructure.

The Electric Fund had total net assets of \$22,554,936 at the end of 2007. This is an increase of \$926,650 from the previous year. The key component of this increase is an increase in operating income before transfers of \$1,600,553.

The Water Fund had total net assets of \$15,946,315 at the end of 2007. This is an increase of \$1,853,077 from the previous year. This is attributable to operating income before transfers of \$1,906,606.

The Wastewater Fund had total net assets of \$11,966,398 at the end of 2007. This is an increase of \$2,608,729 from the previous year. Key components of this increase include operating income of \$1,054,215 and the reporting of capital contributions of \$2,504,624, which represents sewer infrastructure in the City's multiple benefit districts that belong to the Sewer Fund.

The City's Internal Service Funds had total net assets of \$4,822 at the end of 2007.

### ***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 2007, the assets of the fund were \$25,715.

### **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 \$205,243, or 2.5%. 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 \$59,000, or 2%.
- Sales tax was less than the revenue estimate by \$212,069, or 11%.

- Intergovernmental revenues exceeded the estimate by \$49,767 or 3%. The majority of this increase is due to the collection of County sales tax. The increase may be due to a new destination-based collection system enacted by the State of Kansas.
- Investment earnings were higher than anticipated by \$57,116, or 40%. Interest rates increased steadily during 2007. Consequently, the City's return on its investments was higher than anticipated.
- Licenses and permits were less than the original estimate by \$243,775, or 39%. This decrease is seen in the reduction of building permits issued in 2007, compared to the prior year.

In addition, expenditures were less than budgeted by \$3,739,932. Project reserves of 3,361,723 were budgeted but not utilized, accounting for most of the difference. Additional differences between budgetary estimates for expenditures and actual expenditures are as follows:

- Public Safety expenditures were \$322,930 less than budgeted, or 10%. Delays in filling vacated and new positions resulted in almost \$215,000 of the difference.
- Public Works expenditures were \$322,219 less than budgeted, or 17%. Again, some delays were experienced in filling new positions, amounting to \$147,354 in personnel cost differences from budget.

## 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, 2007, amounted to \$138,625,883 (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 2007 was 12.2% (a 26.8% increase for governmental activities and a 6.0% increase for business-type activities).

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$3,264,310	\$3,181,685	\$2,184,470	\$2,101,288	\$5,448,780	\$5,282,973
Construction in progress	16,033,242	10,651,948	23,588,952	17,021,325	39,622,194	27,673,273
Buildings	3,874,300	3,994,419	-	-	3,874,300	3,994,419
Improvements	1,358,648	1,465,055	-	-	1,358,648	1,465,055
Infrastructure	19,509,343	15,744,263	65,354,120	66,893,061	84,863,463	82,637,324
Machinery and equipment	750,046	780,756	191,666	204,336	941,712	985,092
Vehicles	1,820,203	955,041	696,583	562,385	2,516,786	1,517,426
	<u>\$46,610,092</u>	<u>\$36,773,167</u>	<u>\$92,015,791</u>	<u>\$86,782,395</u>	<u>\$138,625,883</u>	<u>\$123,555,562</u>

The majority of the City's increase in capital assets can be attributed to construction in progress. Some of the major construction projects include:

- Construction of additional wastewater infrastructure projects to serve new development, including the conversion of the Bull Creek Wastewater Plant to a lift station

- Six benefit districts containing multiple infrastructure projects for streets, water, wastewater and electrical services: Center Street Commons, Kill Creek Drive and Kill Creek Drive waterline, Kill Creek Sanitary Sewer, New Century Business Park, Nike School Sanitary Sewer, and University Park.
- Kill Creek Water Tower construction
- Construction of the new aquatics facility
- Construction of Celebration Park

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

### ***Long-Term Debt***

At the end of 2007, the City had total long-term debt outstanding of \$67,304,885. Of this amount, \$26,645,000 was general obligation debt backed by the full faith and credit of the City. However, \$17,482,350 (66%) of the general obligation debt is supported by business-type revenues. Another \$2,270,000 of the City's long-term debt outstanding is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment.

In 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, 2007**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General obligation Bonds	\$9,162,650	\$10,047,850	\$17,482,350	\$20,337,150	\$26,645,000	\$30,385,000
Special assessment debt with government commitment	2,270,000	2,500,000	-	-	2,270,000	2,500,000
PBC revenue bonds	3,760,000	3,840,000	-	-	3,760,000	3,840,000
Construction loan Payable	1,513,022	911,889	25,349,440	24,996,620	26,862,462	25,908,509
Certificates of Participation	6,535,000	7,150,000	-	-	6,535,000	7,150,000
Capital lease obligations	1,056,393	108,152	176,030	-	1,232,423	108,152
	<u>\$24,297,065</u>	<u>\$24,557,891</u>	<u>\$43,007,820</u>	<u>\$45,333,770</u>	<u>\$67,304,885</u>	<u>\$69,891,661</u>

More detailed information about the City's long-term debt is presented in Note 11 to the basic financial statements and information regarding the bond anticipation notes in Note 12.

## **ECONOMIC FACTORS**

The City expects to see continuing healthy growth to the tax base. 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 89.4% in the last five years alone.

In addition, the 2000 census indicates considerable population growth of 192% since 1990, and the City is estimating an additional population growth of 900 residents each year to its current population of over 17,000. Wealth levels and housing values exceed state averages, and Johnson County's May 2007 unemployment rate at 3.9% was slightly below the state's rate of 4.1%. 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 the City's continued rapid growth may place pressure on the City's financial operations, causing increases in expenditures, but that demonstrated prudent management practices and additional revenues generated from the growth in property taxes should mitigate this effect. More information regarding property taxes can be found in the Statistical section.

Moody's does note that there is some vulnerability in that city and countywide sales tax receipts account for approximately 22% of the city's operating revenues. In 2007, sales tax growth increased 8% over the prior year, and city officials anticipate maintaining that level with continued growth due to new businesses currently planning to locate in Gardner. The opening of Wal-Mart in 2006 has shown a strong contribution to the City's sales tax increase. The city's General Fund balance remains steady at \$4,023,268, (compared to \$4,127,464 in 2006) or 40% of General Fund expenditures, which exceeds the state median of 26% for Kansas cities. Despite Gardner's consistent growth in sales tax receipts, Moody's believes the importance of retaining sound reserves is important, given the economically sensitive nature of this revenue stream. More information regarding sales taxes can be found in the Statistical section.

## **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, 2007

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Airport Association
<b>Assets:</b>				
Deposits and investments	\$ 8,491,194	\$ 6,472,338	\$ 14,963,532	\$ 192,544
Receivables, net of allowance for uncollectibles:				
Taxes	3,664,707	-	3,664,707	-
Accounts	-	1,855,879	1,855,879	4,208
Intergovernmental	469,394	-	469,394	-
Special assessments	2,864,578	-	2,864,578	-
Airport Association	147,407	-	147,407	-
Other	3,796	8,862	12,658	-
Internal balances	(1,076,737)	1,076,737	-	-
Deferred charges	191,624	201,388	393,012	-
Prepaid items	-	-	-	12,563
Inventories	-	285,759	285,759	40,510
Restricted deposits and investments	1,732,681	578,472	2,311,153	-
Capital assets, net of accumulated depreciation, where applicable:				
Land	3,264,310	2,184,470	5,448,780	301,500
Construction in progress	16,033,242	23,588,952	39,622,194	263,514
Buildings	3,874,300	-	3,874,300	1,146,770
Improvements	1,358,648	-	1,358,648	41,982
Infrastructure	19,509,343	65,354,120	84,863,463	229,127
Machinery and equipment	750,046	191,666	941,712	5,357
Vehicles	1,820,203	696,583	2,516,786	-
<b>Total assets</b>	<b>63,098,736</b>	<b>102,495,226</b>	<b>165,593,962</b>	<b>2,238,075</b>
<b>Liabilities:</b>				
Accounts payable	1,475,560	972,865	2,448,425	3,912
Accrued expenses	215,670	79,861	295,531	-
Accrued interest payable	342,129	538,797	880,926	-
Unearned revenue	3,025,938	-	3,025,938	3,346
Liabilities payable from restricted assets	63,735	555,127	618,862	-
Bond anticipation notes payable	9,945,000	6,865,000	16,810,000	-
Noncurrent liabilities:				
Due within one year	2,131,920	4,012,481	6,144,401	-
Due in more than one year	22,347,238	39,077,421	61,424,659	147,407
<b>Total liabilities</b>	<b>39,547,190</b>	<b>52,101,552</b>	<b>91,648,742</b>	<b>154,665</b>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	15,189,970	43,009,998	58,199,968	1,840,843
Restricted for:				
Debt service	2,760,293	-	2,760,293	-
Streets	4,622,354	-	4,622,354	-
Capital improvements	530,548	-	530,548	-
Other purposes	594,995	-	594,995	-
Unrestricted	(146,614)	7,383,676	7,237,062	242,567
<b>Total net assets</b>	<b>\$ 23,551,546</b>	<b>\$ 50,393,674</b>	<b>\$ 73,945,220</b>	<b>\$ 2,083,410</b>

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2007

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	\$ 3,378,759	\$ 712,907	\$ 1,848,726	\$ -	\$ (817,126)	\$ -	\$ (817,126)	\$ -
Public safety	3,248,539	10,344	60,253	-	(3,177,942)	-	(3,177,942)	-
Public works	2,730,439	1,900	456,218	357,016	(1,915,305)	-	(1,915,305)	-
Culture and recreation	2,025,252	905,149	164,377	3,000	(952,726)	-	(952,726)	-
Interest on long-term debt	1,450,723	-	-	-	(1,450,723)	-	(1,450,723)	-
Total governmental activities	12,833,712	1,630,300	2,529,574	360,016	(8,313,822)	-	(8,313,822)	-
Business-type activities:								
Electric	10,369,407	11,805,651	-	58,606	-	1,494,850	1,494,850	-
Water	2,606,773	4,201,647	-	-	-	1,594,874	1,594,874	-
Wastewater	3,659,179	3,835,313	-	1,000	-	177,134	177,134	-
Stormwater	75,643	-	-	-	-	(75,643)	(75,643)	-
Total business-type activities	16,711,002	19,842,611	-	59,606	-	3,191,215	3,191,215	-
Total primary government	\$ 29,544,714	\$ 21,472,911	\$ 2,529,574	\$ 419,622	(8,313,822)	3,191,215	(5,122,607)	-
Component unit:								
Airport Association	\$ 289,425	\$ 320,906	\$ -	\$ 116,107	-	-	-	147,588
General revenues:								
Property taxes					3,290,415	-	3,290,415	-
Sales taxes					2,854,565	-	2,854,565	-
Franchise taxes					386,139	-	386,139	-
Excise taxes					819,908	-	819,908	-
Transient guest tax					41,073	-	41,073	-
Unrestricted investment earnings					993,815	532,634	1,526,449	6,470
Gain on disposal of asset					1,617	-	1,617	-
Transfers					(1,586,760)	1,586,760	-	-
Total general revenues and transfers					6,800,772	2,119,394	8,920,166	6,470
Change in net assets					(1,513,050)	5,310,609	3,797,559	154,058
Net assets, beginning of year					25,064,596	45,083,065	70,147,661	1,929,352
Net assets, ending					\$ 23,551,546	\$ 50,393,674	\$ 73,945,220	\$ 2,083,410

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2007

	General	Celebration Park	Kill Creek Sewer	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Deposits and investments	\$ 2,704,992	\$ -	\$ -	\$ 5,786,202	\$ 8,491,194
Receivables (net of allowance for uncollectibles):					
Taxes	3,043,191	-	-	621,516	3,664,707
Special assessments	-	-	-	2,864,578	2,864,578
Intergovernmental	284,310	-	-	185,084	469,394
Airport Association	-	-	-	147,407	147,407
Other	2,058	-	-	1,738	3,796
Restricted deposits and investments	63,735	1,429,680	4,321	234,945	1,732,681
Due from other funds	1,136,264	-	850,000	3,109,269	5,095,533
<b>Total assets</b>	<b>\$ 7,234,550</b>	<b>\$ 1,429,680</b>	<b>\$ 854,321</b>	<b>\$ 12,950,739</b>	<b>\$ 22,469,290</b>
<b>Liabilities and fund balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 282,632	\$ 471,686	\$ 81,679	\$ 622,005	\$ 1,458,002
Accrued payroll	212,005	-	-	-	212,005
Temporary notes payable	-	-	4,195,000	5,750,000	9,945,000
Other	63,735	-	-	-	63,735
Deferred revenue	2,642,456	-	-	3,248,060	5,890,516
Due to other funds	10,454	-	-	6,150,159	6,160,613
<b>Total liabilities</b>	<b>3,211,282</b>	<b>471,686</b>	<b>4,276,679</b>	<b>15,770,224</b>	<b>23,729,871</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Encumbrances	15,151	1,084,043	113,220	819,739	2,032,153
Long-term loan receivable	-	-	-	147,407	147,407
<b>Unreserved, reported in:</b>					
General fund	4,008,117	-	-	-	4,008,117
Debt service fund	-	-	-	237,844	237,844
Special revenue funds	-	-	-	6,525,624	6,525,624
Capital projects funds	-	(126,049)	(3,535,578)	(10,550,099)	(14,211,726)
<b>Total fund balances</b>	<b>4,023,268</b>	<b>957,994</b>	<b>(3,422,358)</b>	<b>(2,819,485)</b>	<b>(1,260,581)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,234,550</b>	<b>\$ 1,429,680</b>	<b>\$ 854,321</b>	<b>\$ 12,950,739</b>	<b>\$ 22,469,290</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, 2007

Total fund balances in Governmental Funds Balance Sheet	\$ (1,260,581)
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.	46,574,058
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	2,864,578
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(24,629,663)
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>3,154</u>
Net assets of governmental activities	<u><u>\$ 23,551,546</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, 2007

	General	Celebration Park	Kill Creek Sewer	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes:					
Property	\$ 2,709,081	\$ -	\$ -	\$ 581,334	\$ 3,290,415
Sales	1,647,931	-	-	1,206,634	2,854,565
Franchise	386,139	-	-	-	386,139
Excise	-	-	-	819,908	819,908
Special assessments	-	-	-	345,883	345,883
Intergovernmental	1,533,767	-	-	881,787	2,415,554
Licenses and permits	378,825	-	-	236,530	615,355
Charges for services	654,973	-	-	-	654,973
Fines and fees	240,072	-	-	-	240,072
Investment earnings	200,116	207,487	65,735	520,477	993,815
Other	226,134	3,000	-	118,408	347,542
Total revenues	<u>7,977,038</u>	<u>210,487</u>	<u>65,735</u>	<u>4,710,961</u>	<u>12,964,221</u>
<b>Expenditures:</b>					
Current:					
General government	2,380,306	-	-	675,052	3,055,358
Public safety	3,040,870	-	-	-	3,040,870
Public works	1,554,889	-	-	-	1,554,889
Culture and recreation	1,656,175	-	-	14,778	1,670,953
Capital outlay	1,323,216	4,038,734	2,431,145	6,715,188	14,508,283
Debt service:					
Principal	40,759	-	-	2,119,824	2,160,583
Interest and fiscal charges	5,073	-	109,254	1,414,949	1,529,276
Other	-	-	25,238	36,431	61,669
Total expenditures	<u>10,001,288</u>	<u>4,038,734</u>	<u>2,565,637</u>	<u>10,976,222</u>	<u>27,581,881</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,024,250)</u>	<u>(3,828,247)</u>	<u>(2,499,902)</u>	<u>(6,265,261)</u>	<u>(14,617,660)</u>
<b>Other financing sources (uses):</b>					
Construction loan	-	-	-	910,757	910,757
Sale of capital assets	23,001	-	-	-	23,001
Capital leases	989,000	-	-	-	989,000
Insurance proceeds	3,053	-	-	-	3,053
Transfers in	1,005,000	-	-	1,436,559	2,441,559
Transfers out	(100,000)	-	-	(1,292,261)	(1,392,261)
Total other financing sources (uses)	<u>1,920,054</u>	<u>-</u>	<u>-</u>	<u>1,055,055</u>	<u>2,975,109</u>
Net change in fund balances	(104,196)	(3,828,247)	(2,499,902)	(5,210,206)	(11,642,551)
Fund balances, beginning of year	<u>4,127,464</u>	<u>4,786,241</u>	<u>(922,456)</u>	<u>2,390,721</u>	<u>10,381,970</u>
Fund balances, ending	<u>\$ 4,023,268</u>	<u>\$ 957,994</u>	<u>\$ (3,422,358)</u>	<u>\$ (2,819,485)</u>	<u>\$ (1,260,581)</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, 2007

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

Net change in fund balances - total governmental funds	\$(11,642,551)
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.	12,477,222
Capital contributions are not recorded in the governmental funds because there has been no flow of current financial resources.	(2,636,058)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(58,416)
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.	260,826
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.	103,434
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.	<u>(17,507)</u>
Change in net assets of governmental activities	<u><u>\$ (1,513,050)</u></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, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes:			
Property	\$ 2,768,081	\$ 2,709,081	\$ (59,000)
Sales	1,860,000	1,647,931	(212,069)
Franchise	433,000	386,139	(46,861)
Intergovernmental	1,484,000	1,533,767	49,767
Licenses and permits	622,600	378,825	(243,775)
Charges for services	379,200	654,973	275,773
Fines and fees	379,100	240,072	(139,028)
Loan revenue	10,000	-	(10,000)
Investment earnings	143,000	200,116	57,116
Other	103,300	226,134	122,834
Total revenues	<u>8,182,281</u>	<u>7,977,038</u>	<u>(205,243)</u>
Expenditures:			
General government	2,319,400	2,375,948	(56,548)
Public safety	3,363,800	3,040,870	322,930
Public works	1,865,100	1,542,881	322,219
Culture and recreation	1,826,400	1,656,744	169,656
Capital outlay	-	334,216	(334,216)
Project reserve	3,361,723	-	3,361,723
Debt service:			
Principal	-	40,759	(40,759)
Interest and fiscal charges	-	5,073	(5,073)
Total expenditures	<u>12,736,423</u>	<u>8,996,491</u>	<u>3,739,932</u>
Excess of revenues over (under) expenditures	<u>(4,554,142)</u>	<u>(1,019,453)</u>	<u>3,534,689</u>
Other financing sources and (uses):			
Capital leases	-	989,000	989,000
Sale of capital assets	-	23,001	23,001
Insurance proceeds	-	3,053	3,053
Transfers in	1,000,000	1,005,000	5,000
Transfers out	(100,000)	(100,000)	-
Total other financing sources and (uses)	<u>900,000</u>	<u>1,920,054</u>	<u>1,020,054</u>
Net change in fund balances	(3,654,142)	900,601	4,554,743
Fund balances, beginning of year	3,654,142	3,107,516	(546,626)
Fund balances, end of year	<u>\$ -</u>	<u>4,008,117</u>	<u>\$ 4,008,117</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		15,151	
GAAP fund balance, end of year		<u>\$ 4,023,268</u>	

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2007

	Major Funds	
	Electric	Water
Assets:		
Current assets:		
Cash and cash equivalents	\$ 1,664,172	\$ 4,804,164
Accounts receivable, net	1,218,195	310,838
Other receivable	-	8,862
Restricted deposits and investments	488,633	75,069
Inventories	203,729	82,030
Due from other funds	46,423	1,765,662
Total current assets	3,621,152	7,046,625
Noncurrent assets:		
Deferred charges	183,914	-
Capital assets:		
Land	634,908	956,089
Construction in progress	294,038	11,253,530
Infrastructure	44,204,385	15,301,552
Machinery and equipment	148,228	111,682
Vehicles	509,873	264,911
Less accumulated depreciation	(14,239,748)	(3,942,394)
Total capital assets	31,551,684	23,945,370
Total noncurrent assets	31,735,598	23,945,370
Total assets	35,356,750	30,991,995
Liabilities:		
Current liabilities:		
Accounts payable	547,274	213,905
Accrued expenses	34,384	23,677
Customer and developer deposits	488,633	66,494
Accrued interest payable	120,425	164,351
Due to other funds	-	3,167
Compensated absences	36,180	22,696
Bond anticipation notes payable	-	3,465,000
Current portion of capital lease payable	-	-
Current portion of bonds payable	2,417,800	428,500
Current portion of construction loans payable	-	-
Total current liabilities	3,644,696	4,387,790
Noncurrent liabilities:		
Capital lease payable, net	-	-
Bonds payable, net	9,157,118	3,860,250
Construction loan payable	-	6,797,640
Total noncurrent liabilities	9,157,118	10,657,890
Total liabilities	12,801,814	15,045,680
Net assets:		
Invested in capital assets, net of related debt	19,976,766	10,252,555
Unrestricted	2,578,170	5,693,760
Total net assets	\$ 22,554,936	\$ 15,946,315

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
\$ 694	\$ -	\$ 6,469,030	\$ 3,308
326,846	-	1,855,879	-
-	-	8,862	-
14,770	-	578,472	-
-	-	285,759	-
-	-	1,812,085	-
<u>342,310</u>	<u>-</u>	<u>11,010,087</u>	<u>3,308</u>
17,474	-	201,388	-
593,473	-	2,184,470	-
12,041,384	-	23,588,952	-
31,028,087	-	90,534,024	-
191,630	-	451,540	27,645
346,830	-	1,121,614	14,749
(7,682,667)	-	(25,864,809)	(6,360)
<u>36,518,737</u>	<u>-</u>	<u>92,015,791</u>	<u>36,034</u>
<u>36,536,211</u>	<u>-</u>	<u>92,217,179</u>	<u>36,034</u>
<u>36,878,521</u>	<u>-</u>	<u>103,227,266</u>	<u>39,342</u>
160,939	45,559	967,677	22,746
21,800	-	79,861	3,665
-	-	555,127	-
254,021	-	538,797	-
705,645	30,084	738,896	8,109
16,888	-	75,764	-
3,400,000	-	6,865,000	-
40,497	-	40,497	-
195,000	-	3,041,300	-
854,920	-	854,920	-
<u>5,649,710</u>	<u>75,643</u>	<u>13,757,839</u>	<u>34,520</u>
135,533	-	135,533	-
1,430,000	-	14,447,368	-
17,696,880	-	24,494,520	-
19,262,413	-	39,077,421	-
<u>24,912,123</u>	<u>75,643</u>	<u>52,835,260</u>	<u>34,520</u>
12,780,677	-	43,009,998	36,034
(814,279)	(75,643)	7,382,008	(31,212)
<u>\$ 11,966,398</u>	<u>\$ (75,643)</u>	<u>50,392,006</u>	<u>\$ 4,822</u>
		1,668	
		<u>\$ 50,393,674</u>	

CITY OF GARDNER, KANSAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year Ended December 31, 2007

	Major Funds	
	Electric	Water
Operating revenues:		
Charges for sales and services	\$ 11,805,651	\$ 4,201,647
Total operating revenues	<u>11,805,651</u>	<u>4,201,647</u>
Operating expenses:		
Administration	554,891	322,510
Wholesale energy cost	6,493,387	-
Generation	626,764	-
Treatment	-	1,046,593
Distribution and collection	812,940	261,716
Contractual services	-	-
Other supplies and expenses	-	-
Repairs and maintenance	-	-
Depreciation and amortization	1,201,519	417,394
Other	53,182	-
Total operating expenses	<u>9,742,683</u>	<u>2,048,213</u>
Operating income (loss)	<u>2,062,968</u>	<u>2,153,434</u>
Nonoperating revenues (expenses):		
Investment earnings	125,937	311,352
Developer reimbursements	36,606	-
Interest expense	(623,958)	(535,206)
Insurance proceeds in excess of loss	-	-
Loss on disposal of assets	-	-
Other	(1,000)	(22,974)
Total nonoperating revenues (expenses)	<u>(462,415)</u>	<u>(246,828)</u>
Income before transfers and contributions	1,600,553	1,906,606
Capital contributions	140,530	13,904
Transfers out	(814,433)	(67,433)
Change in net assets	926,650	1,853,077
Total net assets, beginning of year	<u>21,628,286</u>	<u>14,093,238</u>
Total net assets, end of year	<u>\$ 22,554,936</u>	<u>\$ 15,946,315</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
\$ 3,835,313	\$ -	\$ 19,842,611	\$ 1,728,462
<u>3,835,313</u>	<u>-</u>	<u>19,842,611</u>	<u>1,728,462</u>
280,558	-	1,157,959	487,321
-	-	6,493,387	-
-	-	626,764	-
1,162,254	-	2,208,847	-
295,188	-	1,369,844	-
-	75,643	75,643	1,059,608
-	-	-	49,603
-	-	-	22,481
1,029,373	-	2,648,286	4,240
13,725	-	66,907	124,920
<u>2,781,098</u>	<u>75,643</u>	<u>14,647,637</u>	<u>1,748,173</u>
1,054,215	(75,643)	5,194,974	(19,711)
95,345	-	532,634	-
-	-	36,606	-
(811,691)	-	(1,970,855)	-
30,382	-	30,382	-
(33,065)	-	(33,065)	-
(63,649)	-	(87,623)	-
<u>(782,678)</u>	<u>-</u>	<u>(1,491,921)</u>	<u>-</u>
271,537	(75,643)	3,703,053	(19,711)
2,504,624	-	2,659,058	-
(167,432)	-	(1,049,298)	-
2,608,729	(75,643)	5,312,813	(19,711)
9,357,669	-	45,079,193	24,533
<u>\$ 11,966,398</u>	<u>\$ (75,643)</u>	<u>\$ 50,392,006</u>	<u>\$ 4,822</u>
		\$ 5,312,813	
		(2,204)	
		<u>\$ 5,310,609</u>	

CITY OF GARDNER, KANSAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended December 31, 2007

	Major Funds	
	Electric	Water
Cash flows from operating activities:		
Receipts from customers	\$ 11,737,105	\$ 2,442,257
Payments to suppliers	(7,469,898)	(1,015,256)
Payments to employees	(787,965)	(522,449)
Net cash provided by operating activities	<u>3,479,242</u>	<u>904,552</u>
Cash flows from noncapital financing activities:		
Transfers from other funds	635,000	906,825
Transfers to other funds	(1,449,433)	(974,258)
Net cash used in noncapital financing activities	<u>(814,433)</u>	<u>(67,433)</u>
Cash flows from capital and related financing activities:		
Proceeds from capital lease	-	-
Proceeds from bond anticipation notes	-	-
Proceeds from construction loan	-	763,599
Acquisition and construction of capital assets	(798,696)	(1,814,855)
Proceeds from capital grants	22,000	-
Principal paid on capital lease	-	-
Principal paid on general obligation bonds	(2,239,600)	(420,200)
Principal paid on bond anticipation notes	-	-
Principal paid on construction loan	-	(677,745)
Interest paid on general obligation bonds, construction loan, and capital lease	(647,974)	(542,761)
Reimbursements from developers	36,606	-
Insurance proceeds in excess of loss	-	-
Other financing costs	(1,000)	(22,974)
Net cash used in capital and related financing activities	<u>(3,628,664)</u>	<u>(2,714,936)</u>
Cash flows from investing activities:		
Interest received	<u>125,937</u>	<u>311,352</u>
Net increase (decrease) in cash and cash equivalents	(837,918)	(1,566,465)
Cash and cash equivalents, beginning of year	<u>2,990,723</u>	<u>6,445,698</u>
Cash and cash equivalents, end of year	<u>\$ 2,152,805</u>	<u>\$ 4,879,233</u>

(Continued)

<u>Wastewater</u>	<u>Nonmajor Fund Stormwater</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 3,753,604	\$ -	\$ 17,932,966	\$ 1,728,462
(815,684)	-	(9,300,838)	(1,238,378)
(519,764)	-	(1,830,178)	(486,776)
<u>2,418,156</u>	<u>-</u>	<u>6,801,950</u>	<u>3,308</u>
-	-	1,541,825	-
(167,432)	-	(2,591,123)	-
(167,432)	-	(1,049,298)	-
226,331	-	226,331	-
3,400,000	-	3,400,000	-
1,092,969	-	1,856,568	-
(2,665,138)	-	(5,278,689)	-
1,000	-	23,000	-
(50,301)	-	(50,301)	-
(195,000)	-	(2,854,800)	-
(3,325,000)	-	(3,325,000)	-
(826,003)	-	(1,503,748)	-
(876,781)	-	(2,067,516)	-
-	-	36,606	-
30,382	-	30,382	-
(63,649)	-	(87,623)	-
<u>(3,251,190)</u>	<u>-</u>	<u>(9,594,790)</u>	<u>-</u>
95,345	-	532,634	-
(905,121)	-	(3,309,504)	3,308
920,585	-	10,357,006	-
<u>\$ 15,464</u>	<u>\$ -</u>	<u>\$ 7,047,502</u>	<u>\$ 3,308</u>

CITY OF GARDNER, KANSAS

STATEMENT OF CASH FLOWS  
(Continued)

PROPRIETARY FUNDS

Year Ended December 31, 2007

	Major Funds	
	Electric	Water
Cash consists of:		
Cash	\$ 1,664,172	\$ 4,804,164
Restricted deposits and investments	488,633	75,069
	<u>\$ 2,152,805</u>	<u>\$ 4,879,233</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 2,062,968	\$ 2,153,434
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Items not requiring cash:		
Depreciation expense	1,201,519	417,394
Changes in:		
Receivables	(61,956)	7,374
Due from other funds	(20,353)	(1,765,662)
Accounts payable	273,720	87,052
Due to other funds	-	3,167
Accrued liabilities	9,581	2,895
Customer deposits	13,763	(1,102)
Net cash provided by operating activities	<u>\$ 3,479,242</u>	<u>\$ 904,552</u>
Non-cash capital financing activities:		

See accompanying notes to basic financial statements.

<u>Wastewater</u>	<u>Nonmajor Fund Stormwater</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 694	\$ -	\$ 6,469,030	\$ 3,308
14,770	-	578,472	-
<u>\$ 15,464</u>	<u>\$ -</u>	<u>\$ 7,047,502</u>	<u>\$ 3,308</u>
\$ 1,054,215	\$ (75,643)	\$ 5,194,974	\$ (19,711)
1,029,373	-	2,648,286	4,240
(81,709)	-	(136,291)	-
-	-	(1,786,015)	-
(266,106)	45,559	140,225	10,123
679,575	30,084	712,826	8,109
2,808	-	15,284	547
-	-	12,661	-
<u>\$ 2,418,156</u>	<u>\$ -</u>	<u>\$ 6,801,950</u>	<u>\$ 3,308</u>

CITY OF GARDNER, KANSAS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
December 31, 2007

	<u>Agency Fund</u> <u>Alcohol Safety</u> <u>Action Program</u>
<u>ASSETS</u>	
Deposits and investments	\$ 25,715
<u>LIABILITIES</u>	
Due to others	\$ 25,715

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2007

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 and wastewater 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 Celebration Park fund is used to account for the acquisition and construction of a new major park improvement.

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 and wastewater 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 investments consist of operating accounts, non-negotiable certificates of deposit which are recorded at cost because they are not affected by market rate changes, and investments in the Kansas Municipal Investment Pool (MIP) which is overseen by the State of Kansas. 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, 2007, interest earnings allocated to the various funds were \$ 1,526,449.

The City Hall capital projects fund holds money market accounts 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, 2007, cash equivalents consisted of certificates of deposit 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, 2007.

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, 2006 upon which the 2007 levy was based was approximately \$ 117,997,169.

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	\$ 2,642,456
Debt service fund property taxes receivable	383,482
Debt service fund special assessments receivable	<u>2,864,578</u>
	<u>\$ 5,890,516</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

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, 2007, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements that might impact the City are as follows:

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was issued in June 2004. This statement establishes standards for the measurement, recognition and display of other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The term "other postemployment benefits" refers to postemployment benefits other than pension benefits and includes (a) postemployment healthcare benefits and, (b) other types of postemployment benefits (i.e., life insurance) if provided separately from a pension plan. The provisions of this statement are effective for periods beginning after December 15, 2007.

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.

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 \$ 24,629,663 difference are as follows:

General obligation bonds payable	\$ (11,432,650)
PBC lease revenue bonds	(3,760,000)
Loans payable	(1,513,022)
Certificates of participation	(6,535,000)
Capital leases payable	(1,056,393)
Accrued interest payable	(342,129)
Deferred charges for issuance costs	191,624
Compensated absences	<u>(182,093)</u>
 Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	 <u>\$ (24,629,663)</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 \$ 12,477,222 difference are as follows:

Capital outlay	\$ 13,873,036
Gain/(loss) on disposal of capital assets	(21,387)
Depreciation expense	<u>(1,374,427)</u>
 Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	 \$ <u><u>12,477,222</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

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 \$ 260,826 difference are as follows:

Debt issued or incurred:	
Construction loans	\$ (910,757)
Capital leases	(989,000)
Principal repayments:	
General obligation bonds payable	885,200
Special assessment debt	230,000
PBC lease revenue bonds	80,000
Certificates of participation	615,000
Construction loans	309,624
Capital leases payable	<u>40,759</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ 260,826</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 \$ 103,434 difference are as follows:

Compensated absences	\$ (14,066)
Accrued interest	140,222
Amortization of issuance costs	<u>(22,722)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 103,434</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 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 2007.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

3 - Stewardship, Compliance and Accountability (Continued)

Deficit Fund Balances

The Airport Runway Rehab, Kill Creek Sewer, Lincoln Lane, Moonlight & Main, New Century, 175<sup>th</sup> & Moonlight Intersection, University Park, Kill Creek Drive/Waterline, Center Street Commons, Nike School Sewer, Public Safety Station #2, Pool Expansion, and Junction Park capital projects funds had deficit fund balances of \$ 263,514, \$ 3,422,358, \$ 493,152, \$ 27,080, \$ 2,293,375, \$169,566, \$ 2,558,670 \$ 2,248,348 \$ 564,597 \$ 193,514, \$ 1,483,817, \$ 426,956, and \$ 56,378, respectively, as of December 31, 2007. The funds incurred expenditures for which permanent financing had not yet become available. The Stormwater proprietary fund had a deficit fund balance of \$75,643 as of December 31, 2007. The building maintenance, utility billing services and risk management internal service funds had deficit net assets of \$ 334, \$ 255, and \$ 1,625, respectively, as of December 31, 2007.

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, 2007, the carrying amount of the Association's deposits was \$ 192,544. The Association had bank balances of deposits of \$ 193,610, of which \$ 121,019 was covered by FDIC insurance and the remaining \$ 72,591 was unsecured.

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

4 - Deposits and Investments (Continued)

Investments

At December 31, 2007, 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	\$ 3,437,779
Money market mutual funds	< 1 year	1,608,435

*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.

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

5 - Loan Receivable

During 2007, the City made a loan to the Airport Association for airport improvements. At December 31, 2007, the receivable balance was \$ 147,407 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.

6 - Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,181,685	\$ 82,625	\$ -	\$ 3,264,310
Construction in progress	10,651,948	9,825,204	(4,443,910)	16,033,242
Total capital assets not being depreciated	13,833,633	9,907,829	(4,443,910)	19,297,552
Capital assets being depreciated:				
Buildings	4,821,808	-	-	4,821,808
Improvements	2,128,141	-	-	2,128,141
Infrastructure	23,373,054	4,601,815	-	27,974,869
Machinery and equipment	1,298,505	92,543	-	1,391,048
Vehicles	1,669,749	1,078,699	(126,922)	2,621,526
Total capital assets being depreciated	33,291,257	5,773,057	(126,922)	38,937,392
Less accumulated depreciation for:				
Buildings	(827,389)	(120,119)	-	(947,508)
Improvements	(663,086)	(106,407)	-	(769,493)
Infrastructure	(7,628,791)	(836,735)	-	(8,465,526)
Machinery and equipment	(517,749)	(123,253)	-	(641,002)
Vehicles	(714,708)	(192,153)	105,538	(801,323)
Total accumulated depreciation	(10,351,723)	(1,378,667)	105,538	(11,624,852)
Total capital assets being depreciated, net	22,939,534	4,394,390	(21,384)	27,312,540
Governmental activities capital assets, net	\$ 36,773,167	\$ 14,302,219	\$ (4,465,294)	\$ 46,610,092

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

6 - Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,101,288	\$ 83,182	\$ -	\$ 2,184,470
Construction in progress	17,021,325	6,567,627	-	23,588,952
Total capital assets not being depreciated	19,122,613	6,650,809	-	25,773,422
Capital assets being depreciated:				
Infrastructure	89,556,538	977,486	-	90,534,024
Machinery and equipment	422,565	28,975	-	451,540
Vehicles	958,609	257,477	(94,472)	1,121,614
Total capital assets being depreciated	90,937,712	1,263,938	(94,472)	92,107,178
Less accumulated depreciation for:				
Infrastructure	(22,663,477)	(2,516,427)	-	(25,179,904)
Machinery and equipment	(218,229)	(41,645)	-	(259,874)
Vehicles	(396,224)	(90,214)	61,407	(425,031)
Total accumulated depreciation	(23,277,930)	(2,648,286)	61,407	(25,864,809)
Total capital assets being depreciated, net	67,659,782	(1,384,348)	(33,065)	66,242,369
Business-type activities capital assets, net	\$ 86,782,395	\$ 5,266,461	\$ (33,065)	\$ 92,015,791

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	\$ 186,620
Public safety	798,503
Public works	141,088
Culture and recreation	<u>252,456</u>

Total depreciation expense - governmental activities \$ 1,378,667

Business-type activities:

Electric	\$ 1,201,519
Water	417,394
Wastewater	<u>1,029,373</u>

Total depreciation expense - business-type activities \$ 2,648,286

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, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 301,500	\$ -	\$ -	\$ 301,500
Construction in progress	-	263,514	-	263,514
Total capital assets not being depreciated	301,500	263,514	-	565,014
Capital assets being depreciated:				
Buildings	1,574,903	-	-	1,574,903
Equipment	13,390	-	-	13,390
Improvements	54,433	-	-	54,433
Infrastructure	384,462	-	-	384,462
Total capital assets being depreciated	2,027,188	-	-	2,027,188
Less accumulated depreciation for:				
Buildings	(385,715)	(42,418)	-	(428,133)
Equipment	(5,356)	(2,677)	-	(8,033)
Improvements	(9,729)	(2,722)	-	(12,451)
Infrastructure	(144,944)	(10,391)	-	(155,335)
Total accumulated depreciation	(545,744)	(58,208)	-	(603,952)
Total capital assets being depreciated, net	1,481,444	(58,208)	-	1,423,236
Airport Association capital assets, net	<u>\$ 1,782,944</u>	<u>\$ 205,306</u>	<u>\$ -</u>	<u>\$ 1,988,250</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

7 - Defined Benefit Pension Plans

Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (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. 74-4975 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 2007 was 5.31%. The City employer contributions to KPERS for the years ending December 31, 2007, 2006, and 2005 were \$ 176,034, \$ 143,386, and \$ 113,852, respectively, equal to the statutory required contributions for each year. The KP&F uniform participating employer rate established for fiscal years beginning in 2007 is 13.32%. 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, 2007, 2006, and 2005 were \$ 231,212, \$ 182,485, and \$ 150,115, 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 2007, the City's contributions were \$ 120,832.

9 - 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.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - 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.

Following is a summary of project – to – date costs to December 31, 2007 on the capital projects compared to the amount authorized:

	<u>Costs to Date</u>	<u>Amount Authorized</u>
Governmental improvements	\$ 8,551,805	\$ 10,108,747
Benefit districts	7,481,437	24,347,570
Sewer improvements	12,041,384	18,143,300
Water improvements	11,253,530	12,640,490
Electric improvements	294,038	1,425,000
	<u>\$ 39,622,194</u>	<u>\$ 66,665,107</u>

11 - 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)

11 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

General obligation bonds payable at December 31, 2007 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2007	Outstanding December 31, 2007
General Obligation Bonds:					
Governmental activities:					
1998B refunding	4.0%-4.8%	\$ 519,800	9/1/2015	\$ 32,200	\$ 313,950
2001A refunding	3.5%-4.6%	394,661	11/1/2016	25,000	265,000
2002B refunding and improvement	2.0%-4.2%	210,000	9/1/2016	15,000	75,000
2003C refunding and improvement	1.5%-3.6%	2,821,000	10/1/2013	288,000	1,688,700
2004D refunding and improvement	3.5%-4.5%	830,000	10/1/2024	55,000	670,000
2005A improvement	3.1%-4.05%	3,355,000	10/1/2015	295,000	2,780,000
2006A improvement	4.0%-4.125%	3,545,000	10/1/2016	175,000	3,370,000
				<u>\$ 885,200</u>	<u>\$ 9,162,650</u>
Business-type activities:					
1998A improvement	4.1%-4.9%	1,415,000	9/1/2016	\$ 75,000	\$ 860,000
1998B refunding	4.0%-4.8%	1,740,200	9/1/2015	107,800	1,051,050
1999A improvement	4.3%-5.0%	2,270,000	9/1/2015	135,000	1,335,000
2001A refunding	3.5%-4.7%	8,925,000	11/1/2016	1,380,000	1,620,000
2002B refunding and improvement	2.0%-4.2%	4,650,000	9/1/2016	310,000	3,280,000
2003C refunding and improvement	1.5%-3.5%	329,000	10/1/2012	47,000	136,300
2004A improvement	2.25%-3.3%	1,710,000	10/1/2013	160,000	1,065,000
2004D refunding and improvement	3.5%-3.85%	495,000	10/1/2014	45,000	370,000
2005A improvement	3.1%-4.05%	1,320,000	10/1/2015	120,000	1,090,000
2006A improvement	4.0%-4.125%	7,150,000	10/1/2016	475,000	6,675,000
				<u>\$ 2,854,800</u>	<u>\$ 17,482,350</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

11 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

The future annual requirements for general obligation bonds outstanding as of December 31, 2007 are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 923,700	\$ 345,016	\$ 3,041,300	\$ 701,450
2009	937,500	313,402	1,947,500	585,263
2010	955,350	280,280	1,764,650	510,592
2011	1,013,850	245,767	1,851,150	441,430
2012	1,226,150	208,597	1,898,850	367,486
2013 - 2017	3,826,100	389,703	6,978,900	697,940
2018 - 2022	190,000	45,720	-	-
2023 - 2027	90,000	6,075	-	-
	<u>\$ 9,162,650</u>	<u>\$ 1,834,560</u>	<u>\$ 17,482,350</u>	<u>\$ 3,304,161</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

11 - 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 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, 2007 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2007	Outstanding December 31, 2007
Special Assessment Bonds:					
Governmental activities:					
2001A refunding	3.5%-4.6%	\$ 480,339	11/1/2016	\$ 30,000	\$ 325,000
2002B refunding and improvement	2.0%-4.2%	100,000	9/1/2016	10,000	30,000
2003C refunding and improvement	1.5%-4.4%	670,000	10/1/2018	55,000	460,000
2004D refunding and improvement	3.5%-4.1%	1,835,000	10/1/2019	135,000	1,455,000
				<u>\$ 230,000</u>	<u>\$ 2,270,000</u>

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

11 - 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
2008	\$ 230,000	\$ 86,923
2009	240,000	78,755
2010	255,000	70,123
2011	245,000	60,715
2012	255,000	51,650
2013 - 2017	865,000	125,878
2018 - 2022	180,000	10,640
	\$ 2,270,000	\$ 484,684

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 \$ 1,136,346 is shown as a liability in the wastewater fund.

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 \$ 16,322,487 is shown as a liability in the wastewater fund.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

11 - Long-Term Debt (Continued)

Construction Loans Payable (Continued)

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, 2007, the City has drawn \$ 1,092,967 on this loan, 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%. As of December 31, 2007, the City has drawn \$ 7,475,385 on this loan. Payments of \$ 677,745 were made in 2007, leaving a total outstanding balance of \$ 6,797,640, which is shown as a liability in the water fund. The debt service requirements to the maturity date will not be determinable until the final draw has been made.

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%. As of December 31, 2007, the City has drawn \$ 1,113,302 on these loans. Payments of \$ 309,624 were made in 2007, leaving a total outstanding balance of \$ 803,678. 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 \$ 2,003,593 to finance significant street improvement projects. The loans will be repaid over ten years at an interest rate of 3.62%. As of December 31, 2007, the City has drawn \$ 709,344 on this loan. 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.

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

11 - Long-Term Debt (Continued)

Construction Loans Payable (Continued)

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

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 156,489	\$ 30,955	\$ 854,920	\$ 611,955
2009	162,503	24,942	885,450	581,425
2010	108,215	18,698	917,070	549,805
2011	73,952	14,532	949,820	517,056
2012	76,807	11,677	1,143,398	481,732
2013 - 2017	225,712	16,781	6,435,607	1,765,255
2018 - 2022	-	-	6,272,568	512,621
	<u>\$ 803,678</u>	<u>\$ 117,585</u>	<u>\$ 17,458,833</u>	<u>\$ 5,019,849</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 \$ 80,000 to \$ 505,000.

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

11 - 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>
2008	\$ 100,000	\$ 167,878	\$ 267,878
2009	115,000	163,878	278,878
2010	135,000	159,277	294,277
2011	160,000	153,743	313,743
2012	180,000	146,863	326,863
2013-2017	1,330,000	486,085	1,816,085
2018-2022	1,740,000	132,585	1,872,585
	<u>\$ 3,760,000</u>	<u>\$ 1,410,309</u>	<u>\$ 5,170,309</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 \$ 395,000 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>
2008	\$ 395,000	\$ 251,737	\$ 646,737
2009	475,000	236,925	711,925
2010	620,000	219,112	839,112
2011	810,000	195,863	1,005,863
2012	755,000	165,488	920,488
2013-2017	3,480,000	329,775	3,809,775
	<u>\$ 6,535,000</u>	<u>\$ 1,398,900</u>	<u>\$ 7,933,900</u>

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

11 - Long-Term Debt (Continued)

Capital Leases

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

	<u>Police Cars</u>	<u>Wheel Loader</u>	<u>Fire Pumper</u>
Cost	\$ 97,958	\$ 81,925	\$ 989,000
Accumulated depreciation at December 31, 2007	15,318	36,866	49,450
Interest rate	6.00%	4.00%	5.38%
Dated	05/17/06	03/07/03	04/06/07
Term	2 years	5 years	10 years

The annual debt service requirements for the capital leases to be paid with governmental funds at December 31, 2007 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 144,638	\$ 55,389	\$ 200,027
2009	81,403	49,052	130,455
2010	85,781	44,673	130,454
2011	90,396	40,058	130,454
2012	95,260	35,195	130,455
2013-2017	558,915	93,357	652,272
	<u>\$ 1,056,393</u>	<u>\$ 317,724</u>	<u>\$ 1,374,117</u>

2007 amortization of \$ 10,210, \$ 8,193 and \$ 49,450, respectively, on the assets acquired through capital leases has been included in depreciation expense in the governmental activities.

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

11 - Long-Term Debt (Continued)

Capital Leases (Continued)

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

	Vactor
Cost	\$ 226,331
Accumulated depreciation at December 31, 2007	11,317
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, 2007 are as follows:

Year	Principal	Interest	Total
2008	\$ 40,497	\$ 9,805	\$ 50,302
2009	42,752	7,549	50,301
2010	45,133	5,168	50,301
2011	47,648	2,654	50,302
	\$ 176,030	\$ 25,176	\$ 201,206

2007 amortization of \$ 11,317 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)

11 - Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 10,047,850	\$ -	\$ 885,200	\$ 9,162,650	\$ 923,700
Special assessment debt with government commitment	2,500,000	-	230,000	2,270,000	230,000
Construction loans payable	911,889	910,757	309,624	1,513,022	156,489
Certificates of participation	7,150,000	-	615,000	6,535,000	395,000
PBC lease revenue bonds	3,840,000	-	80,000	3,760,000	100,000
Capital lease obligations	108,152	989,000	40,759	1,056,393	144,638
Compensated absences	168,027	205,136	191,070	182,093	182,093
	<u>\$ 24,725,918</u>	<u>\$ 2,104,893</u>	<u>\$ 2,351,653</u>	<u>\$ 24,479,158</u>	<u>\$ 2,131,920</u>
Governmental activities long- term liabilities					
<b>Business-type activities:</b>					
General obligation bonds	\$ 20,337,150	\$ -	\$ 2,854,800	\$ 17,482,350	\$ 3,041,300
Construction loans payable	24,996,620	1,856,568	1,503,748	25,349,440	854,920
Capital lease obligations	-	226,331	50,301	176,030	40,497
Less deferred amounts:					
Issuance premiums	67,532	-	6,868	60,664	-
Refunding difference	(60,556)	6,210	-	(54,346)	-
	<u>45,340,746</u>	<u>2,089,109</u>	<u>4,415,717</u>	<u>43,014,138</u>	<u>3,936,717</u>
Compensated absences	69,828	80,846	74,910	75,764	75,764
	<u>\$ 45,410,574</u>	<u>\$ 2,169,955</u>	<u>\$ 4,490,627</u>	<u>\$ 43,089,902</u>	<u>\$ 4,012,481</u>
Business-type activities long- term liabilities					
<b>Component unit:</b>					
Loan payable to primary government	\$ 11,439	\$ 147,407	\$ 11,439	\$ 147,407	\$ -

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - 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, 2007 were as follows:

Issue	Original Amount	Interest Rate	Maturity Date	
2006B	\$ 4,430,000	4.0 - 4.2%	6/1/2008	
2007B	13,345,000	3.60%	10/1/2009	
	Beginning Balance	Additions	Reductions	
Governmental activities:			Ending Balance	
Bond anticipation notes	\$ 9,700,000	\$ 9,945,000	\$ 9,700,000	\$ 9,945,000
Business-type activities:				
Bond anticipation notes	\$ 6,790,000	\$ 3,400,000	\$ 3,325,000	\$ 6,865,000

13 - Temporary Notes

During the years ended December 31, 2007 and 2006, the City issued temporary notes to temporarily finance the cost of certain internal improvements. The total amount outstanding as of December 31, 2007 was \$ 5,062,000. The temporary notes were internally issued and purchased and therefore eliminated for financial statement purposes.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

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, 2007, 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, 2007 was \$ 2,864,578.

15 - Interfund Transactions

Interfund transfers for the year ended December 31, 2007 consisted of the following:

Transfers to general fund from:	
Electric fund	\$ 798,000
Water fund	51,000
Wastewater fund	151,000
Nonmajor governmental funds	5,000
	<hr/>
	\$ 1,005,000
	<hr/> <hr/>
Transfers to nonmajor governmental funds from:	
General fund	\$ 100,000
Electric fund	16,433
Wastewater fund	16,432
Water fund	16,433
Nonmajor governmental funds	1,287,261
	<hr/>
	\$ 1,436,559
	<hr/> <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)

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

Amounts owed from nonmajor governmental funds to:

General fund	\$ 1,136,264
Kill Creek Sewer	850,000
Water fund	1,054,626
Nonmajor governmental funds	<u>3,109,269</u>
	<u>\$ 6,150,159</u>

Amounts owed from wastewater fund to:

Water fund	\$ 680,952
Electric fund	<u>24,693</u>
	<u>\$ 705,645</u>

Amounts owed from the water fund to:

Electric fund	<u>\$ 3,167</u>
---------------	-----------------

Amounts owed from the nonmajor enterprise fund to:

Water fund	<u>\$ 30,084</u>
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Amounts owed from the internal service funds to:

Electric fund	<u>\$ 8,109</u>
---------------	-----------------

Amounts owed from the general fund to:

Electric fund	<u>\$ 10,454</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 local business. 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, 2007, industrial revenue bonds of \$ 3,192,808 are outstanding.

17 - Insurance Recoveries

During 2006, the City's Kill Creek Wastewater Building sustained extensive damage due to a fire. Insurance recoveries of \$ 127,983 and \$ 195,422 were received in 2007 and 2006, respectively, and costs of \$ 97,601 and \$ 172,654 were incurred during 2007 and 2006, respectively, to partially restore the building to its previous operating condition. Additional costs in future years will be incurred to fully restore the asset.

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.

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.

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.

## **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:

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

## **Debt Service Fund**

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

CITY OF GARDNER, KANSAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS

December 31, 2007

	Special Revenue		
	Park Sales Tax	Special Alcohol/ Drug Program	Street Improvement
<u>ASSETS</u>			
Deposits and investments	\$ -	\$ 31,675	\$ 3,884,933
Receivables:			
Taxes	142,211	-	-
Special assessments	-	-	-
Intergovernmental	-	-	-
Airport Association	-	-	-
Other	-	-	-
Restricted deposits and investments	119,370	-	-
Due from other funds	-	-	738,526
Total assets	\$ 261,581	\$ 31,675	\$ 4,623,459
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ -	\$ 4,663	\$ 1,105
Temporary notes payable	-	-	-
Deferred revenue	-	-	-
Due to other funds	25,071	-	-
Total liabilities	25,071	4,663	1,105
Fund balances:			
Reserved for encumbrances	-	-	28,674
Reserved for long-term loan receivable	-	-	-
Unreserved, undesignated	236,510	27,012	4,593,680
Total fund balances	236,510	27,012	4,622,354
Total liabilities and fund balances	\$ 261,581	\$ 31,675	\$ 4,623,459

(Continued)

CITY OF GARDNER, KANSAS

COMBINING BALANCE SHEET

(Continued)

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2007

	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	\$ 174,021	\$ 59,160	\$ 2	\$ 101,859	\$ 114,450	\$ 108,854	\$ 508,664
Receivables:							
Taxes	-	-	95,823	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Intergovernmental	121,837	-	-	9,354	-	-	53,893
Airport Association	-	-	-	-	-	-	-
Other	-	-	-	-	-	1,738	-
Restricted deposits and investments	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	426,956	25,071
Total assets	<u>\$ 295,858</u>	<u>\$ 59,160</u>	<u>\$ 95,825</u>	<u>\$ 111,213</u>	<u>\$ 114,450</u>	<u>\$ 537,548</u>	<u>\$ 587,628</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,000	\$ -
Temporary notes payable	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,000</u>	<u>-</u>
Fund balances:							
Reserved for encumbrances	6,267	-	-	-	-	128,203	-
Reserved for long-term loan receivable	-	-	-	-	-	-	-
Unreserved, undesignated	289,591	59,160	95,825	111,213	114,450	402,345	587,628
Total fund balances	<u>295,858</u>	<u>59,160</u>	<u>95,825</u>	<u>111,213</u>	<u>114,450</u>	<u>530,548</u>	<u>587,628</u>
Total liabilities and fund balances	<u>\$ 295,858</u>	<u>\$ 59,160</u>	<u>\$ 95,825</u>	<u>\$ 111,213</u>	<u>\$ 114,450</u>	<u>\$ 537,548</u>	<u>\$ 587,628</u>

(Continued)

CITY OF GARDNER, KANSAS

COMBINING BALANCE SHEET  
(Continued)

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2007

	Special Revenue		Capital Projects				
	Airport	Total	Airport Runway Rehab	City Hall	Cedar Street	North Moonlight	South Moonlight
<u>ASSETS</u>							
Deposits and investments	\$ 8,210	\$ 4,991,828	\$ -	\$ -	\$ 34,853	\$ 28,891	\$ 91,704
Receivables:							
Taxes	-	238,034	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Intergovernmental	-	185,084	-	-	-	-	-
Airport Association	-	-	147,407	-	-	-	-
Other	-	1,738	-	-	-	-	-
Restricted deposits and investments	-	119,370	-	103	-	-	-
Due from other funds	-	1,190,553	-	-	-	-	62,287
Total assets	<u>\$ 8,210</u>	<u>\$ 6,726,607</u>	<u>\$ 147,407</u>	<u>\$ 103</u>	<u>\$ 34,853</u>	<u>\$ 28,891</u>	<u>\$ 153,991</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ -	\$ 12,768	\$ 1,727	\$ -	\$ -	\$ -	\$ -
Temporary notes payable	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Due to other funds	-	25,071	261,787	-	-	-	-
Total liabilities	<u>-</u>	<u>37,839</u>	<u>263,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:							
Reserved for encumbrances	-	163,144	30,734	-	-	63,348	-
Reserved for long-term loan receivable	-	-	147,407	-	-	-	-
Unreserved, undesignated	8,210	6,525,624	(294,248)	103	34,853	(34,457)	153,991
Total fund balances	<u>8,210</u>	<u>6,688,768</u>	<u>(116,107)</u>	<u>103</u>	<u>34,853</u>	<u>28,891</u>	<u>153,991</u>
Total liabilities and fund balances	<u>\$ 8,210</u>	<u>\$ 6,726,607</u>	<u>\$ 147,407</u>	<u>\$ 103</u>	<u>\$ 34,853</u>	<u>\$ 28,891</u>	<u>\$ 153,991</u>

(Continued)

CITY OF GARDNER, KANSAS

COMBINING BALANCE SHEET

(Continued)

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2007

Capital Projects

	167th Street	Waverly Street	183rd Street	Lincoln Lane	Moonlight & Main	Shean's Crossing	Airport Hangars
<b>ASSETS</b>							
Deposits and investments	\$ 22,304	\$ 135,912	\$ 66,217	\$ -	\$ -	\$ -	\$ 32,702
Receivables:							
Taxes	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Airport Association	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Restricted deposits and investments	-	-	-	-	-	4,688	-
Due from other funds	-	-	-	-	-	-	-
Total assets	<u>\$ 22,304</u>	<u>\$ 135,912</u>	<u>\$ 66,217</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,688</u>	<u>\$ 32,702</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ (15)	\$ -	\$ -	\$ 176,428	\$ 274	\$ -	\$ -
Temporary notes payable	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Due to other funds	-	-	-	316,724	26,806	-	-
Total liabilities	<u>(15)</u>	<u>-</u>	<u>-</u>	<u>493,152</u>	<u>27,080</u>	<u>-</u>	<u>-</u>
Fund balances:							
Reserved for encumbrances	-	-	-	359,532	633	-	-
Reserved for long-term loan receivable	-	-	-	-	-	-	-
Unreserved, undesignated	22,319	135,912	66,217	(852,684)	(27,713)	4,688	32,702
Total fund balances	<u>22,319</u>	<u>135,912</u>	<u>66,217</u>	<u>(493,152)</u>	<u>(27,080)</u>	<u>4,688</u>	<u>32,702</u>
Total liabilities and fund balances	<u>\$ 22,304</u>	<u>\$ 135,912</u>	<u>\$ 66,217</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,688</u>	<u>\$ 32,702</u>

(Continued)

CITY OF GARDNER, KANSAS

COMBINING BALANCE SHEET

(Continued)

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2007

	Capital Projects						
	New Century	Public Works Facility	175th & Moonlight Intersection	University Park	Kill Creek Drive/Waterline	Center Street Commons	
<u>ASSETS</u>							
Deposits and investments	\$ -	\$ 44,251	\$ -	\$ -	\$ -	\$ -	\$ 99,696
Receivables:							
Taxes	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Airport Association	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Restricted deposits and investments	107,272	-	-	540	1,652	45	53
Due from other funds	564,642	261,787	-	745,000	225,000	-	-
Total assets	<u>\$ 671,914</u>	<u>\$ 306,038</u>	<u>\$ -</u>	<u>\$ 745,540</u>	<u>\$ 226,652</u>	<u>\$ 45</u>	<u>\$ 99,749</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ 30,663	\$ -	\$ 2,500	\$ 29,210	\$ -	\$ -	\$ -
Temporary notes payable	-	-	-	3,275,000	2,475,000	-	-
Deferred revenue	-	-	-	-	-	-	-
Due to other funds	2,934,626	-	167,066	-	-	564,642	-
Total liabilities	<u>2,965,289</u>	<u>-</u>	<u>169,566</u>	<u>3,304,210</u>	<u>2,475,000</u>	<u>564,642</u>	<u>-</u>
Fund balances:							
Reserved for encumbrances	-	-	-	-	16,033	27,508	-
Reserved for long-term loan receivable	-	-	-	-	-	-	-
Unreserved, undesignated	(2,293,375)	306,038	(169,566)	(2,558,670)	(2,264,381)	(592,105)	99,749
Total fund balances	<u>(2,293,375)</u>	<u>306,038</u>	<u>(169,566)</u>	<u>(2,558,670)</u>	<u>(2,248,348)</u>	<u>(564,597)</u>	<u>99,749</u>
Total liabilities and fund balances	<u>\$ 671,914</u>	<u>\$ 306,038</u>	<u>\$ -</u>	<u>\$ 745,540</u>	<u>\$ 226,652</u>	<u>\$ 45</u>	<u>\$ 99,749</u>

(Continued)

CITY OF GARDNER, KANSAS

COMBINING BALANCE SHEET

(Continued)

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2007

	Capital Projects					Debt Service	Total Nonmajor Governmental Funds
	Nike School Sewer	Public Safety Station #2	Pool Expansion	Junction Park	Total		
<u>ASSETS</u>							
Deposits and investments	\$ -	\$ -	\$ -	\$ -	\$ 556,530	\$ 237,844	\$ 5,786,202
Receivables:							
Taxes	-	-	-	-	-	383,482	621,516
Special assessments	-	-	-	-	-	2,864,578	2,864,578
Intergovernmental	-	-	-	-	-	-	185,084
Airport Association	-	-	-	-	147,407	-	147,407
Other	-	-	-	-	-	-	1,738
Restricted deposits and investments	1,222	-	-	-	115,575	-	234,945
Due from other funds	60,000	-	-	-	1,918,716	-	3,109,269
Total assets	<u>\$ 61,222</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,738,228</u>	<u>\$ 3,485,904</u>	<u>\$ 12,950,739</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ -	\$ 347,553	\$ -	\$ 20,897	\$ 609,237	\$ -	\$ 622,005
Temporary notes payable	-	-	-	-	5,750,000	-	5,750,000
Deferred revenue	-	-	-	-	-	3,248,060	3,248,060
Due to other funds	254,736	1,136,264	426,956	35,481	6,125,088	-	6,150,159
Total liabilities	<u>254,736</u>	<u>1,483,817</u>	<u>426,956</u>	<u>56,378</u>	<u>12,484,325</u>	<u>3,248,060</u>	<u>15,770,224</u>
Fund balances:							
Reserved for encumbrances	-	158,303	-	504	656,595	-	819,739
Reserved for long-term loan receivable	-	-	-	-	147,407	-	147,407
Unreserved, undesignated	(193,514)	(1,642,120)	(426,956)	(56,882)	(10,550,099)	237,844	(3,786,631)
Total fund balances	<u>(193,514)</u>	<u>(1,483,817)</u>	<u>(426,956)</u>	<u>(56,378)</u>	<u>(9,746,097)</u>	<u>237,844</u>	<u>(2,819,485)</u>
Total liabilities and fund balances	<u>\$ 61,222</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,738,228</u>	<u>\$ 3,485,904</u>	<u>\$ 12,950,739</u>

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2007

	Special Revenue		
	Park Sales Tax	Special Alcohol/ Drug Program	Street Improvement
Revenues:			
Property tax	\$ -	\$ -	\$ -
Sales tax	784,737	-	-
Excise tax	-	-	819,908
Special assessments	-	-	-
Intergovernmental	-	26,787	-
Licenses and permits	-	-	-
Investment earnings	24,784	1,196	223,621
Other	-	-	-
Total revenues	<u>809,521</u>	<u>27,983</u>	<u>1,043,529</u>
Expenditures:			
Current:			
General government	-	20,000	-
Culture and recreation	-	-	-
Capital outlay	-	-	335,324
Debt service:			
Principal	615,000	-	158,834
Interest and fiscal charges	287,013	-	-
Other	-	-	-
Total expenditures	<u>902,013</u>	<u>20,000</u>	<u>494,158</u>
Excess of revenues over (under) expenditures	<u>(92,492)</u>	<u>7,983</u>	<u>549,371</u>
Other financing sources (uses):			
Construction loan	-	-	131,668
Transfers in	-	-	-
Transfers out	(364,567)	-	(900,747)
Total other financing sources (uses)	<u>(364,567)</u>	<u>-</u>	<u>(769,079)</u>
Net change in fund balances	(457,059)	7,983	(219,708)
Fund balances, beginning of year	693,569	19,029	4,842,062
Fund balances, end of year	<u>\$ 236,510</u>	<u>\$ 27,012</u>	<u>\$ 4,622,354</u>

(Continued)

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2007

	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	\$ -	\$ -	\$ 184,370	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	421,897	-	-	-	-
Excise tax	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Intergovernmental	414,414	26,787	-	41,073	-	-	286,929
Licenses and permits	-	-	-	-	-	-	236,530
Investment earnings	9,781	2,141	1,518	4,555	16,058	26,282	13,672
Other	-	-	-	95	-	-	-
Total revenues	<u>424,195</u>	<u>28,928</u>	<u>607,785</u>	<u>45,723</u>	<u>16,058</u>	<u>26,282</u>	<u>537,131</u>
Expenditures:							
Current:							
General government	352	-	610,948	39,955	3,797	-	-
Culture and recreation	-	-	-	-	-	-	-
Capital outlay	331,720	-	-	-	-	225,376	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total expenditures	<u>332,072</u>	<u>-</u>	<u>610,948</u>	<u>39,955</u>	<u>3,797</u>	<u>225,376</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>92,123</u>	<u>28,928</u>	<u>(3,163)</u>	<u>5,768</u>	<u>12,261</u>	<u>(199,094)</u>	<u>537,131</u>
Other financing sources (uses):							
Construction loan	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	100,000	-
Transfers out	(16,212)	-	(5,000)	-	-	-	-
Total other financing sources (uses)	<u>(16,212)</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Net change in fund balances	75,911	28,928	(8,163)	5,768	12,261	(99,094)	537,131
Fund balances, beginning of year	219,947	30,232	103,988	105,445	102,189	629,642	50,497
Fund balances, end of year	<u>\$ 295,858</u>	<u>\$ 59,160</u>	<u>\$ 95,825</u>	<u>\$ 111,213</u>	<u>\$ 114,450</u>	<u>\$ 530,548</u>	<u>\$ 587,628</u>

(Continued)

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2007

	Special Revenue		Capital Projects				
	Airport	Total	Airport Runway Rehab	City Hall	Cedar Street	North Moonlight	South Moonlight
Revenues:							
Property tax	\$ -	\$ 184,370	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	-	1,206,634	-	-	-	-	-
Excise tax	-	819,908	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Intergovernmental	-	795,990	-	-	-	-	-
Licenses and permits	-	236,530	-	-	-	-	-
Investment earnings	288	323,896	-	367	1,569	1,952	6,932
Other	89	184	-	-	-	-	-
Total revenues	377	3,567,512	-	367	1,569	1,952	6,932
Expenditures:							
Current:							
General government	-	675,052	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Capital outlay	-	892,420	116,107	-	-	28,720	-
Debt service:							
Principal	-	773,834	-	-	-	-	-
Interest and fiscal charges	-	287,013	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total expenditures	-	2,628,319	116,107	-	-	28,720	-
Excess of revenues over (under) expenditures	377	939,193	(116,107)	367	1,569	(26,768)	6,932
Other financing sources (uses):							
Construction loan	-	131,668	-	-	-	14,820	-
Transfers in	-	100,000	-	-	-	-	-
Transfers out	-	(1,286,526)	-	(5,735)	-	-	-
Total other financing sources (uses)	-	(1,054,858)	-	(5,735)	-	14,820	-
Net change in fund balances	377	(115,665)	(116,107)	(5,368)	1,569	(11,948)	6,932
Fund balances, beginning of year	7,833	6,804,433	-	5,471	33,284	40,839	147,059
Fund balances, end of year	\$ 8,210	\$ 6,688,768	\$ (116,107)	\$ 103	\$ 34,853	\$ 28,891	\$ 153,991

(Continued)

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2007

	Capital Projects						
	167th Street	Waverly Street	183rd Street	Lincoln Lane	Moonlight & Main	Shean's Crossing	Airport Hangars
Revenues:							
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	-	-	-	-	-
Excise tax	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Investment earnings	415	6,119	2,981	-	-	230	1,472
Other	-	-	-	1,900	-	-	-
Total revenues	415	6,119	2,981	1,900	-	230	1,472
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Capital outlay	-	-	-	1,174,004	25,102	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total expenditures	-	-	-	1,174,004	25,102	-	-
Excess of revenues over (under) expenditures	415	6,119	2,981	(1,172,104)	(25,102)	230	1,472
Other financing sources (uses):							
Construction loan	-	-	-	709,344	-	-	-
Transfers in	18	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	18	-	-	709,344	-	-	-
Net change in fund balances	433	6,119	2,981	(462,760)	(25,102)	230	1,472
Fund balances, beginning of year	21,886	129,793	63,236	(30,392)	(1,978)	4,458	31,230
Fund balances, end of year	\$ 22,319	\$ 135,912	\$ 66,217	\$ (493,152)	\$ (27,080)	\$ 4,688	\$ 32,702

(Continued)

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2007

	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	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Investment earnings	39,476	13,778	-	45,193	16,885	3,147	4,919
Other	-	-	-	-	-	-	-
Total revenues	<u>39,476</u>	<u>13,778</u>	<u>-</u>	<u>45,193</u>	<u>16,885</u>	<u>3,147</u>	<u>4,919</u>
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Capital outlay	325,407	-	121,978	246,284	33,145	70,989	5,599
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	186,955	-	-	115,127	84,646	11,242	-
Other	-	-	-	17,771	13,429	1,463	-
Total expenditures	<u>512,362</u>	<u>-</u>	<u>121,978</u>	<u>379,182</u>	<u>131,220</u>	<u>83,694</u>	<u>5,599</u>
Excess of revenues over (under) expenditures	<u>(472,886)</u>	<u>13,778</u>	<u>(121,978)</u>	<u>(333,989)</u>	<u>(114,335)</u>	<u>(80,547)</u>	<u>(680)</u>
Other financing sources (uses):							
Construction loan	-	-	54,925	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>54,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(472,886)</u>	<u>13,778</u>	<u>(67,053)</u>	<u>(333,989)</u>	<u>(114,335)</u>	<u>(80,547)</u>	<u>(680)</u>
Fund balances, beginning of year	<u>(1,820,489)</u>	<u>292,260</u>	<u>(102,513)</u>	<u>(2,224,681)</u>	<u>(2,134,013)</u>	<u>(484,050)</u>	<u>100,429</u>
Fund balances, end of year	<u>\$ (2,293,375)</u>	<u>\$ 306,038</u>	<u>\$ (169,566)</u>	<u>\$ (2,558,670)</u>	<u>\$ (2,248,348)</u>	<u>\$ (564,597)</u>	<u>\$ 99,749</u>

(Continued)

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2007

	Capital Projects					Debt Service	Total Nonmajor Governmental Funds
	Nike School Sewer	Public Safety Station #2	Pool Expansion	Junction Park	Total		
Revenues:							
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 396,964	\$ 581,334
Sales tax	-	-	-	-	-	-	1,206,634
Excise tax	-	-	-	-	-	-	819,908
Special assessments	41,715	-	-	-	41,715	304,168	345,883
Intergovernmental	-	-	-	85,797	85,797	-	881,787
Licenses and permits	-	-	-	-	-	-	236,530
Investment earnings	5,473	-	28,589	12	179,509	17,072	520,477
Other	-	-	6,500	39,610	48,010	70,214	118,408
<b>Total revenues</b>	<b>47,188</b>	<b>-</b>	<b>35,089</b>	<b>125,419</b>	<b>355,031</b>	<b>788,418</b>	<b>4,710,961</b>
Expenditures:							
Current:							
General government	-	-	-	-	-	-	675,052
Culture and recreation	-	-	-	14,778	14,778	-	14,778
Capital outlay	30,806	1,456,882	2,021,736	166,009	5,822,768	-	6,715,188
Debt service:							
Principal	-	-	-	-	-	1,345,990	2,119,824
Interest and fiscal charges	7,303	-	-	-	405,273	722,663	1,414,949
Other	605	-	-	-	33,268	3,163	36,431
<b>Total expenditures</b>	<b>38,714</b>	<b>1,456,882</b>	<b>2,021,736</b>	<b>180,787</b>	<b>6,276,087</b>	<b>2,071,816</b>	<b>10,976,222</b>
Excess of revenues over (under) expenditures	8,474	(1,456,882)	(1,986,647)	(55,368)	(5,921,056)	(1,283,398)	(6,265,261)
Other financing sources (uses):							
Construction loan	-	-	-	-	779,089	-	910,757
Transfers in	-	-	-	-	18	1,336,541	1,436,559
Transfers out	-	-	-	-	(5,735)	-	(1,292,261)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>773,372</b>	<b>1,336,541</b>	<b>1,055,055</b>
Net change in fund balances	8,474	(1,456,882)	(1,986,647)	(55,368)	(5,147,684)	53,143	(5,210,206)
Fund balances, beginning of year	(201,988)	(26,935)	1,559,691	(1,010)	(4,598,413)	184,701	2,390,721
Fund balances, end of year	\$ (193,514)	\$ (1,483,817)	\$ (426,956)	\$ (56,378)	\$ (9,746,097)	\$ 237,844	\$ (2,819,485)

CITY OF GARDNER, KANSAS

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

PARK SALES TAX FUND

Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	\$ 979,800	\$ 784,737	\$ (195,063)
Investment earnings	55,300	24,784	(30,516)
Total revenues	<u>1,035,100</u>	<u>809,521</u>	<u>(225,579)</u>
Expenditures:			
Principal	-	615,000	(615,000)
Interest	-	287,013	(287,013)
Project reserve	182,200	-	182,200
Capital outlay	-	-	-
Total expenditures	<u>182,200</u>	<u>902,013</u>	<u>(719,813)</u>
Excess (deficit) of revenues over (under) expenditures	<u>852,900</u>	<u>(92,492)</u>	<u>(945,392)</u>
Other financing uses:			
Transfers out	<u>(1,479,800)</u>	<u>(364,567)</u>	<u>1,115,233</u>
Net changes in fund balances	(626,900)	(457,059)	169,841
Fund balances, beginning of year	<u>626,900</u>	<u>693,569</u>	<u>66,669</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 236,510</u>	<u>\$ 236,510</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, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Special alcohol tax	\$ 21,000	\$ 26,787	\$ 5,787
Investment earnings	400	1,196	796
Total revenues	<u>21,400</u>	<u>27,983</u>	<u>6,583</u>
Expenditures:			
Project reserve	18,026	-	18,026
Contractual services	20,000	20,000	-
Total expenditures	<u>38,026</u>	<u>20,000</u>	<u>18,026</u>
Net change in fund balances	(16,626)	7,983	24,609
Fund balances, beginning of year	<u>16,626</u>	<u>19,029</u>	<u>2,403</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 27,012</u>	<u>\$ 27,012</u>

CITY OF GARDNER, KANSAS

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

STREET IMPROVEMENT FUND

Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Excise tax	\$ 1,394,000	\$ 819,908	\$ (574,092)
Investment earnings	141,000	223,621	82,621
Total revenues	<u>1,535,000</u>	<u>1,043,529</u>	<u>(491,471)</u>
Expenditures:			
Capital outlay	600,000	363,998	236,002
Project reserve	4,791,613	-	4,791,613
Principal	900,800	158,834	741,966
Total expenditures	<u>6,292,413</u>	<u>522,832</u>	<u>5,769,581</u>
Excess (deficit) of revenues over (under) expenditures	<u>(4,757,413)</u>	<u>520,697</u>	<u>5,278,110</u>
Other financing sources (uses):			
Loan proceeds	-	131,668	131,668
Transfers out	-	(900,747)	(900,747)
Total other financing sources and (uses)	<u>-</u>	<u>(769,079)</u>	<u>(769,079)</u>
Net change in fund balances	(4,757,413)	(248,382)	4,509,031
Fund balances, beginning of year	<u>4,757,413</u>	<u>4,842,062</u>	<u>84,649</u>
Fund balances, end of year	<u>\$ -</u>	<u>4,593,680</u>	<u>\$ 4,593,680</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>28,674</u>	
GAAP fund balance, end of year		<u>\$ 4,622,354</u>	

CITY OF GARDNER, KANSAS

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

SPECIAL HIGHWAY FUND

Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
State gasoline tax	\$ 414,000	\$ 414,414	\$ 414
Investment earnings	3,800	9,781	5,981
Total revenues	<u>417,800</u>	<u>424,195</u>	<u>6,395</u>
Expenditures:			
Project reserve	144,931	352	144,579
Capital outlay	460,000	337,987	122,013
Total expenditures	<u>604,931</u>	<u>338,339</u>	<u>266,592</u>
Excess (deficit) of revenues over (under) expenditures	(187,131)	85,856	272,987
Other financing uses:			
Transfers out	(16,200)	(16,212)	(12)
Net change in fund balances	(203,331)	69,644	272,975
Fund balances, beginning of year	<u>203,331</u>	<u>219,947</u>	<u>16,616</u>
Fund balances, end of year	<u>\$ -</u>	<u>289,591</u>	<u>\$ 289,591</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>6,267</u>
GAAP fund balance, end of year	<u>\$ 295,858</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, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Special alcohol tax	\$ 21,000	\$ 26,787	\$ 5,787
Investment earnings	400	2,141	1,741
Total revenues	<u>21,400</u>	<u>28,928</u>	<u>7,528</u>
Expenditures:			
Contractual services	7,000	-	7,000
Project reserve	20,484	-	20,484
Total expenditures	<u>27,484</u>	<u>-</u>	<u>27,484</u>
Net change in fund balances	(6,084)	28,928	35,012
Fund balances, beginning of year	<u>6,084</u>	<u>30,232</u>	<u>24,148</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 59,160</u>	<u>\$ 59,160</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, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	\$ 751,600	\$ 606,267	\$ (145,333)
Investment earnings	-	1,518	1,518
Total revenues	751,600	607,785	(143,815)
Expenditures:			
Contractual services	841,800	610,948	230,852
Excess (deficit) of revenues over (under) expenditures	(90,200)	(3,163)	87,037
Other financing uses:			
Transfers out	-	(5,000)	(5,000)
Net change in fund balances	(90,200)	(8,163)	82,037
Fund balances, beginning of year	90,200	103,988	13,788
Fund balances, end of year	\$ -	\$ 95,825	\$ 95,825

CITY OF GARDNER, KANSAS

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

ECONOMIC DEVELOPMENT RESERVE FUND

Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Transient guest tax	\$ 39,700	\$ 41,073	\$ 1,373
Investment earnings	3,300	4,555	1,255
Other revenue	-	95	95
Total revenues	<u>43,000</u>	<u>45,723</u>	<u>2,723</u>
Expenditures:			
Project reserve	100,755	-	100,755
Contractual services	45,300	39,955	5,345
Total expenditures	<u>146,055</u>	<u>39,955</u>	<u>106,100</u>
Net change in fund balances	(103,055)	5,768	108,823
Fund balances, beginning of year	<u>103,055</u>	<u>105,445</u>	<u>2,390</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 111,213</u>	<u>\$ 111,213</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, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ 16,058	\$ (16,058)
Expenditures:			
Contractual services	20,000	3,797	16,203
Project reserve	101,327	-	101,327
Total expenditures	121,327	3,797	117,530
Net change in fund balances	(121,327)	12,261	133,588
Fund balances, beginning of year	121,327	102,189	(19,138)
Fund balances, end of year	\$ -	\$ 114,450	\$ 114,450

CITY OF GARDNER, KANSAS

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

CAPITAL IMPROVEMENT RESERVE FUND

Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Investment earnings	\$ 6,000	\$ 26,282	\$ 20,282
Expenditures:			
Capital outlay	697,000	353,579	343,421
Project reserve	66,667	-	66,667
Total expenditures	<u>763,667</u>	<u>353,579</u>	<u>410,088</u>
Excess (deficit) of revenues over (under) expenditures	(757,667)	(327,297)	430,370
Other financing sources:			
Transfers in	<u>450,000</u>	<u>100,000</u>	<u>(350,000)</u>
Net change in fund balances	(307,667)	(227,297)	80,370
Fund balances, beginning of year	<u>307,667</u>	<u>629,642</u>	<u>321,975</u>
Fund balances, end of year	<u>\$ -</u>	<u>402,345</u>	<u>\$ 402,345</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>128,203</u>
GAAP fund balance, end of year	<u>\$ 530,548</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, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 263,000	\$ 286,929	\$ 23,929
Park impact fees	295,000	236,530	(58,470)
Investment earnings	5,400	13,672	8,272
Total revenues	<u>563,400</u>	<u>537,131</u>	<u>(26,269)</u>
Expenditures:			
Project reserve	250,614	-	250,614
Capital outlay	350,000	-	350,000
Total expenditures	<u>600,614</u>	<u>-</u>	<u>600,614</u>
Net change in fund balances	(37,214)	537,131	574,345
Fund balances, beginning of year	<u>37,214</u>	<u>50,497</u>	<u>13,283</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 587,628</u>	<u>\$ 587,628</u>

CITY OF GARDNER, KANSAS

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

DEBT SERVICE FUND

Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	\$ 405,511	\$ 396,964	\$ (8,547)
Special assessments	410,700	304,168	(106,532)
Investment earnings	9,900	17,072	7,172
Other	(4,700)	70,214	74,914
Total revenues	<u>821,411</u>	<u>788,418</u>	<u>(32,993)</u>
Expenditures:			
Principal	3,493,163	1,345,990	2,147,173
Interest	-	722,663	(722,663)
Other	-	3,163	(3,163)
Total expenditures	<u>3,493,163</u>	<u>2,071,816</u>	<u>1,421,347</u>
Excess (deficit) of revenues over (under) expenditures	<u>(2,671,752)</u>	<u>(1,283,398)</u>	<u>1,388,354</u>
Other financing sources:			
Transfers in	<u>2,396,800</u>	<u>1,336,541</u>	<u>(1,060,259)</u>
Net change in fund balances	(274,952)	53,143	328,095
Fund balances, beginning of year	<u>274,952</u>	<u>184,701</u>	<u>(90,251)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 237,844</u>	<u>\$ 237,844</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, 2007

	Governmental Activities		Business-type Activities		Total
	Information Technology Services	Building Maintenance	Utility Billing Services	Risk Management	
<b>Assets:</b>					
Current assets:					
Deposits and investments	\$ -	\$ -	\$ 3,308	\$ -	\$ 3,308
Noncurrent assets:					
Capital assets:					
Machinery and equipment	27,645	-	-	-	27,645
Vehicles	-	14,749	-	-	14,749
Less accumulated depreciation	(4,148)	(2,212)	-	-	(6,360)
Total assets	<u>23,497</u>	<u>12,537</u>	<u>3,308</u>	<u>-</u>	<u>39,342</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	14,311	3,247	3,563	1,625	22,746
Due to other funds	-	8,109	-	-	8,109
Accrued expenses	2,150	1,515	-	-	3,665
Total current liabilities	<u>16,461</u>	<u>12,871</u>	<u>3,563</u>	<u>1,625</u>	<u>34,520</u>
<b>Net assets:</b>					
Invested in capital assets, net of related debt	23,497	12,537	-	-	36,034
Unrestricted	(16,461)	(12,871)	(255)	(1,625)	(31,212)
Total net assets	<u>\$ 7,036</u>	<u>\$ (334)</u>	<u>\$ (255)</u>	<u>\$ (1,625)</u>	<u>\$ 4,822</u>

CITY OF GARDNER, KANSAS

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

INTERNAL SERVICE FUNDS

Year Ended December 31, 2007

	Governmental Activities		Business-type Activities		Total
	Information Technology Services	Building Maintenance	Utility Billing Services	Risk Management	
Operating revenues:					
Charges for services	\$ 321,227	\$ 226,408	\$ 594,795	\$ 586,032	\$ 1,728,462
Operating expenses:					
Administration	68,549	46,228	372,544	-	487,321
Contractual services	189,696	156,445	136,006	577,461	1,059,608
Other supplies and expenses	-	23,350	18,216	8,037	49,603
Repairs and maintenance	9,405	10,661	2,415	-	22,481
Depreciation	2,765	1,475	-	-	4,240
Other	65,193	-	59,727	-	124,920
Total operating expenses	335,608	238,159	588,908	585,498	1,748,173
Operating income (loss)	(14,381)	(11,751)	5,887	534	(19,711)
Total net assets, beginning of year	21,417	11,417	(6,142)	(2,159)	24,533
Total net assets, end of year	\$ 7,036	\$ (334)	\$ (255)	\$ (1,625)	\$ 4,822

CITY OF GARDNER, KANSAS

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

Year Ended December 31, 2007

	Governmental Activities		Business-type Activities		Total
	Information Technology Services	Building Maintenance	Utility Billing Services	Risk Management	
Cash flows from operating activities:					
Receipts from customers	\$ 321,227	\$ 226,408	\$ 594,795	\$ 586,032	\$ 1,728,462
Payments to suppliers	(253,018)	(180,384)	(218,944)	(586,032)	(1,238,378)
Payments to employees	(68,209)	(46,024)	(372,543)	-	(486,776)
Net cash provided by operating activities	-	-	3,308	-	3,308
Net increase in cash and cash equivalents	-	-	3,308	-	3,308
Cash and cash equivalents, beginning of year	-	-	-	-	-
Cash and cash equivalents, end of year	\$ -	\$ -	\$ 3,308	\$ -	\$ 3,308
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (14,381)	\$ (11,751)	\$ 5,887	\$ 534	\$ (19,711)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Items not requiring cash:					
Depreciation expense	2,765	1,475	-	-	4,240
Changes in:					
Accounts payable	11,275	1,961	(2,579)	(534)	10,123
Due to other funds	-	8,109	-	-	8,109
Accrued liabilities	341	206	-	-	547
Net cash provided by operating activities	\$ -	\$ -	\$ 3,308	\$ -	\$ 3,308

CITY OF GARDNER, KANSAS  
STATEMENT OF CASH FLOWS  
AIRPORT ASSOCIATION COMPONENT UNIT

Year Ended December 31, 2007

Cash flows from operating activities:	
Receipts from customers	\$ 321,812
Payments to suppliers	(251,192)
Payments to employees	(5,790)
	64,830
Cash flows from capital and related financing activities:	
Principal paid on loan to primary government	(11,439)
Interest paid on loan to primary government	(88)
	(11,527)
Cash flows from investing activities:	
Interest received	6,470
	6,470
Net increase in cash and cash equivalents	59,773
Cash and cash equivalents, beginning of year	132,771
Cash and cash equivalents, end of year	\$ 192,544
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 31,569
Adjustments to reconcile operating income to net cash provided by operating activities:	
Items not requiring cash:	
Depreciation expense	58,209
Changes in:	
Prepaid items	1,561
Inventories	(27,721)
Accounts payable	306
Deferred revenue	906
	906
Net cash provided by operating activities	\$ 64,830
Supplemental disclosures of Non-Cash Investing and Financing Activities:	
Capital grant KDOT	\$ 116,107
Received from the City	147,407
Airport Runway Rehabilitation	(263,514)

CITY OF GARDNER, KANSAS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

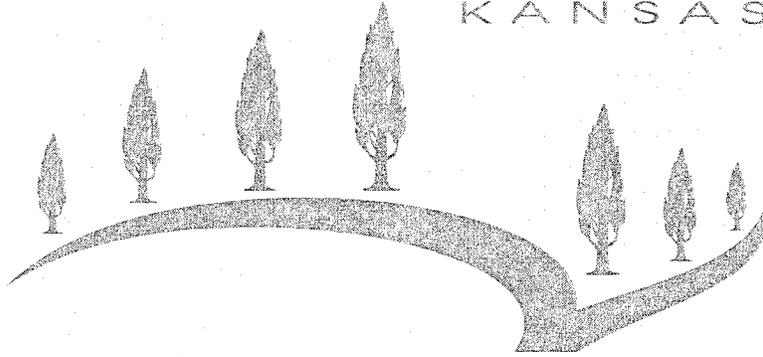
AGENCY FUND

Year Ended December 31, 2007

Alcohol Safety Action Program:

	Balance January 1, 2007	Additions	Deductions	Balance December 31, 2007
Assets:				
Deposits and investments	\$ 22,113	\$ 13,202	\$ 9,600	\$ 25,715
Liabilities:				
Due to others	\$ 22,113	\$ 13,202	\$ 9,600	\$ 25,715

CITY OF  
**GARDNER**  
KANSAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended  
December 31, 2007

STATISTICAL SECTION

## Statistical Section

This part of the City of Gardner's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
<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.	100 - 103
<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.	104 - 112
<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.	113 - 116
<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.	117 - 118
<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.	119 - 121

**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 Five Fiscal Years  
(accrual basis of accounting)**

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</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
Restricted	619,460	209,186	8,375,348	8,637,479	8,508,190
Unrestricted	<u>8,247,839</u>	<u>10,187,715</u>	<u>285,475</u>	<u>3,572,437</u>	<u>(146,614)</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>
Business-type activities					
Invested in capital assets, net of related debt	\$ 22,669,570	\$ 26,593,163	\$ 37,238,650	\$ 36,644,874	\$ 43,009,998
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>
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>
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
Restricted	619,460	209,186	8,375,348	8,637,479	8,508,190
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>
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>

*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 Five Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Expenses</b>					
Governmental activities:					
General government	\$ 667,923	\$ 2,481,063	\$ 2,487,540	\$ 2,283,679	\$ 3,378,759
Public Safety	1,578,382	1,793,104	2,133,175	2,698,278	3,248,539
Public Works	1,870,330	2,702,878	1,814,204	1,953,847	2,730,439
Culture and recreation	925,051	1,008,522	1,191,341	1,280,138	2,025,252
Interest on long-term debt	463,569	679,071	912,018	1,098,258	1,450,723
Total governmental activities expenses	<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>
Business-type activities:					
Electric	4,401,222	5,235,673	7,065,972	9,369,802	10,369,407
Water	2,074,904	1,809,446	2,045,852	2,353,432	2,606,773
Wastewater	2,763,238	2,980,535	3,176,131	3,215,418	3,659,179
Stormwater	-	-	-	-	75,643
Total business-type activities expenses	<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>
Total primary government expenses	<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>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 831,756	\$ 1,241,976	\$ 1,348,564	\$ 1,132,996	\$ 712,907
Public Safety	-	5,655	4,737	11,443	10,344
Public Works	676,890	275	-	-	1,900
Culture and recreation	348,307	428,120	446,685	436,514	905,149
Operating grants and contributions	1,553,297	2,352,704	2,139,253	2,216,293	2,529,574
Capital grants and contributions	2,349,249	2,817,443	1,087,882	218,234	360,016
Total governmental activities program revenues	<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>
Business-type activities:					
Charges for services:					
Electric	6,998,195	7,887,555	10,240,759	10,229,014	11,805,651
Water	3,072,348	3,725,407	3,639,347	3,511,004	4,201,647
Wastewater	2,544,156	3,419,810	3,518,583	3,304,989	3,835,313
Stormwater	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	50,000	589,004	59,606
Total business-type program revenues	<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>
Total primary government program revenues	<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>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ 254,244	\$ (1,818,465)	\$ (3,511,157)	\$ (5,298,720)	\$ (8,313,822)
Business-type activities	3,375,335	5,007,118	5,160,734	2,695,359	3,191,215
Total primary government net expense	<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>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property taxes	\$ 1,739,385	\$ 2,030,664	\$ 2,311,209	\$ 2,676,275	\$ 3,290,415
Sales taxes	1,128,934	1,483,480	1,566,055	2,636,630	2,854,565
Franchise taxes	236,073	305,843	337,916	350,024	386,139
Excise taxes	-	1,211,458	1,455,739	1,289,599	819,908
Transient guest taxes	-	31,150	34,338	40,680	41,073
Unrestricted investment earnings	88,024	181,268	497,681	831,916	993,815
Gain on disposal of asset	-	-	-	-	1,617
Transfers	34,641	989,891	329,158	(190,643)	(1,586,760)
Total governmental activities	<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>
Business-type activities:					
Unrestricted investment earnings	79,755	205,001	532,024	520,452	532,634
Transfers	(34,641)	(989,891)	(329,158)	190,643	1,586,760
Other	107,320	-	-	-	-
Total business-type activities	<u>152,434</u>	<u>(784,890)</u>	<u>202,866</u>	<u>711,095</u>	<u>2,119,394</u>
Total primary government	<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>
<b>Change in Net Assets</b>					
Governmental activities	\$ 3,481,301	\$ 4,415,289	\$ 3,020,939	\$ 2,335,761	\$ (1,513,050)
Business-type activities	3,527,769	4,222,228	5,363,600	3,406,454	5,310,609
Total primary government	<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>

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									
	<u>1998</u>	<u>1999</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>
General Fund										
Reserved	\$ -	\$ 2,704	\$ 33,379	\$ 6,261	\$ -	\$ 73,395	\$ -	\$ -	\$ 1,019,948	\$ 15,151
Unreserved	326,126	492,031	596,301	659,085	851,220	1,549,455	2,392,171	3,321,238	3,107,516	4,008,117
Total general fund	<u>\$ 326,126</u>	<u>\$ 494,735</u>	<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>
All Other Governmental Funds										
Reserved	\$ 26,740	\$ 670,121	\$ 14,319	\$ 261,208	\$ -	\$ 57,500	\$ -	\$ -	\$ 9,998,577	\$ 2,164,409
Unreserved, reported in:										
Debt service fund	-	-	69,045	193,608	329,980	488,565	313,625	258,152	184,701	237,844
Special revenue funds	758,851	1,180,530	1,456,644	1,546,341	1,903,127	3,124,695	4,953,169	5,597,454	6,771,640	6,525,624
Capital projects funds	983,351	1,331,693	2,951,155	3,632,057	4,948,112	2,370,633	(565,001)	(3,188,976)	(10,700,412)	(14,211,726)
Total all other governmental funds	<u>\$ 1,768,942</u>	<u>\$ 3,182,344</u>	<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>

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									
	1998	1999	2000	2001	2002	2003 <sup>(a)</sup>	2004	2005	2006	2007
<b>Revenues</b>										
Taxes	\$ 1,388,818	\$ 1,621,094	\$ 1,878,059	\$ 2,099,438	\$ 2,633,287	\$ 4,366,955	\$ 5,031,445	\$ 5,670,919	\$ 6,952,528	\$ 7,351,027
Licenses and permits	375,152	431,109	442,716	1,046,365	950,004	687,140	886,846	942,495	750,727	615,355
Fines and fees	103,332	146,126	115,907	129,166	188,099	204,886	265,911	282,659	316,720	240,072
Charges for services	230,211	211,822	164,531	250,978	133,748	161,889	335,289	423,579	337,022	654,973
Special assessments	53,829	37,443	35,828	34,221	76,161	77,341	466,514	298,989	229,317	345,883
Intergovernmental	856,828	1,352,282	1,624,257	1,403,072	1,889,659	2,641,553	2,611,934	3,262,304	2,352,409	2,415,554
Investment earnings	153,122	136,180	209,611	225,241	177,013	88,024	181,268	497,682	831,916	993,815
Loan revenue	-	-	-	-	-	32,652	37,465	35,378	41,875	-
Other revenues	223,587	627,517	509,827	204,486	119,734	155,056	221,921	147,338	267,407	347,542
<b>Total revenues</b>	<b>3,384,879</b>	<b>4,563,573</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>Expenditures</b>										
General government	406,169	486,428	563,699	1,730,428	2,117,659	588,524	2,220,815	2,170,591	2,068,118	3,055,358
Public safety	927,993	1,094,611	1,497,282	1,319,402	1,506,022	1,710,856	1,727,208	2,059,613	2,526,659	3,040,870
Public works	492,158	453,368	848,263	841,594	1,679,088	1,345,077	1,072,924	925,613	1,161,471	1,554,889
Culture and recreation	526,915	548,526	582,645	798,394	832,531	828,581	835,493	935,986	1,122,244	1,670,953
Capital outlay	5,102,495	1,303,471	1,657,455	1,497,192	3,933,507	5,160,746	4,248,331	9,831,552	11,992,665	14,508,283
Debt service:										
Interest	-	-	-	-	-	405,611	506,669	774,222	914,694	1,529,276
Principal	1,092,885	1,336,442	1,683,065	1,589,076	4,446,338	3,097,500	4,062,598	694,737	1,156,069	2,160,583
Other	110,920	82,014	89,815	12,000	-	43,268	12,127	96,444	202,359	61,669
<b>Total expenditures</b>	<b>8,659,535</b>	<b>5,304,860</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>
Excess of revenues over (under) expenditures	(5,274,656)	(741,287)	(1,941,488)	(2,395,119)	(8,347,440)	(4,764,667)	(4,647,572)	(5,927,415)	(9,074,358)	(14,617,660)
<b>Other Financing Sources (Uses)</b>										
Bonds issued	2,415,000	1,300,000	-	866,142	4,144,102	3,091,000	725,000	3,355,000	3,545,000	-
Certificates of participation issued	-	-	-	-	-	-	-	-	7,150,000	-
Loan proceeds	-	-	-	-	-	-	-	-	1,053,190	-
Revenue bonds issued	-	-	-	1,000,000	-	-	-	-	-	-
Refunding bonds issued	2,260,000	-	-	-	-	-	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
Sale of capital assets	-	-	-	-	-	-	-	-	-	23,001
Capital leases	-	-	232,755	30,558	-	175,080	-	-	97,958	989,000
Insurance proceeds	-	-	-	-	-	-	-	-	19,302	3,053
Payments to escrow agent	(2,209,847)	-	-	-	(218,250)	-	(105,000)	-	-	-
Transfers in	1,045,003	1,486,364	423,742	2,747,452	2,291,197	743,534	2,982,920	2,625,016	2,796,990	2,441,559
Transfers out	(326,885)	(463,066)	(273,742)	(1,292,188)	(420,000)	(708,893)	(1,378,863)	(1,158,697)	(1,193,980)	(1,392,261)
<b>Total other financing sources (uses)</b>	<b>3,183,471</b>	<b>2,323,298</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>Net change in fund balances</b>	<b>\$ (2,091,185)</b>	<b>\$ 1,582,011</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>
Debt service as a percentage of noncapital expenditures	33.8%	35.4%	33.7%	25.5%	42.0%	41.1%	36.8%	17.0%	21.7%	22.2%

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
1998	71,965	62,028	9,937	13.81%	376	287	89	23.63%	182	\$5.00	\$0.0839	\$8.70	\$3.94	\$4.70	\$3.80
1999	72,476	67,059	5,417	7.47%	426	367	59	13.87%	190	\$5.00	\$0.0839	\$8.70	\$3.94	\$4.70	\$3.80
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	42	5.81%	517	\$6.20	\$0.0932	\$8.52	\$3.86	\$7.72	\$4.91

**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

**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>	
1998	301	14	355	4	674
1999	276	4	303	3	586
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

*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
1998	2,756	237	7	2,754	175	7	2,604	169	3	3,000	2,936	2,776
1999	3,171	250	7	3,176	158	7	3,026	152	4	3,428	3,341	3,182
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

Source: City of Gardner Utility Department

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Water Rates</b>										
<i>(All Meter Sizes)</i>										
Base Rate	\$ 8.70	\$ 8.70	\$ 8.70	\$ 8.70	\$ 8.70	\$ 8.70	\$ 8.70	\$ 8.27	\$ 8.52	\$ 8.52
Usage Rate (per 1,000 gallons) First 40,000 gallons	3.94	3.94	3.94	3.94	3.94	3.94	3.94	3.75	3.86	3.86
Usage Rate (per 1,000 gallons) Over 40,000 gallons	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.00	3.10	3.10
<b>Wastewater Rates</b>										
Base Rate	\$ 4.70	\$ 4.70	\$ 4.70	\$ 4.70	\$ 4.70	\$ 7.00	\$ 7.00	\$ 7.35	\$ 7.72	\$ 7.72
Usage Rate (per 1,000 gallons)	3.80	3.80	3.80	3.80	3.80	4.45	4.45	4.68	4.91	4.91
<b>Electric Rates</b>										
<i>Residential</i>										
Base Rate	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 6.00	\$ 6.00	\$ 6.20
Usage Rate (per kWh)	0.08390	0.08390	0.08390	0.08390	0.08390	0.08390	0.08390	0.08620	0.09051	0.09323
<i>Commercial</i>										
Base Rate	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.60	6.80	6.80
Usage Rate (per kWh)	0.0890	0.0890	0.0890	0.0890	0.0890	0.0890	0.0890	0.9350	0.0963	0.09631
<i>Commercial With Demand</i>										
Base Rate for Demand	100.00	100.00	100.00	100.00	100.00	100.00	100.00	15.00	15.00	15.45
Usage Rate (per KW)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	12.00	12.60	13.00
Usage Rate (per kWh) First 5,000 kWh	0.0432	0.0432	0.0432	0.0432	0.0432	0.0432	0.0432	0.0436	0.0458	0.0472
Usage Rate (per kWh) Over 5,000 kWh	0.0370	0.0370	0.0370	0.0370	0.0370	0.0370	0.0370	0.0374	0.0393	0.0404
<i>Commercial Large With Demand</i>										
Base Rate for Demand	100.00	100.00	100.00	100.00	100.00	100.00	100.00	20.00	20.00	20.60
Usage Rate (per KW)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	12.00	12.60	13.00
Usage Rate (per kWh) First 5,000 kWh	0.04000	0.04000	0.04000	0.04000	0.04000	0.04000	0.04000	0.04250	0.04463	0.04597
Usage Rate (per kWh) Over 5,000 kWh	0.03470	0.03470	0.03470	0.03470	0.03470	0.03470	0.03470	0.03690	0.03875	0.03991
<b>All Electric Rates</b>										
<i>Residential</i>										
Base Rate	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 6.00	\$ 6.00	\$ 6.20
Summer Usage Rate (per kWh)	0.08390	0.08390	0.08390	0.08390	0.08390	0.08390	0.08390	0.08850	0.09293	0.09572
Winter Usage Rate (per kWh) First 800 kWh	0.06800	0.06800	0.06800	0.06800	0.06800	0.06800	0.06800	0.07260	0.07623	0.07852
Winter Usage Rate (per kWh) Over 800 kWh	0.02700	0.02700	0.02700	0.02700	0.02700	0.02700	0.02700	0.03520	0.03696	0.03807
<i>Commercial</i>										
Base Rate	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.60	6.60	6.80
Usage Rate (per KW)	-	-	-	-	-	-	-	4.55	4.78	4.90
Summer Usage Rate (per kWh)	0.08900	0.08900	0.08900	0.08900	0.08900	0.08900	0.08900	0.02960	0.03108	0.03201
Winter Usage Rate (per kWh)	0.02700	0.02700	0.02700	0.02700	0.02700	0.02700	0.02700	0.02700	0.02835	0.02920

Source: City of Gardner Utility Department

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

Customer	Electric Revenue		Customer	Water Revenue		Customer	Wastewater Revenue	
	Amount	%		Amount	%		Amount	%
	Wal-Mart	\$ 314,660		2.91%	U.S.D. 231 - Pioneer Ridge Middle School		\$ 155,186	5.78%
Price Chopper	215,791	1.99%	U.S.D. 231 - Wheat Ridge Middle School	20,412	0.75%	TradeNet	12,859	0.58%
U.S.D. 231 - Gardner-Edgerton H.S.	205,498	1.90%	Wal-Mart	20,087	0.75%	Pinnacle (Rehab Hospital)	11,071	0.50%
TradeNet Publishing	138,561	1.28%	U.S.D. 231 - Gardner-Edg. H.S. (baseball)	14,017	0.52%	R&B Autowash	10,895	0.49%
U.S.D. 231 - Pioneer Ridge Middle School	133,867	1.24%	Pinnacle (Rehab Hospital)	9,919	0.37%	Jacobs Properties	10,134	0.46%
ITW Labels	109,900	1.02%	U.S.D. 231 - Gardner-Edgerton H.S.	9,837	0.37%	U.S.D. 231 - Gardner-Edgerton H.S.	8,621	0.39%
U.S.D. 231 - Wheat Ridge Middle School	74,499	0.69%	TradeNet Publishing	9,693	0.36%	Wal-Mart	7,055	0.32%
U.S.D. 231 - Sunflower Elementary	73,742	0.68%	Jacobs Properties	9,593	0.36%	Super 8 Motel	6,976	0.31%
Medicalodge	72,598	0.67%	R&B Autowash	7,823	0.29%	Cedar Niles 66	6,029	0.27%
U.S.D. 231 - Moonlight Elementary	66,457	0.61%	Vintage Park	5,122	0.19%	Sonic	3,770	0.17%
Subtotal (10 largest)	1,405,573	12.99%	Subtotal (10 largest)	261,689	9.74%	Subtotal (10 largest)	94,236	4.23%
Balance from other customers	9,415,260	87.01%	Balance from other customers	2,425,504	90.26%	Balance from other customers	2,131,740	95.77%
Grand Totals	\$ 10,820,833	100.00%	Grand Totals	\$ 2,687,193	100.00%	Grand Totals	\$ 2,225,976	100.00%

Customer	Electric Revenue		Customer	Water Revenue		Customer	Wastewater Revenue	
	Amount	%		Amount	%		Amount	%
	Mid-America Plastics	\$ 337,664		6.23%	New Century Air Center		\$ 183,860	11.64%
Price Chopper	187,996	3.47%	Blazers Power Wash	9,711	0.62%	Jacobs Property	6,299	0.67%
Cramer Products, Inc.	114,305	2.11%	Jacobs Property	8,170	0.52%	Mid-America Plastics	5,155	0.55%
Dot Label	85,083	1.57%	Mid-America Plastics	5,729	0.36%	Super 8 Motel	4,631	0.50%
U.S.D. 231 - Wheat Ridge Middle School	68,936	1.27%	Medical Lodge of Gardner	4,967	0.31%	Price Chopper	3,289	0.35%
U.S.D. 231 - Sunflower Elementary	60,132	1.11%	Super 8 Motel	4,942	0.31%	EZ Car Wash	3,028	0.32%
TradeNet Publishing	59,380	1.09%	U.S.D. 231 - Nike	4,017	0.25%	Kicks 66	2,335	0.25%
U.S.D. 231 - Gardner Elementary	59,282	1.09%	Kicks 66	3,934	0.25%	U.S.D. 231 - Sunflower Elementary	2,256	0.24%
Empire Plastics	58,203	1.07%	Brad Schwartz	3,867	0.24%	Medical Lodge of Gardner	1,910	0.20%
U.S.D. 231 - High School	50,910	0.94%	U.S.D. 231 - Wheat Ridge Middle School	3,360	0.21%	Dot Label	1,849	0.20%
Subtotal (10 largest)	1,081,891	19.95%	Subtotal (10 largest)	232,557	14.73%	Subtotal (10 largest)	41,124	4.40%
Balance from other customers	4,341,011	80.05%	Balance from other customers	1,346,370	85.27%	Balance from other customers	893,687	95.60%
Grand Totals	\$ 5,422,902	100.00%	Grand Totals	\$ 1,578,927	100.00%	Grand Totals	\$ 934,811	100.00%

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

<sup>(a)</sup> Data of the top ten utility customers is unavailable prior to 2000 due to a system failure in 1999.

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	Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
1998	\$ 16,327,179	\$ 4,213,375	\$ 796,464	\$ 59,739	\$ 2,713,592	\$ 21,396,757	24.157	\$ 165,664,423	12.92%
1999	19,289,895	5,753,665	1,154,948	56,148	2,871,413	26,254,656	23.938	200,563,713	13.09%
2000	25,499,787	6,761,729	1,406,725	42,963	2,930,808	33,711,204	23.824	260,648,992	12.93%
2001	33,838,364	7,758,868	1,326,019	39,963	4,207,618	42,963,214	22.771	336,464,237	12.77%
2002	40,961,196	8,765,345	1,198,167	331,626	5,627,856	51,256,334	22.850	402,334,372	12.74%
2003	45,593,076	10,257,888	1,434,550	1,921,260	6,922,687	59,206,774	22.854	515,395,275	11.49%
2004	53,793,458	12,073,033	1,492,565	72,441	8,665,812	67,431,497	23.914	603,016,135	11.18%
2005	61,026,225	12,090,961	2,290,585	325,419	9,278,944	75,733,190	23.994	678,670,888	11.16%
2006	73,120,689	13,675,841	2,279,893	112,374	10,707,120	89,188,797	24.092	801,727,555	11.12%
2007	87,598,362	18,592,967	2,717,458	108,681	14,044,822	109,017,468	24.080	976,309,650	11.17%

*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)	
1998	19.768	4.170	23.938	1.500	14.345	3.174	1.437	7.746	67.514	119.654
1999	19.674	4.150	23.824	1.500	16.112	3.137	1.451	7.184	67.920	121.128
2000	18.693	4.078	22.771	1.500	15.676	2.981	1.322	7.646	75.318	127.214
2001	18.758	4.092	22.850	1.500	16.333	2.971	1.382	7.743	75.243	128.022
2002	19.822	3.032	22.854	1.500	16.221	2.948	1.602	9.428	75.494	130.047
2003	20.882	3.032	23.914	1.500	16.381	2.954	2.365	9.432	72.957	129.503
2004	20.952	3.042	23.994	1.500	16.041	2.956	2.367	9.438	73.008	129.304
2005	21.038	3.054	24.092	1.500	17.922	2.955	2.286	8.960	78.016	135.731
2006	21.028	3.052	24.080	1.500	17.949	2.960	2.290	8.872	76.546	134.197
2007	21.019	3.050	24.069	1.500	17.985	2.962	2.295	8.749	76.511	134.071

**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	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Wal-Mart	\$ 2,077,500	1	1.57%	-		
Martens Rentals, L.L.C.	1,727,546	2	1.30%	-		
C.L.S. Investment Company	1,290,404	3	0.97%	\$ 390,383	3	1.82%
Moonlight Apartments L.L.C.	1,283,219	4	0.97%	-		
First Choice Properties, Inc.	1,073,861	5	0.81%	-		
DJC Properties, L.L.C.	1,069,509	6	0.81%	425,001	1	1.99%
Bristol Partners XVI, L.L.C.	1,040,576	7	0.79%	-		
Moonlight Plaza, L.L.C.	803,255	8	0.61%	294,579	9	1.38%
Woodstone Apartments, L.P.	758,851	9	0.57%	-		
Walgreen Co.,	715,736	10	0.54%	-		
Mid-America Plastics				393,850	2	1.84%
Gardner Super 8				353,976	4	1.65%
Mertz, Thomas D.	-			323,852	6	1.51%
Gaut, C. Rufas	-			313,870	7	1.47%
Cramer Products, Inc.	-			351,827	5	1.64%
Gay, William D.	-			261,001	10	1.22%
Moonlight Townhomes, L.P.	-			309,224	8	1.45%
Totals	<u>\$ 11,840,457</u>		<u>8.94%</u>	<u>\$ 3,417,563</u>		<u>15.97%</u>

Source: Johnson County Clerk's Office

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

<b>Fiscal Year Ended December 31</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections for Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
1998	\$ 681,131	\$ 662,169	97.22%	\$ 18,962	\$ 681,131	100.00%
1999	806,354	773,724	95.95%	14,607	788,331	97.76%
2000	1,001,117	927,268	92.62%	6,842	934,110	93.31%
2001	1,194,589	1,108,494	92.79%	34,458	1,142,952	95.68%
2002	1,437,687	1,344,550	93.52%	44,579	1,389,129	96.62%
2003	1,610,557	1,492,539	92.67%	102,250	1,594,789	99.02%
2004	1,953,944	1,845,505	94.45%	58,935	1,904,440	97.47%
2005	2,327,047	2,242,537	96.37%	72,463	2,315,000	99.48%
2006	2,675,243	2,472,334	92.42%	90,252	2,562,586	95.79%
2007	3,146,176	3,171,873	100.82%	60,952	3,232,825	102.75%

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			
1998	\$ 1,225,850	\$ 272,891	\$ -	\$ 368,895	\$ -	\$ -	\$ 8,931,259	\$ -	\$ 2,011,319	\$ 11,200,000	\$ 24,010,214	8.54%	\$ 3,320
1999	1,120,950	235,553	-	297,342	-	-	8,593,497	72,975	1,917,639	10,665,000	22,902,956	6.56%	2,682
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	108,152	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

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.

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>
1998	\$ 10,157,109	\$ 272,891	\$ 26,740	\$ 10,403,260	5%	\$ 1,439
1999	9,714,447	235,553	24,394	9,925,606	4%	1,163
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

**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, 2007**

<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	\$ 118,225,000	57.35%	\$ 67,802,038
Johnson County	37,495,231	1.20%	449,943
Johnson County Park and Recreation	4,820,000	1.20%	57,840
Johnson County Community College	6,905,000	1.20%	82,860
<b>Other</b>			
Johnson County: Public Building Commission	95,410,000	1.20%	<u>1,144,920</u>
Subtotal, overlapping debt			69,537,601
<b>City Direct Debt</b>			<u>24,297,065</u>
<b>Total direct and overlapping debt</b>			<u>\$ 93,834,666</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.

**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>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt Limit	\$ 11,231,154	\$ 14,031,119	\$ 14,503,378	\$ 17,586,796	\$ 23,173,071	\$ 26,225,612	\$ 29,025,556	\$ 33,798,595	\$ 40,485,098
Total net debt applicable to limit	<u>1,867,636</u>	<u>2,953,845</u>	<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>
Legal debt margin	<u>\$ 9,363,518</u>	<u>\$ 11,077,274</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	16.63%	21.05%	36.67%	24.29%	27.63%	42.14%	42.74%	42.53%	32.23%

**Legal Debt Margin Calculation for Fiscal Year 2007**

Assessed value <sup>(a)</sup>	\$ 151,071,645
Debt limit (30% of assessed value) <sup>(b)</sup>	45,321,494
Debt applicable to limit:	
G.O. Bonds and Temporary Notes Outstanding	50,787,000
Less: Amount set aside for utilities, refunding, and revenue-supported bonds	<u>(38,240,496)</u>
Total net debt applicable to limit	<u>12,546,504</u>
Legal debt margin	<u>\$ 32,774,990</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**

<b>Calendar Year</b>	<b>Population <sup>(1)</sup></b>	<b>Personal Income</b>	<b>Per Capita Personal Income <sup>(2)</sup></b>	<b>Median Age <sup>(2)</sup></b>	<b>School Enrollment <sup>(3)</sup></b>	<b>Unemployment Rate <sup>(2)</sup></b>
1998	7,232	\$ 281,288,640	\$ 38,895	unavailable	2,344	2.6%
1999	8,538	349,178,586	40,897	33.2	2,501	1.9%
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%

*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**

<u>Employer</u>	<u>2007</u>			<u>1998</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Unified School District No. 231	650	1	16.97%	250	1	11.36%
Walmart	350	2	9.14%	-	-	-
D.O.T. Label, Inc. (ITW)	180	3	4.70%	-	-	-
Package Services Co., Inc.	150	4	3.92%	125	3	5.68%
City of Gardner	138	5	3.60%	63	7	2.86%
Meadowbrook Rehabilitation Hospital	113	6	2.95%	55	8	2.50%
Price Chopper	100	7	2.61%	120	4	5.45%
Medical Lodge of Gardner	90	8	2.35%	50	9	2.27%
Cramer Products, Inc.	65	9	1.70%	65	6	2.95%
TradeNet Publishing	60	10	1.57%	85	5	3.86%
Mid America Plastics, Inc.	-			160	2	7.27%
Empire Plastics	-			14	10	0.64%
<b>Total</b>	<b>1,896</b>		<b>49.51%</b>	<b>987</b>		<b>44.84%</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>1998</u>	<u>1999</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>
General government										
Administration	2	2	2	2	2	2	2	3	3	3
Human Resources/City Clerk	1	1	1	1	1	2	2	2	2	2
Finance										
Accounting	2	2	3	3	4	4	5	5	5	5
Court	1	1	1	1	1	1	2	2	2	2
Utilities	3	3	4	5	6	7	8	8	8	8
Information Systems	-	-	-	-	-	-	-	-	1	1
Planning	2	2	2	3	3	3	4	4	5	4
Codes	2	2	2	3	4	5	5	5	6	7
Public Safety										
Administration	2	2	3	3	3	4	4	4	5	6
Operations	6	8	10	12	18	21	21	24	28	34
Animal Control	-	-	-	-	-	-	1	1	1	1
Public Works										
Administration	4	4	4	5	5	5	5	5	5	4
Fleet	-	-	-	-	1	1	1	1	1	1
Engineering	2	2	3	3	3	3	3	5	6	6
Building Maintenance	-	-	-	-	-	-	-	-	1	1
Streets & Maintenance	5	6	6	6	8	8	8	11	12	9
Electric	4	4	4	5	9	9	9	10	10	12
Water	3	4	4	4	5	6	6	8	9	10
Wastewater	3	3	4	4	4	6	6	7	9	10
Culture and Recreation										
Recreation Services	3	3	3	3	3	3	3	4	4	6
Park Maintenance	2	2	3	3	4	4	5	6	6	8
<b>Total</b>	<u>47</u>	<u>51</u>	<u>59</u>	<u>66</u>	<u>84</u>	<u>94</u>	<u>100</u>	<u>115</u>	<u>129</u>	<u>140</u>

Source: City of Gardner Human Resources Department

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

Function	Fiscal Year									
	1998	1999	2000	2001	2002 <sup>(a)</sup>	2003	2004	2005	2006	2007 <sup>(b)</sup>
General government <sup>(1)</sup>										
Building permits issued	364	325	220	202	319	432	505	475	300	255
Building inspections conducted	unavailable	unavailable	unavailable	2,548	4,393	5,748	8,142	9,669	7,419	4,862
Public Safety <sup>(2)</sup>										
Traffic violations	unavailable	unavailable	1,465	2,652	2,938	2,820	2,931	3,366	3,799	2,742
Fire responses	218	248	266	247	298	257	298	333	319	364
Medical responses	564	490	616	634	650	616	640	824	871	922
Public Works <sup>(3)</sup>										
Street resurfacing (shown in linear feet)	unavailable	unavailable	9,750	6,400	9,500	5,860	12,766	8,420	11,080	19,183
Curb replacement (shown in linear feet)	unavailable	unavailable	unavailable	1,000	1,435	1,505	2,897	2,547	4,340	8,627
Electric <sup>(4)</sup>										
Average daily consumption (in kWh)	142,888	158,904	214,004	218,683	363,002	214,543	224,965	287,326	292,556	327,896
Electric meters installed	315	280	167	243	399	552	567	547	369	399
Water <sup>(4)</sup>										
Average daily consumption (in thousands)	823	1,125	1,396	1,233	2,088	1,565	1,402	1,457	1,543	1,634
Water meters installed	355	303	311	229	398	511	514	477	317	284
Wastewater <sup>(4)</sup>										
Average daily sewage treatment (in thousands)	499	521	644	819	967	1,129	1,367	1,518	1,304	1,415
Culture and Recreation <sup>(5)</sup>										
Athletic Program Participants	unavailable	unavailable	1,645	1,883	1,622	1,903	1,823	1,863	2,132	2,182
Aquatic Admissions	unavailable	21,006	19,957	22,945	22,294	17,175	14,057	21,969	27,174	100,247

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**

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety <sup>(2)</sup>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol/AC Units	3	3	4	4	5	10	11	11	14	15
Fire Fleet	3	3	3	4	4	4	4	5	5	7
Public Works <sup>(3)</sup>										
Streets (miles)	31.78	35.19	36.57	39.76	42.08	47.91	53.23	60.84	66.34	67.67
Streetlights	676	709	751	801	853	908	964	1,022	1,094	1,164
Electric <sup>(4)</sup>										
Generators	2	2	2	2	2	2	2	2	2	2
Substations	2	2	2	2	2	2	2	2	3	3
Overhead lines (miles)	22	24	25	26	26	28	34	38	45	46
Underground lines (miles)	unavailable	unavailable	20	23	27	32	40	44	50	51
Water <sup>(4)</sup>										
Water mains (miles)	56.23	59.81	65.51	69.00	72.35	80.44	86.26	93.86	99.93	104.05
Treatment Plants	2	2	2	2	2	2	2	2	2	2
Wastewater <sup>(4)</sup>										
Sanitary sewers (miles)	48.75	52.68	54.89	61.49	71.77	84.45	93.27	107.68	112.54	119.40
Storm sewers (miles)	11.90	14.27	15.63	17.43	19.33	24.09	27.72	33.68	38.26	39.72
Treatment Plants	2	2	2	3	3	3	3	3	3	3
Culture and Recreation <sup>(5)</sup>										
Acreage	unavailable	unavailable	unavailable	unavailable	unavailable	unavailable	96.04	177.06	196.40	226.93
Parks	8	8	8	8	8	9	9	10	10	10
Baseball/softball/soccer fields	3	3	3	4	4	4	4	4	4	4
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



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, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 26, 2008. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement on the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as Findings 2007-1 and 2007-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### 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 response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

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

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

June 26, 2008

CITY OF GARDNER, KANSAS

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2007

**Finding 2007-1 – 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)* – Staff engaged in additional training for the recording of capital assets after this issue was noted in the 2006 audit. Due to turnover in senior staff, the correction was not implemented. New and existing staff received training, but a gap in experience remained for 2007. The capital asset information was gathered and schedules compiled, but the final step to properly record the assets in the system, and calculate depreciation was not taken.

With experience gained from the 2007 audit cycle and continued cooperation between the auditors and staff, this finding will be corrected in 2008.

**Finding 2007-2 – 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. This finding is repeated from the prior year. In addition, during the current year, there were journal entries being posted to the general ledger that were not being reviewed or approved before they were posted.

CITY OF GARDNER, KANSAS

SCHEDULE OF FINDINGS AND RESPONSES

(Continued)

*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)* – City Staff has received training in the proper recording of year end journal entries and will continue implementation of that training in 2008. To that end, an additional checklist has been developed to aid in the year end process. As in Finding 2007-1 above, turnover of staff affected the ability of the department to make further progress in assuming responsibility for year end journal entries. The possibility of receiving additional training prior to the 2008 audit has been discussed and will be utilized if necessary.

CITY OF GARDNER, KANSAS

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Year Ended December 31, 2007

**Finding 2006-1 - Segregation of Records**

The City is not currently recording some capital asset additions in the City's capital assets system until the end of the year when they are identified during the audit. 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 tracked separately from the general ledger in the City's capital assets system. In addition, depreciation of capital assets is not being calculated until the end of the year at the time of the audit.

*Response (Unaudited)* – During the course of the 2006 audit, it was discovered that some of the City's capital asset transactions were not properly recorded in the City's capital asset system. Staff has already engaged in additional training and developed additional procedures to remedy the oversight.

Due to a misunderstanding, depreciation was not calculated in the system for 2006 until the time of the audit. It will be calculated throughout the year in 2007.

*Follow-up* – Based on audit tests performed in the current year, this finding has not been resolved as capital asset additions were not recorded in the current year.

**Finding 2006-2 – Journal Entries**

During the course of the audit, we identified significant adjustments to the trial balance that were not initially identified by the City's internal control structure. We recommend that the City review its trial balance at year end to ensure that all adjustments have been made.

*Response (Unaudited)* – Many of the adjustments to the trial balance were year end journal entries including the reclassification of debt, capitalization of construction in progress, and depreciation of capital assets. The Finance Department will obtain additional training with the City's auditors to prepare staff to make the entries prior to the date of field work.

*Follow-up* – Based on audit tests performed in the current year, this finding has not been resolved as significant journal entries were made during the audit.