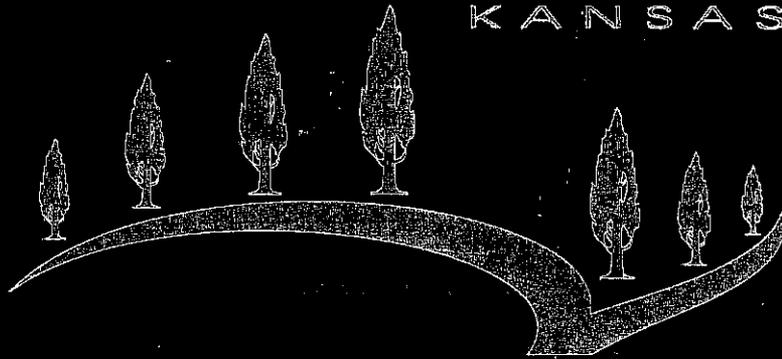


CITY OF
GARDNER
KANSAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended
December 31, 2006

CITY OF GARDNER, KANSAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

Prepared by:

Finance Department
City of Gardner, Kansas

CITY OF GARDNER, KANSAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Year Ended December 31, 2006

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CITY OF GARDNER, KANSAS

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CITY OF GARDNER, KANSAS

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CITY OF GARDNER, KANSAS

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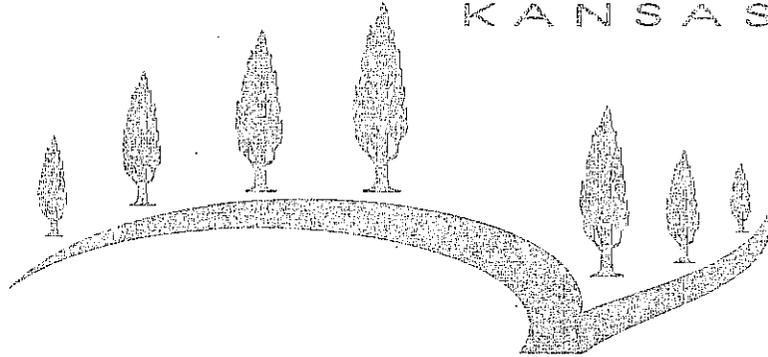
Year Ended December 31, 2006

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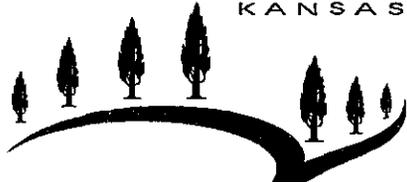
CITY OF
GARDNER
KANSAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended
December 31, 2006

INTRODUCTORY SECTION



June 20, 2007

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, 2006 is hereby submitted. This is the third 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 CAFR is presented in three sections: introductory, financial, and statistical.

The Introductory Section includes this transmittal letter, the City's organizational chart, a list of principal officials, and a copy of the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended December 31, 2005.

The Financial Section includes the independent auditors' report, Management's Discussion and Analysis (MD&A), government-wide financial statements, fund financial statements, notes to the financial statements, and individual and combining statements and schedules. MD&A provides a narrative introduction, overview and analysis of the

basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

The Statistical Section includes selected financial and demographic information, generally presented in a multi-year historical format.

Internal Control Structure and Budgetary Controls

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 is 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.

Cash Management

The City has a written investment policy stating the primary objective of safety of principal, followed by liquidity needs, and then rate of return on investments. The policy also requires a collateralization level of 105% of market value of principal and accrued interest, including FDIC.

Risk Management

The City obtains employee health insurance through MARCIT. MARCIT is a public entity self-insurance pool providing workers' compensation, liability, property, health, dental and vision insurance to a membership of more than 70 Missouri and Kansas local governments. Under special agreement with the Kansas Department of Insurance, as permitted by state law, MARCIT offers health, dental, and vision coverage to local governments in the five Kansas counties in the greater Kansas City metropolitan area.

The City provides workers' compensation through its membership in the Kansas Eastern Region Insurance Trust (KERIT). KERIT is a group self insured program that provides workers' compensation benefits to employees of Trust members. The program is

designed to provide members a greatly improved loss control program whose purpose is to reduce claims, accidents, and costs through sound and equitable claim management practices and provide the required excess insurance at a discount based on volume and lower risk exposure. In order to raise the level of safety awareness among all employees to keep the annual premiums to KERIT as low as possible, the City has an internal Safety Committee comprised of representatives from all departments. The committee reviews accidents, discusses safety issues, and implements organization-wide safety programs.

Liability, property, and other insurance coverage is purchased from outside sources.

Independent Audit

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.

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 2006, the City annexed an additional 252 acres into its corporate limits. Currently, Gardner is approximately 9.79 square miles in size. The City installed 13.3 miles of new streets, 7.9 miles of new wastewater lines, 3.6 miles of new storm sewer, 8.0 miles of water lines, 4.0 miles of new overhead electric distribution and transmission lines, and 72 new street lights. There are currently 16 subdivisions with housing construction activity. The number of building permits for single-family home construction decreased from 399 in 2005 to 228 in 2006, and multi-family home construction decreased from 128 in 2005 to 117 in 2006.

The City welcomed nearly 900 new residents to the community or about three new neighbors a day on average. There are approximately 16,200 people who now call Gardner home. This is a 60% increase from just five years ago, where the number of Gardner citizens was about 10,122.

As expected, the City experienced significant commercial growth in 2006. Walgreen's opened in September and the 159,000 sq. ft. Wal-Mart Super Center opened its doors in October. Little Peoples Daycare is also being constructed. New Century Business Park continued to develop with the addition of multiple new dining options including: Domino's Pizza, Bob and Dee's Family Restaurant, Austin's Bar and Grill, Taco Via, and Wheat State Pizza. Patriots Bank, Central National Bank, and Solutions Bank opened branches in Gardner as well. The City of Gardner now has four athletic clubs to help keep its citizens physically fit.

In October, Burlington Northern Santa Fe Railroad announced that it had chosen The Allen Group to develop a new logistics park near Gardner, Kansas. The Allen Group is a nationally recognized industrial development company and will develop what will become the third logistics park on BNSF's network. The Allen Group will work with local and state governments on a variety of aspects related to this project.

A new Middle School is being built in the rapidly expanding northwest area of town. This school will house grades five through eight.

All of this growth has contributed to an increase in the City's assessed valuation of 99% in the last five years alone. Wealth levels and housing values exceed state averages, and Johnson County's May 2006 unemployment rate at 4.3% was slightly below the state's rate of 4.5%. Additionally, in 2006, the City's sales tax collections increased. A ½ cent sales tax increase was approved by more than 70% of voters on June 7, 2005, to fund the development of a new community park and the expansion of the City swimming pool. In 2006, the park sales tax increment totaled \$878,877. Without the additional ½ cent park sales tax increment, the City's sales taxes increased over 12% from 2005.

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 strong economic outlook for years to come.

Major Initiatives

2006 Initiatives

Planning and design for the approximate 5,000 square foot new Public Safety Station No. 2 began in 2006. The facility will house a fire pumper purchased in 2005 and a new Bronto 100 foot rescue ladder truck that will be delivered early in 2007. The City also purchased land for the third public safety station in the northwest area of town, near Celebration Park and the new Middle School. The new position of a Fire Captain in 2006 is one of the ways the City is preparing its Public Safety staff to meet the needs of the growing City.

Work on the new aquatic facility began in the spring of 2006 with the construction of a lazy river, multiple water slides, floatable walk, spray grounds, climbing net, zero depth entry, and a toddler pool. The project has continued on schedule and is anticipated to open Memorial Day weekend 2007. Construction also began on Celebration Park, named in honor of the City's corresponding Sesquicentennial Celebration. The 83 acre complex will include baseball, softball, football, and soccer fields, as well as walking paths, a lake, shelters, and bathroom facilities. The City also purchased land for a new neighborhood park in the Quail Meadow subdivision. The park will be adjacent to the future Kill Creek Trail that has been incorporated into the Johnson County Trails Master Plan. Additionally, Gardner received its fourth Tree City USA Award from the National Arbor Day Foundation.

In 2006, the City spent over \$300,000 on improvements to existing residential streets. The City worked with the Kansas Department of Transportation to add left turn signals in all directions at Main Street and Moonlight Road, the City's busiest intersection. In order to better maintain the 127 lane miles of roadway, the Streets Division purchased an asphalt roller and an Elgin Eagle mechanical broom sweeper. The roller is essential for providing smooth and durable pavement repair, and the sweeper keeps the streets free of debris and gravel.

The Hillsdale Water Treatment Plant was expanded to double the total capacity from producing 2 million gallons a day to 4 million gallons a day. A new elevated water storage tower is being constructed in the northwest area of town. 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.

A new wastewater lift station is being built to replace the current north lift station. The current station is at capacity and cannot meet future demand. The project is expected to be completed in April of 2007. The east wastewater lift station was completed and went online in 2006.

The City completed the installation of Electric Substation No. 3 in 2006. This station and transmission lines serve the rapidly expanding northwest area of Gardner. The aging Manor subdivision circuit was rebuilt by replacing overhead lines.

Sixteen new positions were added in 2006 to better serve Gardner's citizens including: an additional public safety clerk, four public safety officers, the aforementioned fire captain, two maintenance workers, two electric service technicians, a water plant operator, two engineering technicians, an electric lineman, a planner, and a staff engineer.

The City released a new website in February 2006. There are links for citizens to pay their utility bill online, register for parks and recreation programs, as well as apply for employment opportunities with the City. Also available on the website are important City documents, current events, and bid requests.

The City implemented a budget billing program to its residential class 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 2007, four additional public safety personnel will be added to increase the City of Gardner's coverage. A new outdoor warning siren will be installed in the northwest part of town. A stoplight will be 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. The City will enter into a lease-purchase agreement for the aforementioned Bronto 100 foot rescue ladder truck. It will aid in the operation of rescue and firefighting on structures with large span roofs, such as schools, Wal-Mart, Trade Net, and other buildings now being constructed in Gardner.

The City is seeking land to purchase for the new Parks/Public Works Operations Facility, which may be purchased in 2007 or 2008. This area will house parks and public works equipment and provide a base for operations. In 2008, the City will ease traffic congestion at the Santa Fe and Moonlight Road intersection by relocating Santa Fe Street to the south. Lincoln Lane will be extended west of Moonlight Road to allow additional access to the Moonlight Plaza shopping center. Construction for widening Moonlight Road to four lanes will be bid late in 2007, to be completed in 2009.

The City has \$350,000 budgeted for its existing street improvement and development program for 2007. The City will replace over \$500,000 worth of aging waterlines, as part of the waterline replacement program. The City's electric division plans to rehabilitate the hospital circuit and finalize the replacement of the lines northwest of town along Waverly road.

The former Bull Creek Wastewater Treatment Plant is being converted into a new lift station to enable 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 October 2007.

Financial Planning

In 2006, the City's electric, water and wastewater funds continued to be self-sufficient and paid a "franchise" fee to the General Fund. This approximates the franchise fees that non-government utilities pay to the City for operating within the limits. The utility funds paid slightly less than 10% of revenues. In 2007, the water and wastewater funds will no longer pay the franchise fee; keeping in line with our competitors serving the surrounding area. However, each fund is paying 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.

The City continues to assess its utility rates in relation to current and future costs. Electric rates were increased an average of 5% for all rate classes. The City also reviewed the rates for water and wastewater services in 2006. Water rates increased by 3% for both service charge and consumption charge. This increase is offset by a 5% rate reduction in 2005, so the 2006 cost is still less than the 2004 rate. Wastewater increased by 5% for both usage and service charges.

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.

The City continues to conduct stormwater infiltration studies to identify areas where stormwater is infiltrating into the wastewater system. Reduction in infiltration reduces the City's capacity needs for wastewater treatment and associated costs.

The City will conduct a study in 2007 on the viability of the electric system to determine how the system will continue to function given the change in the electric market. In 2006, a separate master plan study was started to indicate where future improvements would be needed and the cost of those improvements. This study should be completed in 2007.

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.

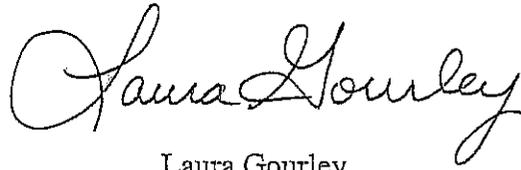
Acknowledgements

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 2006. 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

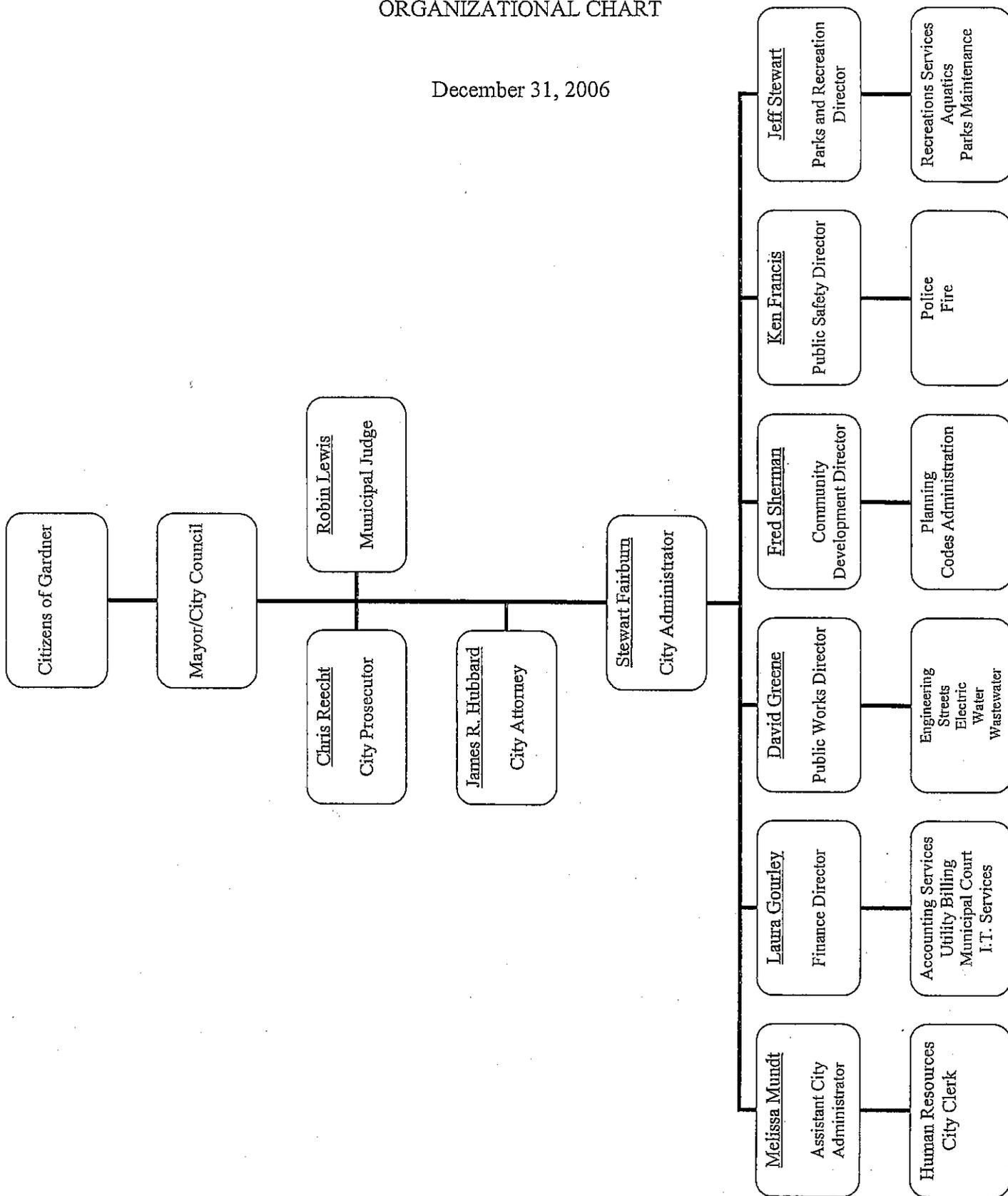


Laura Gourley
Finance Director

CITY OF GARDNER, KANSAS

ORGANIZATIONAL CHART

December 31, 2006



City of Gardner
List of Elected and Appointed Officials
December 31, 2006

Elected Officials

		<u>Term of Office</u>
Mayor	Carol Lehman	2005-2009
Council President	David Drovetta	2003-2007
Council Vice President	Mary Peters	2003-2007
Councilmember	Brad Weisenburger	2003-2007
Councilmember	Mark Raney	2005-2009
Councilmember	Tom Breen	2006-2009

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, 2005

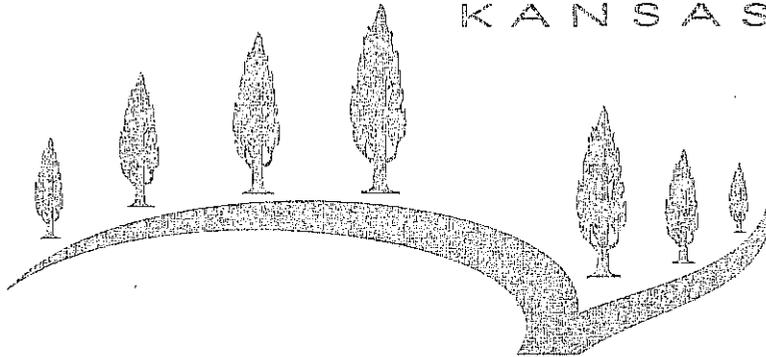
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

CITY OF
GARDNER
KANSAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended
December 31, 2006

FINANCIAL SECTION



Berberich Trahan & Co.

Certified Public Accountants

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Topeka, KS 66611-2050

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Toll Free 800 530 5526
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www.cpakansas.com

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, 2006, 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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the street improvement 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 20, 2007, 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.

RSM McGladrey Network

An Independently Owned Member

The Management's Discussion and Analysis on pages 3 through 15 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 20, 2007

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, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-viii of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of 2006 by \$70,147,661 (*net assets*). Of this amount, \$12,010,628 (*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 \$5,742,215 from the prior year.
- As of the close of 2006, the City's governmental funds reported combined ending fund balances of \$10,381,970, an increase of \$4,394,102 from the prior year. The City experienced an increase of over \$3.7 million in governmental assets during 2006. The significant increase to the governmental assets is due to the \$7,150,000 in certificates of participation reported in the restricted deposits and investments of the City.
- At the end of 2006, the fund balance for the General Fund was \$4,127,464, or 56% of General Fund expenditures.
- In 2006, the City issued \$7,150,000 in general obligation improvement bonds for the construction of an electric substation and \$3,545,000 in general obligation improvement bonds for the construction of a new aquatics center. The City also issued \$7,150,000 in certificates of participation for the construction of a new park complex. The park and pool projects are being funded by a voter approved ½ cent sales tax increase. The City obtained a \$4,318,315 state revolving loan from the Kansas Department of Health and Environment in order to convert the Bull Creek Wastewater Treatment Plant into a lift station. The City was also approved for two state revolving loans from the Kansas Department of Transportation, one in the amount of \$692,706 for the design of the Main and Moonlight Project and another in the amount of \$561,895 for the street improvements made to 167th Street. With the City's additional financing for its many infrastructure construction projects, the City's long-term liabilities increased \$21.6 million from the prior year.

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 governmental 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 three utilities the City operates: electric, water, and wastewater.

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, Kill Creek Sewer fund, and Street Improvement fund, all of which are considered to be major funds. Data from the other 34 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 three enterprise funds: Electric Fund, Water Fund, and the Wastewater 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 governmental 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 \$70,147,661 at the close of 2006. The City's net assets increased by \$5,742,215 from the prior year, with governmental activities accounting for \$2,335,761 of the increase, and business-type activities accounting for \$3,406,454 of the increase.

City of Gardner, Kansas Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$27,599,012	\$23,501,887	\$12,605,356	\$13,722,959	\$40,204,368	\$37,224,846
Capital assets	36,773,167	27,879,930	86,782,395	74,185,973	123,555,562	102,065,903
Total assets	<u>64,372,179</u>	<u>51,381,817</u>	<u>99,387,751</u>	<u>87,908,932</u>	<u>163,759,930</u>	<u>139,290,749</u>
Long-term liabilities	24,725,918	14,015,912	45,410,574	34,509,195	70,136,492	48,525,107
Other liabilities	14,581,665	14,637,070	8,894,112	11,723,126	23,475,777	26,360,196
Total liabilities	<u>39,307,583</u>	<u>28,652,982</u>	<u>54,304,686</u>	<u>46,232,321</u>	<u>93,612,269</u>	<u>74,885,303</u>
Net assets:						
Invested in capital assets, net of related debt	12,854,680	14,068,012	36,644,874	37,238,650	49,499,554	51,306,662
Restricted for:						
Debt service	2,584,081	3,079,207	-	-	2,584,081	3,079,207
Streets	4,842,062	4,322,113	-	-	4,842,062	4,322,113
Other purposes	1,211,336	974,028	-	-	1,211,336	974,028
Unrestricted	3,572,437	285,475	8,438,191	4,437,961	12,010,628	4,723,436
Total net assets	<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>

The largest portion of the City's net assets (71 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 \$8,637,479 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 \$12,010,628 (\$3,572,437 governmental activities and \$8,438,191 business-type activities) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

More detailed information, including information on the City's component unit, is presented in the *Statement of Net Assets* on page 16 in the Financial section of this report.

Analysis of Changes in Net Assets

As stated earlier, the City's net assets increased by \$5,742,215 during the 2006 fiscal year. The following table reflects the revenues and expenses for the City's activities for the year ended December 31, 2006, and illustrates the comparison between 2006 and the prior year:

	City of Gardner, Kansas					
	Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for services	\$1,580,953	\$1,799,986	\$17,045,007	\$17,398,689	\$18,625,960	\$19,198,675
Operating grants and contributions	2,216,293	2,139,253	-	-	2,216,293	2,139,253
Capital grants and contributions	218,234	1,087,882	589,004	50,000	807,238	1,137,882
General Revenues:						
Property taxes	2,676,275	2,311,209	-	-	2,676,275	2,311,209
Sales taxes	2,636,630	1,566,055	-	-	2,636,630	1,566,055
Franchise taxes	350,024	337,916	-	-	350,024	337,916
Excise taxes	1,289,599	1,455,739	-	-	1,289,599	1,455,739
Transient guest tax	40,680	34,338	-	-	40,680	34,338
Unrestricted Investment earnings	831,916	497,681	520,452	532,024	1,352,368	1,029,705
Total Revenue & transfers	11,840,604	11,230,059	18,154,463	17,980,713	29,995,067	29,210,772
Expenses:						
General government	2,283,679	2,487,540	-	-	2,283,679	2,487,540
Public safety	2,698,278	2,133,175	-	-	2,698,278	2,133,175
Public works	1,953,847	1,814,204	-	-	1,953,847	1,814,204
Culture and recreation	1,280,138	1,191,341	-	-	1,280,138	1,191,341
Interest on long-term debt	1,098,258	912,018	-	-	1,098,258	912,018
Electric	-	-	9,369,802	7,065,972	9,369,802	7,065,972
Water	-	-	2,353,432	2,045,852	2,353,432	2,045,852
Wastewater	-	-	3,215,418	3,176,131	3,215,418	3,176,131
Total Expenses	9,314,200	8,538,278	14,938,652	12,287,955	24,252,852	20,826,233
Increase in net assets before transfers	2,526,404	2,691,781	3,215,811	5,692,758	5,742,215	8,384,539
Transfers	(190,643)	329,158	190,643	(329,158)	-	-
Increase in net assets	2,335,761	3,020,939	3,406,454	5,363,600	5,742,215	8,384,539
Net assets, Jan 1, as previously stated	22,728,835	19,482,358	41,676,611	36,461,251	64,405,446	55,943,609
Prior period adjustment	-	225,538	-	(148,240)	-	77,298
Net assets, Jan 1, as restated	22,728,835	19,707,896	41,676,611	36,313,011	64,405,446	56,020,907
Net Assets, Dec 31	\$25,064,596	\$22,728,835	\$45,083,065	\$41,676,611	\$70,147,661	\$64,405,446

More detailed information, including information on the City's component unit, can be found in the *Statement of Activities* on page 17 of the Financial section of this report.

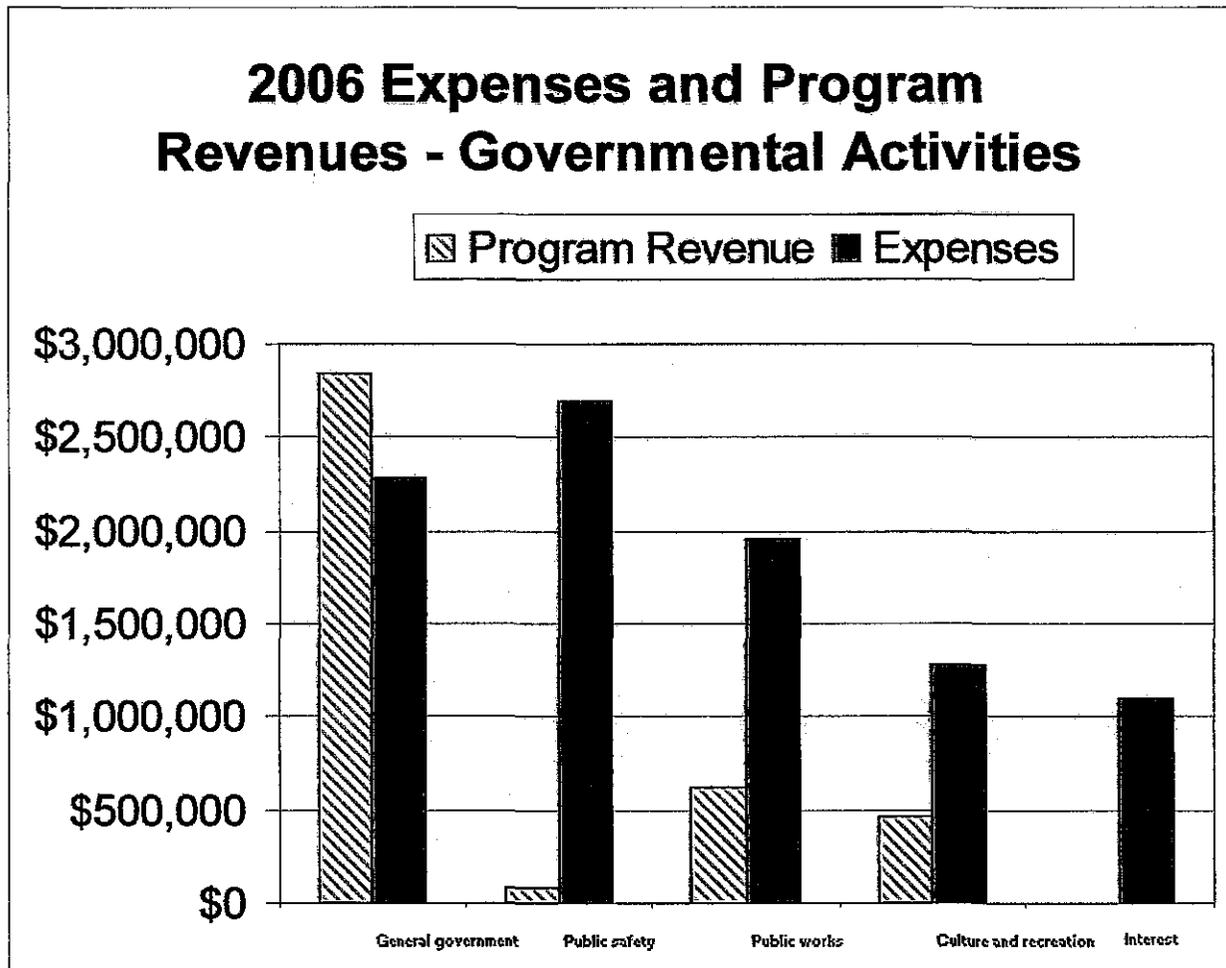
Governmental Activities

Governmental activities accounted for \$2,335,761, or 41%, of the increase in the City's net assets since the prior year. The increase in net assets is primarily a result of the City's \$1,070,575 increase in sales taxes.

Governmental revenues increased by \$610,545 or 5.4% from the prior year. Key components in this increase were a 68.3% increase in sales taxes, a 67.1% increase in investment revenue, a 15.8% increase in property taxes, offset by a 79.9% decrease in capital grants and contributions, and an 11.4% decrease in excise taxes. The significant decrease in capital grants and contributions is due to a CARS grant received in 2005 for the North Center Street capital improvement project, which was completed early in 2006.

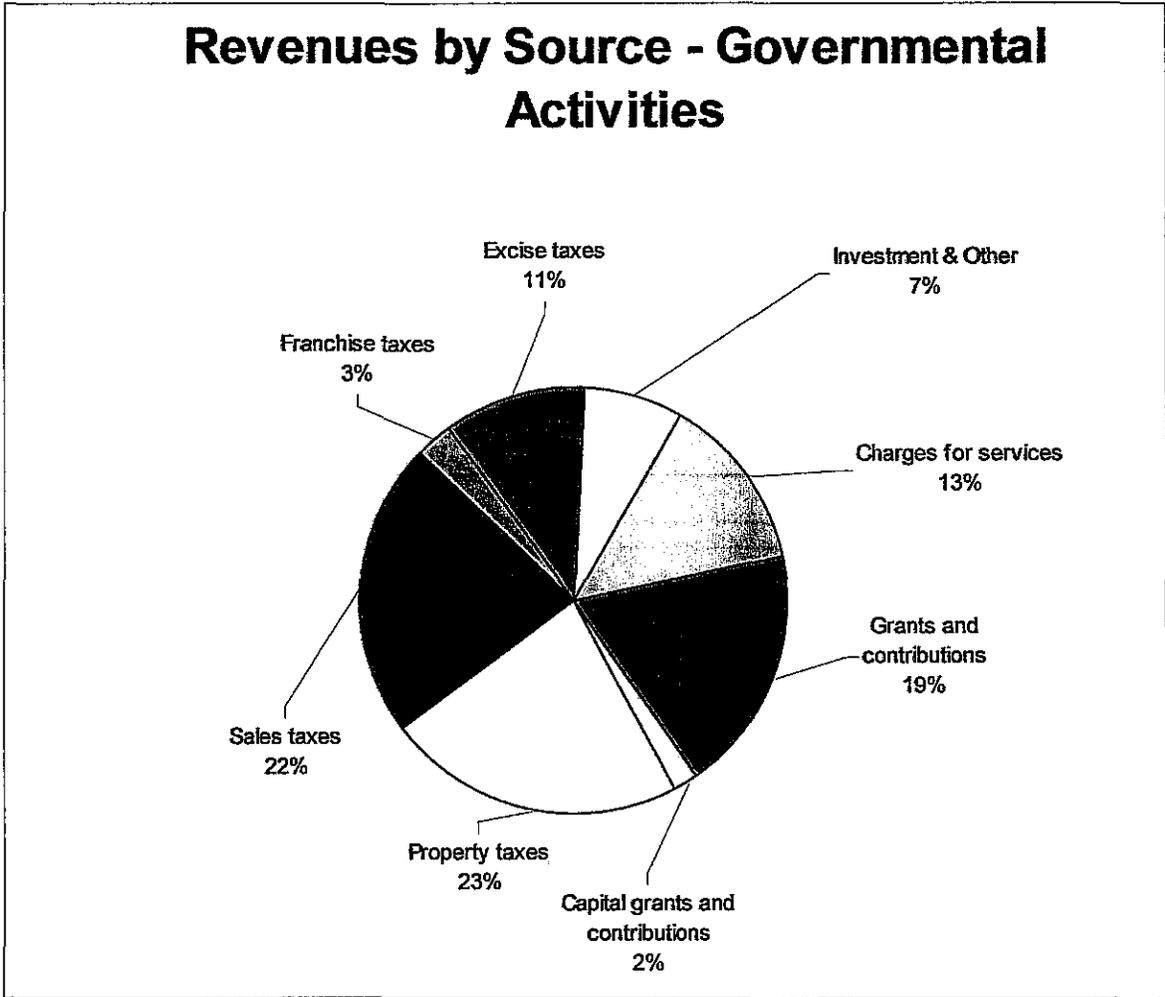
Governmental expenses increased by \$775,922 or 9.0% from the prior year. Key components of this increase were a 26.9% increase in Public Safety expenses and a 20.4% increase in interest on long-term debt.

The chart below illustrates how the City's various governmental activities program revenues vs. program expenses fared in 2006.



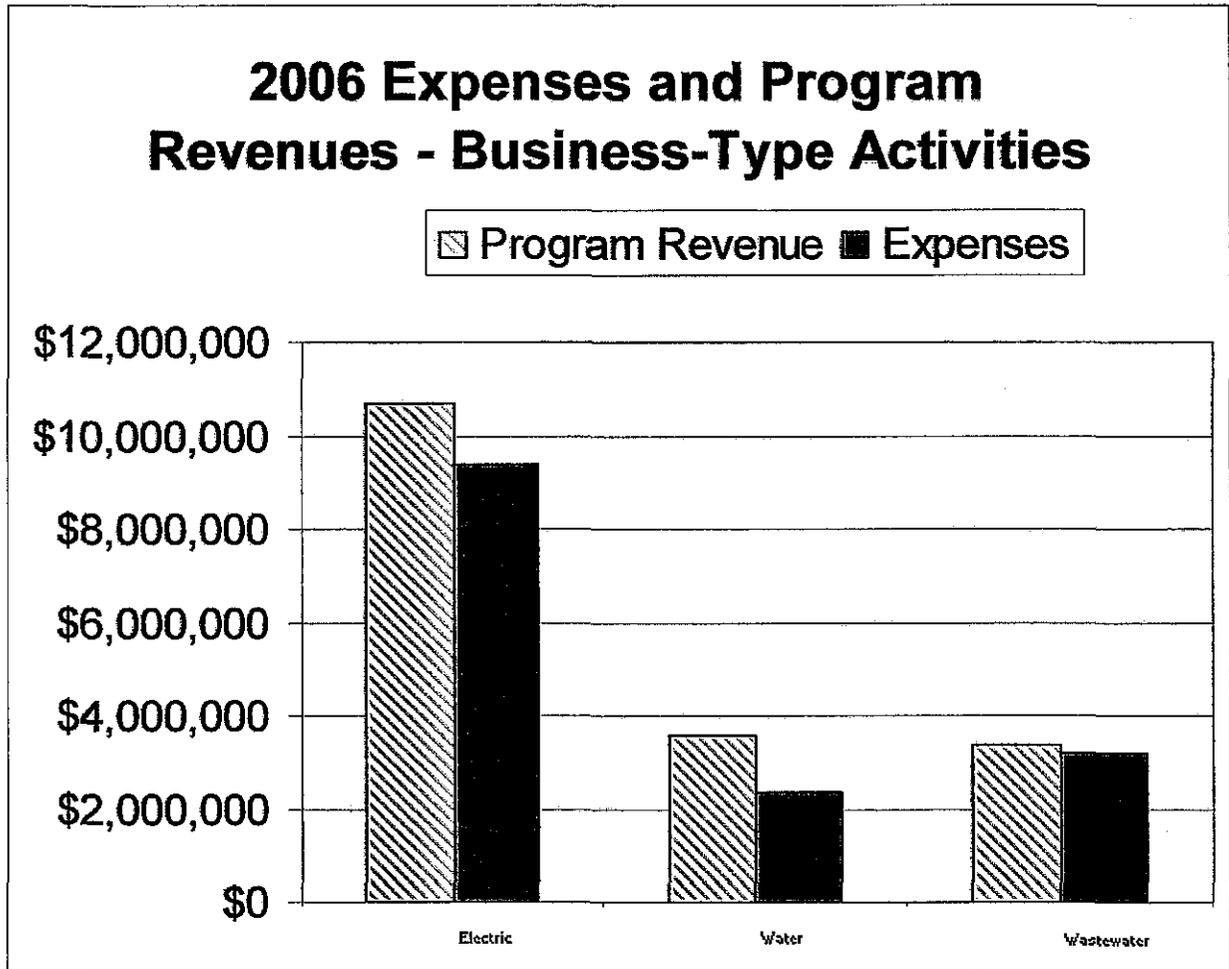
General government program revenues include the amount of building permit and related inspection fees received during the year, as well as fines and forfeitures collected by the Municipal Court department.

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

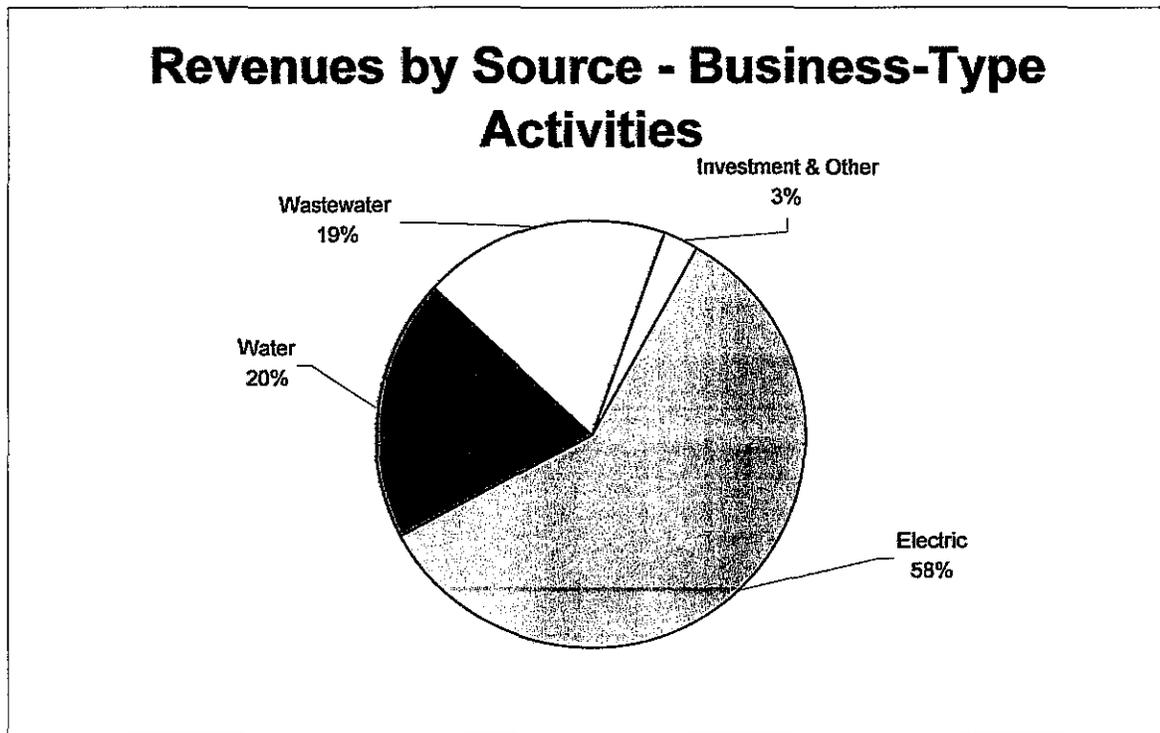


Business Type Activities

Business-type activities accounted for \$3,406,454, or 59%, of the increase in the City's net assets since the prior year. 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 2006, the City's governmental funds reported combined ending fund balances of \$10,381,970, an increase of \$4,394,102, or 73.4%, in comparison with the prior year. This increase can be attributed to the unspent debt proceeds issued for the City's capital projects. The fund balance of \$10,381,970 represents 49% of total governmental fund expenditures of \$21,144,279.

The General Fund is the chief operating fund of the City. At the end of 2006, the fund balance of the General Fund was \$4,127,464. Fund balance represents 56% of total General Fund expenditures of \$7,362,612. This year's fund balance represents an increase of \$806,226 over the previous year's balance. This increase is generally accredited to the growth in the number of consumers and citizens in the City. This growth subsequently increases the number of building permits and fees the City receives, as well as an increase in sales and property taxes.

The Celebration Park Fund, a new fund in 2006, has a fund balance of \$4,786,241. Celebration Park fulfills the criteria to be considered a major governmental fund because of its large assets and expenditures. This capital project will be completed at the end of 2008.

Kill Creek Sewer has a fund balance of (\$922,456). This is an increase of \$828,661 from the previous year. \$481,534 of this increase is due to an increase in liabilities, as well as a \$347,127 decrease in total assets. Kill Creek Sewer is also considered a major governmental fund because of its large liabilities. This capital project is estimated to be complete in 2008.

The Street Improvement Fund has a fund balance of \$4,842,062. This is an increase of \$519,949 from the previous year. \$430,227 of this increase is from loan proceeds from the Kansas Department of Transportation.

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. More information can be found on pages 26-29 in the Financial section of this report.

At the end of 2006, unrestricted net assets for the business-type activities amounted to \$8,434,319, an increase of \$3,996,358, or 90% due to continued operating efficiency of the funds. As the systems continue to expand, management is able to control operating costs in connection with establishing rates sufficient to ensure an increase in net assets.

The Electric Fund had total net assets of \$21,628,286 at the end of 2006. This is an increase of \$724,137 from the previous year. The key components of this increase are an increase in capital contributions of \$102,213, an increase in receipts from customers of \$456,422, and a decrease in payments to employees of \$125,749.

The Water Fund had total net assets of \$14,093,238 at the end of 2006. This is an increase of \$1,494,424 from the previous year. This is attributable to operating income of \$1,541,817, an increase in investment earnings of \$124,593, and the reporting of capital contributions of \$455,121, which represents water infrastructure in the City's multiple benefit districts that belong to the Water Fund.

The Wastewater Fund had total net assets of \$9,357,669 at the end of 2006. This is an increase of \$1,184,021 from the previous year. Key components of this increase include operating income of \$828,811 and the reporting of capital contributions of \$1,201,053, 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 \$24,533 at the end of 2006.

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 2006, the assets of the fund were \$22,113.

GENERAL FUND BUDGETARY HIGHLIGHTS:

There was no difference between the original budget and the final budget. During the year, however, total revenues were more than budgetary estimates by \$487,778, or 7%. A summary of significant differences between budgetary estimates for revenue and actual collections is as follows:

- Property tax collections exceeded the original estimate by \$143,833, or 7%. Included in this amount, were \$78,331 in delinquent taxes levied in previous years.
- Sales tax exceeded the revenue estimate by \$89,339, or 5%. In 2004, Kansas enacted a destination-based system for sales tax collection, and this excess may be due to the new system; however, it is too early to reach that conclusion.
- Intergovernmental revenues exceeded the estimate by \$106,348, or 8%. The majority of this increase is due to the collection of County sales tax. As discussed above, 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 \$116,268, or 124%. Interest rates increased steadily during 2006. Consequently, the City's return on its investments was higher than anticipated.
- Licenses and permits were less than the original estimate by \$ 153,478, or 21%. This decrease is seen in the reduction of building permits issued in 2006, compared to the prior year.

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, 2006, amounted to \$123,555,562 (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 2006 was 21.05% (a 31.9% increase for governmental activities and a 16.98% increase for business-type activities)

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

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$3,181,685	\$2,279,848	\$2,101,288	\$2,023,632	\$5,282,973	\$4,303,480
Construction in progress	10,651,948	3,133,045	17,021,325	11,833,535	\$27,673,273	14,966,580
Buildings	3,994,419	4,113,865	-	-	\$3,994,419	4,113,865
Improvements	1,465,055	1,145,668	-	-	\$1,465,055	1,145,668
Infrastructure	15,744,263	15,634,388	66,893,061	59,661,915	\$82,637,324	75,296,303
Machinery and equipment	780,756	821,751	204,336	211,127	\$985,092	1,032,878
Vehicles	955,041	751,365	562,385	455,764	\$1,517,426	1,207,129
	<u>\$36,773,167</u>	<u>\$27,879,930</u>	<u>\$86,782,395</u>	<u>\$74,185,973</u>	<u>\$123,555,562</u>	<u>\$102,065,903</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.
- Hillsdale Water Treatment Plant expansion
- 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 2006, the City had total long-term debt outstanding of \$69,891,661. Of this amount, \$30,095,000 was general obligation debt backed by the full faith and credit of the City. However, \$20,337,150 (68%) of the general obligation debt is supported by business-type revenues. Another \$2,790,000 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, 2006

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$9,757,850	\$6,873,400	\$20,337,150	\$15,466,600	\$30,095,000	\$22,340,000
Special assessment debt with government commitment	2,790,000	3,035,000	-	-	2,790,000	3,035,000
PBC revenue bonds	3,840,000	3,905,000	-	-	3,840,000	3,905,000
Construction loan payable	911,889	-	24,996,620	18,976,298	25,908,509	18,976,298
Certificates of Participation	7,150,000	-	-	-	7,150,000	-
Capital lease obligations	108,152	54,412	-	-	108,152	54,412
	<u>\$24,557,891</u>	<u>\$13,867,812</u>	<u>\$45,333,770</u>	<u>\$34,442,898</u>	<u>\$69,891,661</u>	<u>\$48,310,710</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.

Kansas statutes limit the amount of general obligation debt (exclusive of revenue, utility and refunding bonds) a City may have outstanding to 30% of its total assessed valuation of property, including motor vehicles. At the end of 2006, the statutory debt limit for the City was \$40,485,098, which is significantly

in excess of the City's outstanding governmental activities obligation debt. More information on the City's legal debt margin can be found in Note 11 to the basic financial statements as well as in the Statistical section.

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 99.3% 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 16,000. Wealth levels and housing values exceed state averages, and Johnson County's May 2006 unemployment rate at 4.3% was slightly below the state's rate of 4.5%. 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 2006, sales tax growth increased 12% over the prior year, and city officials anticipate continued growth due to the many businesses currently under construction in the City's new business parks, and the opening of Wal-Mart in 2006. The city's General Fund balance has grown steadily in recent years, from \$665,346 in 2001 to \$4,127,464 in 2006 or 55% of General Fund revenues, 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, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Airport Association
Assets:				
Deposits and investments	\$ 10,455,954	\$ 7,821,316	\$ 18,277,270	\$ 132,771
Receivables, net of allowance for uncollectibles:				
Taxes	3,410,896	-	3,410,896	-
Accounts	-	1,405,464	1,405,464	4,208
Intergovernmental	395,342	-	395,342	-
Special assessments	2,881,730	-	2,881,730	-
Airport Association loan	11,439	-	11,439	-
Other	76,373	322,986	399,359	-
Internal balances	(12,173)	12,173	-	-
Deferred charges	214,346	221,968	436,314	-
Prepaid items	-	-	-	14,124
Inventories	-	285,759	285,759	12,789
Restricted deposits and investments	10,165,105	2,535,690	12,700,795	-
Capital assets, net of accumulated depreciation, where applicable:				
Land	3,181,685	2,101,288	5,282,973	301,500
Construction in progress	10,651,948	17,021,325	27,673,273	-
Buildings	3,994,419	-	3,994,419	1,189,188
Improvements	1,465,055	-	1,465,055	44,704
Infrastructure	15,744,263	66,893,061	82,637,324	239,518
Machinery and equipment	780,756	204,336	985,092	8,034
Vehicles	955,041	562,385	1,517,426	-
Total assets	64,372,179	99,387,751	163,759,930	1,946,836
Liabilities:				
Accounts payable	1,532,215	835,752	2,367,967	3,605
Accrued expenses	162,256	70,514	232,770	-
Accrued interest payable	482,351	655,380	1,137,731	-
Unearned revenue	2,663,806	-	2,663,806	2,440
Liabilities payable from restricted assets	41,037	542,466	583,503	-
Bond anticipation notes payable	9,700,000	6,790,000	16,490,000	-
Noncurrent liabilities:				
Due within one year	2,018,986	3,750,071	5,769,057	11,439
Due in more than one year	22,706,932	41,660,503	64,367,435	-
Total liabilities	39,307,583	54,304,686	93,612,269	17,484
Net assets:				
Invested in capital assets, net of related debt	12,854,680	36,644,874	49,499,554	1,782,944
Restricted for:				
Debt service	2,584,081	-	2,584,081	-
Streets	4,842,062	-	4,842,062	-
Other purposes	1,211,336	-	1,211,336	-
Unrestricted	3,572,437	8,438,191	12,010,628	146,408
Total net assets	\$ 25,064,596	\$ 45,083,065	\$ 70,147,661	\$ 1,929,352

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

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	\$ 2,283,679	\$ 1,132,996	\$ 1,710,715	\$ -	\$ 560,032	\$ -	\$ 560,032	\$ -
Public safety	2,698,278	11,443	72,999	-	(2,613,836)	-	(2,613,836)	-
Public works	1,953,847	-	406,962	218,234	(1,328,651)	-	(1,328,651)	-
Culture and recreation	1,280,138	436,514	25,617	-	(818,007)	-	(818,007)	-
Interest on long-term debt	1,098,258	-	-	-	(1,098,258)	-	(1,098,258)	-
Total governmental activities	9,314,200	1,580,953	2,216,293	218,234	(5,298,720)	-	(5,298,720)	-
Business-type activities:								
Electric	9,369,802	10,229,014	-	452,859	-	1,312,071	1,312,071	-
Water	2,353,432	3,511,004	-	77,145	-	1,234,717	1,234,717	-
Wastewater	3,215,418	3,304,989	-	59,000	-	148,571	148,571	-
Total business-type activities	14,938,652	17,045,007	-	589,004	-	2,695,359	2,695,359	-
Total primary government	\$ 24,252,852	\$ 18,625,960	\$ 2,216,293	\$ 807,238	(5,298,720)	2,695,359	(2,603,361)	-
Component unit:								
Airport Association	\$ 299,186	\$ 287,312	\$ -	\$ -	-	-	-	(11,874)
General revenues:								
Property taxes					2,676,275	-	2,676,275	-
Sales taxes					2,636,630	-	2,636,630	-
Franchise taxes					350,024	-	350,024	-
Excise taxes					1,289,599	-	1,289,599	-
Transient guest tax					40,680	-	40,680	-
Unrestricted investment earnings					831,916	520,452	1,352,368	3,864
Transfers					(190,643)	190,643	-	-
Total general revenues and transfers					7,634,481	711,095	8,345,576	3,864
Change in net assets					2,335,761	3,406,454	5,742,215	(8,010)
Net assets, beginning of year					22,728,835	41,676,611	64,405,446	1,937,362
Net assets, ending					\$ 25,064,596	\$ 45,083,065	\$ 70,147,661	\$ 1,929,352

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2006

	<u>General</u>	<u>Celebration Park</u>
Assets:		
Deposits and investments	\$ 3,688,938	\$ -
Receivables (net of allowance for uncollectibles):		
Taxes	2,777,160	-
Special assessments	-	-
Intergovernmental	250,865	-
Other	16,401	-
Restricted deposits and investments	41,037	5,097,170
Due from other funds	-	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 6,774,401</u>	<u>\$ 5,097,170</u>
Liabilities and fund balances:		
Liabilities:		
Accounts payable	\$ 84,582	\$ 310,929
Accrued payroll	159,138	-
Temporary notes payable	-	-
Other	41,037	-
Deferred revenue	2,362,180	-
Due to other funds	-	-
	<u> </u>	<u> </u>
Total liabilities	<u>2,646,937</u>	<u>310,929</u>
Fund balances:		
Reserved for:		
Encumbrances	1,019,948	4,784,090
Unreserved, reported in:		
General fund	3,107,516	-
Debt service fund	-	-
Special revenue funds	-	-
Capital projects funds	-	2,151
	<u> </u>	<u> </u>
Total fund balances	<u>4,127,464</u>	<u>4,786,241</u>
Total liabilities and fund balances	<u>\$ 6,774,401</u>	<u>\$ 5,097,170</u>

See accompanying notes to basic financial statements.

Kill Creek Sewer	Street Improvement	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 4,852,669	\$ 1,914,347	\$ 10,455,954
-	-	633,736	3,410,896
-	-	2,881,730	2,881,730
-	-	144,477	395,342
-	58,234	13,177	87,812
943,089	-	4,083,809	10,165,105
1,820,489	-	164,164	1,984,653
<u>\$ 2,763,578</u>	<u>\$ 4,910,903</u>	<u>\$ 9,835,440</u>	<u>\$ 29,381,492</u>
\$ 567,014	\$ 68,841	\$ 496,527	\$ 1,527,893
-	-	-	159,138
3,119,020	-	6,580,980	9,700,000
-	-	-	41,037
-	-	3,224,621	5,586,801
-	-	1,984,653	1,984,653
<u>3,686,034</u>	<u>68,841</u>	<u>12,286,781</u>	<u>18,999,522</u>
2,232,009	32,793	2,949,685	11,018,525
-	-	-	3,107,516
-	-	184,701	184,701
-	4,809,269	1,962,371	6,771,640
(3,154,465)	-	(7,548,098)	(10,700,412)
<u>(922,456)</u>	<u>4,842,062</u>	<u>(2,451,341)</u>	<u>10,381,970</u>
<u>\$ 2,763,578</u>	<u>\$ 4,910,903</u>	<u>\$ 9,835,440</u>	<u>\$ 29,381,492</u>

CITY OF GARDNER, KANSAS

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

December 31, 2006

Total fund balances in Governmental Funds Balance Sheet	\$ 10,381,970
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.	36,732,893
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	2,922,995
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(24,993,923)
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>20,661</u>
Net assets of governmental activities	<u>\$ 25,064,596</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, 2006

	<u>General</u>
Revenues:	
Taxes:	
Property	\$ 2,336,533
Sales	1,855,339
Franchise	350,024
Excise	-
Special assessments	-
Intergovernmental	1,433,548
Licenses and permits	564,322
Charges for services	337,022
Fines and fees	316,720
Loan revenue	41,875
Investment earnings	168,268
Other	126,727
Total revenues	<u>7,530,378</u>
Expenditures:	
Current:	
General government	2,007,950
Public safety	2,526,659
Public works	1,161,471
Culture and recreation	1,111,788
Capital outlay	508,911
Debt service:	
Principal	44,218
Interest and fiscal charges	1,615
Other	-
Total expenditures	<u>7,362,612</u>
Excess (deficiency) of revenues over (under) expenditures	<u>167,766</u>
Other financing sources (uses):	
General obligation bonds issued	-
Certificates of participation issued	-
Loan proceeds	-
Capital leases	97,958
Insurance proceeds	19,302
Transfers in	1,321,200
Transfers out	(800,000)
Total other financing sources (uses)	<u>638,460</u>
Net change in fund balances	806,226
Fund balances, beginning of year	<u>3,321,238</u>
Fund balances, ending	<u>\$ 4,127,464</u>

See accompanying notes to basic financial statements.

<u>Celebration Park</u>	<u>Kill Creek Sewer</u>	<u>Street Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 339,742	\$ 2,676,275
-	-	-	781,291	2,636,630
-	-	-	-	350,024
-	-	1,289,599	-	1,289,599
-	-	-	229,317	229,317
-	-	160,000	758,861	2,352,409
-	-	-	186,405	750,727
-	-	-	-	337,022
-	-	-	-	316,720
-	-	-	-	41,875
15,848	137,162	176,394	334,244	831,916
-	-	58,234	72,446	257,407
<u>15,848</u>	<u>137,162</u>	<u>1,684,227</u>	<u>2,702,306</u>	<u>12,069,921</u>
-	-	-	60,168	2,068,118
-	-	-	-	2,526,659
-	-	-	-	1,161,471
9,086	-	-	1,370	1,122,244
2,234,425	879,026	661,822	7,708,481	11,992,665
-	-	421,301	690,550	1,156,069
9,923	86,797	132,181	684,178	914,694
126,173	-	603	75,583	202,359
<u>2,379,607</u>	<u>965,823</u>	<u>1,215,907</u>	<u>9,220,330</u>	<u>21,144,279</u>
<u>(2,363,759)</u>	<u>(828,661)</u>	<u>468,320</u>	<u>(6,518,024)</u>	<u>(9,074,358)</u>
-	-	-	3,545,000	3,545,000
7,150,000	-	-	-	7,150,000
-	-	430,227	622,963	1,053,190
-	-	-	-	97,958
-	-	-	-	19,302
-	-	-	1,475,790	2,796,990
-	-	(378,598)	(15,382)	(1,193,980)
<u>7,150,000</u>	<u>-</u>	<u>51,629</u>	<u>5,628,371</u>	<u>13,468,460</u>
4,786,241	(828,661)	519,949	(889,653)	4,394,102
-	(93,795)	4,322,113	(1,561,688)	5,987,868
<u>\$ 4,786,241</u>	<u>\$ (922,456)</u>	<u>\$ 4,842,062</u>	<u>\$(2,451,341)</u>	<u>\$ 10,381,970</u>

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, 2006

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

Net change in fund balances - total governmental funds	\$ 4,394,102
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.	10,646,616
Capital contributions are not recorded in the governmental funds because there has been no flow of current financial resources.	(1,793,653)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(229,317)
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.	(10,531,627)
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.	(171,021)
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>20,661</u>
Change in net assets of governmental activities	<u>\$ 2,335,761</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, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes:			
Property	\$ 2,192,700	\$ 2,336,533	\$ 143,833
Sales	1,766,000	1,855,339	89,339
Franchise	358,000	350,024	(7,976)
Intergovernmental	1,327,200	1,433,548	106,348
Licenses and permits	717,800	564,322	(153,478)
Charges for services	257,600	337,022	79,422
Fines and fees	283,000	316,720	33,720
Loan revenue	31,800	41,875	10,075
Investment earnings	52,000	168,268	116,268
Other	56,500	126,727	70,227
Total revenues	7,042,600	7,530,378	487,778
Expenditures:			
General government	2,231,800	2,012,308	219,492
Public safety	2,837,300	2,526,659	310,641
Public works	1,527,400	1,187,920	339,480
Culture and recreation	1,193,600	1,111,929	81,671
Capital outlay	-	1,497,911	(1,497,911)
Project reserve	2,731,930	-	2,731,930
Debt service:			
Principal	-	44,218	(44,218)
Interest and fiscal charges	-	1,615	(1,615)
Total expenditures	10,522,030	8,382,560	2,139,470
Excess of revenues over (under) expenditures	(3,479,430)	(852,182)	2,627,248
Other financing sources and (uses):			
Capital leases	-	97,958	97,958
Insurance proceeds	-	19,302	19,302
Transfers in	1,321,200	1,321,200	-
Transfers out	(650,000)	(800,000)	(150,000)
Total other financing sources and (uses)	671,200	638,460	(32,740)
Net change in fund balances	(2,808,230)	(213,722)	2,594,508
Fund balances, beginning of year	2,808,230	3,321,238	513,008
Fund balances, end of year	<u>\$ -</u>	<u>3,107,516</u>	<u>\$ 3,107,516</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		1,019,948	
GAAP fund balance, end of year		<u>\$ 4,127,464</u>	

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS

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

STREET IMPROVEMENT FUND

Year Ended December 31, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Excise taxes	\$ 1,300,000	\$ 1,289,599	\$ (10,401)
Intergovernmental	-	160,000	160,000
Investment earnings	86,000	176,394	90,394
Other	-	58,234	58,234
Total revenues	1,386,000	1,684,227	298,227
Expenditures:			
Capital outlay	-	694,615	(694,615)
Project reserve	4,579,494	-	4,579,494
Principal	-	421,301	(421,301)
Interest	-	132,181	(132,181)
Other	-	603	(603)
Total expenditures	4,579,494	1,248,700	3,330,794
Excess (deficit) of revenues over (under) expenditures	(3,193,494)	435,527	3,629,021
Other financing sources (uses):			
Loan proceeds	-	430,227	430,227
Transfers out	(959,000)	(378,598)	580,402
Total other financing sources and (uses)	(959,000)	51,629	1,010,629
Net change in fund balances	(4,152,494)	487,156	4,639,650
Fund balances, beginning of year	4,152,494	4,322,113	169,619
Fund balances, end of year	\$ -	4,809,269	\$ 4,809,269
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		32,793	
GAAP fund balance, end of year		\$ 4,842,062	

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2006

	Electric	Water	Wastewater	Total	Internal Service Funds
Assets:					
Current assets:					
Cash and cash equivalents	\$ 2,515,853	\$ 4,421,868	\$ 883,595	\$ 7,821,316	\$ -
Accounts receivable, net	919,261	241,066	245,137	1,405,464	-
Other receivable	236,978	86,008	-	322,986	-
Restricted deposits and investments	474,870	2,023,830	36,990	2,535,690	-
Inventories	203,729	82,030	-	285,759	-
Due from other funds	26,070	-	-	26,070	-
Total current assets	4,376,761	6,854,802	1,165,722	12,397,285	-
Noncurrent assets:					
Deferred charges	202,239	-	19,729	221,968	-
Capital assets:					
Land	634,908	956,089	510,291	2,101,288	-
Construction in progress	175,508	9,584,269	7,261,548	17,021,325	-
Infrastructure	43,420,127	15,150,339	30,986,072	89,556,538	-
Machinery and equipment	133,790	111,682	177,093	422,565	27,645
Vehicles	509,873	256,626	192,110	958,609	14,749
Less accumulated depreciation	(13,038,229)	(3,525,000)	(6,714,701)	(23,277,930)	(2,120)
Total capital assets	31,835,977	22,534,005	32,412,413	86,782,395	40,274
Total noncurrent assets	32,038,216	22,534,005	32,432,142	87,004,363	40,274
Total assets	36,414,977	29,388,807	33,597,864	99,401,648	40,274
Liabilities:					
Current liabilities:					
Accounts payable	273,554	126,852	427,045	827,451	12,623
Accrued expenses	29,053	21,762	19,699	70,514	3,118
Customer and developer deposits	474,870	67,596	-	542,466	-
Accrued interest payable	162,108	171,906	321,366	655,380	-
Due to other funds	-	-	26,070	26,070	-
Compensated absences	31,930	21,717	16,181	69,828	-
Bond anticipation notes payable	-	3,465,000	3,325,000	6,790,000	-
Current portion of bonds and loans payable	2,239,600	420,200	1,020,443	3,680,243	-
Total current liabilities	3,211,115	4,295,033	5,155,804	12,661,952	15,741
Noncurrent liabilities:					
Bonds payable, net	11,575,576	4,288,750	1,625,000	17,489,326	-
Construction loan payable	-	6,711,786	17,459,391	24,171,177	-
Total noncurrent liabilities	11,575,576	11,000,536	19,084,391	41,660,503	-
Total liabilities	14,786,691	15,295,569	24,240,195	54,322,455	15,741
Net assets:					
Invested in capital assets, net of related debt	18,020,801	9,604,503	9,019,570	36,644,874	40,274
Unrestricted	3,607,485	4,488,735	338,099	8,434,319	(15,741)
Total net assets	\$ 21,628,286	\$ 14,093,238	\$ 9,357,669	\$ 45,079,193	\$ 24,533

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.

	3,872
Net assets of business-type activities	<u>\$ 45,083,065</u>

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year Ended December 31, 2006

	Electric	Water	Wastewater	Total	Internal Service Funds
Operating revenues:					
Charges for sales and services	\$ 10,229,014	\$ 3,511,004	\$ 3,304,989	\$ 17,045,007	\$ 1,497,085
Total operating revenues	10,229,014	3,511,004	3,304,989	17,045,007	1,497,085
Operating expenses:					
Administration	516,816	337,505	300,397	1,154,718	384,525
Wholesale energy cost	5,636,292	-	-	5,636,292	-
Generation	857,352	-	-	857,352	-
Treatment	-	905,154	923,890	1,829,044	-
Distribution and collection	783,462	299,900	223,216	1,306,578	-
Contractual services	-	-	-	-	828,729
Other supplies and expenses	-	-	-	-	100,448
Repairs and maintenance	-	-	-	-	86,893
Depreciation and amortization	985,471	399,252	1,025,700	2,410,423	2,120
Other	169,874	27,376	2,975	200,225	69,837
Total operating expenses	8,949,267	1,969,187	2,476,178	13,394,632	1,472,552
Operating income	1,279,747	1,541,817	828,811	3,650,375	24,533
Nonoperating revenues (expenses):					
Investment earnings	177,928	239,949	102,575	520,452	-
Developer reimbursements	440,088	77,145	-	517,233	-
Capital grants	12,771	-	59,000	71,771	-
Interest expense	(423,368)	(385,897)	(695,583)	(1,504,848)	-
Insurance proceeds in excess of loss	-	-	22,768	22,768	-
Other	1,704	-	(67,516)	(65,812)	-
Total nonoperating expenses	209,123	(68,803)	(578,756)	(438,436)	-
Income before transfers and contributions	1,488,870	1,473,014	250,055	3,211,939	24,533
Capital contributions	137,479	455,121	1,201,053	1,793,653	-
Transfers in	-	-	909	909	-
Transfers out	(902,212)	(433,711)	(267,996)	(1,603,919)	-
Change in net assets	724,137	1,494,424	1,184,021	3,402,582	24,533
Total net assets, beginning of year	20,904,149	12,598,814	8,173,648	41,676,611	-
Total net assets, end of year	\$ 21,628,286	\$ 14,093,238	\$ 9,357,669	\$ 45,079,193	\$ 24,533
Change in net assets				\$ 3,402,582	
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.				3,872	
Change in net assets of business-type activities				\$ 3,406,454	

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended December 31, 2006

	Electric	Water	Wastewater	Total	Internal Service Funds
Cash flows from operating activities:					
Receipts from customers	\$ 10,178,069	\$ 3,438,625	\$ 3,312,343	\$ 16,929,037	\$ 1,497,085
Payments to suppliers	(8,188,574)	(1,445,508)	(622,199)	(10,256,281)	(1,073,284)
Payments to employees	(716,626)	(540,670)	(496,547)	(1,753,843)	(381,407)
Net cash provided by operating activities	1,272,869	1,452,447	2,193,597	4,918,913	42,394
Cash flows from noncapital financing activities:					
Transfers from other funds	-	-	909	909	-
Transfers to other funds	(902,212)	(433,711)	(267,996)	(1,603,919)	-
Net cash used in noncapital financing activities:	(902,212)	(433,711)	(267,087)	(1,603,010)	-
Cash flows from capital and related financing activities:					
Proceeds from general obligation bonds	7,150,000	-	-	7,150,000	-
Bond issuance costs paid	(78,906)	-	-	(78,906)	-
Proceeds from bond anticipation notes	-	3,465,000	3,325,000	6,790,000	-
Proceeds from construction loan	-	6,711,786	-	6,711,786	-
Acquisition and construction of capital assets	(2,400,886)	(7,528,406)	(3,283,900)	(13,213,192)	(42,394)
Proceeds from capital grants	12,771	-	59,000	71,771	-
Principal paid on general obligation bonds	(1,708,200)	(386,250)	(185,000)	(2,279,450)	-
Principal paid on bond anticipation notes	(5,227,384)	-	(3,249,848)	(8,477,232)	-
Principal paid on construction loan	-	-	(691,464)	(691,464)	-
Interest paid on general obligation bonds and construction loan	(506,776)	(275,262)	(725,648)	(1,507,686)	-
Reimbursements from developers	440,088	77,145	-	517,233	-
Insurance proceeds in excess of loss	-	-	22,768	22,768	-
Other financing proceeds (costs)	1,704	-	(67,516)	(65,812)	-
Net cash provided by (used in) capital and related financing activities	(2,317,589)	2,064,013	(4,796,608)	(5,050,184)	(42,394)
Cash flows from investing activities:					
Interest received	177,928	239,949	102,575	520,452	-
Net increase (decrease) in cash and cash equivalents	(1,769,004)	3,322,698	(2,767,523)	(1,213,829)	-
Cash and cash equivalents, beginning of year	4,759,727	3,123,000	3,688,108	11,570,835	-
Cash and cash equivalents, end of year	\$ 2,990,723	\$ 6,445,698	\$ 920,585	\$ 10,357,006	\$ -

(Continued)

CITY OF GARDNER, KANSAS

STATEMENT OF CASH FLOWS
(Continued)

PROPRIETARY FUNDS

Year Ended December 31, 2006

	Electric	Water	Wastewater	Total	Internal Service Funds
Cash consists of:					
Cash	\$ 2,515,853	\$ 4,421,868	\$ 883,595	\$ 7,821,316	\$ -
Restricted deposits and investments	474,870	2,023,830	36,990	2,535,690	-
	<u>\$ 2,990,723</u>	<u>\$ 6,445,698</u>	<u>\$ 920,585</u>	<u>\$ 10,357,006</u>	<u>\$ -</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 1,279,747	\$ 1,541,817	\$ 828,811	\$ 3,650,375	\$ 24,533
Adjustments to reconcile operating income to net cash provided by operating activities:					
Items not requiring cash:					
Depreciation expense	985,471	399,252	1,025,700	2,410,423	2,120
Changes in:					
Receivables	45,502	(73,809)	7,354	(20,953)	-
Accounts payable	(949,483)	(424,348)	329,278	(1,044,553)	12,623
Accrued liabilities	8,079	8,105	2,454	18,638	3,118
Customer deposits	(96,447)	1,430	-	(95,017)	-
Net cash provided by operating activities	<u>\$ 1,272,869</u>	<u>\$ 1,452,447</u>	<u>\$ 2,193,597</u>	<u>\$ 4,918,913</u>	<u>\$ 42,394</u>

Non-cash capital financing activities:

Capital assets of \$ 1,793,653 were acquired through contributions from governmental funds.

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS
STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUND

December 31, 2006

	<u>Agency Fund</u> <u>Alcohol Safety</u> <u>Action Program</u>
<u>ASSETS</u>	
Deposits and investments	\$ 22,113
<u>LIABILITIES</u>	
Due to others	\$ 22,113

See accompanying notes to basic financial statements.