

This Preliminary Official Statement and the information contained herein is deemed by the issuer to be final as of the date hereof for purposes of SEC Rule 15c2-12(b)(1), however, the pricing and underwriting information is subject to revision, completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds (including any original issue discount properly allocable to the owner of a Bond) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that, under existing Kansas law, interest on the Bonds is excluded from computation of Kansas adjusted gross income. The City has designated the Bonds as "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). For a more complete description of such opinions of Bond Counsel, see "THE BONDS – TAX MATTERS" herein.

New Issue
Bank Qualified

Rating Application Made: S&P Global Ratings

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 10, 2017

CITY OF GARDNER, KANSAS
(Johnson County)

\$3,735,000* GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS,
SERIES 2017A

PROPOSAL OPENING: November 20, 2017, 11:00 A.M., C.S.T.

CONSIDERATION: November 20, 2017, 7:00 P.M., C.S.T.

PURPOSE/AUTHORITY/SECURITY: The \$3,735,000* General Obligation Refunding and Improvement Bonds, Series 2017A (the "Series 2017A Bonds") are being issued pursuant to K.S.A., 10-427, K.S.A. 10-427a and K.S.A. 12-685 et seq., all as amended, by the City of Gardner, Kansas (the "City") for the purpose of financing various street improvement projects and to effect an advance partial net cash refunding of certain outstanding general obligations of the City. The Bonds are valid and binding general obligations of the City. Delivery is subject to receipt of an approving legal opinion of Kutak Rock LLP Kansas City, Missouri.

DATE OF BONDS: December 20, 2017

MATURITY: October 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2018	\$200,000	2022	\$585,000	2026	\$150,000
2019	185,000	2023	585,000	2027	150,000
2020	560,000	2024	600,000		
2021	575,000	2025	145,000		

MATURITY ADJUSTMENTS: * The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: April 1, 2018 and semiannually thereafter

OPTIONAL REDEMPTION: Bonds maturing October 1, 2025 and thereafter are subject to call for prior redemption on October 1, 2024 and any date thereafter, at par.

MINIMUM PROPOSAL: \$3,690,180

GOOD FAITH DEPOSIT: A cashier's check in the amount of \$74,700 may be submitted contemporaneously with the proposal or, alternatively, a good faith deposit shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: State of Kansas - Office of the State Treasurer, Topeka, Kansas.

ESCROW AGENT: Security Bank of Kansas City, Kansas City, Kansas

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).



REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers & Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers & Associates, Inc., payable entirely by the City, is contingent upon the sale of the issue.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers & Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the Bonds are exempt or required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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CITY COUNCIL

		<u>Term Expires</u>
Chris Morrow	Mayor	January 2018
Steve Shute	Council Member	January 2018
Todd Winters	Council Member	January 2020
Kristy Harrison	Council Member	January 2018
Rich Melton	Council Member	January 2020
Lee Moore	Council Member	January 2020

ADMINISTRATION

Cheryl Harrison-Lee, City Administrator
Laura Gourley, Finance Director

PROFESSIONAL SERVICES

Kutak Rock LLP, Bond Counsel, Kansas City, Missouri

Ehlers & Associates, Inc., Municipal Advisors, Roseville, Minnesota
(*Other offices located in Waukesha, Wisconsin, Chicago, Illinois and Denver, Colorado*)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Gardner, Kansas (the "City") and the issuance of its \$3,735,000* General Obligation Refunding and Improvement Bonds, Series 2017A (the "Bonds" or the "Obligations"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution awarding the sale of the Bonds (the "Award Resolution") to be adopted by the City Council on November 20, 2017.

Inquiries may be directed to Ehlers & Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's Municipal Advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of December 20, 2017. The Bonds will mature on October 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on April 1 and October 1 of each year, commencing April 1, 2018, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected the Treasurer of the State of Kansas, Topeka, Kansas, to act as paying agent (the "Paying Agent") and Security Bank of Kansas City, Kansas City, Kansas to act as escrow agent (the "Escrow Agent"). The City will pay the charges for Paying Agent and Escrow Agent services. The City reserves the right to remove the Paying Agent and/or Escrow Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after October 1, 2025 shall be subject to optional redemption prior to maturity on October 1, 2024 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are authorized pursuant to K.S.A.10-427, K.S.A. 10-427a and K.S.A. 12-685 et seq., all as amended, to finance street improvements as specified in Phase 2 of the City’s Pavement Management program, and to effect the advance partial net cash refunding of the City’s \$7,705,000 General Obligation Bonds, Series 2009A (the “Series 2009A Bonds”) as follows:

Issue Being Refunded	Date of Refunded Issue		Maturity	Interest Rates	Principal to be Paid by the City	CUSIP Base 365591	
Series 2009A Bonds	9/1/09	Paid at maturity	2018	3.40%	\$605,000	PT7	
		Paid at maturity	2019	3.70%	<u>635,000</u>	PU4	
Total Maturities Being Paid by the City					<u>\$1,240,000</u>		
		Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 365591
		10/1/19	Par	2020	3.80%	\$390,000	PV2
				2022 (term)	3.90%	840,000	PX8
				2024 (term)	4.00%	<u>900,000</u>	PZ3
Total Maturities Being Refunded					<u>\$2,130,000</u>		

The Bonds are being sold in advance of the call date of the Series 2009A Bonds and proceeds of the Bonds will be invested in accordance with the Internal Revenue Code of 1986, as amended. Acceptance of a bid is dependent upon a satisfactory escrow account being established in an amount sufficient to pay interest on the callable portion of the Series 2009A Bonds from December 20, 2017 through October 1, 2019 and to pay the principal being refunded on the Series 2009A Bonds on October 1, 2019. The City will establish an escrow account with direct obligations of the U.S. Government. Actuarial services necessary to ensure adequacy of the escrow account to provide timely payment of the Series 2009A Bonds to be refunded on the call date will be performed by a certified public accountant. The City will continue to pay the principal of and interest due on the non-callable Series 2009A Bonds through October 1, 2019.

ESTIMATED SOURCES AND USES

Sources		
Par Amount of Bonds	<u>\$3,735,000</u>	
Total Sources		\$3,735,000
Uses		
Project Costs	\$1,370,000	
Deposit to Net Cash Escrow Fund	2,242,219	
Rounding Amount	1,461	
Estimated Discount	44,820	
Finance Related Expenses	<u>76,500</u>	
Total Uses		\$3,735,000

SECURITY

The Bonds shall be general obligations of the City payable as to both principal and interest in part from special assessments levied upon the property benefitted from certain improvements, and if not so paid, from ad valorem taxes to be levied without limitation as to rate or amount on all of the taxable, tangible property, real and personal, within the territorial limits of the City, with the balance payable from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. The full faith, credit and resources of the City are irrevocably pledged for the prompt payment of the principal and interest on the Bonds as the same become due.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "AA-" by Standard & Poor's Global Ratings ("S&P").

The City has requested a rating on this issue from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (hereinafter the "Rule"), the City shall covenant to take certain actions pursuant to a Resolution adopted by the City Council by entering into a Continuing Disclosure Undertaking (the "Disclosure Undertaking") for the benefit of holders, including beneficial holders. The Disclosure Undertaking requires the City to provide electronically or in the manner otherwise prescribed certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule. The details and terms of the Disclosure Undertaking for this issue are set forth in Appendix D to be executed and delivered by the City at the time of delivery of the Bonds. Such Disclosure Undertaking will be in substantially the form attached hereto.

The City did not timely file notice of certain bond insurer rating changes during the previous five years. Except to the extent the preceding is deemed to be material, in the previous five years the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities to help ensure compliance in the future.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on this issue or any issue outstanding. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The City will file its continuing disclosure information using the Electronic Municipal Market Access ("EMMA") system or any system that may be prescribed in the future. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

LEGAL OPINION

The Bonds will be sold subject to an approving legal opinion of Kutak Rock LLP, Kansas City, Missouri, Bond Counsel, in substantially the form attached hereto as Appendix B, which opinion will be furnished and paid for by the City, and will be delivered to the successful bidder when the Bonds are delivered. Reference is made to the heading "TAX MATTERS" herein for further discussion of federal and Kansas income tax matters relating to the interest on the Bonds.

TAX MATTERS

General Matters

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds (including any original issue discount properly allocable to the owner of a Bond) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds.

Notwithstanding Bond Counsel's opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75 percent of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend on such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

Bond Counsel is also of the opinion that, under existing State of Kansas Statutes, interest on the Bonds is excluded from computation of Kansas adjusted gross income. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Bonds under the laws of the State of Kansas or any other state or jurisdiction.

Original Issue Discount

The Bonds that have an original yield above their respective interest rates, as shown on the addendum of this Official Statement (collectively, the "Discount Bonds"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Bond is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bond that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond. Subsequent purchasers of Discount Bonds that purchase such bonds for a price that is higher or lower than the “adjusted issue price” of the bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

Original Issue Premium

The Bonds that have an original yield below their respective interest rates, as shown on the addendum of this Official Statement (collectively, the “Premium Bonds”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Bonds that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Bank Qualified

The City has represented that it does not reasonably anticipate issuing greater than \$10,000,000 of tax-exempt obligations in calendar year 2017 (excluding certain private activity and refunding bonds) and that it has designed the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. Accordingly, assuming the accuracy of such representations, Bond Counsel is of the opinion that in the case of certain banks, thrift institutions or other financial institutions owning the Bonds, a deduction is allowed for 80 percent of that portion of such institutions’ interest expense allocable to interest on such bonds. Bond Counsel has expressed no opinion with respect to any deduction for federal tax law purposes of interest on indebtedness incurred or continued by an owner of the Bonds or a related person to purchase or carry such bonds.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading “TAX MATTERS” or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any

such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a Municipal Advisor.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2016, have been audited by Allen, Gibbs & Houlik, L.C., Wichita, Kansas, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Kansas taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Kansas income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Kansas income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

State Economy; State Aids: State of Kansas cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

VALUATIONS

OVERVIEW

The valuation of each parcel of real property subject to taxation must, by law, be updated each year, as of each January 1, and must be physically inspected by the appraiser at least once every six years. With the exception of agricultural land, all property is valued at its market value in money which is the value the appraiser determines to be the price the appraiser believes the property to be fairly worth, and which is referred to as the "Fair Market Value". Land devoted to agricultural use is appraised on the basis of the income-generating capabilities of such land for agricultural purposes at median levels of production.

For taxable years commencing January 1, 1993, and thereafter, property is classified and assessed at the percentages of value as follows:

Class 1

This class consists of real property. Real property is further classified into seven subclasses. Such property is defined by law for the purpose of subclassification and assessed uniformly as to subclass at the following percentages of market value:

Type of Property

- | | |
|--|------|
| 1) Real property used for residential purposes including multi-family residential real property and real property necessary to accommodate a residential community of mobile or manufactured homes including the real property upon which such homes are located | 11½% |
| 2) Land devoted to agricultural use which shall be valued upon the basis of its agricultural income or agricultural productivity pursuant to Section 12 of Article 11 of the Constitution | 30% |
| 3) Vacant lots | 12% |
| 4) Real property which is owned and operated by a not-for-profit organization not subject to federal income taxation pursuant to Section 501 of the federal Internal Revenue Code, and which is included in the subclass by law | 12% |
| 5) Public utility real property, except railroad real property which shall be assessed at the average rate that all other commercial and industrial property is assessed | 33% |
| 6) Real property used for commercial and industrial purposes and building and other improvements located upon land devoted to agricultural use | 25% |
| 7) All other urban and rural real property not otherwise specifically subclassified | 30% |

Class 2

This class consists of tangible personal property. Such tangible personal property is further classified into six subclasses. Such property is defined by law for the purpose of subclassification and assessed uniformly as to subclass at the following percentages of market value:

Type of Property

- | | |
|--|------|
| 1) Mobile homes used for residential purposes | 11½% |
| 2) Mineral leasehold interest, except oil leasehold interests, the average daily production from which is five barrels or less, and natural gas leasehold interest, the average daily production from which is 100 mcf or less, which shall be assessed at 25% | 30% |
| 3) Public utility tangible personal property including inventories thereof, except railroad personal property including inventories thereof, which shall be assessed at the average rate all other commercial and industrial property is assessed | 33% |
| 4) All categories of motor vehicles not defined and specifically valued and taxes pursuant to law enacted prior to January 1, 1985 | 20% |
| 5) Commercial and industrial machinery and equipment which, if its economic life is seven years or more, shall be valued at its retail cost less seven-year straight-line depreciation, or which, if its economic life is less than seven years, shall be valued at its retail cost when new less straight-line depreciation over its economic life, except that, the value so obtained for such property, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost when new of such property | 25% |
| 6) All other tangible personal property not otherwise specifically classified ¹ | 30% |

All property used exclusively for state, county, municipal, literary, educational, scientific, religious, benevolent and charitable purposes, farm machinery and equipment, merchants' and manufacturers' inventories (other than public utility inventories included in Subclass 3) of Class 2, livestock, and all household goods and personal effects not used for the production of income is exempted from property taxation.

The 2006 Kansas Legislature exempted from all property or ad valorem property taxes levied under the laws of the State all commercial, industrial, telecommunications and railroad machinery and equipment acquired by qualified purchase or lease after June 30, 2006 or transported into the State after June 30, 2006 for the purpose of expanding an existing business or creation of a new business.

¹ Citizens approved by ballot in 2012 to allow the legislature to adopt a new watercraft valuation or tax policy starting in 2013 with watercraft assessed at 30%; 2014 watercraft will be assessed at 11.5%; and 2015 watercraft will be assessed at 5% and thereafter.

CURRENT PROPERTY VALUATIONS

	2017 Assessed Valuation
Real Estate	\$ 168,433,632
Personal Property	1,551,718
State Assessed Utilities	4,117,515
Taxable Assessed Valuation	<u>\$ 174,102,865</u>
Plus: Motor Vehicles	24,581,976
Recreational Vehicles	<u>192,739</u>
Total Equalized Assessed Tangible Valuation	<u><u>\$ 198,877,580</u></u>

TREND OF ASSESSED VALUATIONS

Year	Real Estate	Personal Property	State Assessed Utilities	Motor Vehicles	Total Equalized Assessed Tangible Valuation	Percent +/- in Total Equalized Assessed Tangible Valuation
2013	\$123,332,860	\$2,521,248	\$3,529,808	\$20,301,412	\$149,685,328	+ 0.86%
2014	130,024,179	2,132,218	3,823,250	21,176,628	157,156,275	+ 4.99%
2015	140,291,218	1,803,988	3,836,836	22,077,044	168,009,086	+ 6.91%
2016	152,336,844	1,614,159	4,113,956	23,590,199	181,655,158	+ 8.12%
2017	168,433,632	1,551,718	4,117,515	24,774,715	198,877,580	+ 9.48%

Source: *Current Property Valuations and Trend of Assessed Valuations have been furnished by Johnson County Records & Tax Administration (www.rta.jocogov.org).*

LARGER TAXPAYERS

Taxpayer	Type of Property	2017 Taxable Assessed Valuation	Percent of City's Total Taxable Assessed Valuation
Walmart	Retail	\$4,006,001	2.30%
TPAF IV Moonlight, LLC	Real Estate	2,402,005	1.38%
Horizon Trails, LLC	Real Estate	1,539,735	0.88%
CLS Investment Company	Real Estate	1,318,014	0.76%
Bristol Partners XVI, LLC	Real Estate	1,186,445	0.68%
Axiom-Aspen, LLC	Real Estate	1,026,250	0.59%
Energy Center Industrial, LLC	Real Estate	1,014,300	0.58%
DJC Properties, LLC	Real Estate	931,500	0.54%
First Choice Properties, Inc.	Real Estate	927,959	0.53%
Bethel Estates of Gardner	Real Estate	<u>868,135</u>	<u>0.50%</u>
Total		\$15,220,344	8.74%

City's Total 2017 Taxable Assessed Valuation \$174,102,865

Source: *Larger Taxpayers have been furnished by Johnson County.*

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total G.O. debt being paid from taxes and other City revenues (includes the Bonds)*	\$ 29,440,000
Total G.O. debt being paid from water & wastewater revenues	<u>3,270,000</u>
Total General Obligation Debt*	<u>\$ 32,710,000</u>

Non-General Obligation Debt (see schedules following)

Total Non-G.O. debt being paid from water & wastewater revenues	<u>\$ 10,321,149</u>
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Lease Purchase Obligations (see schedule following)²

Lease purchase obligations - City	\$ 611,000
Lease purchase obligations - Public Building Commission	<u>1,670,000</u>
Total Lease purchase Obligations	<u>\$2,281,000</u>

*Preliminary, subject to change.

¹ Outstanding debt is as of the dated date of the Bonds. Does not include funds held in Escrow for payment of refunded maturities.

² Non-general obligation debt has not been included in the debt ratios.

CITY OF GARDNER, KANSAS
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Taxes and Other City Revenues
(As of 12/20/17)

Fiscal Year Ending	Refunding & Improvement Series 2003C		G.O. Bonds Series 2008A		G.O. Bonds Series 2008B		G.O. Bonds Series 2009A		G.O. Bonds Series 2010A		G.O. Bonds Series 2011A	
	Dated Amount	8/15/03 \$3,820,000	5/15/08 \$4,720,000	8/15/08 \$9,900,000	9/1/09 \$7,705,000	9/1/10 \$2,770,000	9/8/11 \$1,325,000					
Maturity	10/01	10/01	10/01	10/01	10/01	10/01	10/01	10/01	10/01	10/01	10/01	10/01
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	20,000	900	365,000	13,323	980,000	39,200	605,000	127,645	125,000	61,760	60,000	31,545
2019							635,000	107,075	120,000	58,635	60,000	30,345
2020									135,000	55,635	60,000	29,145
2021									135,000	51,585	65,000	27,705
2022									130,000	47,535	65,000	26,145
2023									145,000	43,635	65,000	24,325
2024									150,000	39,285	70,000	22,505
2025									165,000	34,785	70,000	20,300
2026									165,000	29,629	75,000	18,095
2027									165,000	24,266	75,000	15,508
2028									170,000	18,698	80,000	12,920
2029									180,000	12,960	80,000	9,960
2030									185,000	6,660	85,000	7,000
2031											90,000	3,600
2032												
	20,000	900	365,000	13,323	980,000	39,200	1,240,000	234,720	1,970,000	485,067	1,000,000	279,098

CITY OF GARDNER, KANSAS
Schedule of Bonded Indebtedness Continued
General Obligation Debt Being Paid From Taxes and Other City Revenues
(As of 12/20/17)

Fiscal Year Ending	G.O. Bonds Series 2012A		Refunding (1) Series 2012C		Refunding (2) Series 2013A		G.O. Bonds (3) Series 2014A		Refunding & Impr. (4) Series 2014B		G.O. Bonds (5) Series 2016A	
	Dated Amount	Maturity	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$3,995,000	8/01	180,000	74,056	1,315,000	222,200	110,000	8,088	300,000	108,913	290,000	81,363
2019			180,000	71,581	1,350,000	169,600	115,000	5,888	305,000	102,913	300,000	75,563
2020			185,000	68,431	1,415,000	115,600	35,000	3,588	310,000	96,813	300,000	69,563
2021			190,000	64,731	1,475,000	59,000	35,000	2,888	315,000	90,613	305,000	61,800
2022			195,000	60,931			35,000	2,188	330,000	81,163	310,000	57,463
2023			200,000	57,031			35,000	1,488	335,000	71,263	245,000	51,263
2024			205,000	53,031			35,000	788	345,000	61,213	250,000	45,750
2025			210,000	48,931			35,000		355,000	53,450	260,000	39,500
2026			215,000	44,731			35,000		365,000	44,575	265,000	33,000
2027			225,000	39,894			370,000	34,994	370,000	34,994	275,000	25,050
2028			230,000	34,550			385,000	23,894	385,000	23,894	280,000	16,800
2029			235,000	28,800			395,000	12,344	395,000	12,344	280,000	8,400
2030			245,000	22,338								
2031			255,000	15,600								
2032			265,000	7,950								
			3,215,000	692,588	5,555,000	566,400	400,000	24,913	4,110,000	782,144	3,360,000	567,275
											2,715,000	488,250

- 1) This issue current refunded the 2012 through 2022 maturities of the City's State of Kansas Department of Health and Environment Water Pollution Control Revolving Loan, Project No. 1514-01.
- 2) This issue current refunded: (i) the 2013 through 2016 maturities of the City's \$9,800,000 General Obligation Bonds, Series 2001A, dated October 1, 2001; (ii) the 2013 through 2016 maturities of the City's \$4,860,000 General Obligation Bonds, Series 2002B, dated August 1, 2002; and (iii) the 2013 through 2015 maturities of the City's \$4,675,000 General Obligation Bonds, Series 2005A, dated September 1, 2005.
This issue advance refunded: (i) the 2015 through 2024 maturities of the City's \$3,160,000 General Obligation Bonds, Series 2004D, dated August 1, 2004; (ii) the 2014 through 2016 maturities of the City's \$10,695,000 General Obligation Bonds, Series 2006A, dated June 1, 2006.
- 3) This issue refinanced the City's \$6,245,000 General Obligation Temporary Notes, Series 2012B, dated April 15, 2012.
- 4) This issue refunded the 2015 - 2029 maturities of the City's \$3,572,944.23 Kansas Department of Transportation Revolving Fund Loan TR-0106, dated 5/18/09, and the 2015 - 2029 maturities of the City's \$858,303.30 Kansas Department of Transportation Revolving Fund Loan TR-0101, dated May 18, 2009.
- 5) A portion of this issue refunded the 2019 through 2028 maturities of the City's \$9,900,000 General Obligation Bonds, Series 2008B, dated August 15, 2008. The Escrow Account is responsible for paying the principal and interest on the non-refunded maturities through October 1, 2018 (the "Call Date"), and the principal being refunded on the Call Date. Therefore, the refunded issue has not been included above and has not been included in the calculation of debt ratios.

CITY OF GARDNER, KANSAS
Schedule of Bonded Indebtedness Continued
General Obligation Debt Being Paid From Taxes and Other City Revenues
(As of 12/20/17)

Fiscal Year Ending	Taxable G.O. Bonds Series 2016B		G.O. Bonds 6) Series 2017A		Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	12/29/16 \$855,000	12/20/17 \$3,735,000*				
		10/01	Principal	Interest				
			Principal	Estimated Interest				
2018			80,000	21,525	4,770,000	24,670,000	16.20%	2018
2019			80,000	19,925	3,585,000	21,085,000	28.38%	2019
2020			80,000	18,325	3,340,000	17,745,000	39.72%	2020
2021			85,000	16,325	3,450,000	14,295,000	51.44%	2021
2022			85,000	14,200	2,010,000	12,285,000	58.27%	2022
2023			85,000	11,650	1,980,000	10,305,000	65.00%	2023
2024			90,000	9,100	2,035,000	8,270,000	71.91%	2024
2025			95,000	6,175	1,600,000	6,670,000	77.34%	2025
2026			95,000	3,088	1,645,000	5,025,000	82.93%	2026
2027					1,420,000	3,605,000	87.75%	2027
2028					1,310,000	2,295,000	92.20%	2028
2029					1,170,000	1,125,000	96.18%	2029
2030					515,000	610,000	97.93%	2030
2031					345,000	265,000	99.10%	2031
2032					265,000	0	100.00%	2032
			775,000	120,313	29,440,000	34,022,871		

*Preliminary, subject to change.

6) A portion of this issue is refunding the 2020 through 2024 maturities of the City's \$7,705,000 General Obligation Bonds, Series 2009A, dated September 1, 2009. The City is responsible for paying the principal and interest on the non-refunded maturities through October 1, 2019 (the "Call Date"). The Escrow Account is responsible for paying the interest on the callable portion of the Series 2009A Bonds from December 20, 2017 (closing date) through the Call Date and to pay the principal to be refunded on the Series 2009A Bonds on the Call Date. Therefore, the refunded issue has not been included above and has not been included in the calculation of debt ratios.

CITY OF GARDNER, KANSAS
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Water & Wastewater Revenues
(As of 12/20/17)

Refunding 1)
Series 2015A

Dated Amount	7/15/15 \$3,945,000	Maturity	10/1													
Fiscal Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending	2018	2019	2020	2021	2022	2023	2024	2025
2018	370,000	98,100	370,000	98,100	468,100	2,900,000	11.31%	2018								
2019	380,000	87,000	380,000	87,000	467,000	2,520,000	22.94%	2019								
2020	390,000	75,600	390,000	75,600	465,600	2,130,000	34.86%	2020								
2021	400,000	63,900	400,000	63,900	463,900	1,730,000	47.09%	2021								
2022	415,000	51,900	415,000	51,900	466,900	1,315,000	59.79%	2022								
2023	425,000	39,450	425,000	39,450	464,450	890,000	72.78%	2023								
2024	440,000	26,700	440,000	26,700	466,700	450,000	86.24%	2024								
2025	450,000	13,500	450,000	13,500	463,500	0	100.00%	2025								
	3,270,000	456,150	3,270,000	456,150	3,726,150											

1) This issue refunded the 2016 through 2026 maturities of the City's \$7,582,910 Water Supply Loan Fund (Hillsdale Project No. 2446), 2006, dated November 30, 2005, as amended.

CITY OF GARDNER, KANSAS
Schedule of Bonded Indebtedness
Non-General Obligation Debt Being Paid From Water & Wastewater Revenues
(As of 12/20/17)

**KDHE Loan
C20-1721-01
2007**

**KDHE Loan
C20-1956-01
2014**

Fiscal Year Ending	Dated Amount	Maturity	3/01 & 9/01 Final Maturity 9/01		3/01 & 9/01 Final Maturity 3/01		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
			Principal	Interest	Principal	Interest						
2018			143,696	38,079	438,977	176,089	582,673	214,168	796,842	9,738,476	5.65%	2018
2019			147,529	34,608	449,132	167,038	596,661	201,646	798,307	9,141,815	11.43%	2019
2020			151,465	31,043	459,521	157,778	610,986	188,822	799,807	8,530,829	17.35%	2020
2021			155,505	27,384	470,151	148,304	625,656	175,688	801,344	7,905,174	23.41%	2021
2022			159,653	23,627	481,026	138,610	640,680	162,238	802,917	7,264,494	29.62%	2022
2023			163,912	19,770	492,154	128,693	656,066	148,463	804,529	6,608,428	35.97%	2023
2024			168,285	15,810	503,538	118,546	671,823	134,356	806,179	5,936,605	42.48%	2024
2025			172,774	11,745	515,186	108,164	687,960	119,908	807,868	5,248,645	49.15%	2025
2026			177,383	7,571	527,104	97,542	704,486	105,112	809,598	4,544,159	55.97%	2026
2027			182,114	3,285	539,297	86,674	721,411	89,959	811,370	3,822,748	62.96%	2027
2028					551,772	75,555	551,772	75,555	627,327	3,270,976	68.31%	2028
2029					564,536	64,178	564,536	64,178	628,714	2,706,440	73.78%	2029
2030					577,595	52,539	577,595	52,539	630,133	2,128,845	79.37%	2030
2031					590,956	40,630	590,956	40,630	631,586	1,537,890	85.10%	2031
2032					604,626	28,446	604,626	28,446	633,072	933,264	90.96%	2032
2033					618,612	15,980	618,612	15,980	634,592	314,652	96.95%	2033
2034					314,652	3,225	314,652	3,225	317,877	0	100.00%	2034
			1,622,316	212,922	8,698,834	1,607,990	10,321,149	1,820,912	12,142,062			

CITY OF GARDNER, KANSAS
Schedule of Bonded Indebtedness
Non-General Obligation Debt Being Paid From Rental Payments
(As of 12/20/17)

Land
Series 2016C

Dated Amount	12/29/16 \$678,000	Maturity	4/1 and 10/1	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
Fiscal Year Ending									
2018	64,000	11,008	75,008	547,000	10.47%	2018			
2019	64,000	10,620	74,620	483,000	20.95%	2019			
2020	66,000	9,797	75,797	417,000	31.75%	2020			
2021	66,000	9,011	75,011	351,000	42.55%	2021			
2022	67,000	8,028	75,028	284,000	53.52%	2022			
2023	68,000	6,942	74,942	216,000	64.65%	2023			
2024	70,000	5,459	75,459	146,000	76.10%	2024			
2025	72,000	3,776	75,776	74,000	87.89%	2025			
2026	74,000	1,721	75,721	0	100.00%	2026			
	611,000	66,361	677,361						

CITY OF GARDNER, KANSAS PUBLIC BUILDING COMMISSION
Schedule of Bonded Indebtedness
Non-General Obligation Debt Being Paid From Lease Revenues
(As of 12/20/17)

		Lease Revenue Refunding 1) Series 2012A							
Dated Amount	9/11/12 \$3,105,000								
Maturity	11/01								
Fiscal Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending	
2018	375,000	34,575	375,000	34,575	409,575	1,295,000	22.46%	2018	
2019	395,000	27,075	395,000	27,075	422,075	900,000	46.11%	2019	
2020	430,000	19,175	430,000	19,175	449,175	470,000	71.86%	2020	
2021	470,000	10,575	470,000	10,575	480,575	0	100.00%	2021	
	1,670,000	91,400	1,670,000	91,400	1,761,400				

1) This issue current refunded the 2013 through 2021 maturities of the Commission's \$4,000,000 Lease Revenue Bonds, Series 2002A, dated August 1, 2002.

DEBT LIMIT

2017 Equalized Assessed Tangible Valuation	\$198,877,580
Multiply by 30%	<u>0.30</u>
Statutory Debt Limit	\$ 59,663,274
Less: Outstanding debt subject to the debt limit (includes a portion of the Bonds)*	<u>(13,848,024)</u>
Unused Debt Limit*	<u><u>\$ 45,815,250</u></u>

*Preliminary, subject to change.

OVERLAPPING DEBT¹

Taxing District	2017 Taxable Assessed Valuation	% In City	Total G.O. Debt ²	City's Proportionate Share
Johnson County	\$ 9,858,473,397	1.7900%	\$ 312,063,100	\$ 5,585,929
Johnson County Park & Rec	9,858,473,397	1.7900%	1,215,000	21,749
U.S.D. 231 (Gardner Edgerton)	293,572,617	60.8600%	152,625,000	<u>92,887,575</u>
City's Share of Total Overlapping Debt				<u><u>\$98,495,253</u></u>

¹ Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. Does *not* include non-general obligation debt, self-supporting general obligation revenue debt, or short-term general obligation debt.

² Outstanding debt is based on information in official statements obtained on EMMA and the Municipal Advisor's records.

DEBT RATIOS

	G.O. Debt	Debt/Total Equalized Assessed Tangible Valuation (\$198,877,580)	Debt/21,110 Current Estimated Population
Direct G.O. Debt Being Paid From:			
Taxes & Other City Revenues	\$ 29,440,000		
Water & Wastewater Revenues	<u>3,270,000</u>		
Total General Obligation Debt (includes the Bonds)*	\$ 32,710,000		
Less: G.O. Debt Paid Entirely from Revenues ¹	<u>(22,411,976)</u>		
Net General Obligation Debt*	\$ 10,298,024	5.18%	\$487.83
City's Share of Total Overlapping Debt	\$ 98,495,253	49.53%	\$4,665.81
Total	\$108,793,277	54.70%	\$5,153.64

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

In the next 12 months, the City plans to issue approximately \$20 million in General Obligation debt to be paid from City property and sales taxes and other City revenues. Projects to be financed include a City justice center, street improvements, and benefit district infrastructure. The City also plans to issue approximately \$6 million in General Obligation debt to be paid from City water and wastewater revenues, to finance water and wastewater system improvements.

¹ Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

TAX LEVIES AND COLLECTIONS

TAX COLLECTIONS

Levy/Budget Year	Total Taxes Levied	Total Collected Following Year	Collected to Date ¹	% Collected
2012/13	\$4,031,661	\$3,968,415	\$3,968,415	98.43%
2013/14	4,077,201	4,013,682	4,013,682	98.44%
2014/15	4,063,435	4,008,901	4,008,901	98.66%
2015/16	4,415,625	4,370,729	4,370,729	98.98%
2016/17	3,321,027	3,321,027	N/A	N/A

Property taxes are certified by the City to the County Clerk by August 25 of each year for the following fiscal year. Taxes are levied by the County Clerk and payable to the County Treasurer. Property taxes may be paid in two installments, the first due December 20 in the year the taxes are levied and the second due May 10 of the following year. Taxes become delinquent after May 10 and interest accrues at a rate set by State statute until paid or until the property is sold for taxes. Special assessments are levied and collected in the same manner as property taxes.

Source: *Johnson County Treasurer's office*

TAX MILL LEVIES²

	2013	2014	2015	2016	2017
Johnson County	17.745%	17.764%	19.582%	19.590%	19.318%
State of Kansas	1.500%	1.500%	1.500%	1.500%	1.500%
City of Gardner	31.133%	29.434%	29.455%	20.544%	20.540%
Johnson County Park & Rec.	2.347%	2.349%	3.101%	3.102%	3.112%
Johnson County Library	3.155%	3.157%	3.912%	3.915%	3.921%
Johnson County Community College	9.551%	9.461%	9.469%	9.473%	9.503%
U.S.D. No. 231 (Gardner Edgerton)	79.170%	69.711%	69.185%	67.787%	66.981%

Source: *Johnson County Abstract of Taxes.*

¹ Collections are through August 31, 2017.

² Tax Levy Rates for a Resident of the City (per \$1,000 assessed valuation).

THE ISSUER

CITY GOVERNMENT

The City of Gardner was organized as a municipality in 1858. Under the laws of the State of Kansas, it became a second class city in 2002 and has a Mayor-Council form of government, consisting of a six-member City Council of which the Mayor is not a voting member. The City Administrator and Finance Director are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 136 full-time, 5 part-time, and 49 seasonal employees. The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Fire Retirement System (KP&F), which are both part of a cost-sharing, multiple-employer defined benefit pension plan. The City collects and remits member-employee contributions according to the provision of Section 414(h) of the Internal Revenue Code. KPERS and KP&F are funded on an actuarial reserve basis.

For the year ended December 31, 2016, the City implemented provisions of GASB 68, Accounting and Financial Reporting for Pensions and GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Kansas Public Employees Retirement System (KPERS) and additions to/deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The GASB (Governmental Accounting Standards Board) Statement No. 68, "*Accounting and Financial Reporting for Pensions*" is effective for the City for the fiscal year ended December 31, 2016, and has been implemented in the City's 2016 financial statements, located in Appendix A hereto.

POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits (some mandated by State Statute and others that cover a portion of the cost of health insurance during retirement) for the majority of its employees. Accounting for these obligations will be dictated by new Governmental Accounting Standards Board Statements Nos. 43 and 45 (GASB 43 and 45). The City has completed a preliminary actuarial study of its obligations. The preliminary study shows an actuarial accrued liability of \$239,917 with a discount rate of 4.5% as of January 1, 2015. The City is currently funding these obligations on a pay-as-you-go basis.

LITIGATION

The City, in the ordinary course of business, is a party to various legal proceedings. It is not anticipated that any judgment rendered against the City in such proceedings would materially adversely affect the financial position of the City. There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

Currently there is no statutory authority for Kansas municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code.

Nevertheless, there can be no assurance (a) that State law will not change in the future while the Bonds are outstanding; or (b) even absent such a change in State law, that an executive order or other executive action could not effectively authorize the City to file for relief under Chapter 9; or (c) whether it would still be eligible for voluntary or involuntary relief under Chapters of the Bankruptcy Code other than Chapter 9 or under similar federal or state law or equitable proceeding regarding insolvency or providing for protection from creditors. Such action could impact the rights of holders of the Bonds. Such modifications could be adverse to holders of the Bonds and there could ultimately be no assurance that holders of the Bonds would be paid in full or in part on the Bonds.

FUNDS ON HAND¹ (As of October 31, 2017)

Fund	Total Cash and Investments
General Fund	\$ 4,662,495
Special Revenue Fund	122,885
Capital Project Fund	1,608,442
Debt Service Fund	2,861,449
Enterprise Funds	13,971,707
Internal Service Fund	370,731
Agency Funds	34,779
Total Funds on Hand	<u><u>\$23,632,488</u></u>

¹ Effective January 1, 2016, the Gardner City Council assumed ownership of and responsibility for all Airport related assets and liabilities, dissolving the Airport Association's Airport Committee along with its authority to form a non-profit corporation to supervise the operations of the airport.

ENTERPRISE FUNDS

Cash flows for the City's enterprise funds have been as follows as of December 31 each year:

	2014	2015	2016
Electric¹			
Total Operating Revenues	\$14,393,780	\$ 14,539,925	\$ 14,440,663
Less: Operating Expenses	<u>(12,426,890)</u>	<u>(11,937,542)</u>	<u>(11,933,322)</u>
Operating Income	\$ 1,966,890	\$ 2,602,383	\$ 2,507,341
Plus: Depreciation	<u>1,414,440</u>	<u>1,432,220</u>	<u>1,361,919</u>
Revenues Available for Debt Service	<u><u>\$ 3,381,330</u></u>	<u><u>\$ 4,034,603</u></u>	<u><u>\$ 3,869,260</u></u>
Water			
Total Operating Revenues	\$ 4,948,652	\$ 5,145,232	\$ 5,440,947
Less: Operating Expenses	<u>(3,294,109)</u>	<u>(3,511,026)</u>	<u>(3,852,471)</u>
Operating Income	\$ 1,654,543	\$ 1,634,206	\$ 1,588,476
Plus: Depreciation	<u>729,962</u>	<u>704,744</u>	<u>716,308</u>
Revenues Available for Debt Service	<u><u>\$ 2,384,505</u></u>	<u><u>\$ 2,338,950</u></u>	<u><u>\$ 2,304,784</u></u>
Wastewater			
Total Operating Revenues	\$ 4,808,675	\$ 5,023,691	\$ 5,073,706
Less: Operating Expenses	<u>(3,437,335)</u>	<u>(4,115,120)</u>	<u>(3,874,306)</u>
Operating Income	\$ 1,371,340	\$ 908,571	\$ 1,199,400
Plus: Depreciation	<u>1,355,396</u>	<u>1,759,362</u>	<u>1,557,622</u>
Revenues Available for Debt Service	<u><u>\$ 2,726,736</u></u>	<u><u>\$ 2,667,933</u></u>	<u><u>\$ 2,757,022</u></u>

¹ In November of 2008 the governing body of the City adopted Ordinance No. 2296 which generally provides for the operation of the City owned electric utility through an appointed Board. In October 2013 the governing body of the City was advised by legal counsel that Ordinance No. 2296 in several respects was in conflict with State law relating to management and operation of the City's electric utility through the appointed board. On February 24, 2014 Ordinance No. 2296 was repealed and replaced with an ordinance which makes the Governing Body of the City responsible for the management and operation of the City's electric utility except for obligations permitted to be delegated in compliance with Kansas law.

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the City's 2016 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2013 Audited	2014 Audited	2015 Audited	2016 Audited	2017 Adopted Budget ¹
Revenues					
Taxes	\$ 5,467,769	\$ 5,762,206	\$ 5,647,974	\$ 6,439,874	\$ 5,353,900
Special assessments	0	3,453	6,604	4,194	6,000
Intergovernmental	2,392,007	2,162,152	2,184,049	2,274,972	2,269,200
License and permits	319,508	204,236	189,784	293,055	184,800
Charges for services	744,055	1,867,940	2,103,849	2,253,903	2,378,300
Fines and fees	415,312	384,400	424,004	512,927	483,200
Investment earnings	20,081	7,010	6,319	5,910	6,700
Franchise fees	0	0	0	0	331,000
Other miscellaneous revenues	90,035	30,223	14,106	68,397	13,500
Total Revenues	<u>\$ 9,448,767</u>	<u>\$ 10,421,620</u>	<u>\$ 10,576,689</u>	<u>\$ 11,853,232</u>	<u>\$ 11,026,600</u>
Expenditures					
Current:					
General government	\$ 1,888,571	\$ 2,588,646	\$ 2,929,611	\$ 3,328,503	\$ 3,944,400
Public safety	3,793,325	4,188,261	4,466,208	5,087,946	3,661,700
Public works	1,439,557	1,600,153	1,918,905	1,944,363	2,216,400
Culture and recreation	1,868,548	1,970,858	2,124,243	2,272,346	2,454,000
Capital outlay	187,354	265,483	221,089	364,609	360,900
Debt Service	21,021	29,743	21,021	21,021	21,000
Total Expenditures	<u>\$ 9,198,376</u>	<u>\$ 10,643,144</u>	<u>\$ 11,681,077</u>	<u>\$ 13,018,788</u>	<u>\$ 12,658,400</u>
Excess of revenues over (under) expenditures	\$ 250,391	\$ (221,524)	\$ (1,104,388)	\$ (1,165,556)	\$ (1,631,800)
Other Financing Sources (Uses)					
Insurance proceeds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Capital lease obligations	98,510	0	0	0	0
Proceeds from sale of capital assets	40,566	22,105	8,583	2,108	0
Operating transfers in	942,500	841,298	709,100	729,500	759,700
Operating transfers out	(400,000)	(1,728)	(20,000)	(171,600)	(89,800)
Total Other Financing Sources (Uses)	<u>\$ 681,576</u>	<u>\$ 861,675</u>	<u>\$ 697,683</u>	<u>\$ 560,008</u>	<u>\$ 669,900</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ 931,967	\$ 640,151	\$ (406,705)	\$ (605,548)	\$ (961,900)
General Fund Balance January 1	4,997,241	5,674,975 ²	6,315,126	5,908,421	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance December 31	<u>\$ 5,929,208</u>	<u>\$ 6,315,126</u>	<u>\$ 5,908,421</u>	<u>\$ 5,302,873</u>	
DETAILS OF DECEMBER 31 FUND BALANCE					
Assigned	\$ 64,474	\$ 9,640	\$ 115,541	\$ 22,221	
Unassigned	5,864,734	6,305,486	5,792,880	5,280,652	
Total	<u>\$ 5,929,208</u>	<u>\$ 6,315,126</u>	<u>\$ 5,908,421</u>	<u>\$ 5,302,873</u>	

¹ The 2017 budget was adopted on August 1, 2016.

² The City evaluated certain funds and determined that a change in fund structure was necessary. The movement of the Park Improvement Fund, Special Olympics Program and the Mayor's Christmas Tree Program from a sub-fund of the General Fund to other fund types caused the change in the fund balance from 2013 to 2014.

GENERAL INFORMATION

LOCATION

The City of Gardner, with a current estimated population of 21,110, and comprising an area of 10.21 square miles, is located approximately 55 miles southeast of the City of Topeka and 30 miles southwest of Kansas City, Missouri.

LARGER EMPLOYERS

Larger employers within the City include the following:

Firm	Type of Business/Product	No. of Employees
U.S.D. No. 231 (Gardner Edgerton)	Primary and secondary education	896
Walmart	Retail	270
City of Gardner	Municipal government and services	190
Coleman	Distribution center for camping and outdoor products	175
Meadowbrook Rehabilitation Hospital	Rehabilitation hospital	156
TradeNet	Specialty advertising products	120
Price Chopper	Grocery store	100
Medical Lodges Gardner	Nursing and rehabilitation center	90
Vintage Park	Residential Care Homes	65
Perkins	Restaurant	60
Cramer Products, Inc	Sports medicine products	50

Source: *ReferenceUSA, written and telephone survey (November 2017), and the Minnesota Department of Employment and Economic Development.*

BUILDING PERMITS

	2013	2014	2015	2016	2017 ¹
<u>New Residential Homes/Buildings</u>					
No. of building permits	78	88	66	98	116
Valuation	\$11,747,719	\$15,790,420	\$25,973,615	\$18,059,207	\$24,965,967
<u>New Commercial/Industrial</u>					
No. of building permits	17	3	1	1	5
Valuation	\$33,279,995	\$4,144,685	\$220,261	\$2,601,485	\$13,083,304
<u>All Building Permits²</u> <i>(including additions and remodelings)</i>					
No. of building permits	95	91	67	108	133
Valuation	\$45,027,714	\$19,935,105	\$26,193,876	\$22,534,194	\$40,097,213

Source: The City.

¹ As of October 31, 2017.

² The City's "Total All Building Permits" as reported for 2013-2015 does not include the estimated value of building additions and remodels, whereas this activity is included in the totals for 2016-2017.

U.S. CENSUS DATA

Population Trend: City of Gardner, Kansas

2000 U.S. Census	9,396
2010 U.S. Census	19,123
Current Population Estimate	21,110
Percent of Change 2000 - 2010	+ 103.52%

Income and Age Statistics

	City of Gardner	Johnson County	State of Kansas	United States
2015 per capita income	\$25,742	\$40,331	\$27,367	\$28,555
2015 median household income	\$67,422	\$76,113	\$51,872	\$53,482
2015 median family income	\$73,162	\$94,850	\$65,804	\$65,443
2015 median gross rent	\$930	\$947	\$748	\$920
2015 median value owner-occupied units	\$161,900	\$215,600	\$129,400	\$175,700
2015 median age	31.3 yrs.	36.8 yrs.	36.0 yrs.	37.4 yrs.
		State of Kansas	United States	
City % of 2015 per capita income		94.06%	90.15%	
City % of 2015 median family income		111.18%	111.80%	

Housing Statistics

	<u>City of Gardner</u>		
	2000	2015	Percent of Change
All Housing Units	3,533	7,411	109.77%

Source: 2000 and 2010 Census of Population and Housing, and 2015 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (www.factfinder2.census.gov).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Johnson County		Johnson County	State of Kansas
2013	300,796		4.3%	5.7%
2014	309,100		3.8%	5.3%
2015	312,872		3.4%	4.6%
2016	314,887		3.3%	4.2%
2017, September	319,703		2.9%	4.6%

Source: Kansas Department of Labor (<http://klic.dol.ks.gov>).

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested the Auditor to perform any additional examination, assessments or evaluation with respect to such financial statements since the date thereof, nor has the City requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended

December 31, 2016

INTRODUCTORY SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council Members
City of Gardner, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Gardner, Kansas (City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gardner, Kansas, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, in 2016, the City adopted Government Accounting Standards Board Statement No. 72: *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 15 to the financial statements, in 2016, the City adopted Government Accounting Standards Board Statement No. 77: *Tax Abatement Disclosures*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

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

June 13, 2017
Wichita, Kansas

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, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of 2016 by \$123,595,868 (*net position*). Of this amount, \$14,502,544 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$4,003,890 during the fiscal year.
- As of the close of 2016, the City's governmental funds reported combined ending fund balances of \$9,914,684. Approximately 53% of this total amount, \$5,280,652, is unassigned fund balance available for spending at the City's discretion.
- At the close of the current fiscal year, fund balance for the City's primary operating fund, the general fund, was \$5,302,873 or 45% of the total general fund revenues of \$11,853,232.
- The City's total long-term debt decreased by \$3,255,675 during the fiscal year. This was due to portions of the City's debt paying off in 2016.
- The City recorded a prior period adjustment on the entity-wide Statement of Activities for the governmental activities, decreasing the net position by \$394,291 to reflect the elimination of a loan receivable due from the City's Discretely-Presented Component Unit, the Airport Association. Effective January 1, 2016 the City assumed ownership of the Airport, dissolving the Airport Association.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Government-wide Financial Statements

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

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

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

Both statements show the operations of the City broken down by governmental activities and business-type activities. Governmental activities are the operations of the City generally supported by taxes, such as public works, 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 along with the airport.

Fund Financial Statements

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

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

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund and capital projects fund, all of which are

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

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

The City has five enterprise funds: Electric Fund, Water Fund, Wastewater Fund, Stormwater Fund and the Airport Fund. The City has four internal service funds: Risk Management Fund, Information Technology Services Fund, Building Maintenance Fund, and the Utility Billing Services Fund. The electric fund, water fund, and wastewater fund are the only funds being considered major funds for presentation purposes.

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

Notes to the Financial Statements

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

Other Information

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

ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. For the City, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$123,595,868 at the close of the current fiscal year. The City's net position increased by \$4,003,890 from the prior year, with business-type activities accounting for \$6,553,472 of the increase, partially offset by a decrease of \$2,549,582 in governmental activities.

City of Gardner, Kansas Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$28,500,498	\$28,978,661	\$17,653,102	\$15,109,765	\$46,153,600	\$44,088,416
Capital assets	53,114,771	55,766,718	88,706,633	87,707,318	141,821,404	143,474,036
Total assets	81,615,269	84,745,379	106,359,735	102,817,073	187,975,004	187,562,452
Deferred outflows	2,505,490	690,059	698,669	267,639	3,204,159	957,698
Long-term liabilities	32,658,559	30,400,763	29,445,606	32,469,295	62,104,165	62,870,058
Other liabilities	616,387	904,283	1,595,155	1,081,516	2,211,542	1,985,799
Total liabilities	33,274,946	31,305,046	31,040,761	33,550,811	64,315,707	64,855,857
Deferred inflows	3,189,345	3,924,342	78,243	147,973	3,267,588	4,072,315
Net position:						
Net investment in Capital Assets	29,574,314	30,941,934	61,598,308	57,021,062	91,172,622	87,962,996
Restricted for:						
Debt service	15,796,587	16,797,819	-	-	15,796,587	16,797,819
Capital projects	1,802,849	1,289,912	-	-	1,802,849	1,289,912
Streets improvements	187,339	141,711	-	-	187,339	141,711
Economic development	94,979	189,474	-	-	94,979	189,474
Other purposes	38,948	38,874	-	-	38,948	38,874
Unrestricted	161,452	806,326	14,341,092	12,364,866	14,502,544	13,171,192
Total net position	\$47,656,468	\$50,206,050	\$75,939,400	\$69,385,928	\$123,595,868	\$119,591,978

The largest portion of the City's net position (74%) reflects its investment of \$91,172,622 in capital assets (e.g., land, buildings, intangibles, infrastructure, vehicles, machinery and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these are not available for future spending.

An additional \$17,920,702 of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of the City's net position of \$14,502,544 (\$161,452 governmental activities and \$14,341,092 business-type activities) is unrestricted and may be used to meet ongoing obligations to citizens and creditors.

Analysis of Changes in Net Position

As stated earlier, the City's net position increased by \$4,003,890 during the current fiscal year. The following table reflects the revenues and expenses for the City's activities for the year ended December 31, 2016, and illustrates the comparison between 2016 and the prior year:

City of Gardner, Kansas Changes in Net Position				
	2016	2015	2016	2015
	Governmental Activities	Business-type Activities	Total	Total
Revenues:				
Program Revenues:				
Charges for services	\$ 3,143,065	\$ 2,824,777	\$ 24,708,848	\$ 28,746,431
Operating grants and contributions	3,397,426	3,328,990	-	3,397,426
Capital grants and contributions	206,879	805,138	358,459	565,338
General Revenues:				
Property taxes	5,246,198	4,893,957	-	5,246,198
Sales taxes	3,827,653	3,535,132	-	3,827,653
Franchise taxes	269,736	312,625	-	269,736
Transient guest tax	74,272	62,892	-	74,272
Unrestricted investment earnings	9,533	9,867	10,284	19,817
Other	(11,595)	30,737	-	(11,595)
Total Revenue	16,163,204	15,804,115	25,972,109	24,965,402
			42,135,313	40,769,517
Expenses:				
General government	4,598,982	3,896,677	-	4,598,982
Public safety	5,315,430	4,383,506	-	5,315,430
Public works	3,744,547	3,940,033	-	3,744,547
Culture and recreation	2,604,472	2,433,317	-	2,604,472
Interest on long-term debt	609,604	808,488	-	609,604
Electric	-	12,006,709	11,919,565	11,919,565
Water	-	4,032,587	3,692,470	4,032,587
Wastewater	-	4,591,624	4,675,174	4,591,624
Stormwater	-	28,298	28,298	28,298
Airport	-	204,879	204,879	-
Total Expenses	16,873,035	15,462,021	20,864,097	20,315,507
Increase (decrease) in net position before transfers	(709,831)	342,094	5,108,012	4,649,895
Transfers	(1,445,450)	829,600	1,445,450	(829,600)
Change in net position	(2,155,281)	1,171,694	6,553,472	3,820,295
Net position, 1/1	50,206,050	53,800,982	69,385,928	67,104,351
Prior period adjustment	(394,291)	(4,786,826)	-	(1,538,718)
Net position, 12/31	\$ 47,656,468	\$ 50,206,050	\$ 75,939,400	\$ 69,385,928
			\$ 123,595,868	\$ 119,591,978

Governmental Activities

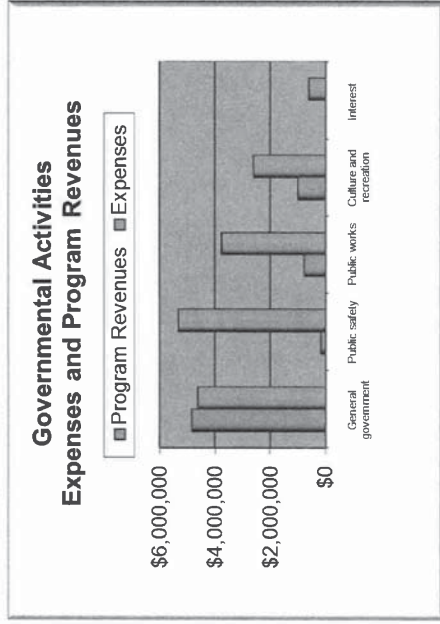
The City's net position related to governmental activities decreased by \$2,549,582 during the year. The decrease can be attributed to the transfer of governmental assets to business-type assets due to the change resulting from the City assuming ownership of the airport, dissolving the Airport Association.

Total governmental revenues increased \$359,089 over the prior year. Charges for Services reflects an increase in revenue from the continued implementation of a cost allocation plan to recover costs into the general fund for general fund services provided to the City's utilities. In addition, an increase in property and sales tax revenues can be attributed to the improved economic conditions. This increase was offset by decreased Capital Grants and Contributions revenue due to decreased grant-funded street projects.

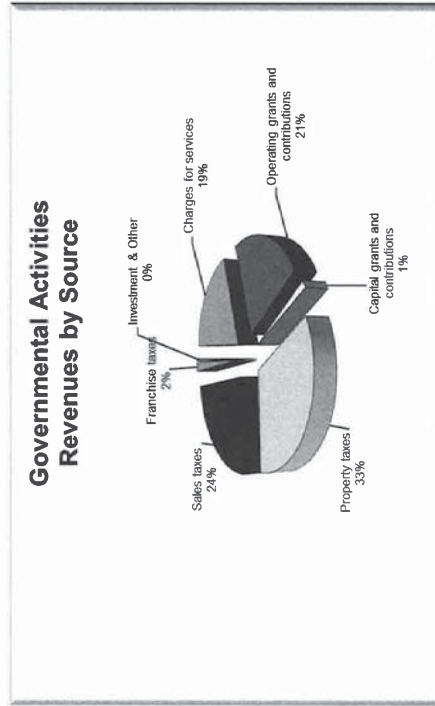
Total governmental expenses increased \$1,411,014 from the prior year. Increased costs for personnel-related expenses account for part of the increase, due in part to the implementation of a merit adjustment

for personnel, state-mandated increases for KPERs and KPF and overtime incurred to cover vacancies. Professional service fees also increased in 2016.

The chart below illustrates how the City's various governmental activities program revenues vs. program expenses fared in 2016.



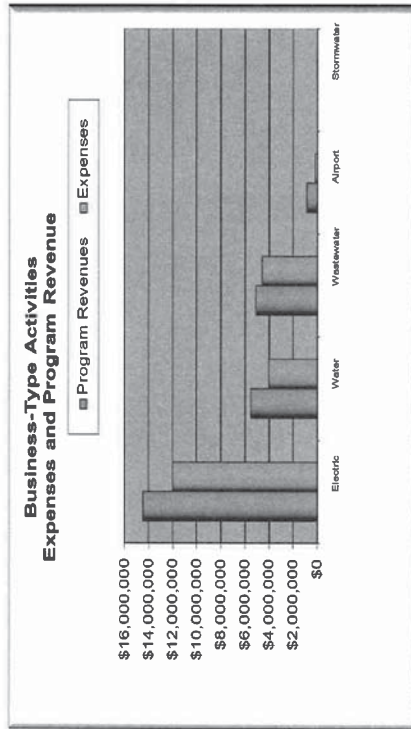
The chart below illustrates the City's overall program and general revenues for governmental activities:



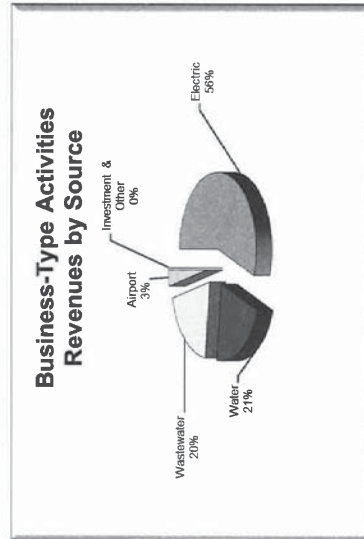
Business-Type Activities

The City's net position related to business-type activities increased \$6,553,472, up from an increase of \$3,820,295 in net position from the prior year. Besides decreased spending on capital projects, the City also assumed ownership of the airport as of 1/1/16, which resulted in \$2,996,138 of newly acquired capital.

The City's water, wastewater and electric base rates were unchanged in 2016. The program revenues vs. program expenses for business-type activities chart below illustrates the overall increase in net position for all business-type activities.



The chart below illustrates the City's charges for services from business-type activities, which account for 98.58% of their revenues:



FINANCIAL ANALYSIS OF THE CITY'S FUNDS:

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

Governmental funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,914,684, an increase of \$2,290,558 in comparison with the prior year. Approximately 53% of this total amount or \$5,302,873 constitutes fund balance that is available to meet the City's current and future needs. The remainder of the fund balance totaling \$4,611,811 is restricted for specific spending.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was \$3,302,873. As a measure of the general fund's liquidity, it may be useful to compare the available fund balance to total general fund expenditures. Available fund balance represents 41% of total general fund expenditures of \$13,018,788.

The fund balance in the City's general fund had a decrease of \$605,548 during the current fiscal year. Total revenue in the general fund was \$11,853,232, an increase of \$1,276,543 over the previous year mostly due to an increase in sales tax revenue. This revenue increase was offset by increased expenses of \$1,337,711 due to the aforementioned personnel-related expenses and increased professional services fees.

The debt service fund had an ending fund balance of \$2,427,189, all of which is restricted for the payment of debt service. This is an increase of \$2,371,455 from the prior year. This is due to the issuance of partial net cash advance refunding general obligation bonds.

The capital projects fund had an ending fund balance of \$370,635. This is a decrease of \$319,690 from the prior year. The decrease is due mostly to a prior period adjustment recorded to eliminate a loan receivable due from the City's Discretely Presented Component Unit, the Airport Association. The City assumed ownership of the airport on January 1, dissolving the Airport Association.

Proprietary funds

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

At the end of the current fiscal year, unrestricted net position for *proprietary funds* amounted to \$14,338,494. The total increase in unrestricted net position was \$1,974,929 from the prior year.

The electric fund had total net position of \$36,249,784 at the end of the current fiscal year. This is an increase of \$1,694,164 from the previous year. Net position was up from prior years due to a decrease in wholesale energy costs.

The water fund had total net position of \$19,145,709 at the end of the current fiscal year. This is an increase of \$1,256,050 from the previous year. This can be attributed to increased operating revenue from charges for services.

The wastewater fund had total net position of \$16,850,152 at the end of the current fiscal year. This is an increase of \$635,172 from the previous year. This can be attributed to a decrease in amortization expense related to intangible assets.

The airport fund (a non-major proprietary fund) had total net position of \$2,996,138 at the end of the current fiscal year. This is a new fund to the City. On January 1 2016, the City assumed ownership of the Airport, dissolving the Airport Association.

The City's internal service funds had total net position of \$50,529 at the end of the current fiscal year.

Fiduciary funds

The City maintains three fiduciary funds: the Alcohol Safety Action Program, the Special Olympics Program, and the Mayor's Christmas Tree Program. At the end of 2016, the assets of the funds were \$56,640.

GENERAL FUND BUDGETARY HIGHLIGHTS:

The City's general fund budget was not amended during 2016; therefore, the original budget and the final budget are the same. During the year, total revenues were more than budgetary estimates by \$449,507. Due to the City's effective budget controls expenditures were \$4,011,073 less than budgeted, which resulted in a positive variance of \$4,460,580. A summary of differences between budgetary estimates for revenues and expenditures is as follows:

- Property tax collections were less than the original estimate by \$15,191.
- City sales and use tax revenues were more than estimated by \$284,115. This is due to a slight improvement in economic conditions.
- Licenses and permits were \$130,855 more than estimated. This can be attributed to a 25% increase in building and construction permits.
- General fund project reserves of \$3,179,641 remain available at the end of 2016. This is down 12% from the prior year. These large reserves will provide funding to undertake major initiatives planned for the future.
- Culture and Recreation expenditures were \$631,033 less than estimated due to the postponement of bike/pedestrian trail maintenance projects.

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, 2016, amounted to \$141,821,404 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, intangibles, vehicles, roads, water lines, sewer collectors and electric lines.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 4,780,162	\$ 5,058,725	\$ 3,305,283	\$ 2,364,720	\$ 6,089,445	\$ 7,411,445
Construction in progress	421,016	368,241	2,800,248	1,061,421	3,321,264	1,428,662
Buildings	2,940,552	3,766,241	1,897,417	742,044	4,537,969	4,528,285
Improvements	1,044,298	1,234,347	5,394,021	5,075,006	6,438,319	6,909,353
Infrastructure	42,872,085	44,421,505	67,874,682	69,385,561	110,846,767	114,367,066
Intangibles	-	-	6,807,494	7,135,041	6,807,494	7,135,041
Machinery and equipment	507,187	579,422	563,774	576,795	1,070,961	1,156,217
Vehicles	549,481	320,237	198,704	226,730	709,185	546,967
	\$ 53,114,771	\$ 55,766,718	\$ 88,706,633	\$ 87,707,318	\$ 141,821,404	\$ 143,474,036

More detailed information about the City's capital assets is presented in Note 5 to the Basic Financial Statements.

Long-Term Debt

At the end of the current fiscal year, the City had total long-term debt outstanding of \$51,184,886. Of this amount, \$24,615,000 was general obligation debt backed by the full faith and credit of the City. However, \$15,398,736 of the general obligation debt is supported by business-type revenues. Special assessment debt in the amount \$12,805,000 is debt for which the City is liable in the event of default by the property owners subject to the assessment. An additional \$10,957,771 of the City's debt is from construction loans with the Kansas Department of Health and Environment and the Kansas Department of Transportation for improvements to the wastewater system. The remainder of the City's debt represents PBC revenue bonds and capital lease obligations.

In 2016, the City issued bonds to finance various street and utility improvements within the City and partially refund existing general obligation debt. The refunding was undertaken to provide interest cost savings to the City.

City of Gardner's Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 9,218,264	\$ 9,310,684	\$15,398,736	\$18,049,316	\$24,615,000	\$27,360,000
Special assessment debt with government commitment	12,805,000	12,215,000	-	-	12,805,000	12,215,000
PBC revenue bonds	2,015,000	2,330,000	-	-	2,015,000	2,330,000
Construction loan payable	67,609	244,290	10,890,162	11,590,158	10,957,771	11,834,448
Certificates of participation	-	475,000	-	-	-	475,000
Capital lease obligations	792,115	226,113	-	-	792,115	226,113
	\$24,695,988	\$24,801,087	\$26,288,898	\$29,639,474	\$51,784,886	\$54,440,561

The City's total long-term debt decreased \$3,255,675 during the current fiscal year. This is due to debt retiring and smaller new debt issues in recent years.

The City was assigned an "AA-" rating from Standard & Poor's for its general obligation bonds. State statutes limit the amount of general obligation debt a government entity may issue to 30% of its total assessed valuation. The current debt limitation for the City is \$54,443,006, which is significantly in excess of the City's outstanding general obligation bonds.

More detailed information about the City's long-term debt is presented in Note 12 to the basic financial statements.

REQUESTS FOR INFORMATION

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

CITY OF GARDNER, KANSAS

STATEMENT OF NET POSITION

December 31, 2016

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Airport Association
Assets:				
Deposits and investments	\$ 7,471,840	\$ 13,103,566	\$ 20,575,406	\$ -
Receivables, net of allowance for uncollectibles:				
Taxes	3,669,408	-	3,669,408	-
Accounts Receivable	-	3,064,479	3,064,479	-
Intergovernmental	672,601	-	672,601	-
Special assessments	15,061,062	-	15,061,062	-
Other	13,801	644	14,445	-
Internal balances	(4,060)	4,060	-	-
Inventories	-	1,202,352	1,202,352	-
Restricted deposits and investments	1,615,846	278,001	1,893,847	-
Capital assets, net of accumulated depreciation, where applicable:				
Land	4,780,152	3,309,293	8,089,445	-
Construction in progress	421,016	2,900,248	3,321,264	-
Buildings	2,940,552	1,597,417	4,537,969	-
Improvements	1,044,298	5,394,021	6,438,319	-
Infrastructure	42,872,085	67,974,682	110,846,767	-
Intangible	-	6,807,494	6,807,494	-
Machinery and equipment	507,187	563,774	1,070,961	-
Vehicles	549,481	159,704	709,185	-
Total assets	81,615,269	106,359,735	187,975,004	-
Deferred outflows of resources:				
Unamortized portion of refunding gain	161,733	40,349	202,082	-
Pension related items	2,343,757	658,320	3,002,077	-
Total deferred outflows of resources	2,505,490	698,669	3,204,159	-
Liabilities:				
Accounts payable	380,288	1,118,086	1,498,374	-
Accrued payroll	22,978	9,707	32,685	-
Accrued interest payable	174,723	189,361	364,084	-
Liabilities payable from restricted assets	38,398	278,001	316,399	-
Noncurrent liabilities:				
Due within one year	2,626,874	3,869,795	6,496,669	-
Due in more than one year	30,031,685	25,575,811	55,607,496	-
Total liabilities	33,274,946	31,040,761	64,315,707	-
Deferred inflows of resources:				
Property tax receivable	3,011,973	-	3,011,973	-
Pension related items	177,372	78,243	255,615	-
Total deferred inflows of resources	3,189,345	78,243	3,267,588	-
Net position:				
Net investment in capital assets	29,574,314	61,598,308	91,172,622	-
Restricted for:				
Debt service	15,796,587	-	15,796,587	-
Capital projects	1,802,849	-	1,802,849	-
Street improvements	187,339	-	187,339	-
Economic development	94,979	-	94,979	-
Other purposes	38,948	-	38,948	-
Unrestricted	161,452	14,341,092	14,502,544	-
Total net position	\$ 47,656,468	\$ 75,939,400	\$ 123,595,868	\$ -

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

CITY OF GARDNER, KANSAS
STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

Functions/Programs/ Primary government:	Program Revenues					Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
						Governmental Activities	Business-Type Activities		
Governmental activities:									
General government	\$ 5,770,782	\$(1,171,800)	\$ 2,171,668	\$ 2,657,335	\$ -	\$ 230,021	\$ -	\$ 230,021	\$ -
Public safety	5,315,430	-	8,228	148,409	-	(5,158,793)	-	(5,158,793)	-
Public works	3,744,547	-	-	556,103	206,879	(2,981,565)	-	(2,981,565)	-
Culture and recreation	2,604,472	-	963,169	35,579	-	(1,605,724)	-	(1,605,724)	-
Interest on long-term debt	609,604	-	-	-	-	(609,604)	-	(609,604)	-
Total governmental activities	18,044,835	(1,171,800)	3,143,065	3,397,426	206,879	(10,125,665)	-	(10,125,665)	-
Business-type activities:									
Electric	11,586,309	420,400	14,440,663	-	5,000	-	2,438,954	2,438,954	-
Water	3,718,987	313,600	5,440,947	-	85,000	-	1,493,360	1,493,360	-
Wastewater	4,153,824	437,800	5,073,706	-	40,000	-	522,082	522,082	-
Stormwater	28,298	-	-	-	-	-	(28,298)	(28,298)	-
Airport	204,879	-	648,050	-	228,459	-	671,630	671,630	-
Total business-type activities	19,692,297	1,171,800	25,603,366	-	358,459	-	5,097,728	5,097,728	-
Total primary government	\$ 37,737,132	\$ -	\$ 28,746,431	\$ 3,397,426	\$ 565,338	(10,125,665)	\$ 5,097,728	(5,027,937)	\$ -
Component unit:									
Airport Association	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General revenues:									
Property taxes						5,246,198		5,246,198	
Sales taxes						3,827,653		3,827,653	
Franchise taxes						269,736		269,736	
Excise taxes						-		-	
Transient guest tax						74,272		74,272	
Unrestricted investment earnings						9,533	10,284	19,817	
Gain on sale of assets						-		-	
Other						(11,558)		(11,558)	10,618
Transfers						(1,445,460)	1,445,460	-	
Total general revenues and transfers						7,970,374	1,455,744	9,426,118	10,618
Change in net position						(2,155,291)	6,553,472	4,398,181	10,618
Net position, beginning of year						50,206,050	69,385,928	119,591,978	(10,618)
Prior period adjustment						(394,291)	-	(394,291)	-
Net position, end of year						\$ 47,656,468	\$ 75,939,400	\$ 123,595,868	\$ -

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

CITY OF GARDNER, KANSAS

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2016

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 4,635,438	\$ 933,777	\$ 389,834	\$ 1,368,051	\$ 7,327,100
Receivables (net of allowance for uncollectibles):					
Taxes	2,431,192	1,032,177	-	206,039	3,669,408
Special assessments	-	15,061,062	-	-	15,061,062
Intergovernmental	457,810	-	1,000	213,791	672,601
Airport Association	-	-	-	-	-
Other	13,801	-	-	-	13,801
Restricted deposits and investments	-	1,516,941	38,398	60,507	1,615,846
Due from other funds	15,219	-	-	-	15,219
Total assets	\$ 7,553,460	\$ 18,543,957	\$ 429,232	\$ 1,848,388	\$ 28,375,037
Liabilities					
Accounts payable	247,432	23,529	58,597	19,826	349,384
Accrued payroll	21,750	-	-	-	21,750
Due to other funds	1,609	-	-	14,575	16,184
Total liabilities	270,791	23,529	58,597	34,401	387,318
Deferred Inflows of Resources					
Unavailable revenue - special assessments	-	15,061,062	-	-	15,061,062
Deferred revenue - property taxes	1,979,796	1,032,177	-	-	3,011,973
Total deferred inflows of resources	1,979,796	16,093,239	-	-	18,073,035
Fund Balances					
Restricted					
Debt Service	-	2,427,189	-	-	2,427,189
Capital projects	-	-	370,635	1,492,721	1,863,356
Street improvements	-	-	-	187,339	187,339
Economic development	-	-	-	94,979	94,979
Other	-	-	-	38,948	38,948
Assigned					
Public Works	8,050	-	-	-	8,050
Business and Economic Development	6,408	-	-	-	6,408
Culture and Recreation	7,763	-	-	-	7,763
Unassigned	5,280,652	-	-	-	5,280,652
Total fund balances	5,302,873	2,427,189	370,635	1,813,987	9,914,684
Total liabilities, deferred inflows of resources and fund balances	\$ 7,553,460	\$ 18,543,957	\$ 429,232	\$ 1,848,388	\$ 28,375,037

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

CITY OF GARDNER, KANSAS

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

December 31, 2016

Total fund balances in Governmental Funds Balance Sheet		\$ 9,914,684
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		52,855,253
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		15,061,062
Deferred outflows of resources are not available and payable in the current period and therefore are not reported in the funds:		
Deferred refunding	161,733	
Deferred outflows related to pensions	2,255,651	
Total		2,417,384
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Accrued interest payable	(174,723)	
Liabilities payable from restricted assets	(38,398)	
Bonds:		
General obligation and special assessments bond payable, net of unamortized premium of \$345,252	(22,366,516)	
Net pension liability	(6,585,382)	
PBC lease revenue bonds	(2,015,000)	
Construction loans payable	(67,609)	
Land Lease Purchase	(678,000)	
Other post employment benefits	(232,407)	
Capital lease obligation	(20,735)	
Compensated absences	(292,749)	
Total		(32,471,519)
Other deferred inflows of resources are not due and payable in the current period and therefore are not reported in the funds:		
Deferred inflows - pensions		(165,175)
Internal service funds are used by management to charge the costs of risk management, building maintenance and information technology services to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net position.		44,779
Net position of governmental activities		<u>\$ 47,656,468</u>

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

CITY OF GARDNER, KANSAS

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

Year Ended December 31, 2016

	General	Debt Service	Capital Projects	Other Governmental funds	Total Governmental Funds
Revenues					
Taxes:					
Property tax	\$ 3,441,023	\$ 1,696,249	\$ -	\$ 108,926	\$ 5,246,198
Sales tax	2,729,115	-	-	1,098,538	3,827,653
Franchise tax	269,736	-	-	-	269,736
Transient guest tax	-	-	-	74,272	74,272
Special assessments	4,194	1,864,881	-	-	1,869,075
Intergovernmental	2,274,972	-	230,000	1,099,333	3,604,305
Licenses and permits	293,055	-	-	-	293,055
Charges for services	2,253,903	-	-	-	2,253,903
Fines and fees	512,927	-	-	78,986	591,913
Investment earnings	5,910	2,195	464	964	9,533
Other	68,397	-	-	-	68,397
Total revenues	<u>11,853,232</u>	<u>3,563,325</u>	<u>230,464</u>	<u>2,461,019</u>	<u>18,108,040</u>
Expenditures					
Current:					
General government	3,328,503	-	-	1,079,672	4,408,175
Public safety	5,087,946	-	-	-	5,087,946
Public works	1,944,363	-	-	-	1,944,363
Culture and recreation	2,272,346	-	-	-	2,272,346
Capital outlay	364,609	-	1,013,292	1,067,974	2,445,875
Debt service:					
Principal	20,062	2,260,063	-	691,681	2,971,806
Interest and fiscal charges	959	646,436	-	43,295	690,690
Other	-	102,952	13,000	39,786	155,738
Total expenditures	<u>13,018,788</u>	<u>3,009,451</u>	<u>1,026,292</u>	<u>2,922,408</u>	<u>19,976,939</u>
Excess of revenues over (under) expenditures	<u>(1,165,556)</u>	<u>553,874</u>	<u>(795,828)</u>	<u>(461,389)</u>	<u>(1,868,899)</u>
Other financing sources (uses)					
General obligation bonds issued	-	1,490,000	678,000	1,380,000	3,548,000
Issuance: Premium	-	64,139	-	60,561	124,700
Proceeds from sale of capital assets	2,108	-	-	-	2,108
Transfers in	729,500	263,442	196,171	525,000	1,714,113
Transfers out	(171,600)	-	(3,742)	(659,831)	(835,173)
Total other financing sources (uses)	<u>560,008</u>	<u>1,817,581</u>	<u>870,429</u>	<u>1,305,730</u>	<u>4,553,748</u>
Net change in fund balances	(605,548)	2,371,455	74,601	844,341	2,684,849
Fund balances, beginning of year	<u>5,908,421</u>	<u>55,734</u>	<u>690,325</u>	<u>969,646</u>	<u>7,624,126</u>
Prior period adjustment	-	-	(394,291)	-	(394,291)
Fund balances, end of year	<u>\$ 5,302,873</u>	<u>\$ 2,427,189</u>	<u>\$ 370,635</u>	<u>\$ 1,813,987</u>	<u>\$ 9,914,684</u>

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

CITY OF GARDNER, KANSAS

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

Year Ended December 31, 2016

Net change in fund balances - total governmental funds		\$ 2,684,849
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital Outlay	2,452,910	
Depreciation Expense	(2,307,234)	
Net Change	145,676	145,676
Transfer of capital assets and long-term debt related to the change in reporting for the airport		(2,324,400)
Net gain (loss) on disposal of capital assets		(82,063)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the governmental funds.		
Special assessments		(1,864,881)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences	(39,179)	
Accrued interest	9,135	
Premium amortization	112,190	
Deferred refunding	115,499	
Pensions	(172,142)	
Other postemployment benefit obligation	(39,288)	
Total	(13,785)	(13,785)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Debt issued or incurred:		
General obligation and special assessment bonds	(3,548,000)	
Premiums	(124,700)	
Principal repayments:		
General obligation and special assessment bonds payable	1,985,063	
PBC lease revenue bonds	315,000	
Certificates of participation	475,000	
Construction loans	176,681	
Capital lease obligation	20,062	
Total	(700,894)	(700,894)
Internal service funds are used by management to charge the costs of risk management, building maintenance and information technology services to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		
		207
Change in net position of governmental activities		\$ (2,155,291)

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

CITY OF GARDNER, KANSAS

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

GENERAL FUND

Year Ended December 31, 2016

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes:				
Property	\$ 3,456,214	\$ 3,456,214	\$ 3,441,023	\$ (15,191)
Sales	2,445,000	2,445,000	2,729,115	284,115
Franchise	333,000	333,000	269,736	(63,264)
Intergovernmental	2,270,908	2,270,908	2,279,166	8,258
Licenses and permits	162,200	162,200	293,055	130,855
Charges for services	2,241,200	2,241,200	2,253,903	12,703
Fines and fees	486,400	486,400	512,927	26,527
Investment earnings	6,600	6,600	5,907	(693)
Other	2,200	2,200	68,397	66,197
Total revenues	11,403,722	11,403,722	11,853,229	449,507
Expenditures				
General government	3,549,500	3,549,500	3,242,562	306,938
Public safety	5,077,100	5,077,100	5,087,946	(10,846)
Public works	2,234,300	2,234,300	1,944,363	289,937
Culture and recreation	2,896,000	2,896,000	2,264,967	631,033
Capital outlay	-	-	364,609	(364,609)
Debt service	-	-	21,021	(21,021)
Project reserve	3,179,641	3,179,641	-	3,179,641
Total expenditures	16,936,541	16,936,541	12,925,468	4,011,073
Excess of revenues over (under) expenditures	(5,532,819)	(5,532,819)	(1,072,239)	4,460,580
Other financing sources and (uses)				
Transfers in	769,600	769,600	729,500	(40,100)
Transfers out	(45,000)	(45,000)	(134,035)	(89,035)
Proceeds from sale of capital assets	-	-	2,108	2,108
Total other financing sources and (uses)	724,600	724,600	597,573	(127,027)
Net change in fund balances	(4,808,219)	(4,808,219)	(474,666)	4,333,553
Fund balances, beginning of year	5,054,488	5,054,488	5,755,318	700,830
Fund balances, end of year	\$ 246,269	\$ 246,269	5,280,652	\$ 5,034,383

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	22,221
GAAP fund balance - General Fund only	5,302,873
Fund balances for separately budgeted funds included with the General Fund on GAAP financials:	
Special Benefit Fee Fund	-
	\$ 5,302,873

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

CITY OF GARDNER, KANSAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2016

	Major Funds		
	Electric	Water	Wastewater
Assets			
Current assets:			
Cash and cash equivalents	\$ 9,089,572	\$ 3,128,909	\$ 405,143
Accounts receivable, net	1,822,315	601,014	624,821
Other receivable	-	-	-
Inventories	987,231	135,383	64,409
Restricted deposits and investments	220,491	57,510	-
Due from other funds	19,602	828	244
Total current assets	<u>12,139,211</u>	<u>3,923,644</u>	<u>1,094,617</u>
Noncurrent assets:			
Capital assets:			
Land	678,878	964,968	710,874
Construction in progress	2,288,422	244,963	51,623
Buildings	867,093	-	-
Infrastructure	40,652,733	26,169,051	47,518,656
Intangible asset	401,622	265,000	7,090,821
Improvements	6,077,266	2,680,332	1,408,723
Machinery and equipment	858,794	35,867	361,021
Vehicles	406,052	269,600	430,158
Less accumulated depreciation and amortization	(25,099,289)	(9,885,122)	(20,574,935)
Total capital assets	<u>27,131,571</u>	<u>20,744,659</u>	<u>36,996,941</u>
Total noncurrent assets	<u>27,131,571</u>	<u>20,744,659</u>	<u>36,996,941</u>
Total assets	<u>39,270,782</u>	<u>24,668,303</u>	<u>38,091,558</u>
Deferred outflows of resources			
Unamortized portion of refunding gain	-	-	40,349
Pension related items	316,127	124,073	111,890
Total deferred outflows of resources	<u>316,127</u>	<u>124,073</u>	<u>152,239</u>
Liabilities			
Current liabilities:			
Accounts payable	435,779	579,480	89,269
Accrued payroll	3,918	2,248	2,059
Customer and developer deposits	220,491	57,510	-
Accrued interest payable	9,101	33,223	145,781
Due to other funds	75	1,720	14,175
Compensated absences	57,944	21,064	33,315
Current portion of bonds payable	315,000	685,000	2,105,000
Current portion of construction loans payable	-	-	569,016
Current portion of lease payable	-	-	-
Total current liabilities	<u>1,042,308</u>	<u>1,380,245</u>	<u>2,958,615</u>
Noncurrent liabilities:			
Other postemployment benefit obligation	27,886	35,371	15,950
Bonds payable, net	1,266,498	3,816,526	7,726,158
Pension liability	966,902	398,651	357,715
Construction loan payable	-	-	10,321,146
Total noncurrent liabilities	<u>2,261,286</u>	<u>4,250,548</u>	<u>18,420,969</u>
Total liabilities	<u>3,303,594</u>	<u>5,630,793</u>	<u>21,379,584</u>
Deferred inflows of resources			
Pension related items	33,531	15,874	14,061
Net position			
Net investment in capital assets	25,550,073	16,243,133	16,315,970
Unrestricted	10,699,711	2,902,576	534,182
Total net position	<u>\$ 36,249,784</u>	<u>\$ 19,145,709</u>	<u>\$ 16,850,152</u>

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

Net position of business-type activities

Nonmajor Funds		Internal Service Funds
Totals	Total	
\$ 173,720	\$ 12,797,344	\$ 450,962
16,329	3,064,479	-
644	644	-
15,329	1,202,352	-
-	278,001	-
-	20,674	-
<u>206,022</u>	<u>17,363,494</u>	<u>450,962</u>
954,573	3,309,293	-
315,240	2,900,248	-
1,745,363	2,612,456	-
1,502,127	115,842,567	-
-	7,757,443	-
868,238	11,034,559	-
-	1,255,682	418,977
-	1,105,810	58,120
<u>(1,555,231)</u>	<u>(57,114,577)</u>	<u>(214,427)</u>
<u>3,830,310</u>	<u>88,703,481</u>	<u>262,670</u>
<u>3,830,310</u>	<u>88,703,481</u>	<u>262,670</u>
<u>4,036,332</u>	<u>106,066,975</u>	<u>713,632</u>
-	40,349	-
<u>1,306</u>	<u>553,396</u>	<u>193,030</u>
<u>1,306</u>	<u>593,745</u>	<u>193,030</u>
1,472	1,106,000	42,990
47	8,272	2,663
-	278,001	-
1,256	189,361	-
644	16,614	3,095
489	112,812	33,368
62,406	3,167,406	-
-	569,016	-
-	-	93,380
<u>66,314</u>	<u>5,447,482</u>	<u>175,496</u>
-	79,207	15,774
281,924	13,091,106	-
1,597	1,724,865	637,687
-	10,321,146	-
<u>283,521</u>	<u>25,216,324</u>	<u>653,461</u>
<u>349,835</u>	<u>30,663,806</u>	<u>828,957</u>
(202)	63,264	27,176
3,485,980	61,595,156	169,290
202,025	14,338,494	(118,761)
<u>\$ 3,688,005</u>	<u>75,933,650</u>	<u>\$ 50,529</u>
	5,750	
	<u>\$ 75,939,400</u>	

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

CITY OF GARDNER, KANSAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended December 31, 2016

	Major Funds		
	Electric	Water	Wastewater
Operating revenues			
Charges for sales and services	\$ 14,440,663	\$ 5,440,811	\$ 5,073,706
Other	-	136	-
Total operating revenues	<u>14,440,663</u>	<u>5,440,947</u>	<u>5,073,706</u>
Operating expenses			
Administration	766,095	706,622	692,339
Wholesale energy cost	7,061,841	-	-
Generation	840,498	-	-
Treatment	-	1,986,475	1,240,784
Distribution and collection	1,887,009	443,066	383,561
Contractual services	-	-	-
Other supplies and expenses	-	-	-
Repairs and maintenance	-	-	-
Depreciation and amortization	1,361,919	716,308	1,557,622
Other	15,960	-	-
Total operating expenses	<u>11,933,322</u>	<u>3,852,471</u>	<u>3,874,306</u>
Operating income (loss)	<u>2,507,341</u>	<u>1,588,476</u>	<u>1,199,400</u>
Nonoperating revenues (expenses)			
Investment earnings	6,721	2,573	882
Interest expense	(44,605)	(168,759)	(664,978)
Other	(28,865)	(11,440)	(52,420)
Total nonoperating revenues (expenses)	<u>(66,749)</u>	<u>(177,626)</u>	<u>(716,516)</u>
Income (loss) before transfers and contributions	2,440,592	1,410,850	482,884
Capital contributions	5,000	85,000	40,000
Transfers in	-	-	200,000
Transfers out	(751,428)	(239,800)	(87,712)
Change in net position	1,694,164	1,256,050	635,172
Total net position, beginning of year	34,555,620	17,889,659	16,214,980
Total net position, end of year	<u>\$ 36,249,784</u>	<u>\$ 19,145,709</u>	<u>\$ 16,850,152</u>

Change in net position

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

Change in net position of business-type activities

Nonmajor Funds		Total	Internal Service Funds		
Totals			Service Funds		
\$	265,453	\$	25,220,633	\$	2,681,347
	382,597		382,733		24,363
	648,050		25,603,366		2,705,710
	83,848		2,248,904		870,607
	-		7,061,841		-
	-		840,498		-
	-		3,227,259		-
	-		2,713,636		-
	-		-		1,254,665
	-		-		164,990
	8,223		8,223		35,866
	133,316		3,769,165		41,253
	-		15,960		333,446
	225,387		19,885,486		2,700,827
	422,663		5,717,880		4,883
	108		10,284		-
	(7,790)		(886,132)		(4,430)
	-		(92,725)		-
	(7,682)		(968,573)		(4,430)
	414,981		4,749,307		453
	2,552,859		2,682,859		-
	-		200,000		-
	-		(1,078,940)		-
	2,967,840		6,553,226		453
	720,165		69,380,424		50,076
\$	3,688,005		75,933,650	\$	50,529
			6,553,226		
			246		
		\$	6,553,472		

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

CITY OF GARDNER, KANSAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended December 31, 2016

	Major Funds	
	Electric	Water
Cash flows from operating activities:		
Receipts from customers	\$ 14,194,486	\$ 5,387,737
Other	-	-
Payments to suppliers	(9,036,928)	(1,856,320)
Payments to employees	(1,378,881)	(737,621)
Net cash provided by operating activities	<u>3,778,677</u>	<u>2,793,796</u>
Cash flows from noncapital financing activities:		
Transfers from other funds	-	-
Transfers to other funds	(751,428)	(239,800)
Net cash provided by (used in) noncapital financing activities	<u>(751,428)</u>	<u>(239,800)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,227,000)	(271,595)
Principal paid on general obligation bonds	(954,316)	(1,050,000)
Principal paid on construction loan	-	-
Principal paid on capital lease	-	-
Interest paid on general obligation bonds, construction loan, and capital lease	(47,099)	(189,413)
Proceeds from general obligation bonds	855,000	-
Issuance costs and fees	(22,364)	-
Net cash used in capital and related financing activities	<u>(1,395,779)</u>	<u>(1,511,008)</u>
Cash flows from investing activities:		
Interest received	6,721	2,573
Net increase (decrease) in cash and cash equivalents	1,638,191	1,045,561
Cash and cash equivalents, beginning of year	<u>7,671,872</u>	<u>2,140,858</u>
Cash and cash equivalents, end of year	<u>\$ 9,310,063</u>	<u>\$ 3,186,419</u>

Wastewater	Nonmajor Funds Totals	Total	Internal Service Funds
\$ 5,019,588	\$ 631,721	\$ 25,233,532	\$ 2,683,570
-	-	-	24,363
(1,594,485)	(97,795)	(12,585,528)	(1,776,430)
(674,437)	(12,998)	(2,803,937)	(874,308)
<u>2,750,666</u>	<u>520,928</u>	<u>9,844,067</u>	<u>57,195</u>
200,000	-	200,000	-
(87,712)	-	(1,078,940)	-
<u>112,288</u>	<u>-</u>	<u>(878,940)</u>	<u>-</u>
(180,765)	(290,651)	(1,970,011)	-
(1,835,000)	(55,621)	(3,894,937)	-
(699,996)	-	(699,996)	-
-	-	-	(91,936)
(685,489)	(6,534)	(928,535)	(4,430)
-	-	855,000	-
-	-	(22,364)	-
<u>(3,401,250)</u>	<u>(352,806)</u>	<u>(6,660,843)</u>	<u>(96,366)</u>
882	108	10,284	-
(537,414)	168,230	2,314,568	(39,171)
<u>942,557</u>	<u>5,490</u>	<u>10,760,777</u>	<u>490,133</u>
<u>\$ 405,143</u>	<u>\$ 173,720</u>	<u>\$ 13,075,345</u>	<u>\$ 450,962</u>

See accompanying notes to the basic financial statements

CITY OF GARDNER, KANSAS

**STATEMENT OF CASH FLOWS
(Continued)**

PROPRIETARY FUNDS

Year Ended December 31, 2016

	Electric	Water
Cash consists of:		
Cash	\$ 9,089,572	\$ 3,128,909
Restricted deposits and investments	220,491	57,510
	9,310,063	3,186,419
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	2,507,341	1,588,476
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Items not requiring cash:		
Depreciation and amortization expense	1,361,919	716,308
Other postemployment benefit obligation	(775)	(6,854)
Loss (gain) on sale of asset	15,960	-
Pension expense	15,408	5,830
Changes in:		
Receivables	(223,318)	(65,596)
Inventories	113,071	8,455
Due from other funds	(7,959)	13,939
Accounts payable	22,024	540,999
Due to other funds	75	665
Accrued liabilities	(10,169)	(6,873)
Unearned revenue	-	-
Customer deposits	(14,900)	(1,553)
Net cash provided by operating activities	\$ 3,778,677	\$ 2,793,796

Noncash capital and financing activities: In 2015 the Electric Fund and the Water Fund received \$50,150 and \$70,690, respectively, in capital contributions. In 2015 the Internal Service Funds acquired property, plant and equipment for \$289,124 with a capital lease.

Wastewater	Nonmajor Funds Totals	Total	Internal Service Funds
\$ 405,143	\$ 173,720	\$ 12,797,344	\$ 450,962
-	-	278,001	-
405,143	173,720	13,075,345	450,962
1,199,400	422,663	5,717,880	4,883
1,557,622	133,316	3,769,165	41,253
(671)	-	(8,300)	(2,651)
-	-	15,960	-
5,278	89	26,605	8,876
(54,360)	(16,329)	(359,603)	2,223
671	(15,329)	106,868	-
242	-	6,222	-
32,279	1,472	596,774	25,688
13,164	(5,490)	8,414	(1,706)
(2,959)	-	(20,001)	(21,371)
-	536	536	-
-	-	(16,453)	-
\$ 2,750,666	\$ 520,928	\$ 9,844,067	\$ 57,195

See accompanying notes to the basic financial statements

CITY OF GARDNER, KANSAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
December 31, 2016

	<u>Agency Funds</u>
Assets	
Deposits and investments	<u>\$ 56,640</u>
Liabilities	
Due to others	<u>\$ 56,640</u>

See accompanying notes to basic financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

1 - Summary of Significant Accounting Policies

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

Reporting Entity

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 a proprietary fund. Separately issued financial statements for the Airport Association are not available.

Effective January 1, 2016 the Gardner City Council assumed ownership of and responsibility for all Airport related assets and liabilities, dissolving the Airport Association's Airport Committee along with its authority to form a non-profit corporation to supervise the operations of the airport.

As a result, capital assets with a net book value of \$2,736,639, bonds payable of \$389,357 and premiums of \$11,918 were transferred from the general government to the Airport Fund. Capital assets of \$204,906 and inventory of \$12,588 were transferred from the Airport Association to the Airport Fund. The Airport Association contributed residual cash of \$181,837 to the Airport Fund.

A prior period adjustment was recorded in the Capital Projects Fund in the amount of \$394,291 to eliminate the receivable due from the Airport Association.

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 position and the statement of activities) report information on all of the non-fiduciary 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 for which a 60-day availability period is used. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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 and recreation, business and economic development and administration.

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

The capital projects fund is used to account for the acquisition and construction of major capital facilities other than those financed by enterprise funds.

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

For the year ended December 31, 2016, the City implemented GASB 72, Fair Value Measurement and Application, which establishes a framework for measuring fair value that requires or permits fair value measurement and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. There is a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The guidance requires three levels of fair value measurement based on the respective inputs.

Statement of Cash Flows

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

Allowances for Uncollectibles

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 238 days comprise the trade accounts receivable allowance for uncollectibles. The allowance for trade uncollectibles is as follows at December 31, 2016:

Electric Fund	\$ 627,619
Water Fund	251,278
Wastewater Fund	224,422
Airport Fund	824

The property tax receivable allowance is equal to 7.8% of outstanding property taxes at December 31, 2016.

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

I - 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 deposits and investments are also set aside for capital projects and debt service.

Property Taxes

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

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

Inventories

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

Capital Assets

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

I - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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

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

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

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

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

Compensated Absences

The City's policies allow employees to accumulate up to one and one half times their annual vacation accrual at any time and can carry over to subsequent years. This carryover 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 accrues at the rate of 3,692 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.

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)1 - Summary of Significant Accounting Policies (Continued)Long-Term Obligations

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

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

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

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

Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of December 31, 2016, fund balances for governmental funds are made up of the following:

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)1 - Summary of Significant Accounting Policies (Continued)Fund Balances (Continued)

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

Committed fund balance – includes amounts that can only be used for specific purposes determined by a formal action of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the restraint originally.

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

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

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

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has two items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on the refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is the deferred outflow for pension related items. See Note 8 for more information on this deferred outflow.

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

(Continued)

I - Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources (Continued)

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

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

General fund property taxes receivable	\$ 1,979,796
Debt service fund property taxes receivable	1,032,177
Debt service fund special assessments receivable	<u>15,061,062</u>
	<u>\$ 18,073,035</u>

Net position

The government-wide statement of net position reports \$17,920,702 of restricted net position, of which \$187,339 is restricted by enabling legislation.

Concentrations of Credit Risk

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

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

Use of Estimates

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

(Continued)

I - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements

At December 31, 2016, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the City. The statements that might impact the City are as follows:

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes financial reporting standards for state and local governmental OPEB plans that are administered through trusts or equivalent arrangements and for governments that hold assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are not administered through a trust or equivalent arrangement. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2017.

GASB Statement No. 75, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2018.

GASB Statement No. 80, Blending Requirements for Certain Component Units, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2017.

GASB Statement No. 81, Irrevocable Split-Interest Agreements, improves accounting and financial reporting for irrevocable split-interest agreement by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This statement also requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests and requires that a government recognize revenue when the resources become applicable to the reporting period. The provisions of

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

this statement are effective for financial statement for the City's fiscal year ending December 31, 2017.

GASB Statement No. 83, Certain Asset Retirement Obligations, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability and a corresponding deferred outflow of resources for AROs when the liability is incurred and reasonably estimable. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for estimating the liability and the estimated remaining useful life of the associated tangible capital asset. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2019.

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

2 - Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Stewardship, Compliance and Accountability (Continued)

Budgetary Information (Continued)

Kansas statutes permit transferring budgeted amounts from one object or purpose to another within the same fund; however, such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures in an individual fund. The City Administrator is authorized to approve over-expenditures at the departmental level or transfers of budgeted appropriations between departments. However, management may not amend a fund's total budgeted expenditures without Council approval. The legal level of budgetary control is the fund level. Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the City. All unencumbered appropriations lapse at the end of the year. Encumbered appropriations are not appropriated in the ensuing year's budget but are carried forward until liquidated or cancelled. Kansas statutes permit original budgets to be increased for previously unbudgeted increases in revenue other than ad valorem property taxes. The City must first publish a notice of public hearing to amend the budget. Ten days after publication, a public hearing is held and the governing body may amend the budget at that time.

During the fiscal year, the City Council adopted certain budget amendments to establish budgets for two new funds that were created in the City, after the 2016 budget was adopted. The Airport Fund budget amendment established a first year budget of \$786,800 where no previous budget existed. The Infrastructure Special Sales Tax Fund budget amendment established a first year budget of \$990,500 where no previous budget existed. The Airport Fund was created when the Airport Association was dissolved and the City took over the operations of the municipal airport. The Infrastructure Special Sales Tax Fund was created when the citizens approved a half-cent sales tax to fund improvements to streets and trails. Neither of the funds is considered a major fund for financial statement purposes.

3 - Deposits and Investments

Deposits

Custodial Credit Risk-Deposits

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

Fair Value Measurements

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3 - Deposits and Investments (Continued)

Deposits (Continued)

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

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

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

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

At December 31, 2016, the City had the following investments:

Schedule of Investments at December 31, 2016					
	Interest Rates	Maturities	Par Value	Fair Value	Fair Value Hierarchy
City Investments:					
U.S. Treasury Securities - Bonds	0.47% - 1.04%	04/01/2017 - 10/01/2018	\$1,516,941	\$1,516,941	Level 2
Kansas Municipal Investment Pool	0.035% - 0.150%	On Demand	60,507	60,507	N/A
			<u>\$1,577,448</u>	<u>\$1,577,448</u>	

Investments

Interest Rate Risk

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

Credit risk

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3 - Deposits and Investments (Continued)

Investments (Continued)

Custodial Credit Risk - Investments
For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. As of December 31, 2016 the City was not exposed to custodial credit risk.

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

Reconciliation of Cash			
	Deposits Including Investments	Restricted Cash and Investments	Total
Government-type activities	\$ 7,471,840	\$ 1,615,846	\$ 9,087,686
Business-type activities	13,103,566	278,001	13,381,567
Agency funds	56,640	-	56,640
Total	\$ 20,632,046	\$ 1,893,847	\$ 22,525,893

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

Reconciliation of Deposits and Investments		
	Primary Government	Component Unit
Cash on hand	\$ 2,550	\$ -
Carrying amount of deposits	20,945,895	-
Carrying amount of investments	1,577,448	-
Total deposits and investments	\$ 22,525,893	\$ -
Deposits including investments	\$ 20,632,046	\$ -
Restricted cash and investments	1,893,847	-
Total deposits and investments	\$ 22,525,893	\$ -

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2016 was as follows:

	December 31, 2015	Increases	Decreases	Transfers	December 31, 2016
Governmental activities:					
Capital assets, not being depreciated					
Land	\$ 5,056,725	\$ 678,000	\$ -	\$ (954,573)	\$ 4,780,152
Construction in progress	388,241	438,120	-	(385,345)	421,016
Total capital assets, not being depreciated	5,424,966	1,116,120	-	(1,339,918)	5,201,168
Capital assets, being depreciated					
Buildings	6,449,528	74,928	-	(1,546,603)	4,977,853
Improvements other than buildings	2,804,406	-	-	(91,697)	2,712,709
Infrastructure	65,152,581	1,276,644	(631)	(1,227,667)	65,200,927
Machinery and Equipment	2,120,082	12,503	(153,397)	46,046	2,025,234
Vehicles	1,247,488	397,458	(211,596)	-	1,433,350
Total capital assets being depreciated	77,774,085	1,761,533	(365,624)	(2,819,921)	76,350,073
Less accumulated depreciation for:					
Buildings	(2,663,287)	(124,500)	-	750,486	(2,037,301)
Improvements other than buildings	(1,570,059)	(115,013)	-	16,661	(1,668,411)
Infrastructure	(20,731,076)	(1,927,192)	631	328,755	(22,328,842)
Machinery and Equipment	(1,540,660)	(102,553)	148,332	(23,166)	(1,518,047)
Vehicles	(927,251)	(91,216)	134,598	-	(883,869)
Total accumulated depreciation	(27,432,333)	(2,360,434)	283,561	1,072,736	(28,436,470)
Total capital assets, being depreciated, net	50,341,752	(598,901)	(82,063)	(1,747,185)	47,915,603
Governmental activities capital assets, net	\$ 55,766,718	\$ 517,219	\$ (82,063)	\$ (3,087,103)	\$ 53,114,771

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - Capital Assets (Continued)

	December 31, 2015	Increases	Decreases	Transfers	December 31, 2016
Business-type activities:					
Capital assets, not being depreciated					
Land	\$ 2,354,720	\$ -	\$ -	\$ 954,573	\$ 3,309,293
Construction in progress	1,051,421	1,853,460	-	(14,633)	2,900,248
Total capital assets, not being depreciated	3,416,141	1,853,460	-	939,940	6,209,541
Capital assets, being depreciated					
Buildings	867,083	198,760	-	1,546,603	2,612,456
Intangibles	7,757,443	-	-	-	7,757,443
Improvements other than buildings	10,904,012	38,850	-	91,697	11,034,559
Infrastructure	114,332,169	282,741	-	1,227,667	115,842,567
Machinery and equipment	1,395,913	142,532	(226,208)	(46,046)	1,266,191
Vehicles	1,165,912	-	(16,731)	-	1,149,181
Total capital assets being depreciated	136,422,532	662,883	(242,939)	2,819,921	139,652,397
Less accumulated depreciation for:					
Buildings	(125,049)	(63,024)	-	(805,966)	(1,015,039)
Intangibles	(622,402)	(327,547)	-	-	(949,949)
Improvements other than buildings	(5,228,006)	(373,502)	-	(38,030)	(5,640,538)
Infrastructure	(44,395,598)	(3,061,567)	-	(408,720)	(47,867,866)
Machinery and equipment	(819,116)	(103,323)	210,248	9,776	(702,417)
Vehicles	(939,182)	(67,026)	16,731	-	(989,477)
Total accumulated depreciation	(52,131,355)	(4,015,989)	226,979	(1,244,940)	(57,155,305)
Total capital assets being depreciated, net	84,291,177	(3,353,106)	(15,960)	1,574,981	82,497,092
Business-type activities capital assets, net	\$ 87,707,318	\$ (1,499,646)	\$ (15,960)	\$ 2,514,921	\$ 88,706,633

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

Governmental activities	\$
General Government	156,818
Public Safety	83,211
Public Works	1,792,062
Culture and Recreation	328,343
Total depreciation expense for governmental activities	\$ 2,360,434

Business-type activities	\$
Electric	1,403,796
Water	786,661
Wastewater	1,689,841
Stormwater	28,298
Airport	106,342
Internal Service Fund - Business Type Activity	1,051
Total depreciation expense for business-type activities	\$ 4,015,989

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5 - Capital Leases

The City has entered into various leases for land and equipment, which have bargain purchase options and have been classified in the financial statements as capital assets.

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

The following table details property under capital leases by major classification at December 31, 2016.

Assets Under Capital Lease	
	Governmental Activities
Machinery and equipment	\$ 387,634
Land	678,000
Less accumulated depreciation	(92,304)
Total	\$ 973,330

The future minimum lease obligations and the net present value of these lease payments as of December 31, 2016 were as follows:

Future Minimum Lease Payments	
Year Ending December 31:	Governmental Activities
2017	193,054
2018	75,008
2019	74,620
2020	75,797
2021	75,011
2022-2026	376,925
Total minimum lease payments	870,415
Less amounts representing interest	(78,300)
Present value of minimum lease payments	\$ 792,115

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

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6 - Defined Benefit Pension Plans

Plan Description

The City participates in the Kansas Public Employees Retirement System (KPRS) 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.* Kansas law establishes and amends benefit provisions. KPRS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained on the KPRS website at <http://www.kprs.org> or by writing to KPRS (611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803) or by calling 1-888-275-5737.

Benefits Provided

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plans (Continued)

Benefits Provided (Continued)

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

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

Contributions

K.S.A. 74-4919 and K.S.A. 74-49210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. K.S.A. 74-4975 establishes the Police and Firemen (KP&F) member-employee contribution rate at 7.15% of covered salary. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2, KPERS 3 and KP&F be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1.0% contribution rate for the Death and Disability Program) and the statutory contribution rate was 9.18% for KPERS and 20.42% for KP&F for the fiscal year ended December 31, 2016.

Contributions to the pension plan from the City were \$575,228 for KPERS and \$406,278 for KP&F for the year ended December 31, 2016.

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plans (Continued)

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

At December 31, 2016, the City reported a liability of \$5,347,762 for KPERS and \$3,600,172 for KP&F for its proportionate share of the KPERS' collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2016, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. The City's proportion of the collective net pension liability was based on the ratio of the City's actual contributions to KPERS and KP&F, relative to the total employer and nonemployer contributions of the KPERS and KP&F for the fiscal year ended June 30, 2016. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2016, the City's proportion and change from its proportion measured as of June 30, 2015 were as follows:

	Governmental Activities		Business-Type Activities		Total net pension liability as of		Proportion as of		Change in proportion from	
	December 31, 2016	June 30, 2016	December 31, 2016	June 30, 2016	December 31, 2016	June 30, 2016	December 31, 2016	June 30, 2016	December 31, 2016	June 30, 2015
KPERS (local)	\$ 3,274,800	\$ 2,072,962	\$ 5,347,762	\$ 3,456,800%						0.049102%
KP&F	3,600,172	-	3,600,172	0.387631%						0.053266%
Total	\$ 6,874,972	\$ 2,072,962	\$ 8,947,934							

For the year ended December 31, 2016, the City recognized pension expense of \$657,684 for KPERS and \$531,437 for KP&F. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Difference between expected and actual experience	\$ 209,227	\$ 11,825	\$ 95,894	\$ 37,781
Net difference between projected and actual earnings on pension plan investments	862,447	240,659	(1,386)	1,387
Changes in proportionate share	887,255	293,654	30,200	19,519
Changes in assumptions	-	-	52,664	19,556
City contributions subsequent to measurement date	384,828	112,182	-	-
Total	\$ 2,343,757	\$ 658,320	\$ 177,372	\$ 78,243

6 - Defined Benefit Pension Plans (Continued)

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

The \$497,010 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) to pension expense as follows:

Year ended December 31:	Deferred Outflows (Inflows) of Resources	
	Governmental Activities	Business-Type Activities
2017	\$ 341,662	\$ 87,222
2018	341,662	87,222
2019	587,283	156,713
2020	404,904	109,056
2021	106,046	27,682
	<u>\$ 1,781,557</u>	<u>\$ 467,895</u>

Actuarial assumptions

The total pension liability for KPERS in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	3.00 percent
Wage inflation	4.00 percent
Salary increases, including wage increases	4.00 to 16.00 percent, including inflation
Long-term rate of return net of investment expense, and including price inflation	8.00 percent

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study conducted for the three-year period ended December 31, 2012.

6 - Defined Benefit Pension Plans (Continued)

Actuarial assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of June 30, 2016 are summarized in the following table:

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

Discount rate

The discount rate used by KPERS to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the KPERS' Board of Trustees for this group may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in the future. Employers contribute the full actuarial determined rate for KP&F. Future employer contribution rates were also modeled for KP&F assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plans (Continued)

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

The following presents the City's proportionate share of the collective net pension liability calculated using the discount rate of 8.00%, as well as what the City's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's KPERS proportionate share of the net pension liability	\$ 7,329,986	\$ 5,347,762	\$ 3,667,008
City's KP&F proportionate share of the net pension liability	4,938,704	3,600,172	2,469,274
	\$ 12,268,690	\$ 8,947,934	\$ 6,136,282

Pension plan fiduciary net position

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

7 - Deferred Compensation Plan

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

The plan assets are placed in a trust for the exclusive benefit of the employees and are not the property of the City or subject to the claims of the City's general creditors. The City does not perform the investing function related to this plan and has no fiduciary accountability for the plan. Accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements. For 2016, the City's contributions were \$45,094.

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Other Postemployment Healthcare Benefits

Description. The City offers postemployment health and dental insurance to retired employees through Midwest Public Risk (MPR) which is a risk pool comprised of more than 170 entity members. MPR functions as an agent multiple-employer plan. The pool arrangement that is maintained to collect premiums and pay claims/administrative costs does not qualify as an "OPEB Plan" and thus cannot be treated as holding assets in order to offset OPEB liabilities. Though retiree benefits are not directly paid by the City, they are implicitly paid over time through employer subsidization of active premiums that would be lower if retirees were not part of the experience group. Kansas statutes provide that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements until the individuals become eligible for Medicare coverage at age 65. Retirees of the City (and their dependents) may elect to continue coverage in the medical and dental plans offered through MPR. Spousal coverage may continue for up to three years upon retiree death or retiree attainment of age 65. In any event, spousal coverage is not available beyond spouse age 65. MPR issues a publicly available financial report that may be obtained by writing to MPR at 19400 East Valley View Parkway, Independence, Missouri 64055.

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

The City appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditures on a pay-as-you-go basis through the General Fund, Proprietary Funds, and Internal Service Funds. In 2016, plan members receiving benefits contributed \$19,136 to the plan and the City contributed \$8,000 to the plan.

8 - Other Postemployment Healthcare Benefits (Continued)

Funded Status and Funding Progress (Continued)

will present in time, multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

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

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

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

8 - Other Postemployment Healthcare Benefits (Continued)

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

Annual required contribution	\$ 40,927
Interest on net OPEB obligation	12,950
Adjustment to annual required contribution	<u>(17,540)</u>
Annual OPEB cost (expense)	36,337
Contributions made	<u>(8,000)</u>
Increase in net OPEB obligation	28,337
Net OPEB obligation, January 1, 2016	<u>299,051</u>
Net OPEB obligation, December 31, 2016	<u>\$ 327,388</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2015 and 2016 are as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2014	\$38,260	7.84%	\$266,790
12/31/2015	38,261	15.68%	299,051
12/31/2016	36,337	22.01%	327,388

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements,

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

10 - Capital Projects

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

Following is a summary of project-to-date costs to December 31, 2016 on the capital projects compared to the amount authorized:

Project Category	Primary Government	
	Authorizations	Expenditures Since Inception
Primary Government		
Governmental Improvements	\$ 2,929,662	\$ 794,362
Electric Improvements	3,138,560	2,288,423
Water Improvements	1,079,026	271,597
Wastewater Improvements	251,681	51,623
Airport Improvements	357,646	315,240
Total	\$ 7,756,575	\$ 3,721,245

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

11 - Debt

A. Governmental Activities Long-Term Debt

1. Changes in Governmental Activities Debt

The following table summarizes the changes in governmental activities long-term debt of the City for the year ended December 31, 2016.

Governmental activities:	Summary of Governmental Activities Debt for the year ended December 31, 2016					
	Outstanding January 1,	Reclass	Additions	Reductions	Outstanding December 31	Due Within One Year
Bonds:						
General obligation	\$ 9,310,684	\$ (389,357)	\$ 1,380,000	\$ 1,085,063	\$ 9,216,264	\$ 780,094
Plus: issuance premium	332,742	-	124,700	112,190	345,232	-
Special assessment debt with government commitment	12,215,000	-	1,490,000	900,000	12,805,000	947,500
Construction loans payable	244,290	-	-	176,681	67,609	67,609
Certificates of participation	475,000	-	-	475,000	-	-
PBC lease revenue bonds	2,330,000	-	-	-	2,015,000	345,000
Capital lease obligations	226,113	-	678,000	111,998	792,115	181,115
Pension Liability	4,802,857	-	2,072,115	-	6,874,972	-
Compensated absences	267,844	-	319,538	281,826	305,556	305,556
Other postemployment benefit obligation	196,233	-	48,558	8,000	236,791	-
Total	\$ 30,400,763	\$ (389,357)	\$ 6,112,911	\$ 3,465,738	\$ 32,658,359	\$ 2,626,874

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

2. Governmental Activities General Obligation Bonds

General obligation bonds payable at December 31, 2016 are comprised of the following issues:

Outstanding Governmental Activities General Obligation Bonds as of December 31, 2016				
Original Issue Amount	Current Bonds Outstanding	Interest Rates	Original Term in Years	
2008B	\$ 435,000	3.125-4.000%	10	
2010A	2,770,000	2.000-3.600%	20	
2013A	3,138,250	2.000-2.500%	10	
2014A	1,975,000	2.000-3.125%	15	
2016A	4,140,000	2.000-3.000%	15	
2016A	1,380,000	3.00%	12	
Total	\$ 13,838,250	\$ 9,216,264		

11 - Debt (Continued)

Governmental Activities General Obligation Bonds (Continued)

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

In December 2016, the City issued Series 2016A General Obligation Refunding and Improvement Bonds in the amount \$2,870,000. Of that, \$1,380,000 was issued to finance various street improvements within the City and \$1,490,000 was issued to effect a partial net cash advance refunding of the City's existing Series 2008B Bonds (special assessments). The refunding will realize a net savings of \$81,968 equal to 4.97% of the refunded debt service.

The refunding of the Series 2008B is considered a partial net cash advance refunding, as the new 2016A bonds were issued more than 90 days prior to the call date of the Series 2008B bonds. A portion of the 2016A bond proceeds are being held in an escrow account to make interest payments due on the Series 2008B Bonds through October 1, 2018 (the "Call Date"). The escrow account will also pay the 2019 through 2028 maturities on the call date.

The future annual requirements for general obligation bonds outstanding as of December 31, 2016 are as follows:

Debt Service Requirements Governmental Activities for General Obligation Bonds				
	Principal	Interest	Total	
2017	\$ 780,094	\$ 240,858	\$ 1,020,952	
2018	782,683	231,900	1,014,583	
2019	743,487	213,372	956,859	
2020	690,000	194,282	884,282	
2021	702,500	177,832	880,332	
2022-2026	3,517,500	614,929	4,132,429	
2027-2031	2,000,000	141,634	2,141,634	
Total	\$ 9,216,264	\$ 1,814,807	\$ 11,031,071	

3. Governmental Activities Special Assessment Bonds

The City's special assessment debt was issued to provide funds for the construction of infrastructure in new commercial and residential developments. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. As aforementioned, the City issued 2016A which included \$1,490,000 related to special assessment debt. Special assessment bonds at December 31, 2016 are comprised of the following issues:

11 - Debt (Continued)

Governmental Activities Special Assessment Bonds (Continued)

Outstanding Governmental Activities Special Assessment Bonds as of December 31, 2016					
	Original Issue Amount	Current Bonds Outstanding	Interest Rates	Original Term in Years	
2003C	\$ 270,000	\$ 40,000	1.500%-4.400%	15	
2008B	3,215,000	1,835,000	3.125%-4.500%	20	
2009A	5,437,972	3,220,000	2.000%-4.000%	15	
2011A	1,325,000	1,055,000	5.000%-4.000%	20	
2012A	3,995,000	3,390,000	1.000%-3.000%	20	
2014A	1,975,000	1,775,000	2.000%-3.125%	15	
2016A	1,490,000	1,490,000	3.000%	12	
	\$ 17,707,972	\$ 12,805,000			

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

Debt Service Requirements Governmental Activities for Special Assessment Bonds			
	Principal	Interest	Total
2017	\$ 947,500	\$ 390,739	\$ 1,338,239
2018	965,000	374,503	1,339,503
2019	992,500	346,459	1,338,959
2020	1,010,000	316,898	1,326,898
2021	1,057,500	285,588	1,343,088
2022-2026	4,842,500	899,421	5,741,921
2027-2031	2,725,000	256,395	2,981,395
2032-2036	265,000	7,950	272,950
Total	\$ 12,805,000	\$ 2,877,953	\$ 15,682,953

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

11 - Debt (Continued)

4. Construction Loans Payable

Construction loans payable at December 31, 2016 are comprised of the following:

Outstanding Governmental Activities Construction Loans as of December 31, 2016				
	Original Issue Amount	Current Loans Outstanding	Interest Rates	Original Term in Years
KDOT TR-0046 (Moonlight - Lincoln Lane)	1,533,638	67,609	3.37%	10

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

Debt Service Requirements Governmental Activities for Construction Loans		
	Principal	Interest
2017	\$ 67,609	\$ 2,278
		\$ 69,887

5. PBC Lease Revenue Bonds

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

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

11 - Debt (Continued)

PBC Lease Revenue Bonds (Continued)

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

Debt Service Requirements Governmental Activities for PBC lease revenue bonds			
	Principal	Interest	Total
Primary Government			
2017	\$ 345,000	\$ 41,476	\$ 386,476
2018	375,000	34,576	409,576
2019	395,000	27,076	422,076
2020	430,000	19,176	449,176
2021	470,000	10,576	480,576
Total	\$ 2,015,000	\$ 132,880	\$ 2,147,880

B. Business-Type Activities Debt

1. Changes in Business-Type Activities Debt

The following table summarizes the changes in business-type activities long-term debt of the City for the year ended December 31, 2016.

Summary of Business-Type Activities Debt for the year ended December 31, 2016						
	Outstanding January 1,	Reclass	Additions	Reductions	Outstanding December 31	Due Within One Year
Business-type activities:						
General obligation bonds	\$ 18,049,316	\$ 389,357	\$ 855,000	\$ 3,894,937	\$ 15,398,736	\$ 3,167,406
Issuance premiums	1,108,699	-	6,501	255,424	859,776	-
Construction loans payable	11,590,158	-	-	699,996	10,890,162	569,016
Compensated absences	99,084	-	150,025	115,756	133,373	133,373
Pension Liability	1,519,220	-	553,742	-	2,072,962	-
Other postemployment benefit obligation	102,818	-	-	12,221	90,597	-
Total	\$ 32,469,295	\$ 389,357	\$ 1,565,268	\$ 4,978,314	\$ 29,445,606	\$ 3,869,795
Component unit:						
Loan payable to primary government	\$ 394,291	\$ -	\$ -	\$ 394,291	\$ -	\$ -

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Debt (Continued)

2. Business-Type Activities General Obligation Bonds

In December 2016, the City issued \$855,000 in general obligation bonds (Taxable Under Federal Law), Series 2016B to provide financing for certain utility improvements. These bonds mature in 2026 and have interest rates ranging from 2.0% to 3.25%.

General obligation bonds payable at December 31, 2016 are comprised of the following issues:

Outstanding Business-Type Activities General Obligation Bonds as of December 31, 2016					
	Original Issue Amount	Current Bonds Outstanding	Interest Rates	Original Term in Years	
2008A	\$ 3,080,000	\$ 715,000	3.000%-3.650%	20	
2008B	6,250,000	1,415,000	1.500%-4.400%	20	
2009A	2,267,028	740,000	2.000%-3.700%	10	
2012C	11,745,000	6,905,000	2.000%-4.000%	20	
2013A	4,246,816	293,736	2.000%	20	
2014A	945,000	850,000	2.000%-3.125%	11	
2015A	3,945,000	3,625,000	3.000%	10	
2016B	855,000	855,000	2.000%-3.250%	10	
Total	\$ 33,333,844	\$ 15,398,736			

The future annual requirements for general obligation bonds outstanding as of December 31, 2016 are as follows:

Debt Service Requirements for Business-Type Activities General Obligation Bonds			
	Principal	Interest	Total
2017	\$ 3,167,406	\$ 522,586	\$ 3,689,992
2018	3,192,317	425,501	3,617,818
2019	2,164,013	307,803	2,471,816
2020	1,980,000	231,757	2,211,757
2021	2,055,000	159,557	2,214,557
2022-2026	2,620,000	240,123	2,860,123
2027-2031	220,000	13,632	233,632
Total	\$ 15,398,736	\$ 1,900,959	\$ 17,299,695

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Debt (Continued)

3. Construction Loans Payable

Construction loans payable at December 31, 2016 are comprised of the following:

Outstanding Business-Type Activities Loans as of December 31, 2016				
	Original Issue Amount	Current Bonds Outstanding	Interest Rate	Original Term in Years
Kansas Water Pollution Control Loan # C20 1721 01	\$ 3,483,009	\$ 1,762,278	2.40%	20
Kansas Water Pollution Control Loan # C20 1956 01	10,167,808	9,127,884	2.05%	20
Total	\$13,650,817	\$10,890,162		

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

Debt Service Requirements for Business-Type Activities Loans			
	Principal	Interest	Total
2017	\$ 569,016	\$ 226,396	\$ 795,412
2018	582,673	214,168	796,841
2019	596,661	201,646	798,307
2020	610,986	188,821	799,807
2021	625,655	175,689	801,344
2022-2026	3,361,014	670,078	4,031,092
2027-2031	3,006,268	322,862	3,329,130
2032 thereafter	1,537,889	47,650	1,585,539
Total	\$ 10,890,162	\$ 2,047,310	\$ 12,937,472

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Special Assessments

Kansas statutes require special benefit district projects financed in part by special assessments to be financed through the issuance of general obligation bonds that are secured by the full faith and credit of the City. Further, state statutes permit levying additional general ad valorem taxes in the City's Debt Service Fund to finance delinquent special assessments receivable. Accordingly, the special assessments receivable is accounted for within the City's debt service fund. Special assessments are levied over the repayment period of the bonds and the annual installments are due and payable with annual ad valorem taxes. At December 31, 2016, the special assessment taxes levied are a lien on the property and are recorded as a special assessment receivable in the debt service fund with a corresponding amount recorded as deferred inflows of resources. Special assessments receivable at December 31, 2016 was \$15,061,062.

13 - Interfund Transactions

Interfund transfers for the year ended December 31, 2016 consisted of the following:

Fund	Transfers In	Transfers Out
Major funds:		
General Fund	\$ 729,500	\$ 171,600
Debt Service Fund	263,442	-
Capital Projects Fund	196,171	3,742
Electric Fund	-	751,428
Water Fund	-	239,800
Wastewater Fund	200,000	87,712
Non-major governmental funds	525,000	659,831
Total transfers	\$ 1,914,113	\$ 1,914,113

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

13 - Interfund Transactions (Continued)

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

Amounts owed from the nonmajor government funds to:		
General fund	\$	14,575
Amounts owed from the general fund to:		
Electric fund	\$	1,422
Water		81
Wastewater	\$	106
		<u>1,609</u>
Amounts owed from the internal service funds to:		
Electric fund	\$	2,964
Water fund		56
Wastewater fund	\$	75
		<u>3,095</u>
Amounts owed from the electric fund to:		
Water fund	\$	12
Wastewater	\$	63
		<u>75</u>
Amounts owed from the water fund to:		
Electric fund	\$	1,720
Amounts owed from the wastewater fund to:		
Electric fund	\$	13,496
Water fund		679
	\$	<u>14,175</u>
Amounts owed from the stormwater funds to:		
General fund	\$	644

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

14 - Commitments and Contingencies

Litigation

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

14 - Commitments and Contingencies (Continued)

Industrial Revenue Bonds

The City has issued industrial revenue bonds to finance the purchase of land and construction of a facility leased to a business that relocated to the City. The lease agreement provides for rentals sufficient to service the related bonds. The debt service on this issue is paid solely from lease agreements; this issue does not constitute a debt of the City. The lessee has the option of purchasing the leased property at any time during the lease period for an amount sufficient to retire the related outstanding bonds. At the end of the lease period, which conforms to bond maturity schedules, the lessee may either purchase the property for a nominal amount or renew the lease annually at a nominal amount. As of December 31, 2016, industrial revenue bonds of \$46,950,431.11 are outstanding.

Encumbrances

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities, but, rather, as restricted, committed, or assigned fund balance. At December 31, 2016, the City's recorded encumbrances in governmental funds were as follows:

General	\$ 22,221
Capital Projects	8,074
Nonmajor funds	10,008
	<u>\$ 40,303</u>

15 - Tax Abatements

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

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

For the fiscal year ended December 31, 2016, the City abated property taxes totaling \$1,738,250 (for all taxing jurisdictions) under this program, including the following tax abatement agreement that is the sole property tax abatement currently in effect for the City:

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

15 - Tax Abatements (Continued)

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

CITY OF GARDNER, KANSAS

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

Last Four Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability (asset):				
KPERS (local group)	0.345680%	0.296578%	0.301717%	0.275540%
KP&F (police & firemen)	0.387631%	0.334365%	0.332422%	0.313729%
City's proportionate share of the net pension liability (asset)	\$ 8,947,934	\$ 6,322,077	\$ 5,893,730	\$ 6,744,453
City's covered payroll ^	\$ 7,675,340	\$ 6,430,700	\$ 6,144,004	\$ 5,834,765
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	116.58%	98.31%	95.93%	115.59%
Plan fiduciary net position as a percentage of the total pension liability	65.10%	64.95%	66.60%	59.94%

* GASB 68 requires presentation of ten years. As of December 31, 2016, only four years of information is available.

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

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

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

*Information prior to 2011 is not available.

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

Schedule of Funding Progress

Health Insurance Postemployment Benefits

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

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

Note 1 - Significant Factors Affecting Trends in Actuarial Information

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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 175th 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.

Capital Projects Fund

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

Infrastructure Special Sales Tax Fund – This fund is used to account for the sales tax revenues that are restricted to expenditures relating to the rehabilitation of streets and pedestrian trails and bridges.

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

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

Debt Service Fund

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

CITY OF GARDNER, KANSAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2016

	Special Revenue					Total Special Revenue
	Economic Development Reserve	E. Santa Fe TIF District	Law Enforcement Trust	Special Alcohol/ Drug Program	Special Parks and Recreation	
Assets						
Deposits and investments	\$ 78,355	\$ -	\$ 7,781	\$ 17,174	\$ 13,993	\$ 117,303
Receivables:						
Taxes	16,974	-	-	-	-	16,974
Intergovernmental	-	-	-	-	-	-
Restricted deposits and investments	-	-	-	-	-	-
Total assets	\$ 95,329	\$ -	\$ 7,781	\$ 17,174	\$ 13,993	\$ 134,277
Liabilities						
Accounts payable	350	-	-	-	-	350
Due to other funds	-	-	-	-	-	-
Total liabilities	350	-	-	-	-	350
Fund Balances (Deficits)						
Restricted						
Capital projects	-	-	-	-	-	-
Street improvements	-	-	-	-	-	-
Economic development	94,979	-	-	-	-	94,979
Other	-	-	7,781	17,174	13,993	38,948
Total fund balances	94,979	-	7,781	17,174	13,993	133,927
Total liabilities and fund balances	\$ 95,329	\$ -	\$ 7,781	\$ 17,174	\$ 13,993	\$ 134,277

(Continued)

CITY OF GARDNER, KANSAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
December 31, 2016

	Capital Projects				Total Capital Projects	Debt Service	Total Nonmajor Governmental Funds
	Park Improvement	Infrastructure Sales Tax	Special Highway	Street Improvement		Park Sales Tax	
Assets							
Deposits and investments	\$ -	\$ 465,103	\$ 595,084	\$ 187,339	\$ 1,247,526	\$ 3,222	\$ 1,368,051
Receivables:							
Taxes	-	189,065	-	-	189,065	-	206,039
Intergovernmental	72,926	-	140,865	-	213,791	-	213,791
Restricted deposits and investments	-	60,507	-	-	60,507	-	60,507
Total assets	<u><u>\$ 72,926</u></u>	<u><u>\$ 714,675</u></u>	<u><u>\$ 735,949</u></u>	<u><u>\$ 187,339</u></u>	<u><u>\$ 1,710,889</u></u>	<u><u>\$ 3,222</u></u>	<u><u>\$ 1,848,388</u></u>
Liabilities							
Accounts payable	-	19,476	-	-	19,476	-	19,826
Due to other funds	14,575	-	-	-	14,575	-	14,575
Total liabilities	<u><u>14,575</u></u>	<u><u>19,476</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>34,051</u></u>	<u><u>-</u></u>	<u><u>34,401</u></u>
Fund Balances (Deficits)							
Restricted							
Capital projects	58,351	695,199	735,949	-	1,489,499	3,222	1,492,721
Street improvements	-	-	-	187,339	187,339	-	187,339
Economic development	-	-	-	-	-	-	94,979
Other	-	-	-	-	-	-	38,948
Total fund balances	<u><u>58,351</u></u>	<u><u>695,199</u></u>	<u><u>735,949</u></u>	<u><u>187,339</u></u>	<u><u>1,676,838</u></u>	<u><u>3,222</u></u>	<u><u>1,813,987</u></u>
Total liabilities and fund balances	<u><u>\$ 72,926</u></u>	<u><u>\$ 714,675</u></u>	<u><u>\$ 735,949</u></u>	<u><u>\$ 187,339</u></u>	<u><u>\$ 1,710,889</u></u>	<u><u>\$ 3,222</u></u>	<u><u>\$ 1,848,388</u></u>

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2016

	Special Revenue Funds					Total Special Revenue
	Economic Development Reserve	E. Santa Fe TIF District	Law Enforcement Trust	Special Alcohol/ Drug Program	Special Parks and Recreation	
Revenues						
Property tax	\$ -	\$ 108,926	\$ -	\$ -	\$ -	\$ 108,926
Sales tax	-	-	-	-	-	-
Transient guest tax	74,272	-	-	-	-	74,272
Intergovernmental	-	-	5,730	35,579	35,579	76,888
Fines and Fees	-	-	-	-	-	-
Investment earnings	70	49	5	4	3	131
Total revenues	<u>74,342</u>	<u>108,975</u>	<u>5,735</u>	<u>35,583</u>	<u>35,582</u>	<u>260,217</u>
Expenditures						
Current:						
General government	57,927	217,385	-	32,000	-	307,312
Capital outlay	-	-	12,500	-	-	12,500
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Other	-	-	2,326	-	-	2,326
Total expenditures	<u>57,927</u>	<u>217,385</u>	<u>14,826</u>	<u>32,000</u>	<u>-</u>	<u>322,138</u>
Excess of revenues over (under) expenditures	<u>16,415</u>	<u>(108,410)</u>	<u>(9,091)</u>	<u>3,583</u>	<u>35,582</u>	<u>(61,921)</u>
Other financing sources (uses)						
General obligation bonds issued	-	-	-	-	-	-
Issuance Premium	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	(2,500)	-	-	(30,000)	(32,500)
Total other financing sources (uses)	<u>-</u>	<u>(2,500)</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>(32,500)</u>
Net change in fund balances	<u>16,415</u>	<u>(110,910)</u>	<u>(9,091)</u>	<u>3,583</u>	<u>5,582</u>	<u>(94,421)</u>
Fund balances, beginning of year	<u>78,564</u>	<u>110,910</u>	<u>16,872</u>	<u>13,591</u>	<u>8,411</u>	<u>228,348</u>
Fund balances, end of year	<u>\$ 94,979</u>	<u>\$ -</u>	<u>\$ 7,781</u>	<u>\$ 17,174</u>	<u>\$ 13,993</u>	<u>\$ 133,927</u>

(Continued)

CITY OF GARDNER, KANSAS

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2016

	Capital Projects				Total Capital Projects	Debt	Total
	Park Improvement	Infrastructure Sales Tax	Special Highway	Street Improvement		Service Park Sales Tax	Nonmajor Governmental Funds
Revenues							
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,926
Sales tax	-	1,098,538	-	-	1,098,538	-	1,098,538
Transient guest tax	-	-	-	-	-	-	74,272
Intergovernmental	388,199	-	562,982	71,264	1,022,445	-	1,099,333
Fines and Fees	78,986	-	-	-	78,986	-	78,986
Investment earnings	-	122	491	164	777	56	964
Total revenues	<u>467,185</u>	<u>1,098,660</u>	<u>563,473</u>	<u>71,428</u>	<u>2,200,746</u>	<u>56</u>	<u>2,461,019</u>
Expenditures							
Current:							
General government	-	772,360	-	-	772,360	-	1,079,672
Capital outlay	-	1,036,353	19,121	-	1,055,474	-	1,067,974
Debt service:							
Principal	-	-	216,681	-	216,681	475,000	691,681
Interest and fiscal charges	-	-	24,295	-	24,295	19,000	43,295
Other	-	35,309	611	-	35,920	1,540	39,786
Total expenditures	<u>-</u>	<u>1,844,022</u>	<u>260,708</u>	<u>-</u>	<u>2,104,730</u>	<u>495,540</u>	<u>2,922,408</u>
Excess of revenues over (under) expenditures	<u>467,185</u>	<u>(745,362)</u>	<u>302,765</u>	<u>71,428</u>	<u>96,016</u>	<u>(495,484)</u>	<u>(461,389)</u>
Other financing sources (uses)							
General obligation bonds issued	-	1,380,000	-	-	1,380,000	-	1,380,000
Issuance Premium	-	60,561	-	-	60,561	-	60,561
Transfers in	-	-	-	-	-	525,000	525,000
Transfers out	(495,000)	-	(25,831)	(25,800)	(546,631)	(80,700)	(659,831)
Total other financing sources (uses)	<u>(495,000)</u>	<u>1,440,561</u>	<u>(25,831)</u>	<u>(25,800)</u>	<u>893,930</u>	<u>444,300</u>	<u>1,305,730</u>
Net change in fund balances	<u>(27,815)</u>	<u>695,199</u>	<u>276,934</u>	<u>45,628</u>	<u>989,946</u>	<u>(51,184)</u>	<u>844,341</u>
Fund balances, beginning of year	<u>86,166</u>	<u>-</u>	<u>459,015</u>	<u>141,711</u>	<u>686,892</u>	<u>54,406</u>	<u>969,646</u>
Fund balances, end of year	<u>\$ 58,351</u>	<u>\$ 695,199</u>	<u>\$ 735,949</u>	<u>\$ 187,339</u>	<u>\$ 1,676,838</u>	<u>\$ 3,222</u>	<u>\$ 1,813,987</u>

CITY OF GARDNER, KANSAS

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

SPECIAL BENEFIT FEE

Year Ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Investment earnings	\$ -	\$ -	\$ 3	\$ 3
Total revenues			3	3
Expenditures				
Project reserve	23	23	-	23
Total expenditures	23	23	-	23
Revenues over (under) expenditures	(23)	(23)	3	26
Other financing sources (uses)				
Transfer in	(37,600)	(37,600)	(37,565)	35
Total other financing sources (uses)	(37,600)	(37,600)	(37,565)	35
Net change in fund balance	(37,623)	(37,623)	(37,562)	61
Fund balances, beginning of year	37,623	37,623	37,562	(61)
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF GARDNER, KANSAS

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

ECONOMIC DEVELOPMENT RESERVE FUND

Year Ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Transient guest tax	\$ 49,400	\$ 49,400	\$ 74,272	\$ 24,872
Investment earnings	100	100	70	(30)
Total revenues	49,500	49,500	74,342	24,842
Expenditures				
Project reserve	22,905	22,905	-	22,905
Contractual services	68,500	68,500	57,927	10,573
Total expenditures	91,405	91,405	57,927	33,478
Revenues over (under) expenditures	(41,905)	(41,905)	16,415	58,320
Net change in fund balance	(41,905)	(41,905)	16,415	58,320
Fund balances, beginning of year	41,905	41,905	78,564	36,659
Fund balances, end of year	\$ -	\$ -	\$ 94,979	\$ 94,979

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, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 296,800	\$ 296,800	\$ 108,926	\$ (187,874)
Investment earnings	100	100	49	(51)
Total revenues	296,900	296,900	108,975	(187,925)
Expenditures				
Contractual services	400,014	400,014	217,385	182,629
Total expenditures	400,014	400,014	217,385	182,629
Revenues over (under) expenditures	(103,114)	(103,114)	(108,410)	(5,296)
Other financing sources (uses)				
Transfers out	(5,000)	(5,000)	(3,500)	2,500
Total other financing sources (uses)	(5,000)	(5,000)	(3,500)	2,500
Net change in fund balance	(108,114)	(108,114)	(110,910)	(2,796)
Fund balances, beginning of year	108,114	108,114	110,910	2,796
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF GARDNER, KANSAS

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

PARK IMPROVEMENT RESERVE FUND

Year Ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental	\$ 400,400	\$ 400,400	\$ 388,199	\$ 12,201
Park impact fees	69,300	69,300	78,986	9,686
Total revenues	469,700	469,700	467,185	(2,515)
Expenditures				
Project reserve	62,761	62,761	-	62,761
Total expenditures	62,761	62,761	-	62,761
Revenues over (under) expenditures	406,939	406,939	467,185	60,246
Other financing sources (uses)				
Transfers out	(495,000)	(495,000)	(495,000)	-
Total other financing sources (uses)	(495,000)	(495,000)	(495,000)	-
Net change in fund balance	(88,061)	(88,061)	(27,815)	60,246
Fund balances, beginning of year	88,061	88,061	86,166	(1,895)
Fund balances, end of year	\$ -	\$ -	\$ 58,351	\$ 58,351

CITY OF GARDNER, KANSAS

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

PARK SALES TAX FUND

Year Ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 185,000	\$ 185,000	\$ 56	\$ (185,000)
Investment earnings	-	-	56	56
Total revenues	185,000	185,000	56	(184,944)
Expenditures				
Principal	494,000	494,000	475,000	19,000
Interest	-	-	19,000	(19,000)
Project reserve	39,201	39,201	-	39,201
Other expenditures	1,500	1,500	1,540	(40)
Total expenditures	534,701	534,701	495,540	39,161
Revenues over (under) expenditures	(349,701)	(349,701)	(495,484)	(145,783)
Other financing sources (uses)				
Transfers in	525,000	525,000	525,000	-
Transfers out	(250,700)	(250,700)	(80,700)	170,000
Total other financing sources (uses)	274,300	274,300	444,300	(170,000)
Net change in fund balance	(75,401)	(75,401)	(51,184)	24,217
Fund balances, beginning of year	75,401	75,401	54,406	(20,995)
Fund balances, end of year	-	-	\$ 3,222	\$ 3,222

Explanation of difference between budgetary and GAAP fund balances:
 Encumbrances for equipment and supplies ordered but not received are not recorded for GAAP purposes until received
 GAAP fund balance, end of year

CITY OF GARDNER, KANSAS

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

INFRASTRUCTURE SPECIAL SALES TAX FUND

Year Ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ -	\$ 990,000	\$ 1,098,538	\$ 108,538
Investment earnings	-	500	122	(378)
Total revenues	-	990,500	1,098,660	108,160
Expenditures				
General Government	-	-	772,360	(772,360)
Capital Outlay	-	507,000	1,037,429	(530,429)
Other expenditures	-	483,500	35,309	448,191
Total expenditures	-	990,500	1,845,098	(854,598)
Revenues over (under) expenditures	-	-	(746,438)	(746,438)
Other financing sources (uses)				
General obligation bonds issued	-	-	1,380,000	1,380,000
Insurance Premium	-	-	40,561	40,561
Total other financing sources (uses)	-	-	1,440,561	1,440,561
Expenditures and other financing sources subject to legal budget	-	990,500	945,098	45,402
Expenditures and other financing sources not subject to legal budget	-	-	900,000	-
Net change in fund balance	-	-	694,123	694,123
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	-	-	\$ 694,123	\$ 694,123

Explanation of difference between budgetary and GAAP fund balances:
 Encumbrances for equipment and supplies ordered but not received are not recorded for GAAP purposes until received
 GAAP fund balance, end of year

CITY OF GARDNER, KANSAS

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

DEBT SERVICE FUND

Year Ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 1,520,073	\$ 1,520,073	\$ 1,696,249	\$ 176,176
Special assessments	1,174,100	1,174,100	1,864,881	690,781
Investment earnings	2,500	2,500	2,195	(305)
Payments in lieu of taxes	45,306	45,306	-	(45,306)
Total revenues	2,741,979	2,741,979	3,563,325	821,346
Expenditures				
Principal	3,341,185	3,341,185	2,260,063	1,081,122
Interest	-	-	646,436	(646,436)
Other	3,341,185	3,341,185	102,952	(102,952)
Total expenditures	(599,206)	(599,206)	3,009,451	331,734
Revenues over (under) expenditures			553,874	1,153,080
Other financing sources				
General obligation bonds issued	-	-	1,490,000	1,490,000
Issuance premium	-	-	64,139	64,139
Transfers in	429,700	429,700	263,442	(166,258)
Total other financing sources	429,700	429,700	1,817,581	1,387,881
Expenditures and other financing sources subject to legal budget	3,341,185	3,341,185	3,009,451	331,734
Net change in fund balance	(169,506)	(169,506)	2,371,455	2,540,961
Fund balances, beginning of year	169,506	169,506	55,734	(113,772)
Fund balances, end of year	-	-	\$ 2,427,189	\$ 2,427,189

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, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Special alcohol tax	\$ 32,200	\$ 32,200	\$ 35,579	\$ 3,379
Investment earnings	-	-	4	4
Total revenues	32,200	32,200	35,583	3,383
Expenditures				
Project reserve	10,486	10,486	-	10,486
Contractual services	32,000	32,000	32,000	-
Total expenditures	42,486	42,486	32,000	10,486
Revenues over (under) expenditures	(10,286)	(10,286)	3,583	13,869
Net change in fund balance	(10,286)	(10,286)	3,583	13,869
Fund balances, beginning of year	10,286	10,286	13,591	3,305
Fund balances, end of year	-	-	\$ 17,174	\$ 17,174

CITY OF GARDNER, KANSAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL HIGHWAY FUND
Year Ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
State gasoline tax	\$ 527,600	\$ 527,600	\$ 556,103	\$ 28,503
Intergovernmental	440,000	440,000	6,879	(433,121)
Investment earnings	300	300	601	301
Total revenues	967,900	967,900	563,582	(404,318)
Expenditures				
Project reserve	144,570	144,570	-	144,570
Capital outlay	838,000	838,000	211,174	816,826
Principal & interest	241,600	241,600	21,587	13
Total expenditures	1,224,170	1,224,170	262,761	961,409
Revenues over (under) expenditures	(256,270)	(256,270)	300,721	556,982
Other financing sources (uses)				
Transfers out	(23,400)	(23,400)	(25,831)	(2,431)
Total other financing sources (uses)	(23,400)	(23,400)	(25,831)	(2,431)
Net change in fund balance subject to legal budget	(279,670)	(279,670)	274,881	554,551
Expenditures not subject to legal budget			6,879	
Net change in fund balance	(279,670)	(279,670)	268,002	547,672
Fund balances, beginning of year	279,670	279,670	459,015	179,345
Fund balances, end of year	\$ -	\$ -	\$ 727,017	\$ 727,017
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			8,932	
GAAP fund balance, end of year			\$ 735,949	

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, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Special alcohol tax	\$ 32,200	\$ 32,200	\$ 35,579	\$ 3,379
Investment earnings	-	-	3	3
Total revenues	32,200	32,200	35,582	3,382
Expenditures				
Project reserve	7,312	7,312	-	7,312
Total expenditures	7,312	7,312	-	7,312
Revenues over (under) expenditures	24,888	24,888	35,582	10,694
Other financing sources (uses)				
Transfers out	(30,000)	(30,000)	(30,000)	-
Total other financing sources (uses)	(30,000)	(30,000)	(30,000)	-
Net change in fund balance	(5,112)	(5,112)	5,582	10,694
Fund balances, beginning of year	5,112	5,112	8,411	3,299
Fund balances, end of year	\$ -	\$ -	\$ 13,993	\$ 13,993

CITY OF GARDNER, KANSAS

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

STREET IMPROVEMENT FUND

Year Ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget + Positive (Negative)
Revenues				
Excise tax	\$ 44,000	\$ 44,000	\$ 71,264	\$ 27,264
Investment earnings	200	200	164	(36)
Total revenues	44,200	44,200	71,428	27,228
Expenditures				
Project reserve	147,412	147,412	*	147,412
Principal & interest	*	*	*	*
Total expenditures	147,412	147,412	*	147,412
Revenues over (under) expenditures	(103,212)	(103,212)	71,428	174,640
Other financing sources (uses)				
Transfers out	(25,800)	(25,800)	(25,800)	-
Total other financing sources (uses)	(25,800)	(25,800)	(25,800)	-
Net change in fund balance	(129,012)	(129,012)	45,628	174,640
Fund balances, beginning of year	129,012	129,012	141,711	12,699
Fund balances, end of year	\$ -	\$ -	\$ 187,339	\$ 187,339

Nonmajor Proprietary Funds

Enterprise Funds

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

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

Internal Service Funds

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

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 on city-owned property.

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

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

CITY OF GARDNER, KANSAS
COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
December 31, 2016

	Stormwater	Airport	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 173,720	\$ 173,720	\$ 173,720
Accounts receivable, net	16,329	16,329	16,329
Other receivable	644	-	644
Inventories	15,329	-	15,329
Total current assets	206,022	206,022	206,022
Noncurrent assets:			
Capital assets:			
Land	954,573	954,573	954,573
Construction in progress	315,240	315,240	315,240
Buildings	1,745,363	1,745,363	1,745,363
Infrastructure	1,353,775	1,353,775	1,353,775
Improvements	130,547	130,547	130,547
Less accumulated depreciation and amortization	(194,176)	(1,361,055)	(1,555,231)
Total capital assets	3,138,443	3,138,443	3,800,310
Total noncurrent assets	691,867	691,867	3,800,310
Total assets	697,889	907,889	4,006,332
Deferred outflows of resources			
Pension related items	1,306	1,306	1,306
Total deferred outflows of resources	1,306	1,306	1,306
Liabilities			
Current liabilities:			
Accounts payable	1,472	1,472	1,472
Accrued payroll	47	47	47
Accrued interest payable	1,256	1,256	1,256
Due to other funds	644	-	644
Compensated absences	489	489	489
Current portion of bonds payable	62,406	62,406	62,406
Total current liabilities	66,814	66,814	66,814
Noncurrent liabilities:			
Bonds payable, net	281,924	281,924	281,924
Pension liability	1,597	1,597	1,597
Total noncurrent liabilities	283,521	283,521	283,521
Total liabilities	350,335	350,335	350,335
Deferred inflows of resources			
Pension related items	(202)	(202)	(202)
Net position			
Net investment in capital assets	691,867	2,794,113	3,485,980
Unrestricted	-	202,025	202,025
Total net position	691,867	2,996,138	3,688,005

CITY OF GARDNER, KANSAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NON-MAJOR ENTERPRISE FUNDS
Year Ended December 31, 2016

	Stormwater	Airport	Total
Operating revenues	\$ -	\$ 265,453	\$ 265,453
Charges for sales and services	-	382,597	382,597
Other	-	648,050	648,050
Total operating revenues	-	648,050	648,050
Operating expenses			
Administration	-	83,848	83,848
Repairs and maintenance	-	8,223	8,223
Depreciation and amortization	28,298	105,018	133,316
Total operating expenses	28,298	197,089	225,387
Operating income (loss)	(28,298)	450,961	422,663
Nonoperating revenues (expenses)			
Investment earnings	-	108	108
Interest expense	-	(7,790)	(7,790)
Total nonoperating revenues (expenses)	-	(7,682)	(7,682)
Income (loss) before transfers and contributions	(28,298)	443,279	414,981
Capital contributions	-	2,552,859	2,552,859
Change in net position	(28,298)	2,996,138	2,967,840
Total net position, beginning of year	770,165	-	770,165
Total net position, end of year	691,867	2,996,138	3,688,005

CITY OF GARDNER, KANSAS
COMBINING STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS
December 31, 2016

	Risk Management	Governmental Information Technology Services	Building Maintenance	Business-type Activities Utility Billing Services	Total
Assets					
Current assets:					
Deposits and investments	\$ 47,210	\$ 35,265	\$ 62,265	\$ 306,222	\$ 450,962
Noncurrent assets:					
Capital assets:					
Machinery and equipment	-	393,674	14,794	10,509	418,977
Vehicles	-	-	14,749	43,371	58,120
Less accumulated depreciation	-	(140,075)	(23,624)	(50,728)	(214,427)
Total assets	47,210	288,864	68,184	309,374	713,632
Deferred outflows of resources					
Pension related items	14,492	55,108	18,506	104,924	193,030
Liabilities					
Current liabilities:					
Accounts payable	3,272	26,773	859	12,086	42,990
Compensated absences	2,263	4,747	5,797	20,561	33,368
Due to other funds	-	-	3,093	-	3,093
Accrued payroll	194	781	253	1,435	2,663
Current portion-lease payable	-	93,380	-	-	93,380
Noncurrent liabilities:					
Other postemployment benefit obligation	227	1,077	3,080	11,390	15,774
Pension liability	47,591	181,102	60,897	348,097	637,687
Total liabilities	53,847	307,860	73,981	393,569	828,957
Deferred inflows of resources					
Pension related items	2,001	7,625	2,571	14,979	27,176
Net position					
Net investment in capital assets	-	160,219	5,919	3,152	169,290
Unrestricted	6,154	(131,732)	4,219	2,598	(118,761)
Total net position	\$ 6,154	\$ 28,487	\$ 10,138	\$ 5,750	\$ 50,529

CITY OF GARDNER, KANSAS
COMBINING STATEMENT OF CASH FLOWS

NON-MAJOR ENTERPRISE FUNDS
Year Ended December 31, 2016

	Stormwater	Airport	Total
Cash flows from operating activities:			
Receipts from customers	\$ -	\$ 631,721	\$ 631,721
Payments to suppliers	-	(97,795)	(97,795)
Payments to employees	-	(12,998)	(12,998)
Net cash provided by operating activities	-	520,928	520,928
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	-	(290,651)	(290,651)
Principal paid on general obligation bonds	-	(55,621)	(55,621)
Interest paid on general obligation bonds, construction loan, and capital lease	-	(6,534)	(6,534)
Net cash used in capital and related financing activities	-	(352,806)	(352,806)
Cash flows from investing activities:			
Interest received	-	108	108
Net increase (decrease) in cash and cash equivalents	-	168,230	168,230
Cash and cash equivalents, beginning of year	-	5,490	5,490
Cash and cash equivalents, end of year	\$ -	\$ 173,720	\$ 173,720
Cash consists of:			
Cash	\$ -	\$ 173,720	\$ 173,720
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	(38,298)	450,961	422,663
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Items not requiring cash:			
Depreciation and amortization expense	28,298	105,018	133,316
Changes in:			
Pension expense	-	89	89
Receivables	-	(16,329)	(16,329)
Inventories	-	(13,329)	(13,329)
Accounts payable	-	1,472	1,472
Due to other funds	-	(5,490)	(5,490)
Accrued liabilities	-	536	536
Net cash provided by operating activities	\$ -	\$ 520,928	\$ 520,928

Noncash capital and financing activities: In 2016, the Airport Fund received \$2,552,859, in capital contributions.

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

INTERNAL SERVICE FUNDS
Year Ended December 31, 2016

	Governmental Activities			Business-type Activities			Total
	Risk Management	Information Technology Services	Building Maintenance	Utility Billing Services	Other		
Operating revenues	\$ 642,531	\$ 769,516	\$ 259,509	\$ 1,009,791	\$	\$	\$ 2,681,347
Changes for services	24,363	-	-	-	-	-	24,363
Other	666,894	769,516	259,509	1,009,791	-	-	2,705,710
Total operating revenues							
Operating expenses	58,452	257,648	74,342	480,665			870,607
Administration	573,926	300,909	123,809	256,021			1,254,665
Contractual services	8,721	130,181	13,450	12,638			164,990
Other supplies and expenses	-	15,245	17,171	3,450			35,866
Repairs and maintenance	25,661	37,985	2,217	1,051			41,253
Depreciation		23,588	28,477	255,720			333,446
Other	666,860	764,956	259,466	1,009,545			2,700,827
Total operating expenses	34	4,560	43	246			4,883
Operating income							
Nonoperating revenues (expenses)		(4,430)					(4,430)
Interest expense							
Change in net position	34	130	43	246			453
Total net position, beginning of year	6,120	28,357	10,095	5,504			50,076
Total net position, end of year	\$ 6,154	\$ 28,487	\$ 10,138	\$ 5,750	\$	\$	\$ 50,529

CITY OF GARDNER, KANSAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended December 31, 2016

	Governmental Activities			Business-type Activities			Total
	Risk Management	Information Technology Services	Building Maintenance	Utility Billing Services	Other		
Cash flows from operating activities:							
Receipts from customers	\$ 644,338	\$ 769,516	\$ 259,505	\$ 1,009,791	\$	\$	\$ 2,683,570
Other	24,363	-	-	-	-	-	24,363
Payments to suppliers	(606,851)	(453,280)	(185,268)	(531,031)			(1,776,430)
Payments to employees	(58,936)	(258,055)	(74,727)	(482,590)			(874,308)
Net cash provided by operating activities	2,934	58,181	(90)	(3,830)			57,195
Cash flows from capital and related financing activities:							
Principal paid on capital lease	-	(91,936)	-	-			(91,936)
Interest paid on capital lease	-	(4,430)	-	-			(4,430)
Net cash used in capital and related financing activities	-	(96,366)	-	-			(96,366)
Net increase (decrease) in cash and cash equivalents	2,934	(38,185)	(90)	(3,830)			(39,171)
Cash and cash equivalents, beginning of year	44,276	73,450	62,355	310,052			490,133
Cash and cash equivalents, end of year	\$ 47,210	\$ 35,265	\$ 62,265	\$ 306,222	\$	\$	\$ 450,962
Reconciliation of operating income to net cash provided by operating activities:							
Operating income	\$ 34	\$ 4,560	\$ 43	\$ 246	\$	\$	\$ 4,883
Adjustments to reconcile operating income to net cash provided by operating activities:							
Items not requiring cash:							
Depreciation expense	-	37,985	2,217	1,051			41,253
Other postemployment benefit obligation	227	1,077	(34)	(3,921)			(2,651)
Pension expense	669	2,544	854	4,809			8,876
Changes in:							
Receivables	1,827	-	396	-			2,223
Accounts payable	2,126	19,187	199	4,176			25,688
Accrued liabilities	(1,949)	(7,172)	(2,059)	(10,191)			(21,371)
Due to other funds	-	-	(1,706)	-			(1,706)
Net cash provided by operating activities	\$ 2,934	\$ 58,181	\$ (90)	\$ (3,830)	\$	\$	\$ 57,195

CITY OF GARDNER, KANSAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
 AGENCY FUNDS
December 31, 2016

	Alcohol Safety Action Program	Special Olympics Program	Mayor's Christmas Tree Program	Total
Assets				
Deposits and investments	\$ 34,780	\$ 11,348	\$ 10,512	\$ 56,640
Liabilities				
Due to others	\$ 34,780	\$ 11,348	\$ 10,512	\$ 56,640

CITY OF GARDNER, KANSAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
Year Ended December 31, 2016

	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
<u>Alcohol Safety Action Program</u>				
Assets				
Deposits and investments	\$ 34,690	\$ 90	\$ -	\$ 34,780
Liabilities				
Due to others	\$ 34,690	\$ 90	\$ -	\$ 34,780

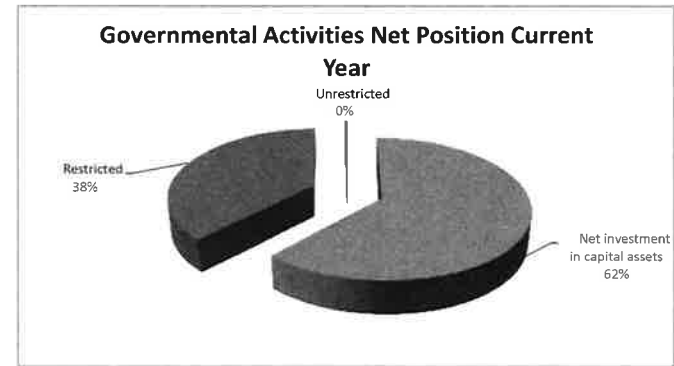
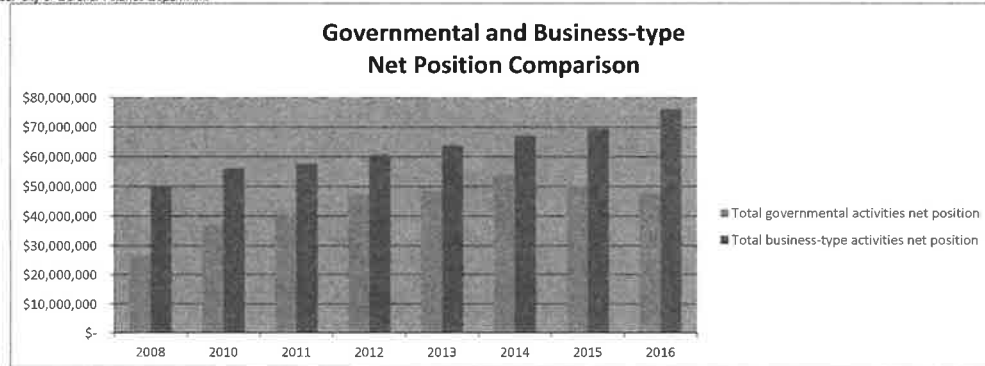
	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
<u>Special Olympics Program</u>				
Assets				
Deposits and investments	\$ 13,868	\$ 1,004	\$ 3,524	\$ 11,348
Liabilities				
Due to others	\$ 13,868	\$ 1,004	\$ 3,524	\$ 11,348

	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
<u>Mayor's Christmas Tree Program</u>				
Assets				
Deposits and investments	\$ 11,212	\$ 6,250	\$ 6,950	\$ 10,512
Liabilities				
Due to others	\$ 11,212	\$ 6,250	\$ 6,950	\$ 10,512

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

	<u>Fiscal Year</u>									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities										
Net investment in capital assets	\$ 15,189,970	\$ 11,793,968	\$ 11,427,079	\$ 17,247,111	\$ 20,316,915	\$ 17,955,758	\$ 23,990,859	\$ 28,346,555	\$ 30,941,934	\$ 29,574,314
Restricted	8,508,190	11,654,614	17,997,310	16,045,557	16,127,894	24,232,960	20,820,905	20,245,654	18,457,790	17,920,702
Unrestricted	(146,614)	2,984,646	2,785,686	3,604,098	4,345,432	5,166,777	3,548,049	5,208,773	806,326	161,452
Total governmental activities net position	<u>\$ 23,551,546</u>	<u>\$ 26,433,228</u>	<u>\$ 32,210,075</u>	<u>\$ 36,896,766</u>	<u>\$ 40,790,241</u>	<u>\$ 47,355,495</u>	<u>\$ 48,359,813</u>	<u>\$ 53,800,982</u>	<u>\$ 50,206,050</u>	<u>\$ 47,656,468</u>
Business-type activities										
Net investment in capital assets	\$ 43,009,998	\$ 42,592,536	\$ 45,202,862	\$ 46,462,027	\$ 48,330,111	\$ 51,630,963	\$ 53,358,039	\$ 55,182,468	\$ 57,021,062	\$ 61,598,308
Unrestricted	7,383,676	7,570,921	7,587,496	9,547,927	9,236,658	8,919,022	10,427,135	11,921,883	12,364,866	14,341,092
Total business-type activities net position	<u>\$ 50,393,674</u>	<u>\$ 50,163,457</u>	<u>\$ 52,790,358</u>	<u>\$ 56,009,954</u>	<u>\$ 57,566,769</u>	<u>\$ 60,549,985</u>	<u>\$ 63,785,174</u>	<u>\$ 67,104,351</u>	<u>\$ 69,385,928</u>	<u>\$ 75,939,400</u>
Primary government										
Net investment in capital assets	\$ 58,199,968	\$ 54,386,504	\$ 56,629,941	\$ 63,709,138	\$ 68,647,026	\$ 69,586,721	\$ 77,348,898	\$ 83,529,023	\$ 87,962,996	\$ 91,172,622
Restricted	8,508,190	11,654,614	17,997,310	16,045,557	16,127,894	24,232,960	20,820,905	20,245,654	18,457,790	17,920,702
Unrestricted	7,237,062	10,555,567	10,373,182	13,152,025	13,582,090	14,085,799	13,975,184	17,130,656	13,171,192	14,502,544
Total primary government net position	<u>\$ 73,945,220</u>	<u>\$ 76,596,685</u>	<u>\$ 85,000,433</u>	<u>\$ 92,906,720</u>	<u>\$ 98,357,010</u>	<u>\$ 107,905,480</u>	<u>\$ 112,144,987</u>	<u>\$ 120,905,333</u>	<u>\$ 119,591,978</u>	<u>\$ 123,595,868</u>

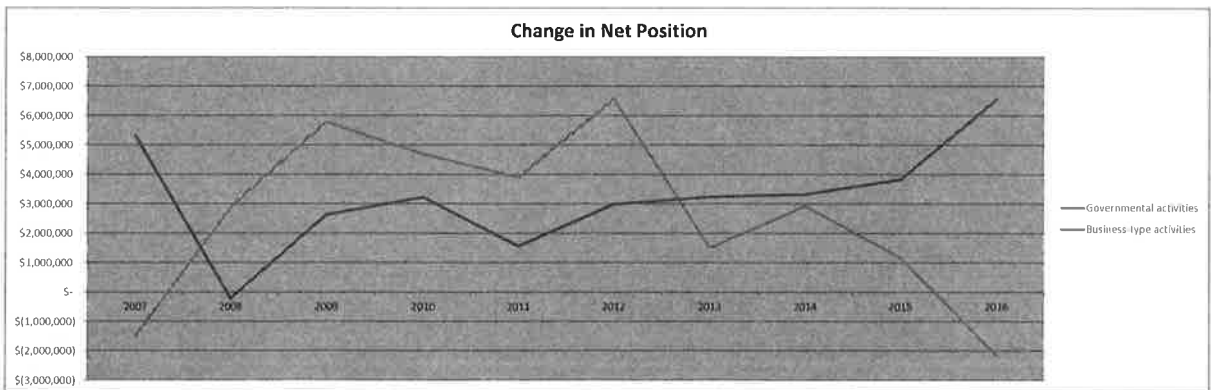
Source: City of Gardner Finance Department



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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 3,378,759	\$ 3,467,896	\$ 3,164,663	\$ 2,822,418	\$ 2,620,535	\$ 2,697,372	\$ 2,817,304	\$ 3,568,824	\$ 3,896,677	\$ 4,598,982
Public Safety	3,248,539	3,653,003	3,567,111	3,565,454	3,647,573	3,776,937	3,874,682	4,688,596	4,383,506	5,315,430
Public Works	2,730,439	3,274,927	2,674,913	2,814,530	2,650,257	2,846,701	2,631,533	3,354,014	3,940,033	3,744,547
Culture and recreation	2,025,252	2,280,655	2,271,882	2,211,773	2,424,862	2,593,737	2,480,190	2,368,847	2,433,317	2,604,472
Interest on long-term debt	1,450,223	1,506,419	1,843,829	1,742,427	1,397,534	1,308,232	1,595,184	1,100,397	808,488	809,404
Total governmental activities expenses	<u>12,833,712</u>	<u>14,187,900</u>	<u>13,522,198</u>	<u>12,956,602</u>	<u>12,740,861</u>	<u>13,222,979</u>	<u>13,378,693</u>	<u>15,070,678</u>	<u>15,462,021</u>	<u>16,873,035</u>
Business-type activities										
Electric	10,369,407	10,655,734	9,911,349	11,572,594	12,052,825	11,996,928	11,779,932	12,536,784	11,919,585	12,006,709
Water	2,606,773	2,829,545	2,874,987	2,952,669	3,235,397	3,447,469	3,345,254	3,549,784	3,692,470	4,032,587
Wastewater	3,659,179	4,194,130	3,678,278	3,861,411	3,590,360	3,513,416	3,657,553	4,317,776	4,675,174	4,591,624
Stormwater	75,643	220,061	70,817	71,086	25,167	25,167	25,167	25,167	28,298	28,298
Airport	-	-	-	-	-	-	-	-	-	204,879
Total business-type activities expenses	<u>16,711,002</u>	<u>17,899,470</u>	<u>16,535,431</u>	<u>18,257,760</u>	<u>19,903,749</u>	<u>18,982,860</u>	<u>18,807,906</u>	<u>20,429,511</u>	<u>20,315,507</u>	<u>20,864,097</u>
Total primary government expenses	<u>\$ 29,544,714</u>	<u>\$ 32,087,370</u>	<u>\$ 30,057,629</u>	<u>\$ 31,214,362</u>	<u>\$ 31,644,610</u>	<u>\$ 32,205,839</u>	<u>\$ 32,186,799</u>	<u>\$ 35,500,189</u>	<u>\$ 35,777,528</u>	<u>\$ 37,737,132</u>
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 712,907	\$ 606,513	\$ 622,807	\$ 502,102	\$ 553,992	\$ 604,625	\$ 748,785	\$ 1,607,129	\$ 1,907,297	\$ 2,171,688
Public Safety	10,344	13,021	13,141	10,458	10,577	10,199	7,853	9,253	7,439	8,228
Public Works	1,900	-	2,300	-	-	-	-	-	-	-
Culture and recreation	905,149	767,693	937,542	970,405	887,173	883,516	858,658	910,947	910,041	963,169
Operating grants and contributions	2,529,574	2,657,199	2,514,392	2,579,475	2,789,802	2,816,127	2,986,108	3,251,406	3,328,930	3,397,426
Capital grants and contributions	360,016	4,908,296	7,240,013	5,400,656	3,113,818	5,730,105	782,039	2,902,279	805,138	206,879
Total governmental activities program revenue	<u>4,519,890</u>	<u>8,652,722</u>	<u>11,330,195</u>	<u>9,463,136</u>	<u>7,355,362</u>	<u>10,044,572</u>	<u>5,363,443</u>	<u>8,681,014</u>	<u>8,958,905</u>	<u>6,747,370</u>
Business-type activities										
Charges for services										
Electric	11,805,651	11,688,030	12,661,952	14,329,969	14,089,709	15,060,888	14,196,340	14,383,780	14,539,925	14,440,663
Water	4,201,647	3,192,736	3,293,010	3,989,505	3,740,962	4,103,707	4,509,458	4,948,652	5,145,232	5,440,947
Wastewater	3,635,313	2,821,531	3,062,919	4,007,841	3,474,928	3,682,494	4,275,217	4,808,875	5,023,691	5,073,706
Stormwater	-	-	-	-	-	-	61,208	-	-	-
Airport	-	-	-	-	-	-	-	-	-	648,050
Capital grants and contributions	59,606	356,751	506,591	78,263	100,187	92,782	-	246,112	246,112	358,459
Total business-type program revenues	<u>19,902,217</u>	<u>18,059,048</u>	<u>19,524,472</u>	<u>22,405,578</u>	<u>21,405,786</u>	<u>22,839,851</u>	<u>23,042,223</u>	<u>24,151,107</u>	<u>24,954,960</u>	<u>25,961,825</u>
Total primary government program revenues	<u>\$ 24,422,107</u>	<u>\$ 26,911,770</u>	<u>\$ 30,854,667</u>	<u>\$ 31,868,714</u>	<u>\$ 28,761,148</u>	<u>\$ 32,884,423</u>	<u>\$ 28,405,666</u>	<u>\$ 32,832,121</u>	<u>\$ 31,913,865</u>	<u>\$ 32,709,195</u>
Net (Expense)/Revenue										
Governmental activities	\$ (8,313,822)	\$ (5,330,178)	\$ (2,192,003)	\$ (3,493,466)	\$ (5,385,489)	\$ (3,178,407)	\$ (8,015,450)	\$ (6,389,664)	\$ (8,503,116)	\$ (10,125,665)
Business-type activities	3,191,215	159,578	2,989,041	4,147,818	2,502,037	3,956,871	4,234,317	3,721,596	4,639,453	5,097,726
Total primary government net expense	<u>\$ (5,122,607)</u>	<u>\$ (5,170,600)</u>	<u>\$ 797,038</u>	<u>\$ 654,352</u>	<u>\$ (2,883,452)</u>	<u>\$ 778,464</u>	<u>\$ (3,781,133)</u>	<u>\$ (2,668,068)</u>	<u>\$ (3,863,663)</u>	<u>\$ (5,027,939)</u>
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes	\$ 3,290,415	\$ 3,667,858	\$ 3,788,866	\$ 3,798,207	\$ 4,675,379	\$ 4,845,216	\$ 4,821,475	\$ 4,947,132	\$ 4,883,957	\$ 5,246,198
Sales taxes	2,854,565	2,815,576	2,696,984	2,821,088	2,999,426	3,123,255	3,190,773	3,467,735	3,535,132	3,827,653
Franchise taxes	386,139	412,989	396,100	380,715	365,435	320,227	348,956	352,792	312,625	269,736
Excise taxes	819,908	395,182	456,384	95,710	53,434	312,441	-	-	-	-
Transient guest taxes	41,073	45,573	34,702	29,338	29,764	36,470	42,493	42,976	62,892	74,272
Other	-	-	-	3	-	-	-	75,467	30,737	(11,558)
Unrestricted investment earnings	993,815	298,824	49,100	49,689	32,136	31,905	33,418	11,456	8,807	9,533
Gain on disposal of asset	1,617	-	-	2,085	136,232	67,329	40,567	-	-	-
Transfers	(1,586,780)	577,858	546,714	1,003,312	987,168	1,004,818	1,029,100	413,163	829,600	(1,445,460)
Total governmental activities	<u>6,800,772</u>	<u>8,211,860</u>	<u>7,968,850</u>	<u>8,180,157</u>	<u>9,278,974</u>	<u>9,743,661</u>	<u>9,506,782</u>	<u>9,310,721</u>	<u>9,674,810</u>	<u>7,970,374</u>
Business-type activities										
Unrestricted investment earnings	532,634	188,063	28,208	38,020	31,421	31,163	29,972	10,744	10,442	10,284
Transfers	1,586,780	(577,858)	(546,714)	(1,003,312)	(987,168)	(1,004,818)	(1,029,100)	(413,163)	(829,600)	1,445,460
Other	-	-	156,368	37,070	10,525	-	-	-	-	-
Total business-type activities	<u>2,119,394</u>	<u>(389,795)</u>	<u>(518,506)</u>	<u>(965,292)</u>	<u>(955,852)</u>	<u>(973,655)</u>	<u>(999,128)</u>	<u>(402,419)</u>	<u>(819,158)</u>	<u>1,455,744</u>
Total primary government	<u>\$ 8,920,166</u>	<u>\$ 7,822,065</u>	<u>\$ 7,450,344</u>	<u>\$ 7,214,865</u>	<u>\$ 8,333,122</u>	<u>\$ 8,770,006</u>	<u>\$ 8,507,654</u>	<u>\$ 8,908,302</u>	<u>\$ 8,855,652</u>	<u>\$ 9,426,118</u>
Change in Net Position										
Governmental activities	\$ (1,513,050)	\$ 2,881,682	\$ 5,776,847	\$ 4,686,691	\$ 3,893,475	\$ 6,565,254	\$ 1,481,332	\$ 2,921,057	\$ 1,171,694	\$ (2,155,291)
Business-type activities	5,310,609	(230,217)	2,626,001	3,219,596	1,556,815	2,983,216	3,235,189	3,319,177	3,820,295	6,553,472
Total primary government	<u>\$ 3,797,559</u>	<u>\$ 2,651,465</u>	<u>\$ 8,403,748</u>	<u>\$ 7,906,287</u>	<u>\$ 5,450,290</u>	<u>\$ 9,548,470</u>	<u>\$ 4,726,521</u>	<u>\$ 6,240,234</u>	<u>\$ 4,991,989</u>	<u>\$ 4,398,181</u>

Source: City of Gardner Finance Department

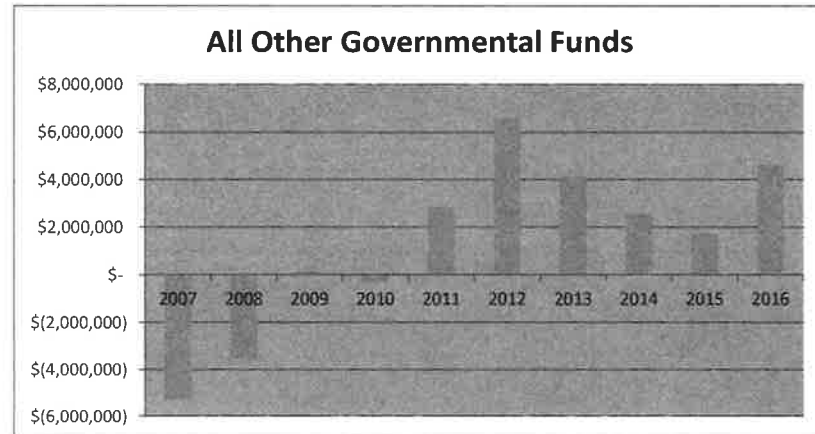
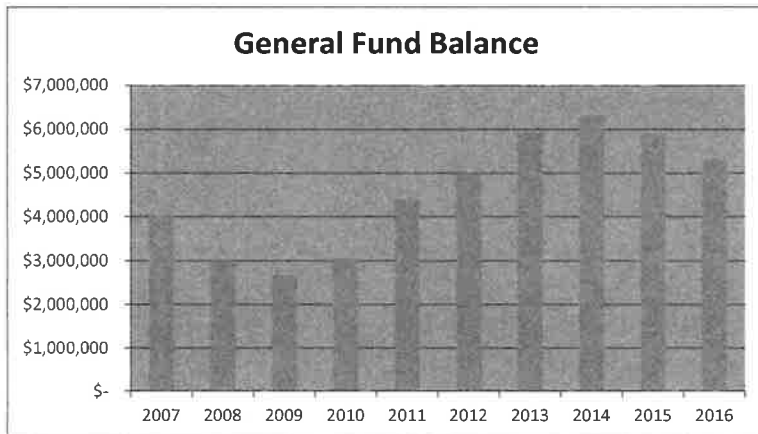


**City of Gardner, Kansas
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund										
Reserved	\$ 15,151	\$ 34,779	\$ 39,182	\$ 250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	4,008,117	2,964,795	2,619,334	3,058,934	-	-	-	-	-	-
Restricted	-	-	-	-	24,281	-	-	-	-	-
Assigned	-	-	-	-	20,619	-	64,474	9,640	115,541	22,221
Unassigned	-	-	-	-	4,321,492	4,997,241	5,864,734	6,305,486	5,792,880	5,280,652
Total general fund	\$ 4,023,268	\$ 2,999,574	\$ 2,658,516	\$ 3,059,184	\$ 4,366,392	\$ 4,997,241	\$ 5,929,208	\$ 6,315,126	\$ 5,908,421	\$ 5,302,873
All Other Governmental Funds										
Reserved	\$ 2,164,409	\$ 1,058,524	\$ 1,479,432	\$ 451,339	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Debt service fund	237,844	310,091	78,023	105,384	-	-	-	-	-	-
Special revenue funds	6,525,624	5,383,372	5,119,227	3,565,909	-	-	-	-	-	-
Capital projects funds	(14,211,726)	(10,291,113)	(6,515,040)	(4,434,896)	-	-	-	-	-	-
Restricted	-	-	-	-	2,603,807	6,590,028	4,147,059	2,520,366	1,715,705	4,611,811
Assigned	-	-	-	-	260,317	-	-	-	-	-
Total all other governmental funds	\$ (5,283,849)	\$ (3,539,126)	\$ 161,642	\$ (312,264)	\$ 2,864,124	\$ 6,590,028	\$ 4,147,059	\$ 2,520,366	\$ 1,715,705	\$ 4,611,811

Note: In 2011, the City implemented GASB Statement No. 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned compared to the past categories of reserved and unreserved

Source: City of Gardner Finance Department



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

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues										
Taxes	\$ 7,351,027	\$ 7,291,605	\$ 7,338,334	\$ 7,095,720	\$ 8,123,438	\$ 8,639,609	\$ 8,403,697	\$ 8,810,635	\$ 8,804,606	\$ 9,417,859
Licenses and permits	615,355	186,976	441,422	376,192	186,751	237,374	319,508	204,236	189,784	293,055
Fines and fees	240,072	305,001	263,248	217,900	289,358	335,319	415,312	451,700	524,540	591,913
Charges for services	654,973	792,935	727,625	800,534	825,751	844,814	744,055	1,867,940	2,103,849	2,253,903
Special assessments	345,883	300,420	387,736	974,839	951,328	966,502	1,401,884	977,266	1,129,613	1,869,075
Intergovernmental	2,415,554	2,606,764	2,383,778	7,722,154	4,069,190	3,339,121	3,368,473	4,306,908	3,769,237	3,604,305
Investment earnings	993,815	296,824	49,100	49,689	32,136	31,905	33,416	11,456	9,867	9,533
Other revenues	347,542	321,922	438,029	224,533	171,331	93,753	138,960	53,362	22,154	68,397
Total revenues	12,964,221	12,102,447	12,029,272	17,461,561	14,649,283	14,488,397	14,825,305	16,683,503	16,553,650	18,108,040
Expenditures										
General government	3,055,358	3,210,270	2,901,931	2,588,787	2,397,137	2,443,979	2,728,857	3,429,383	3,825,458	4,408,175
Public safety	3,040,870	3,411,999	3,286,448	3,224,327	3,557,178	3,678,525	3,793,325	4,188,261	4,466,208	5,087,946
Public works	1,554,889	1,694,200	1,482,616	1,459,363	1,417,646	1,547,336	1,439,557	1,600,153	1,918,905	1,944,363
Culture and recreation	1,670,953	1,843,126	1,781,799	1,843,546	1,881,715	1,925,478	1,868,548	1,970,858	2,124,243	2,272,346
Capital outlay	14,508,283	4,431,783	3,563,318	9,102,539	2,870,018	1,795,401	3,786,717	1,720,480	1,239,165	2,445,875
Debt service:										
Interest	1,529,276	1,410,869	1,501,306	1,453,142	1,266,297	1,162,286	1,202,912	906,684	908,330	690,690
Principal	2,160,583	2,158,231	2,720,699	5,094,114	3,389,241	7,458,215	6,524,108	13,008,131	4,062,511	2,971,806
Other	61,669	183,014	314,416	159,058	146,166	196,839	73,359	245,493	58,379	155,738
Total expenditures	27,581,881	18,343,492	17,552,533	24,924,876	16,925,398	20,208,059	21,417,383	27,069,443	18,603,199	19,976,939
Excess of revenues over (under) expenditures	(14,617,660)	(6,241,045)	(5,523,261)	(7,463,315)	(2,276,115)	(5,719,662)	(6,592,078)	(10,385,940)	(2,049,549)	(1,868,899)
Other Financing Sources (Uses)										
Bonds issued	-	5,460,000	5,689,822	2,794,765	1,325,000	3,995,000	3,256,418	8,090,000	-	3,548,000
Premium on G.O. Bonds	-	36,180	-	-	-	-	-	224,484	-	124,700
Bond Anticipation notes issued	-	-	-	-	3,960,000	4,915,000	-	-	-	-
Construction loan	910,757	651,632	2,570,970	1,302,327	316,065	87,668	251,482	-	-	-
Sale of capital assets	23,001	-	-	2,281,216	138,077	73,929	40,567	22,105	8,583	2,108
Capital leases	989,000	-	-	-	-	-	98,510	-	-	-
Insurance proceeds	3,053	997	-	8,457	8,261	-	-	-	-	-
Transfers in	2,441,559	2,513,128	3,181,035	3,420,400	3,126,455	3,027,043	2,983,153	1,866,968	1,416,567	1,714,113
Transfers out	(1,392,261)	(1,699,863)	(2,558,856)	(2,417,088)	(2,114,147)	(2,022,225)	(1,954,053)	(1,032,587)	(586,967)	(835,173)
Total other financing sources (uses)	2,975,109	6,962,074	8,882,971	7,390,077	6,759,711	10,076,415	4,676,077	9,170,970	838,183	4,553,748
Net change in fund balances	\$ (11,642,551)	\$ 721,029	\$ 3,359,710	\$ (73,238)	\$ 4,483,596	\$ 4,356,753	\$ (1,916,001)	\$ (1,214,970)	\$ (1,211,366)	\$ 2,684,849
Debt service as a percentage of noncapital expenditures	26.9%	24.1%	29.2%	42.0%	33.7%	46.2%	43.6%	53.6%	28.8%	19.7%

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	^(a) Electricity Consumed & Unbilled	^(a) Average Percent Unbilled	Gallons of Water Produced & Purchased	Gallons of Water Sold	^(a) Gallons of Water Unbilled	^(a) Average Percent Unbilled	Gallons of Wastewater Treated	Total Direct Rate					
										Electric		Water		Wastewater	
										Base ^(b) Rate	Usage ^(c) Rate	Base ^(b) Rate	Usage ^(c) Rate	Base ^(b) Rate	Usage ^(c) Rate
2007	135,953	118,858	17,095	12.57%	723	488	235	32.50%	517	\$ 6.20	\$ 0.0932	\$ 8.52	\$ 3.86	\$ 7.72	\$ 4.91
2008	126,224	120,486	5,738	4.55%	758	552	206	27.18%	589	\$ 6.40	\$ 0.0960	\$ 8.95	\$ 4.05	\$ 8.10	\$ 5.16
2009	124,014	116,584	7,430	5.99%	717	473	244	34.03%	768	\$ 6.72	\$ 0.1008	\$ 9.40	\$ 4.25	\$ 8.75	\$ 5.57
2010	137,083	132,915	4,168	3.04%	721	497	224	31.07%	752	\$ 6.72	\$ 0.1008	\$ 9.90	\$ 4.45	\$ 9.45	\$ 6.00
2011	137,841	128,646	9,195	6.67%	795	501	294	36.98%	784	\$ 6.72	\$ 0.1008	\$ 10.40	\$ 4.65	\$ 10.20	\$ 6.50
2012	138,940	131,151	7,789	5.61%	835	589	246	29.46%	432	\$ 6.72	\$ 0.1008	\$ 10.70	\$ 4.80	\$ 10.70	\$ 6.85
2013	139,849	129,350	10,499	7.51%	745	675	70	9.40%	467	\$ 6.72	\$ 0.1082	\$ 11.55	\$ 5.15	\$ 11.90	\$ 7.60
2014	143,884	134,808	9,276	6.45%	753	664	70	9.30%	395	\$ 6.72	\$ 0.1082	\$ 12.45	\$ 5.55	\$ 13.20	\$ 8.44
2015	143,731	135,754	7,977	5.55%	673	577	28	4.16%	466	\$ 6.72	\$ 0.1082	\$ 13.45	\$ 5.99	\$ 13.73	\$ 8.78
2016	150,351	136,060	14,291	9.51%	794	633	74	9.32%	668	\$ 6.72	\$ 0.1082	\$ 13.45	\$ 5.99	\$ 13.73	\$ 8.78

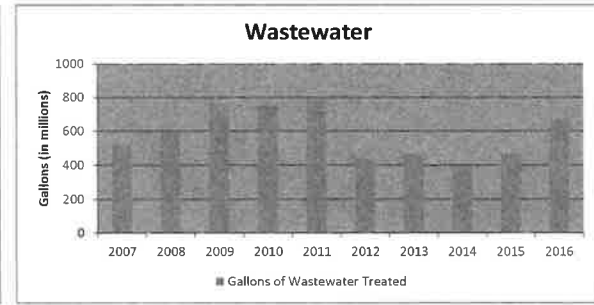
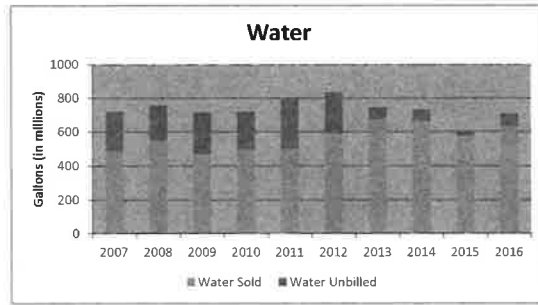
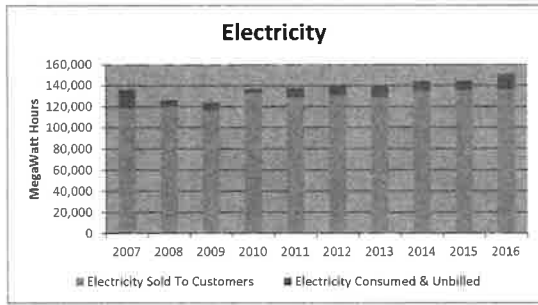
Notes: Electricity is presented in MegaWatt Hours and gallons are presented in millions.

^(a) 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.

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

^(c) Per 1,000 gallons.

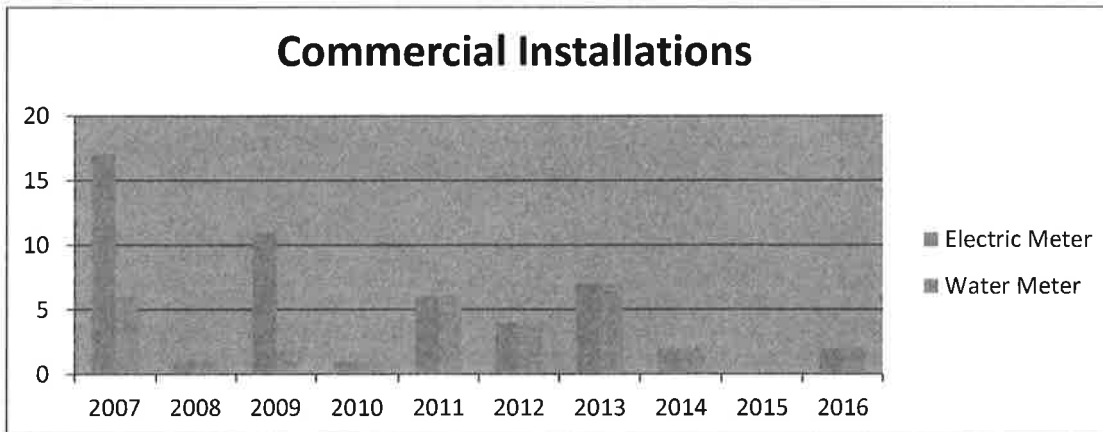
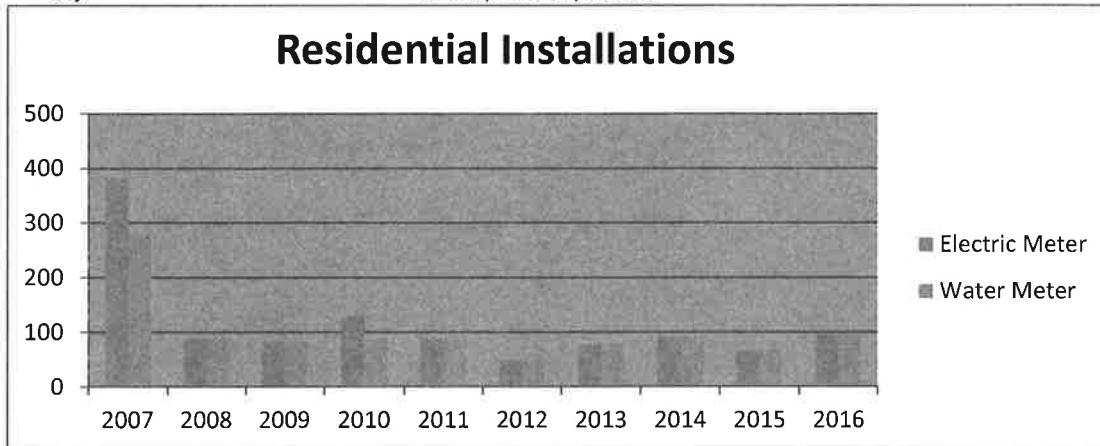
Source: City of Gardner Public Works Department & Gardner Energy



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

Fiscal Year	Electric Meter Installations		Water Meter Installations		Total Installations
	Residential	Commercial	Residential	Commercial	
2007	382	17	278	6	683
2008	89	1	89	1	180
2009	84	11	84	1	180
2010	128	1	87	1	217
2011	88	6	88	6	188
2012	49	4	49	4	106
2013	78	7	78	7	170
2014	91	2	91	2	186
2015	66	-	66	-	132
2016	98	2	98	2	200

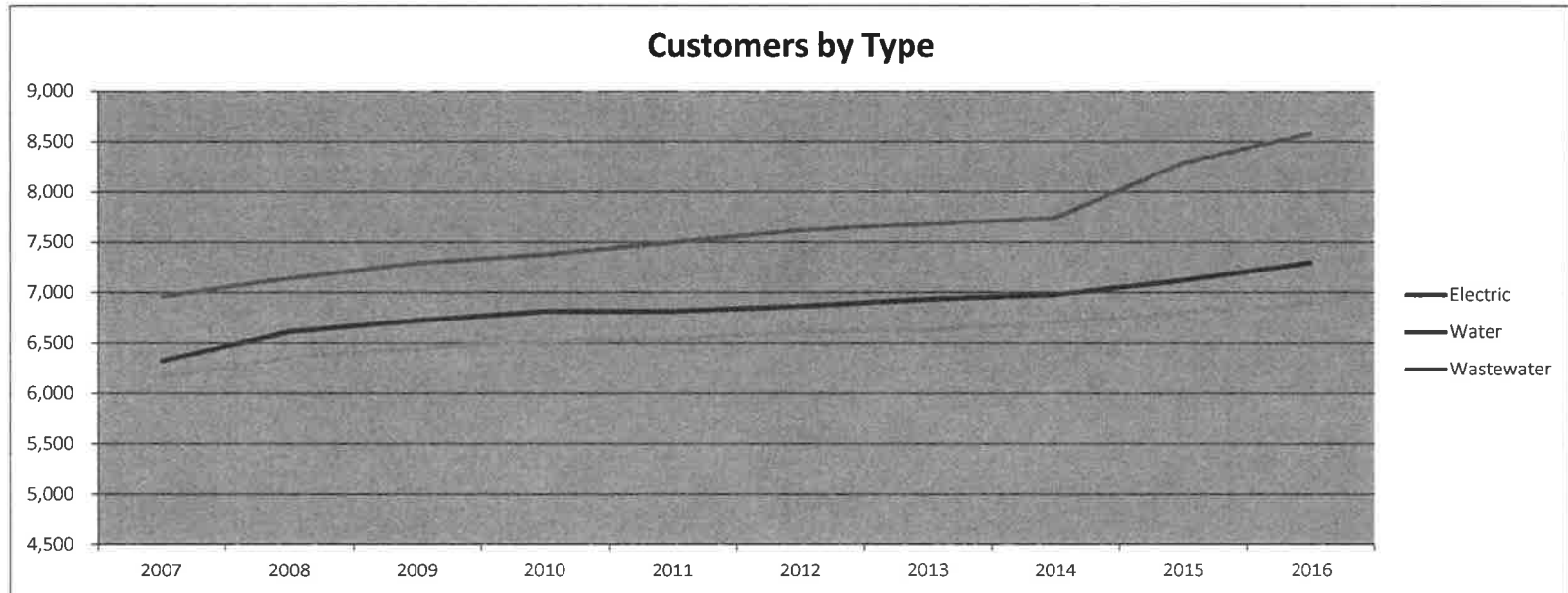
Source: City of Gardner Business and Economic Development Department



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

Fiscal Year	Electric			Water			Wastewater			Total		
	Residential	Commercial	Industrial	Residential	Commercial	Industrial	Residential	Commercial	Industrial	Electric	Water	Wastewater
2007	6,547	407	5	6,065	253	5	5,958	197	5	6,959	6,323	6,160
2008	6,726	410	5	6,360	248	5	6,146	207	5	7,141	6,613	6,358
2009	6,867	418	6	6,476	243	5	6,239	206	5	7,291	6,724	6,450
2010	6,944	425	6	6,546	260	5	6,309	205	5	7,375	6,811	6,519
2011	7,064	424	6	6,554	256	5	6,333	204	5	7,494	6,815	6,542
2012	7,163	448	6	6,598	259	5	6,398	209	5	7,617	6,862	6,612
2013	7,214	462	6	6,655	270	7	6,408	216	7	7,682	6,932	6,631
2014	7,274	465	4	6,709	261	7	6,480	219	6	7,743	6,977	6,705
2015	7,806	479	4	6,821	290	7	6,577	219	6	8,289	7,118	6,802
2016	8,089	488	4	6,977	309	7	6,664	221	6	8,581	7,293	6,891

Source: City of Gardner Utility Department



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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Water Rates^(a)										
<i>(All Meter Sizes)</i>										
Base Rate	\$ 8.52	\$ 8.95	\$ 9.40	\$ 9.90	\$ 10.40	\$ 10.70	\$ 11.55	\$ 12.45	\$ 13.45	\$ 13.45
Usage Rate (per 1,000 gallons) First 40,000 gallons	3.86	4.05	4.25	4.45	4.65	4.80	5.15	-	-	-
Usage Rate (per 1,000 gallons) Over 40,000 gallons	3.10	3.26	3.42	3.60	3.80	3.90	4.20	-	-	-
Usage Rate (per 1,000 gallons) First 6,000 gallons	-	-	-	-	-	-	-	5.55	5.99	5.99
Usage Rate (per 1,000 gallons) 6,001-10,000 gallons	-	-	-	-	-	-	-	6.11	6.60	6.60
Usage Rate (per 1,000 gallons) 10,001-14,000 gallons	-	-	-	-	-	-	-	6.38	6.89	6.89
Usage Rate (per 1,000 gallons) 14,001-18,000 gallons	-	-	-	-	-	-	-	6.67	7.20	7.20
Usage Rate (per 1,000 gallons) 18,001 or more gallons	-	-	-	-	-	-	-	6.97	7.53	7.53
Wastewater Rates										
Base Rate	\$ 7.72	\$ 8.10	\$ 8.75	\$ 9.45	\$ 10.20	\$ 10.70	\$ 11.90	\$ 13.20	\$ 13.73	\$ 13.73
Usage Rate (per 1,000 gallons)	4.91	5.16	5.57	6.00	6.50	6.85	7.60	8.44	8.78	8.78
Electric Rates										
<i>Residential</i>										
Base Rate	\$ 6.20	\$ 6.40	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72
Usage Rate (per kWh)	0.09323	0.09603	0.10083	0.10083	0.10083	0.10083	0.10819	0.10819	0.10819	0.10819
<i>Commercial</i>										
Base Rate	\$ 6.80	\$ 7.00	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35
Usage Rate (per kWh)	0.09631	0.09920	0.10416	0.10416	0.10416	0.10416	0.11152	0.11152	0.11152	0.11152
<i>Commercial With Demand</i>										
Base Rate for Demand	\$ 15.45	\$ 15.90	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70	\$ 16.70
Usage Rate (per kW)	13.00	13.39	14.06	14.06	14.06	14.06	14.06	14.06	14.06	14.06
Usage Rate (per kWh) First 5,000 kWh	0.0472	0.0486	0.05099	0.05099	0.05099	0.05099	0.05708	0.05708	0.05708	0.05708
Usage Rate (per kWh) Over 5,000 kWh	0.0404	0.04165	0.04373	0.04373	0.04373	0.04373	0.05053	0.05053	0.05053	0.05053
<i>Commercial Large With Demand</i>										
Base Rate for Demand	\$ 20.60	\$ 21.20	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26
Usage Rate (per kW)	13.00	13.39	14.06	14.06	14.06	14.06	14.06	14.06	14.06	14.06
Usage Rate (per kWh) First 5,000 kWh	0.04597	0.04735	0.04972	0.04972	0.04972	0.04972	0.05080	0.05080	0.05080	0.05080
Usage Rate (per kWh) Over 5,000 kWh	0.03991	0.04111	0.04317	0.04317	0.04317	0.04317	0.05053	0.05053	0.05053	0.05053
All Electric Rates										
<i>Residential</i>										
Base Rate	\$ 6.20	\$ 6.40	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20
Summer Usage Rate (per kWh)	0.09572	0.09859	0.10352	0.10352	0.10352	0.10352	0.11088	0.11088	0.11088	0.11088
Winter Usage Rate (per kWh) First 800 kWh	0.07852	0.08068	0.10352	0.10352	0.10352	0.10352	0.11088	0.11088	0.11088	0.11088
Winter Usage Rate (per kWh) Over 800 kWh	0.03807	0.03921	0.04117	0.04117	0.04117	0.04117	0.04853	0.04853	0.04853	0.04853
<i>Commercial</i>										
Base Rate	\$ 6.80	\$ 7.00	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35
Usage Rate (per kW)	4.90	5.05	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30
Summer Usage Rate (per kWh)	0.03201	0.03297	0.03462	0.03462	0.03462	0.03462	0.04198	0.04198	0.04198	0.04198
Winter Usage Rate (per kWh)	0.02920	0.03008	0.03158	0.03158	0.03158	0.03158	0.03894	0.03894	0.03894	0.03894

Source: City of Gardner Utility Department

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

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

Customer	Fiscal Year 2016							
	Electric Revenue		Customer	Water Revenue		Customer	Wastewater Revenue	
	Amount	%		Amount	%		Amount	%
Wal-Mart	\$ 341,164.37	2.49%	New Century Airport	\$ 387,127.32	8.16%	USD 231-WMS Main Service	\$ 29,621.66	0.68%
Price Chopper	259,013.77	1.89%	USD 231-WMS Main Service	29,951.31	0.63%	R & B Autowash	23,802.76	0.54%
USD 231 -425 Waverly	245,282.12	1.79%	R & B Autowash	22,106.55	0.47%	Wal-Mart	18,444.72	0.42%
Coleman Company, Inc.	200,956.07	1.47%	USD 231 -495 E Grand	21,909.27	0.46%	Bristol Partners XVI, LLC -205 Moonlight -	14,002.04	0.32%
ITW Labels	145,671.39	1.06%	USD 231-425 N Waverly Rd IRR	20,670.38	0.44%	Pinnacle Heath Care-427 W Main	13,308.42	0.30%
COG-Kill Creek WWTP	141,515.87	1.03%	KS Resourse Explore & Dev-16201 Waverly	19,189.94	0.40%	USD 231 -425 Waverly	13,115.26	0.30%
USD 231-16200 Kill Creek Rd	124,365.63	0.91%	Wal-Mart	18,882.21	0.40%	Jacobs Properties-794 E. Main-HP	12,439.20	0.28%
USD 231 -495 E Grand	123,919.36	0.90%	USD 231 -425 Waverly	18,784.32	0.40%	Trailswest Carwash	12,281.16	0.28%
Medical Lodges of Gardner	82,941.24	0.61%	USD 231-16200 Kill Creek Rd-IRR	15,603.12	0.33%	Gardner Super 8 Motel	10,893.92	0.25%
USD 231 775 N Center	80,424.56	0.59%	Bristol Partners XVI, LLC -205 Moonlight -HP	14,175.96	0.30%	The Winbury Group-925 E Lincoln Ln HP	10,112.50	0.23%
Subtotal (10 largest)	1,745,254.38	12.74%	Subtotal (10 largest)	568,400.38	11.98%	Subtotal (10 largest)	158,021.64	3.60%
Balance from other customers	11,951,630.76	87.26%	Balance from other customers	4,176,041.34	88.02%	Balance from other customers	4,226,984.65	96.40%
Grand Totals	\$ 13,696,885.14	100.00%	Grand Totals	\$ 4,744,441.72	100.00%	Grand Totals	\$ 4,385,006.29	100.00%

Customer	Fiscal Year 2007							
	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%	U.S.D. 231 - Wheat Ridge Middle School	\$ 16,826	0.76%
Price Chopper	215,791	1.99%	U.S.D. 231 - Wheat Ridge Middle School	20,412	0.76%	TradeNet Publishing	12,859	0.58%
U.S.D. 231 - High School	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 - High School (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 Property	10,134	0.46%
ITW Labels	109,900	1.02%	U.S.D. 231 - High School	9,837	0.37%	U.S.D. 231 - High School	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 Property	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%

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

Source: City of Gardner Utility Department

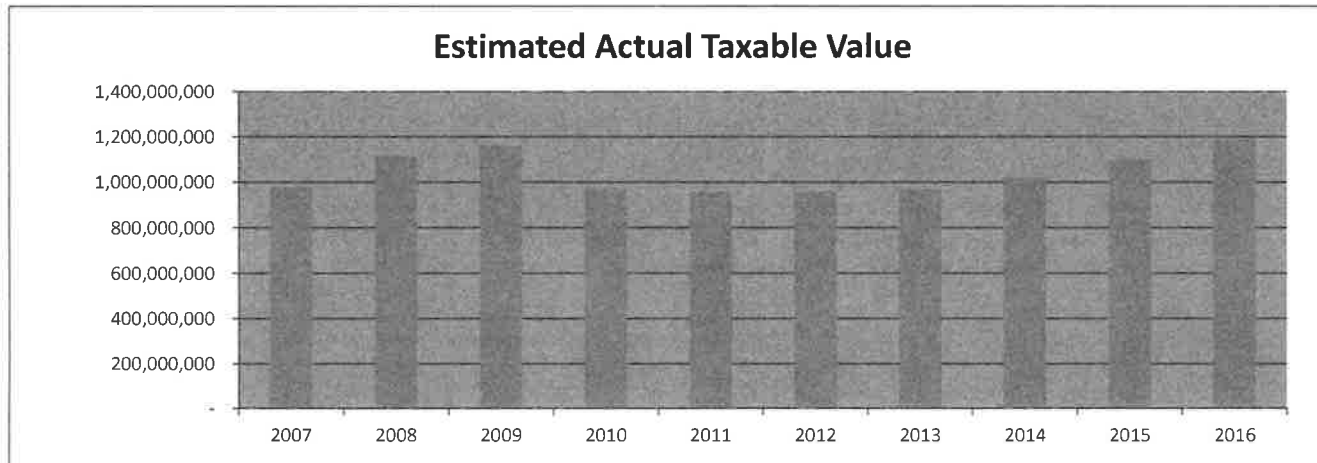
City of Gardner, Kansas
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Not-for-Profit Property	Agricultural and Other Property	Not Otherwise Subclassified	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2007	87,598,362	18,592,967	2,717,458	108,681	-	109,017,468	24.080	976,309,650	11.17%
2008	97,621,749	23,111,451	3,371,852	104,208	165,123	124,374,383	24.108	1,115,603,821	11.15%
2009	101,303,291	23,619,198	2,637,597	96,501	-	127,656,587	24.606	1,160,488,730	11.00%
2010	99,793,594	21,148,834	2,277,327	90,384	-	123,310,139	31.119	971,642,165	12.69%
2011	98,455,518	21,904,442	1,683,579	94,002	-	122,137,541	31.132	958,093,470	12.75%
2012	98,872,623	21,627,029	1,603,987	101,109	-	122,204,748	31.140	959,973,643	12.73%
2013	99,823,425	22,122,018	1,276,279	111,138	-	123,332,860	31.133	967,523,973	12.75%
2014	104,947,182	23,509,159	1,445,888	121,944	-	130,024,173	29.434	1,019,076,374	12.76%
2015	113,212,121	25,623,792	1,319,362	135,792	-	140,291,067	29.455	1,098,395,717	12.77%
2016	121,390,107	28,593,736	2,212,724	140,268	-	152,336,835	20.544 ^(a)	1,188,848,018	12.81%

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

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

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



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

2018				2007			
Taxpayer	Type of Business	Taxable Assessed Value	Rank	Percentage of Assessed Value	Taxable Assessed Value	Rank	Percentage of Assessed Value
Walmart	Retail	\$ 4,006,001	1	2.85%	\$ 2,077,500	1	1.57%
Moonlight Apartments LLC	Real Estate	2,402,005	2	1.59%	1,293,219	4	0.97%
Meriana Rentals, L.L.C.	Real Estate	1,327,504	3	0.87%	1,727,546	2	1.30%
C.L.S. Investment Company	Real Estate	1,186,445	5	0.78%	1,296,404	3	0.97%
Bristol Partners XVI, LLC	Real Estate	1,026,250	6	0.67%	1,040,576	7	0.79%
Energy Center Industrial, LLC	Real Estate	831,500	8	0.51%	1,069,509	6	0.81%
DJC Properties, L.L.C.	Real Estate	868,135	10	0.57%	1,073,881	5	0.81%
First Choice Promoties, Inc	Real Estate				1,073,881	5	0.81%
Woodlawn Apartments, L.P.	Real Estate				752,885	8	0.57%
Woodlawn Apartments, L.P.	Real Estate				715,736	10	0.54%
Waigrem Co	Retail						
Totals		\$ 13,206,234		10.05%	\$ 11,840,457		8.95%

Source: Johnson County Clerk's Office

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

**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 Rate - Gardner City (a)	State of Kansas	Johnson County	Johnson County Library	Johnson County Parks and Recreation	Johnson County Community College	U.S.D. 231 (School District)		
2007	21.028	3.052	24.080	1.500	17.949	2.980	2.290	8.872	76.546	134.197	
2008	21.053	3.050	24.103	1.500	17.787	3.057	2.341	8.768	76.588	134.109	
2009	21.551	3.055	24.606	1.500	17.716	3.151	2.346	8.794	78.539	136.642	
2010	21.563	8.556	31.119	1.500	17.748	3.158	2.350	8.799	81.538	148.210	
2011	23.107	8.025	31.132	1.500	17.700	3.145	2.343	8.776	82.585	147.181	
2012	23.113	8.027	31.140	1.500	17.717	3.149	2.344	8.785	82.406	147.041	
2013	23.108	8.025	31.133	1.500	17.745	3.155	2.347	9.551	79.170	144.601	
2014	21.401	8.033	29.434	1.500	17.784	3.157	2.349	9.481	69.711	133.376	
2015	19.415	10.040	29.455	1.500	19.582	3.912	3.101	9.469	69.185	136.204	
2016	13.504	7.040	20.544	1.500	19.580	3.915	3.102	9.473	67.787	125.911	

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 not covered by the City fire department. The rates shown here are the rates for the portion of Gardner that was covered by the City fire department. The rates for the portion of Gardner that was not covered by the City fire department are shown here for those years in which there were multiple "Gardner City" mill rates.

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

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

City of Gardner, Kansas

**PROPERTY TAX LEVIES AND COLLECTIONS
GENERAL AND DEBT SERVICE FUNDS**
For years ended December 31, 2007 through December 31, 2016

Year Ended December 31 ⁽¹⁾	Adjusted Tax Levy	Current Year Collections		Collections in Subsequent Years	Total Tax Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	2,777,859	2,683,021	96.59%	92,624	2,775,645	99.92%
2008	3,089,154	2,965,661	96.00%	121,175	3,086,836	99.92%
2009	3,206,980	3,077,032	95.95%	123,178	3,200,210	99.79%
2010	3,242,503	3,098,450	95.56%	133,233	3,231,683	99.67%
2011	4,079,977	3,924,028	96.18%	141,246	4,065,274	99.64%
2012	4,024,340	3,890,430	96.67%	122,071	4,012,501	99.71%
2013	4,026,981	3,968,415	98.55%	45,967	4,014,382	99.69%
2014	4,073,260	4,013,682	98.54%	41,152	4,054,834	99.55%
2015	4,063,552	3,997,901	98.38%	34,173	4,032,074	99.23%
2016	4,417,972	4,370,729	98.93%	13,713	4,384,442	99.24%

**PROPERTY TAX LEVIES AND COLLECTIONS
TAX INCREMENT FINANCING DISTRICTS**
For years ended December 31, 2007 through December 31, 2016

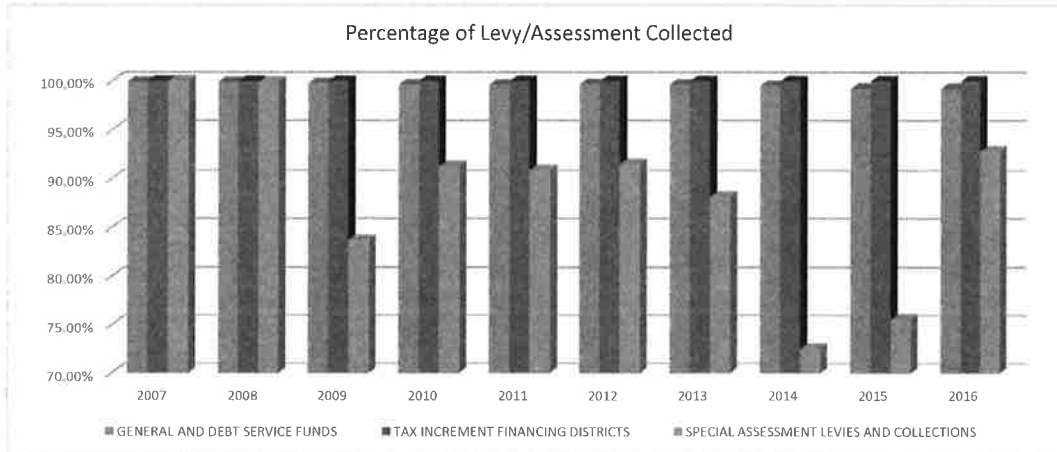
Year Ended December 31 ⁽¹⁾	Adjusted Tax Levy	Current Year Collections		Collections in Subsequent Years	Total Tax Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	184,370	184,370	100.00%	-	184,370	100.00%
2008	249,500	249,500	100.00%	-	249,500	100.00%
2009	254,556	254,556	100.00%	-	254,556	100.00%
2010	214,715	214,715	100.00%	-	214,715	100.00%
2011	238,008	238,008	100.00%	-	238,008	100.00%
2012	264,743	264,743	100.00%	-	264,743	100.00%
2013	252,151	252,151	100.00%	-	252,151	100.00%
2014	252,950	252,950	100.00%	-	252,950	100.00%
2015	238,635	238,635	100.00%	-	238,635	100.00%
2016	136,471	136,471	100.00%	-	136,471	100.00%

SPECIAL ASSESSMENT LEVIES AND COLLECTIONS
For years ended December 31, 2007 through December 31, 2016

Year Ended December 31 ⁽¹⁾	Assessments Certified to County	Current Year Collections		Collections in Subsequent Years	Total Assessment Collections	
		Amount	Percentage of Assessment		Amount	Percentage of Assessment
2007	304,802	304,483	99.90%	320	304,802	100.00%
2008	298,800	224,279	75.06%	74,267	298,547	99.92%
2009	590,334	389,232	65.93%	104,988	494,220	83.72%
2010	1,075,608	826,909	76.88%	154,667	981,575	91.26%
2011	1,047,190	811,689	77.51%	139,985	951,675	90.88%
2012	1,105,492	904,363	81.81%	107,159	1,011,522	91.50%
2013	1,341,397	1,068,469	79.65%	114,246	1,182,715	88.17%
2014	1,306,910	857,846	65.64%	90,229	948,075	72.54%
2015	1,389,393	1,028,131	74.00%	21,991	1,050,122	75.58%
2016	1,388,634	1,288,438	92.78%	576	1,289,014	92.83%

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

Source: Johnson County Treasurer's Office

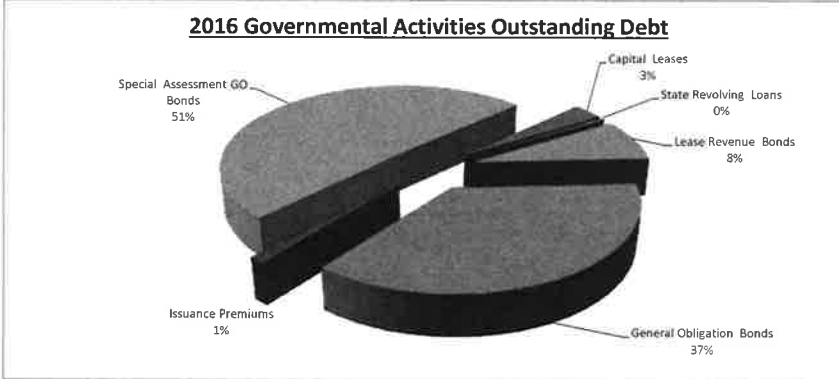


**City of Gardner, Kansas
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Government Activities							Business-type Activities				Total Primary Government	Percentage of Personal Income ⁽⁴⁾	Per Capita ⁽⁴⁾		
	General Obligation Bonds	Issuance Premiums	Special Assessment GO Bonds	Certificates of Participation	Bond Anticipation Notes	Capital Leases	State Revolving Loans	Lease Revenue Bonds	General Obligation Bonds	Issuance Premiums	Bond Anticipation Notes				Capital Leases	State Revolving Loans
2007	9,162,650	-	2,270,000	6,535,000	9,945,000	1,056,393	1,513,022	3,760,000	17,482,350	60,664	6,865,000	176,030	25,349,440	84,175,549	11.75%	4,920
2008	10,483,950	36,180	5,255,000	6,140,000	11,715,000	911,755	1,799,761	3,660,000	23,891,050	124,403	-	135,533	25,433,886	89,586,518	12.37%	4,951
⁽²⁾ 2009	9,377,200	31,657	10,307,972	5,665,000	5,515,000	830,353	4,065,034	3,545,000	23,524,828	111,962	-	92,781	24,183,410	87,250,197	11.84%	4,691
⁽³⁾ 2010	9,626,450	51,387	9,605,000	5,045,000	5,180,000	-	5,082,322	3,410,000	20,728,550	99,521	-	47,647	22,832,614	81,708,491	15.63%	4,273
2011	8,444,150	45,637	10,215,000	4,235,000	3,960,000	-	4,876,446	3,250,000	17,735,850	87,082	-	-	21,509,041	74,358,206	14.76%	3,714
2012	7,049,550	39,887	13,425,000	3,480,000	4,915,000	-	4,581,094	3,105,000	25,850,450	1,145,828	-	-	11,780,890	75,372,699	14.34%	3,643
2013	6,153,300	147,910	12,385,000	2,670,000	4,915,000	77,489	4,515,624	2,880,000	21,181,700	1,146,323	1,330,000	-	16,155,452	73,557,798	13.52%	3,593
2014	8,816,334	359,318	15,035,000	1,670,000	-	59,064	477,884	2,620,000	18,113,666	1,032,792	-	-	16,679,528	64,863,586	11.89%	3,139
2015	9,310,684	332,742	12,215,000	475,000	-	226,113	244,290	2,330,000	18,049,316	1,108,699	-	-	11,590,158	55,882,002	9.68%	2,678
2016	9,216,264	345,252	12,805,000	-	-	792,116	67,609	2,015,000	15,398,736	859,776	-	-	10,890,162	52,389,915	8.12%	2,482

Notes: ⁽¹⁾ See the Demographic and Economic Statistics schedule in this section for personal income and population data.
⁽²⁾ In 2009, the City issued Special Assessment bonds in the amount of \$5,437,972 to finance the completion of University Park and Kill Creek Waterline Benefit Districts.
⁽³⁾ In 2010, the Cities fire services moved to Johnson County Fire District No 1. The County purchased a fire pumper the City was leasing.

Source: City of Gardner Finance Department



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

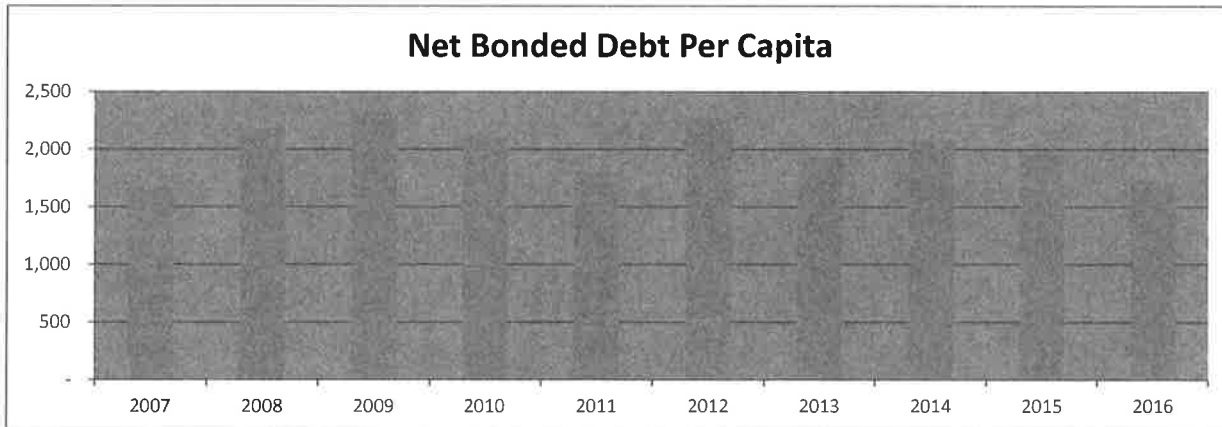
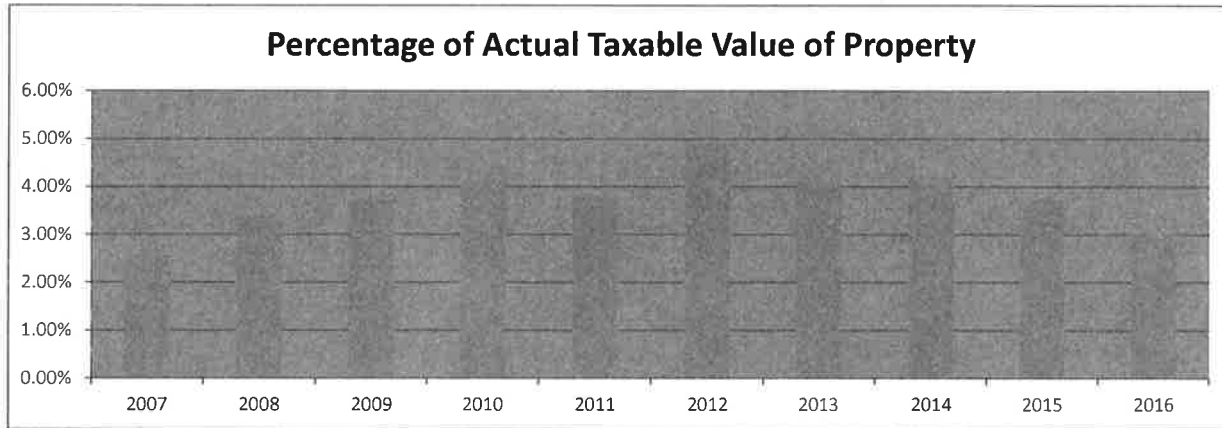
Fiscal Year	General Obligation Bonds	Issuance Premiums	Special Assessment GO Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value^(a) of Property	Per Capita^(b)
2007	26,645,000	60,664	2,270,000	237,844	28,737,820	2.56%	1,680
2008	34,375,000	160,583	5,255,000	310,091	39,480,492	3.40%	2,182
2009	32,902,028	143,619	10,307,972	78,023	43,275,596	3.73%	2,327
2010	30,355,000	150,908	9,605,000	105,384	40,005,524	4.12%	2,092
2011	26,180,000	132,719	10,215,000	373,870	36,153,849	3.77%	1,806
2012	32,900,000	1,185,715	13,425,000	493,029	47,017,686	4.90%	2,273
2013	27,335,000	1,294,233	12,385,000	1,351,864	39,662,369	4.10%	1,937
2014	26,930,000	1,392,110	15,035,000	425,504	42,931,606	4.21%	2,077
2015	27,360,000	1,441,441	12,215,000	55,734	40,960,707	3.73%	1,963
2016	24,615,000	1,205,028	12,805,000	2,427,189	36,197,839	3.04%	1,715

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

^(a) *Property value data can be found in the Assessed Value and Estimated Actual Value of Taxable Property schedule in this section.*

^(b) *Population data can be found in the Demographic and Economic Statistics schedule in this section.*

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



**City of Gardner, Kansas
Direct and Overlapping Governmental Activities Debt
As of December 31, 2016**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^(a)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
GO Debt repaid with property taxes			
Unified School District No. 231	\$ 152,625,000	58.91%	\$ 89,911,845
Johnson County	5,585,336	1.71%	95,651
Johnson County Community College	12,130,000	1.71%	207,731
Johnson County Park and Recreation	28,678,846	1.71%	491,135
Other			
Johnson County: Public Building Commission	256,700,000	1.71%	<u>4,396,078</u>
Subtotal, overlapping debt			95,102,440
City Direct Debt			<u>25,241,241</u>
Total direct and overlapping debt			<u>\$ 120,343,681</u>

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

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

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

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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 45,321,494	\$ 46,494,676	\$ 46,444,391	\$ 44,909,263	\$ 44,334,725	\$ 44,524,646	\$ 44,867,292	\$ 47,105,324	\$ 50,654,924	\$ 54,443,006
Total net debt applicable to limit	12,546,504	17,272,700	17,092,536	14,841,700	15,147,850	19,631,650	13,584,740	15,085,450	14,197,925	15,602,174
Legal debt margin	\$ 32,774,990	\$ 29,221,976	\$ 29,351,855	\$ 30,067,563	\$ 29,186,875	\$ 24,892,996	\$ 31,282,552	\$ 32,019,874	\$ 36,456,999	\$ 38,840,832
Total net debt applicable to the limit as a percentage of debt limit	27.68%	37.15%	36.80%	33.05%	34.17%	44.09%	30.28%	32.02%	28.03%	28.66%

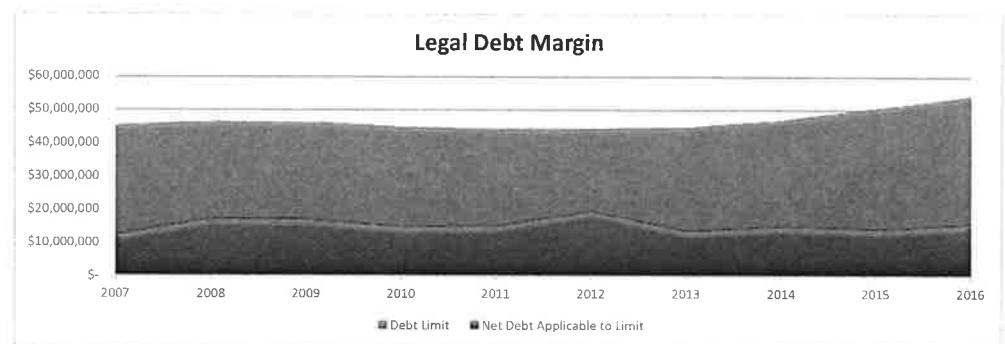
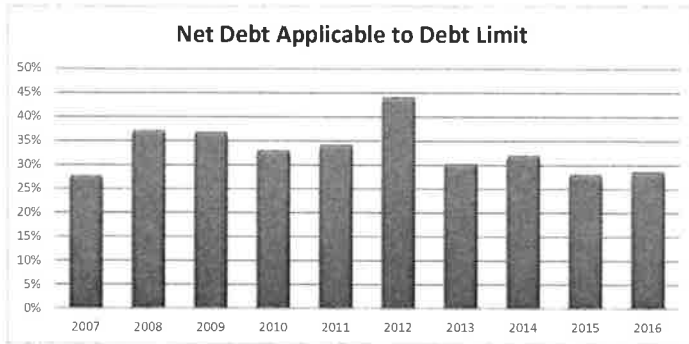
Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value ^(a)	\$ 181,476,685
Debt limit (30% of assessed value) ^(b)	54,443,006
Debt applicable to limit:	
G.O. Bonds and Temporary Notes Outstanding	37,420,000
Less: Amount set aside for utilities, refunding, and revenue-supported bonds	<u>(21,817,826)</u>
Total net debt applicable to limit	15,602,174
Legal debt margin	<u>\$ 38,840,832</u>

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

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

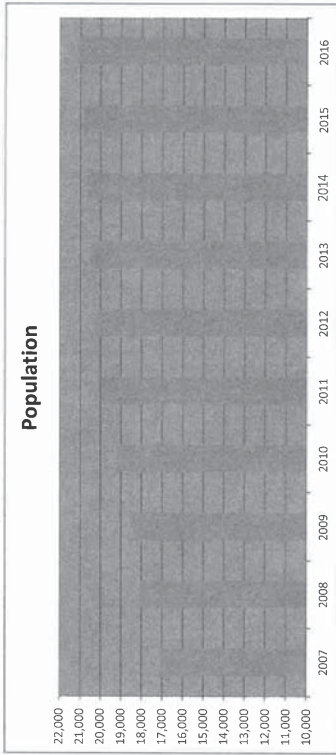
Source: City of Gardner Finance Department



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

Calendar Year	Population ⁽¹⁾	Personal Income	Per Capita Personal Income ⁽⁴⁾	Median Age ⁽³⁾	School Enrollment ⁽³⁾	Unemployment Rate ⁽²⁾
2007	17,110	716,615,670	41,877	31.6	4,293	3.9%
2008	18,098	724,002,864	40,009	31.6	4,491	4.3%
2009	18,600	736,727,400	39,609	31.6	4,721	6.0%
2010	19,195	524,733,715	27,337	30.0	4,977	6.5%
2011	19,584	501,791,050	25,160	30.0	5,229	5.4%
2012	20,567	515,098,037	25,041	30.4	5,411	4.5%
2013	20,673	545,096,063	26,371	31.8	5,452	3.0%
2014	20,667	577,029,467	27,461	31.8	5,647	2.9%
2015	20,868	639,307,430	30,313	31.9	5,858	2.9%
2016	21,110				6,041	3.1%

Sources: City of Gardner Finance Department and
⁽¹⁾ US Census Bureau - estimate as of July 1, xxxx
⁽²⁾ Unemployment Rate is for Johnson County, Kansas. The City rate is not available. Provided by Southwest Johnson County Economic Development Corporation
⁽³⁾ Unified School District No. 231
⁽⁴⁾ Gardner Trade Area Profile. Provided by Southwest Johnson County Economic Development Corporation



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

Employer	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Unified School District No. 231	826	1	23.82%	650	1	16.97%
Walmart	250	2	7.21%	350	2	9.14%
Meadowbrook Rehabilitation Hospital	180	3	5.19%	113	6	2.95%
Epic Landscape Productions	172	4	4.86%			
Coleman	167	5	4.82%			
City of Gardner	137	6	3.95%	138	5	3.60%
Price Chopper	135	7	3.89%	100	7	2.61%
TradeNet Publishing	130	8	3.75%	60	10	1.57%
Medical Lodge of Gardner	102	9	2.94%	90	8	2.35%
D.O.T. Label, Inc. (ITW)	87	10	2.51%	180	3	4.70%
Cramer Service Co., Inc			0.00%	150	4	3.92%
Cramer Products, Inc.			0.00%	65	9	1.70%
Total	2,186		63.05%	1,896		49.50%

Sources: Southwest Johnson County Economic Development Corporation

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

Function	2007 ^(a)	2008	2009	2010	2011 ^(b)	2012	2013	2014	2015	2016
General government ⁽¹⁾	677	524	511	503	570	578	534	607	584	744
Building permits issued	5,203	3,597	2,622	2,205	1,521	1,350	1,916	2,760	2,723	3,046
Police Department in	2,742	3,763	2,459	2,097	3,732	2,908	3,251	3,059	3,426	4,252
Violations	364	430	432	331	113	343	415	235	196	188
Fire responses	822	901	960	825	622	1,052	1,114	994	1,048	1,001
Public Works ^(c)	19,183	5,280	3,370	1,100	13,010	270	3,453	2,420	648	29,278
Street resurfacing (shown in linear feet)	8,627	*	1,185	*	315	260	2,575	1,845		16,310
Curb replacement (shown in linear feet)	327,896	322,695	318,409	364,153	354,025	360,000	357,700	370,934	371,939	388,837
Electric utility consumption (in kWh)	399	90	95	129	94	53	85	93	66	112
Electric meters installed	1,634	1,654	1,286	1,332	1,659	1,920	1,678	1,898	1,746	1,895
Water ^(d)	294	390	351	386	341	351	351	351	351	351
Average daily consumption (in thousands)	1,415	1,614	2,103	2,050	2,147	1,194	1,260	1,083	1,277	1,295
Wastewater ^(e)	2,192	2,428	2,884	4,462	5,133	5,705	4,838	4,584	5,085	4,559
Average daily sewage treatment (in thousands)	102,247	103,235	97,984	89,163	78,102	84,313	64,538	65,179	65,301	71,627
Culture and Recreation ^(f)										
Aquatic Admissions										

Note: ^(a) In 2007, the City of Gardner Street Dept. began a new resurfacing program using slurry seal. The metrics allowed more linear feet to be completed in both streets and curbs.
^(b) In 2011, the City of Gardner Police Department was reorganized into a contract agreement with Johnson County Fire District No. 1 to provide all fire services.
^(c) In 2010, the City of Gardner entered into a contract agreement with Johnson County Fire District No. 1 to provide all fire services.

Sources: City of Gardner Finance Department and
 City of Gardner Police Department
 City of Gardner Public Department
 City of Gardner Parks and Recreation Department
 City of Gardner Utility Department
 City of Gardner Parks and Recreation Department

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

Function	2007 ^(a)	2008 ^(b)	2009	2010 ^(c)	2011	2012	2013	2014	2015	2016
Public Safety ⁽¹⁾	1	2	2	1	1	1	1	1	1	1
Stations	15	14	14	13	16	16	16	16	16	16
Patrol/AC Units	7	8	8	-	-	-	-	-	-	-
Fire fleet	87	91	93	93	108	108	108	108	108	108
Streets (area miles) ^(d)	1,085	1,134	1,139	1,139	1,214	1,214	1,264	1,264	1,264	1,264
Streetslights	2	2	2	2	2	2	2	2	2	2
Electric ^(e)	2	2	2	2	2	2	2	2	2	2
Generators	46	46	46	49	51	51	51	51	51	51
Overhead lines (miles)	51	51	51	52	52	52	52	52	52	52
Underground lines (miles)	104	104	104	104	104	104	104	104	104	104
Water ^(f)	1	1	1	1	1	1	1	1	1	1
Treatment Plants	1	1	1	1	1	1	1	1	1	1
Wastewater ^(g)	119	122	122	123	123	124	124	124	124	124
Sanitary sewers (miles)	39	41	41	42	42	42	42	42	42	42
Sanitary storm (miles)	2	2	2	2	2	2	2	2	2	2
Treatment Plants	226	330	330	332	332	332	332	332	332	332
Culture and Recreation ^(h)	1	1	1	1	1	1	1	1	1	1
Average	1	1	1	1	1	1	1	1	1	1
Baseball/softball/tennis fields	1	1	1	1	1	1	1	1	1	1
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
 City of Gardner Police Department
 City of Gardner Public Department
 City of Gardner Parks and Recreation Department
 City of Gardner Utility Department
 City of Gardner Parks and Recreation Department

Note: ^(a) In 2010, the City of Gardner entered into a contract agreement with Johnson County Fire District No. 1 to provide all fire services.
^(b) In 2011, the City of Gardner entered into a contract agreement with Johnson County Fire District No. 1 to provide all fire services.
^(c) In 2015, street miles reported were changed to street free miles.
^(d) In 2015, street miles reported were changed to street free miles.



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

The Honorable Mayor and City Council Members
City of Gardner

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gardner, Kansas (City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 13, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

June 13, 2017
Wichita, Kansas

FORM OF LEGAL OPINION

(See following page)

PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

Governing Body of the
City of Gardner, Kansas

Re: \$3,735,000* General Obligation Refunding and Improvement Bonds,
Series 2017A, of the City of Gardner, Kansas, dated December 20, 2017

We have acted as Bond Counsel in connection with the issuance by the City of Gardner, Kansas (the “City”), of the above-captioned bonds (the “Bonds”).

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and legally binding general obligations of the City, payable as to both principal and interest in part from special assessments levied upon the property benefited by the construction of certain improvements and, if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. The balance of the principal and interest on the Bonds is payable from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City.

2. The interest on the Bonds [(including any original issue discount properly allocable to the owners thereof)] is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Because the City has properly designated the Bonds as a “qualified tax-exempt obligation” under Section 265(b)(3) of the Code, in the case of “financial institutions” as defined in Section 265(b)(5) of the Code owning the Bonds, a

* Subject to change.

Governing Body of the
City of Gardner, Kansas
[Closing Date]
Page 2

deduction is allowed for 80% of the otherwise allowable deduction of that portion of such institutions' interest expense allocable to interest on the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

3. The interest on the Bonds is excluded from computation of Kansas adjusted gross income.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material relating to the Bonds (except to the extent, if any, stated in the official statement) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the official statement).

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent applicable, and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX D

FORM OF CONTINUING DISCLOSURE LETTER OF INSTRUCTIONS

(See following page)

FORM OF CONTINUING DISCLOSURE LETTER OF INSTRUCTIONS

[Closing Date]

Governing Body of the
City of Gardner, Kansas

Re: Continuing Disclosure Letter of Instructions for \$3,735,000* General Obligation Refunding and Improvement Bonds, Series 2017A, dated December 20, 2017 of the City of Gardner, Kansas (the “Obligations”)

The purpose of this letter is to assist the Underwriter (as defined below) in complying with the requirements of the SEC Rule (as defined below). It being the intention of the City that there be full and complete compliance with the SEC Rule and EMMA (as defined below), this letter shall be construed in accordance with the written interpretative guidance and no-action letters published from time to time by the Commission (as defined below) and its staff or the MSRB (as defined below) and its staff with respect to the SEC Rule or EMMA, as the case may be. The City represents that it will be the only Obligated Person (as defined below) with respect to the Obligations at the time the Obligations are delivered to the Underwriter and that no other person is expected to become so committed at any time after issuance of the Obligations.

Section 1. Definitions. Unless the context otherwise requires, the following capitalized terms have the following meanings:

“**Annual Financial Information**” means the financial information or operating data with respect to the City, provided at least annually, of the type included in the portions of the Final Official Statement set forth in *Exhibit A* to this Letter.

“**Audited Financial Statements**” means the City’s annual financial statements, prepared in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, which financial statements shall have been audited by such auditor as shall be then required or permitted by the laws of the State.

“**Bond Counsel**” means the firm of Kutak Rock LLP, or any other attorney or firm of attorneys whose expertise in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized and acceptable to the City.

“**Bond Resolution**” means the resolution of the City prescribing the terms and details of the Obligations.

“**City**” means the City of Gardner, Kansas.

*Subject to change.

“Commission” means the Securities and Exchange Commission.

“Continuing Disclosure Letter of Instructions” or **“Letter”** means this Continuing Disclosure Letter of Instructions the execution of which is authorized by the Bond Resolution, as the same may be amended or supplemented in accordance with its terms.

“EMMA” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB, or any other market access method approved under the SEC Rule.

“Final Official Statement” means the Official Statement and Addendum prepared by the City or its representatives in connection with the sale of the Obligations and delivered to the Underwriter within seven business days after the sale of the Obligations in accordance with the SEC Rule. The Final Official Statement includes the information in the Official Statement as supplemented or amended.

“MSRB” means the Municipal Securities Rulemaking Board and any successors or assigns, or any other entities or agencies approved under the SEC Rule.

“Obligated Person” means an obligated person as defined in the SEC Rule.

“Obligations” means the City’s general obligation issue as described on the first page of this letter.

“Official Statement” means the Official Statement which was prepared by the City and its advisors in connection with the sale of the Obligations and distributed to potential purchasers of the Obligations before the Final Official Statement, as described in the SEC Rule, was made available.

“Outstanding” means as of a particular date of determination, all Obligations authenticated and delivered under the provisions of the Bond Resolution, except:

- A. Obligations canceled by the Paying Agent or delivered to the Paying Agent for cancellation pursuant to the Bond Resolution;
- B. Obligations for the payment or redemption of which moneys or investments have been deposited in accordance with the defeasance provisions of the Bond Resolution; and
- C. Obligations in exchange for or in lieu of which other Obligations have been authenticated and delivered pursuant to the Bond Resolution.

“Prescribed Form” means such electronic format accompanied by such identifying information as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of the applicable information.

“Reporting Event” means any of the following events with respect to the Obligations:

- A. principal and interest payment delinquencies;

- B. non-payment related defaults, if material;
- C. unscheduled draws on debt service reserves reflecting financial difficulties;
- D. unscheduled draws on credit enhancements reflecting financial difficulties;
- E. substitution of credit or liquidity providers, or their failure to perform;
- F. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- G. modifications to rights of security holders, if material;
- H. bond calls (other than mandatory sinking fund redemptions), if material, and tender offers;
- I. defeasances;
- J. release, substitution, or sale of property securing repayment of the securities, if material;
- K. rating changes;
- L. bankruptcy, insolvency, receivership or similar event of the Obligated Person (this event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in proceedings under the U.S. Bankruptcy Code or in any other proceedings under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person);
- M. the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- N. appointment of a successor or additional trustee or the change of name of a trustee, if material.

“Reporting Event Notice” means notice in Prescribed Form in accordance with EMMA of a Reporting Event.

“**SEC Report Date**” means November 1 of each year, beginning November 1, 2018.

“**SEC Rule**” means the Securities and Exchange Commission Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (17 CFR § 240.15c2-12).

“**State**” means the State of Kansas.

“**Underwriter**” means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Obligations.

Section 2. Undertaking.

A. This Letter constitutes the written undertaking for the benefit of the holders of the Obligations required by Section (b)(5)(i) of the SEC Rule.

B. The City, as an “obligated person” within the meaning of the SEC Rule, undertakes to provide the following information as provided in this Letter:

- (1) Annual Financial Information;
- (2) Audited Financial Statements, if any; and
- (3) Reporting Event Notices.

C. (1) The City shall while any Obligations are Outstanding provide the Annual Financial Information in Prescribed Form in accordance with EMMA to the MSRB, on or before the SEC Report Date. The City may adjust the SEC Report Date if the City changes its fiscal year by providing written notice of the change of fiscal year and the new SEC Report Date to the MSRB; provided that the new SEC Report Date shall be six months after the end of the new fiscal year and provided further that the period between the final SEC Report Date relating to the former fiscal year and the initial SEC Report Date relating to the new fiscal year shall not exceed one year in duration. It shall be sufficient if the City provides to the MSRB the Annual Financial Information by specific reference to documents available to the public on the MSRB’s Internet website, or filed with the Commission.

(2) If not provided as part of the Annual Financial Information, the City shall provide the Audited Financial Statements when and if available while any Obligations are Outstanding to the MSRB in Prescribed Form in accordance with EMMA.

(3) If a Reporting Event occurs while any Obligations are Outstanding, the City shall file a Reporting Event Notice in a timely manner not in excess of ten business days after the occurrence of such event in Prescribed Form in accordance with EMMA with the MSRB. Each Reporting Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the Obligations.

(4) The City shall provide in Prescribed Form in accordance with EMMA in a timely manner not in excess of ten business days after the occurrence of such event to the MSRB notice of any failure by the City while any Obligations are Outstanding to provide to the MSRB Annual Financial Information on or before the SEC Report Date.

D. Any failure by the City to perform in accordance with this Letter shall not constitute an “event of default” under the Bond Resolution, and the rights and remedies provided therein upon the occurrence of an event of default shall not apply to any such failure.

Section 3. Method of Transmitting Continuing Disclosure. The information listed in Section 2 shall be provided by the City to the MSRB, at www.emma.msrb.org (or at such other address or addresses as the MSRB may from time to time specify), in the Prescribed Form or by such other method of transmitting information that is approved by the Commission.

Section 4. Termination or Amendment of Obligation to Provide Continuing Disclosure. The continuing obligation hereunder of the City to provide Annual Financial Information, Audited Financial Statements, if any, and Reporting Event Notices shall terminate immediately once the Obligations no longer are Outstanding. This Letter, or any provision hereof, shall be null and void in the event that the City delivers to the MSRB an opinion of Bond Counsel to the effect that those portions of the SEC Rule which require this Letter, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Obligations. This Letter may be amended without the consent of the holders of the Obligations, but only upon the delivery by the City to the MSRB, of the proposed amendment and an opinion of Bond Counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of this Letter by the City with the SEC Rule.

Section 5. Dissemination Agent. The City may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Letter and may discharge any such agent with or without appointing a successor agent.

Section 6. Additional Information. Nothing in this Letter shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this subsection or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of a Reporting Event in addition to that which is required by this Letter. If the City chooses to include any information from any document or notice of occurrence of a Reporting Event in addition to that which is specifically required by this Letter, the City shall not have any obligation under this Letter to update such information or include it in any future disclosure or notice of the occurrence of a Reporting Event.

Section 7. Beneficiaries. This Letter has been executed in order to assist the Underwriter in complying with the Rule; however, this Letter shall inure solely to the benefit of the holders of the Obligations as required by Section (b)(5)(i) of the SEC Rule, and shall create no rights in any other person or entity.

Section 8. Recordkeeping. The City shall maintain records of all disclosure made pursuant to this Letter, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

KUTAK ROCK LLP

THIS CONTINUING DISCLOSURE LETTER OF INSTRUCTIONS, received,
acknowledged and agreed to as of [Closing Date].

CITY OF GARDNER, KANSAS

By _____
Mayor

EXHIBIT A

ANNUAL FINANCIAL INFORMATION

“*Annual Financial Information*” shall include the City’s Audited Financial Statements and, if not part of the City’s Audited Financial Statements, the following portions of the Final Official Statement:

“CURRENT PROPERTY VALUES” under the section entitled “VALUATIONS”

“DIRECT DEBT” under the section entitled “DEBT”

“LEVIES AND COLLECTIONS” under the section entitled “TAX RATES”

NOTICE OF BOND SALE

NOTICE OF BOND SALE

\$3,735,000*

**GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS
SERIES 2017A**

OF THE CITY OF GARDNER, KANSAS

**(GENERAL OBLIGATION BONDS PAYABLE
FROM UNLIMITED AD VALOREM TAXES)**

Bids. Bids will be received on behalf of the City of Gardner, Kansas (the “City”), at the offices of Ehlers & Associates, Inc., 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, by delivery, by telephone at 651-697-8500 or via facsimile at 651-697-8555, or, in the case of electronic proposals, via **PARITY**[®] (“**PARITY**”), in the manner described in this Notice of Bond Sale (“Notice”), until 11:00 a.m. on

MONDAY, NOVEMBER 20, 2017 (the “Sale Date”)

for the purchase of \$3,735,000* principal amount of General Obligation Refunding and Improvement Bonds, Series 2017A (the “Bonds”) of the City. Copies of all bids will be available to the public at that time and place and will be acted upon by the Governing Body at a meeting to be held at 7:00 p.m. on the Sale Date. No oral or auction bids will be considered. All references to the time in this Notice mean Central Standard Time.

Bond Details. The Bonds will consist of fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. The Bonds will be dated December 20, 2017 (“Dated Date”). The Bonds will become due on October 1 in the years as follows:

Year	Principal* Amount	Year	Principal* Amount	Year	Principal* Amount
2018	\$200,000	2022	585,000	2025	145,000
2019	185,000	2023	585,000	2026	150,000
2020	560,000	2024	600,000	2027	150,000
2021	575,000				

The Bonds will bear interest from the Dated Date at rates to be determined when the Bonds are sold as provided herein, which interest will be payable semiannually on April 1 and October 1 in each year, beginning on April 1, 2018.

Principal Amounts Subject to Change. The City reserves the right to decrease or increase the total principal amount of the Bonds and the principal amount of any maturity and adjust any bid premium in order to properly size the Bonds. Any such decrease or increase in the principal amount will be made in multiples of \$5,000 in any of the maturities. The successful bidder for the Bonds

* Preliminary; subject to change.

may not withdraw its bid or change the interest rates bid as a result of any changes made to the principal amount of or premium on the Bonds. The net production as a percentage of the par amount of Bonds generated from the bid of the successful bidder will not be decreased as a result of any change in the aggregate principal amount of the Bonds, the principal amount per maturity or any premium. Bidders wishing to obtain the final maturity schedule may contact the City by 1:00 p.m. on the Sale Date.

Place of Payment and Bond Registration. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), to which payment of principal of and interest on the Bonds will be made. Individual purchases of Bonds will be made in book-entry form only. Purchasers of Bonds will not receive certificates representing their interest in Bonds purchased. The principal of and interest on the Bonds will be payable in lawful money of the United States of America by check or draft of the Treasurer of the State of Kansas, Topeka, Kansas (the “Paying Agent” and “Registrar”). The principal of each Bond will be payable at maturity or earlier redemption upon presentation and surrender at the principal office of the Paying Agent. The interest payable on the Bonds on any interest payment date shall be paid by the Paying Agent to the owner of each Bond at the owner’s address as it appears on the registration books of the Registrar as of the fifteenth day (whether or not a business day) of the calendar month next preceding each interest payment date (the “Record Date”) or at such other address provided in writing by the owner to the Registrar (a) by check or draft mailed by the Paying Agent to the address of such registered owner shown on the registration books, or (b) in the case of an interest payment to any registered owner that is a securities depository, by electronic transfer to such registered owner upon written notice given to the Paying Agent by such registered owner, not less than 15 days prior to the Record Date for such interest payment, containing the electronic transfer instructions, including the bank (which shall be in the continental United States), address, ABA routing number and account number to which such registered owner wishes to have such wire directed. The Bonds will be registered pursuant to a plan of registration approved by the City and the Attorney General of the State of Kansas.

The City will pay for the fees of the Registrar for registration and transfer of the Bonds and will also pay for preparation of a reasonable supply of registered bond blanks. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Registrar, will be the responsibility of the owners.

As long as the Bonds remain in book-entry form only, the provisions relating to registration, transfer and exchange stated above for the Bonds will be governed by the procedures of DTC or its successor with respect to its book-entry only system.

Optional Redemption. At the option of the City, the Bonds maturing on October 1, 2025, and thereafter, may be called for redemption and payment prior to maturity on October 1, 2024, or thereafter at any time, in whole or in part (selection of Bonds to be designated by the City in such equitable manner as it may determine), at the redemption price of 100% (expressed as a percentage of the principal amount), plus accrued interest to the date of redemption.

Mandatory Redemption. A bidder may elect to have all or a portion of the Bonds scheduled to mature in consecutive years issued as term bonds (the “Term Bonds”) scheduled to mature in the latest of those consecutive years and subject to mandatory redemption requirements consistent with the schedule of serial maturities set forth herein, subject to the following conditions for the Bonds: (a) not less than all Bonds of the same serial maturity shall be converted to Term Bonds with mandatory redemption requirements; and (b) a bidder must make the Term Bond election by completing the applicable paragraph on the Official Bid Form (as defined herein) or through *PARITY*.

Selection of Bonds for Redemption. Whenever the City is to select Bonds for the purpose of redemption, it will, in the case of Bonds in denominations greater than \$5,000, if less than all of the Bonds then outstanding are to be called for redemption, treat each \$5,000 of face value of each such fully registered Bond as though it were a separate Bond in the denomination of \$5,000.

Notice of Redemption. Unless waived by any owner of the Bonds to be redeemed, if the City elects to call any Bonds for redemption and payment prior to maturity, the City shall instruct the Registrar to give written notice of its intention to call and pay such Bonds on a specified date, the same being described by series and maturity, such notice to be mailed by United States first-class mail addressed to the owners of such Bonds, each of the notices to be mailed not less than 30 days prior to the date fixed for redemption. The City shall also give such additional notice as may be required by Kansas law or regulation of the Securities and Exchange Commission in effect as of the date of such notice. If any Bond be called for redemption and payment as described above, all interest on such Bond shall cease from and after the date for which such call is made, provided funds are available for its payment at the price specified.

As long as the book-entry only system remains in effect for the Bonds, the Paying Agent will provide the notices described above to DTC or its successor. It is expected that DTC will, in turn, notify its Participants (as defined in the Official Statement) and that the Participants will notify the Beneficial Owners (as defined in the Official Statement) of such Bonds. Please refer to the Official Statement (as defined herein) for a more detailed description of the book-entry only system.

Authority, Purpose and Security. The Bonds are being issued pursuant to K.S.A. 10-427, K.S.A. 10-427a, and K.S.A. 12-685 *et seq.*, all as amended, for the purpose of financing certain street improvements, refunding certain outstanding general obligation bonds of the City, and paying the cost of issuance of the Bonds. The Bonds shall be general obligations of the City payable as to both principal and interest in part from special assessments levied upon the property benefited by the construction of the Improvements and, if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City, with the balance payable from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. The full faith, credit and resources of the City are irrevocably pledged for the prompt payment of the principal and interest on the Bonds as the same become due.

Conditions of Bids. Proposals will be received on the Bonds bearing such rate or rates of interest as may be specified by the bidders, subject to the following conditions: The same rate shall

apply to all Bonds of the same maturity year for the Bonds. Each interest rate specified shall be a multiple of 1/8 or 1/20 of 1%. No interest rate for the Bonds may exceed a rate equal to the daily yield for the 10-year Treasury Bonds published by The Bond Buyer, in New York, New York, on the Monday next preceding the day on which the Bonds are sold, plus 3%. Rates for the Bonds are not required to be in level or ascending order; however, the rate for any maturity cannot be more than 1% lower than the highest rate of any of the preceding maturities. Only bids of 98.8% of the par value of the Bonds, plus accrued interest to the date of delivery, will be considered. No supplemental interest payments will be considered. Each bid must specify the total interest cost to the City during the term of the Bonds and the TIC (as defined herein) on the basis of such bid, all certified by the bidder to be correct.

Good Faith Deposit

Checks Received by 11:00 a.m. on Sale Date. Bids shall be accompanied by a cashier's or certified check drawn on a bank located in the United States of America in the amount of \$74,700 for the Bonds, payable to the order of the City to secure the City from any loss resulting from the failure of the bidder to comply with the terms of its bid. Good faith checks submitted by unsuccessful bidders will be returned.

Wire Transfers Received by 1:30 p.m. on Sale Date. In lieu of submitting a check as the good faith deposit for the Bonds, a bidder may elect to submit the good faith deposit in the amount previously specified by wire transfer of same-day funds in accordance with wire transfer instructions for the good faith deposit for the Bonds which the City will provide to the bidder of the apparent best bid for the Bonds following the bid opening. The City agrees to notify the bidder by no later than 11:15 a.m. on the date of the sale by telephoning the representative of the bidder who signed the bid form at the telephone number indicated on the bid form for such bidder. The wire transfer of the good faith deposit must be received by the City by no later than 1:30 p.m. on the Sale Date. **PLEASE NOTE THE WIRE TRANSFER IS TO BE RECEIVED BY THE CITY AND NOT BY THE CITY'S MUNICIPAL ADVISOR, EHLERS & ASSOCIATES, INC.**

The wire transfer identification information is to include the following identification to be completed with the applicable information by the bidder:

Ref: City of Gardner, Kansas Good Faith Deposit, Series 2017A Bonds

Contemporaneously with such wire transfer, the bidder shall send an email to lgourley@gardnerkansas.gov including the following information: (i) indication that a wire transfer has been made; (ii) the amount of the wire transfer; and (iii) the wire transfer federal reference number. The City assumes no liability for incorrect or incomplete information provided from a sending or receiving bank regarding a wire transfer.

If a bid is accepted, the good faith deposit for the Bonds will be held by the City until the bidder has complied with all of the terms and conditions of this Notice at which time the good faith deposit will be returned to the successful bidder or deducted from the purchase price for the Bonds at the option of the City. If a bid is accepted but the City fails to deliver the Bonds to the bidder in accordance with the terms and conditions of this Notice, the good faith deposit amount will be returned to the bidder. If a bid is accepted but the bidder defaults in the performance of any of the

terms and conditions of this Notice, the good faith deposit for the Bonds will be retained by the City. No interest will be paid on a bidder's good faith deposit.

Basis of Award. The award of the Bonds will be made on the basis of the lowest true interest cost ("TIC") to the City for such Bonds, which will be determined as follows: the TIC is the discount rate (expressed as a per annum percentage rate) which, when used in computing the present value of all payments of principal and interest to be paid the Bonds, from the payment date to the Dated Date, produces an amount equal to the par amount of the Bonds, adjusted for premium or discount, if any. Present value will be computed on the basis of semiannual compounding and a 360-day year of twelve 30-day months. If there is any discrepancy between the TIC specified and the interest rates and premium or discount specified, the specified interest rates and premium shall govern, and the TIC specified in the bid shall be adjusted accordingly. If two or more proper bids providing for identical amounts for the lowest TIC are received, the City will determine which bid, if any, will be accepted, and its determination will be final. The City reserves the right to reject any and/or all bids and to waive any irregularities in a submitted bid. Any bid for the Bonds received after 11:00 a.m. on the Sale Date will not be considered. **The award of the Bonds is predicated upon the City achieving a certain level of savings in conjunction with the refunding component of the Bonds, such amount to be solely determined by the Governing Body of the City.**

Bid Form. Except for bids submitted through *PARITY*, all bids must be made on the form attached hereto, copies of which may be procured from the City's Finance Director or the Municipal Advisor (the "Official Bid Form"). No additions or alterations in such form shall be made, and any erasures may cause rejection of any bid.

Submission of Bids. Bids submitted for the Bonds must be received by 11:00 a.m. on the Sale Date, and must be submitted in one of the following manners:

Sealed Bids. Bids may be submitted in a sealed envelope marked "Proposal for Gardner, Kansas, General Obligation Refunding and Improvement Bonds, Series 2017A" to Ehlers & Associates, Inc. ("Ehlers" or the "Municipal Advisor"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105.

Telefacsimile Bids. Bids may be submitted via telefacsimile to Ehlers at 651-697-8555. Neither the City nor Ehlers will accept responsibility for inaccurate bids submitted by telefacsimile transmission or for the inability to access the facsimile number before the indicated sale time. Telefacsimile facilities are limited and bidders using them should plan to allow time to compensate. **The deadline for telefacsimile bids is based on the time the transmission is printed through the telefacsimile facilities as opposed to the time the transmission is sent by the bidder.** Bidders are advised to allow time for the transmission to be received. No telefacsimile bid will be considered unless, prior to sending the telefacsimile transmission, the bidder calls Ehlers at 651-697-8500 to indicate that a telefacsimile bid is being submitted.

Telephone Bids. Bids may be submitted by telephone to Ehlers at 651-697-8500. Bidders electing to submit by telephone must submit an executed Official Bid Form for the Bonds to Ehlers prior to the time of the sale. The bidder shall be responsible for submitting to Ehlers the information required to complete the bid form for inclusion in the submitted

bid.

Electronic Bids. Electronic bids may be submitted to *PARITY*. For purposes of the electronic bidding process, the time as maintained by *PARITY* shall constitute the official time with respect to all bids submitted to *PARITY*. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY for purposes of submitting its electronic bid in a timely manner and in compliance with the requirements of this Notice.* Neither the City, its agents nor *PARITY* shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the City, its agents nor *PARITY* shall be responsible for a bidder's failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, *PARITY*'s service. The City is using the services of *PARITY* solely as a communication mechanism to conduct the electronic bidding for the Bonds, and *PARITY* is not an agent of the City.

To the extent any instructions or directions set forth in *PARITY* conflict with this Notice, the terms of this Notice shall control. For further information about *PARITY*, including any fee charged, potential bidders may contact *PARITY* at 212-849-5021.

Neither the City nor Ehlers assumes any liability for the inability of the bidder to reach Ehlers prior to the time of sale specified above. All bidders are advised that each bid shall be deemed to constitute a nonrescindable offer for a contract between the bidder and the City to purchase the Bonds regardless of the manner by which the bid is submitted.

Bond Insurance at Purchaser's Option. The City has not applied for or pre-approved a commitment for any policy of municipal bond insurance with respect to the Bonds. If the Bonds qualify for municipal bond insurance and a bidder desires to purchase a policy, such indication, the maturities to be insured, and the name of the desired insurer must be set forth on the bidder's bid form for the Bonds. If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the option and expense of the purchaser of the Bonds. Any rating agency fees (in addition to the rating fees for the Bonds of S&P Global Ratings, which will be paid by the City) and all costs associated with the issuance and administration of such policy shall be the responsibility of the purchaser of such Bonds. If a bidder elects to purchase insurance for the Bonds and the bond insurer requires the City to execute any documents in connection with such insurance or to include any terms or provisions relating to the insurance in any documents relating to the Bonds (except for a statement of insurance on the bond form and information describing the bond insurer in the Official Statement), any such document, terms or provisions to be required by a bond insurer shall be provided to the Finance Director of the City not less than two business days prior to the Sale Date. The City specifically reserves the right to reject any bid specifying municipal bond insurance, even though such bid may result in the lowest TIC to the City. Failure of a municipal bond insurer to issue a policy after the Bonds have been awarded to a purchaser shall not constitute cause for failure or refusal by the purchaser to accept delivery of the Bonds from the City.

Bond Rating. The City has applied to S&P Global Ratings for a rating on the Bonds offered for sale.

CUSIP Numbers. The City will assume no obligation for the assignment of or payment for CUSIP numbers on the Bonds or for the failure to print or the correctness of any CUSIP numbers printed on the Bonds, but will permit such numbers to be printed at the expense of the successful bidder, if the successful bidder waives any delay in delivery occasioned thereby.

Delivery and Payment. The City will pay for preparation of the Bonds and will deliver the same properly prepared, executed and registered without cost to each successful bidder through the facilities of DTC, New York, New York, on or about December 20, 2017. Delivery elsewhere will be made at the expense of the successful bidder. The successful bidder will be furnished with a certified transcript of the proceedings evidencing the authorization and issuance of the Bonds and the usual closing documents, including a certificate that there is no litigation pending or threatened at the time of delivery of such Bonds affecting their validity and a certificate regarding the completeness and accuracy of the Official Statement. Payment for the Bonds must be made in Federal Reserve funds, immediately subject to use by the City.

Establishment of Issue Price

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an “issue price” or similar certificate setting forth the reasonably expected Initial Offering Price (as defined herein) to the Public (as defined herein) or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as *Exhibit A-1* or *A-2*, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. All actions to be taken by the City under this Notice to establish the issue price of the Bonds may be taken on behalf of the City by the City’s Municipal Advisor identified herein. At the written request of the City, Bond Counsel, or the Municipal Advisor (including via e-mail), any notice or report to be provided to the City under this Notice shall be provided to, as applicable pursuant to such written request, the City, Bond Counsel, or the Municipal Advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “Competitive Sale Requirements”) because:

- (1) the City shall disseminate this Notice to potential Underwriters (as defined herein) in a manner that is reasonably designed to reach potential Underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City anticipates receiving bids from at least three bidders with established industry reputations for underwriting new issuances of municipal bonds; and

- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest interest cost, as set forth in this Notice.

The City shall take all reasonable steps that are appropriate so that the initial sale of the Bonds to the Public will satisfy the Competitive Sale Requirements. Any bid submitted pursuant to this Notice shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

(c) In the event that the Competitive Sale Requirements are not satisfied, the City shall so advise the winning bidder. The City may determine to treat (i) the first price at which 10% of a maturity of the Bonds (the “10% Test”) is sold to the Public as the issue price of that maturity and/or (ii) the Initial Offering Price to the Public as of the Sale Date of any maturity of the Bonds as the issue price of that maturity (the “Hold-the-Offering-Price Rule”), in each case applied on a maturity-by-maturity basis. The City intends to apply the Hold-the-Offering-Price Rule if the Competitive Sale Requirements are not satisfied but may, in its discretion, apply the 10% Test if necessary. The winning bidder shall advise the City if any maturity of the Bonds satisfies the 10% Test as of the date and time of the award of the Bonds. The City (or the City’s Municipal Advisor) shall promptly advise the prospective winning bidder, at or before the time of award of the Bonds, which maturities of the Bonds shall be subject to the 10% Test or shall be subject to the Hold-the-Offering-Price Rule.

Bids will not be subject to cancellation in the event that the Competitive Sale Requirements are not satisfied. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.

(d) By submitting a bid, the winning bidder shall (i) confirm that the Underwriter(s) have offered or will offer the Bonds to the Public on or before the date of award at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in the bid submitted by the bidder and (ii) agree, on behalf of the Underwriter(s) participating in the purchase of the Bonds, that the Underwriter(s) will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the Public during the period starting on the Sale Date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the Sale Date; or
- (2) the date on which the Underwriter(s) have sold at least 10% of that maturity of the Bonds to the Public at a price that is no higher than the Initial Offering Price to the Public.

The winning bidder shall promptly advise the City or the Municipal Advisor when the Underwriter(s) have sold 10% of that maturity of the Bonds to the Public at a price that is no higher than the Initial Offering Price to the Public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

(e) If the Competitive Sale Requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the Bonds, the winning bidder agrees to promptly report to the City the prices at which the unsold Bonds of that maturity have been sold to the Public. That

reporting obligation shall continue, whether or not the closing date has occurred, until the 10% Test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold.

(f) The City acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each Underwriter to comply with the Hold-the-Offering-Price Rule, as set forth in any agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the Public, the agreement of each dealer who is a member of the selling group to comply with the Hold-the-Offering-Price Rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the Public, the agreement of each broker-dealer that is a party to such agreement to comply with the Hold-the-Offering-Price Rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the Hold-the-Offering-Price Rule and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the Hold-the-Offering-Price Rule as applicable to the Bonds.

(g) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires; and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

(h) Sales of any Bonds to any person that is a Related Party (as defined herein) to an Underwriter shall not constitute sales to the Public for purposes of this Notice. Further, for purposes of this Notice:

- (1) “Public” means any person other than an Underwriter or a Related Party,
- (2) “Underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead Underwriter to form an underwriting

syndicate) to participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public), and

- (3) a purchaser of any of the Bonds is a “Related Party” to an Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

Failure to provide the reoffering prices and yields, and to certify the same in a form satisfactory to Bond Counsel, may result in cancellation of the sale and/or forfeiture of the winning bidder’s good faith deposit.

Official Statement. The City has prepared a preliminary official statement dated November 10, 2017 (the “Preliminary Official Statement”), “deemed final” by the City except for the omission of certain information as provided in Securities and Exchange Commission Rule 15c2-12, copies of which may be obtained from the Finance Director or from the Municipal Advisor. Upon the sale of the Bonds, the City will adopt the final official statement (the “Official Statement”) which shall be the Preliminary Official Statement supplemented by an addendum or addenda and will furnish the successful bidder for the Bonds, within seven business days of the award of the bid for such Bonds, with a reasonable number of copies of the Official Statement without additional cost upon request. Additional copies may be ordered by the successful bidder at its expense.

Legal Opinion. The Bonds will be sold subject to the approving legal opinion of KUTAK ROCK LLP, Kansas City, Missouri, Bond Counsel, which opinion will be furnished and paid for by the City and delivered to the successful bidder when the Bonds are delivered. Reference is made to the Official Statement for further discussion of federal and Kansas income tax matters relating to the interest on the Bonds and for the form of opinion of Bond Counsel.

Bank Qualified. The Bonds will be designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

Additional Information. Additional information regarding the Bonds may be obtained from Laura Gourley, the City’s Finance Director (913-856-7535), or from the City’s Municipal Advisor, Ehlers & Associates, Inc., of Roseville, Minnesota (651-697-8500) or from Kutak Rock LLP,

Bond Counsel, 2300 Main Street, Suite 800, Kansas City, Missouri 64108 (816-960-0090),
Attention: Joe Serrano.

DATED November 10, 2017.

CITY OF GARDNER, KANSAS

Laura Gourley
Finance Director
120 East Main
Gardner, Kansas 66030
913-856-7535

[IF THREE BIDS OR MORE ARE RECEIVED, EXHIBIT A-1 SHALL BE USED AS THE ISSUE PRICE CERTIFICATE. IF LESS THAN THREE BIDS ARE RECEIVED, EXHIBIT A-2 SHALL BE USED AS THE ISSUE PRICE CERTIFICATE.]

EXHIBIT A-1

FORM OF ISSUE PRICE CERTIFICATE

\$3,735,000*

**GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS,
SERIES 2017A
OF THE CITY OF GARDNER, KANSAS**

The undersigned, as representative of [UNDERWRITER], [LOCATION] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in *Schedule A* (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as *Schedule B* is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.†

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. Defined Terms.

(a) “*Issuer*” means City of Gardner, Kansas.

(b) “*Maturity*” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) “*Public*” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter. The

* *Preliminary; subject to change.*

† Treas. Reg. §1.148-1(f)(3)(i)(B) requires that all bidders have an equal opportunity to bid to purchase bonds. If the bidding process affords an equal opportunity for bidders to review other bids prior to submitting their bids, then this representation should be modified to describe the bidding process.

term “Related Party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) “*Sale Date*” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is November 20, 2017.

(e) “*Underwriter*” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Closing Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Kutak Rock LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER]

By: _____

Name: _____

Dated: [ISSUE DATE]

**SCHEDULE A
EXPECTED OFFERING PRICES**

\$3,735,000*
General Obligation Refunding and Improvement Bonds, Series 2017A
of the City of Gardner, Kansas
Dated December 20, 2017

SERIAL BONDS

Maturity October 1	Principal Amount	Interest Rate	Dollar Price	Extended Price
2018	\$	%	%	\$
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
			Total	\$

[TERM BONDS

Maturity October 1	Principal Amount	Interest Rate	Dollar Price	Extended Price
	\$	%	%	\$
			TOTAL BONDS:	<u>\$</u>

* Preliminary; subject to change.

SCHEDULE B
COPY OF UNDERWRITER'S BID
(Attached)

EXHIBIT A-2

FORM OF ISSUE PRICE CERTIFICATE

\$3,735,000*

GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS, SERIES 2017A OF THE CITY OF GARDNER, KANSAS

The undersigned, as representative of [UNDERWRITER], [LOCATION] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. *Initial Offering Price of the Bonds.*

(a) [SHORT NAME OF UNDERWRITER] offered each Maturity of the Bonds to the Public for purchase at the respective initial offering prices listed in *Schedule A* (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as *Schedule B*.

(b) As set forth in the Notice of Bond Sale, [SHORT NAME OF UNDERWRITER] has agreed that, (i) for each Maturity of the Bonds, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “Hold-the-Offering-Price Rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the Hold-the-Offering-Price Rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

2. *Defined Terms.*

(a) “*Holding Period*” means, for each Maturity of the Bonds, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (November 20, 2017) or (ii) the date on which the Underwriter has sold at least 10% of such Maturity of the Bonds to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b) “*Issuer*” means City of Gardner, Kansas.

(c) “*Maturity*” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(d) “*Public*” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter. The term “*Related Party*” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

* *Preliminary; subject to change.*

(e) “*Sale Date*” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is November 20, 2017.

(f) “*Underwriter*” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the [SHORT NAME OF UNDERWRITER]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Closing Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Kutak Rock LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER]

By: _____

Name: _____

Dated: [ISSUE DATE]

SCHEDULE A

INITIAL OFFERING PRICES OF THE BONDS

\$3,735,000*

**General Obligation Refunding and Improvement Bonds, Series 2017A
of the City of Gardner, Kansas
Dated December 20, 2017**

SERIAL BONDS

Maturity October 1	Principal Amount	Interest Rate	Dollar Price	Extended Price
2018	\$	%	%	\$
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
			Total	\$

[TERM BONDS

Maturity October 1	Principal Amount	Interest Rate	Dollar Price	Extended Price
	\$	%	%	\$
			TOTAL BONDS:	<u>\$</u>

** Preliminary; subject to change.*

SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION
(Attached)

OFFICIAL BID FORM

PROPOSAL FOR THE PURCHASE OF GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS, SERIES 2017A OF THE CITY OF GARDNER, KANSAS

To: Laura Gourley, Finance Director
of the City of Gardner, Kansas

City's ID# 48 6033380

Fax No. 651-697-8555 (Ehlers)
Phone No. 651-697-8500 (Ehlers)

November 20, 2017

c/o Ehlers & Associates, Inc., 3060 Centre Pointe Drive, Roseville, Minnesota, 55113-1122

For \$3,735,000* principal amount of General Obligation Refunding and Improvement Bonds, Series 2017A, of the City of Gardner, Kansas (the "City"), to be dated December 20, 2017 (referred to herein as the "Bonds"), as described in your Notice of Bond Sale dated November 10, 2017 (the "Notice"), the Bonds to bear interest as follows:

Maturity October 1	Principal Amount*	Interest Rate	Maturity October 1	Principal Amount*	Interest Rate	Maturity October 1	Principal Amount*	Interest Rate
2018	\$200,000	_____ %	2022	\$585,000	_____ %	2025	\$145,000	_____ %
2019	185,000	_____	2023	585,000	_____	2026	150,000	_____
2020	560,000	_____	2024	600,000	_____	2027	150,000	_____
2021	575,000	_____						

the undersigned will pay the par value of the Bonds plus accrued interest to the date of delivery, plus a total premium, less a discount, in the amount set forth below:

Total interest cost to maturity at the rates specified	\$ _____
Discount (if any, not to exceed \$44,820)	(\$ _____)
Premium (if any)	\$ _____
Net interest cost	\$ _____
True interest cost	_____ %

The Bidder will will not purchase Municipal Bond Insurance from _____.

Term Bond Option. The Bidder elects to have the principal amount of Bonds maturing in the years shown below issued as Term Bond(s) subject to mandatory redemption requirements in the amounts and at the times shown above. To bid more than 3 term bonds include additional information on a separate sheet.

Years included in term bond:

First Term Bond _____ to _____, inclusive

Second Term Bond _____ to _____, inclusive

Third Term Bond _____ to _____, inclusive

This bid is a firm offer for the purchase of the Bonds identified in the Notice, on the terms set forth in this Official Bid Form and the Notice, and is not subject to any conditions, except as permitted by the Notice. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds. This proposal is subject to all terms and conditions contained in the Notice, and if the undersigned is the successful bidder, the undersigned will comply with all of the provisions contained in the Notice. The Bidder agrees to provide a cashier's or certified check in the amount of \$74,700 payable to the order of the City, or wire transfer that complies with the provisions of the Notice as an evidence of good faith. The acceptance of this proposal by the City shall constitute a contract between the City and the successful bidder for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission and Treasury Regulations 1.148-1(f) and 1.150-1A. If this Official Bid Form is received electronically the City may rely on the electronic signature of the bidder to the same extent as if the City had received an originally executed bid form.

[check here if electing to wire the good faith deposit] if notified that we have submitted the apparent best bid, we agree to wire transfer the good faith deposit amount referenced above in same-day funds to be received by the City by 1:30 p.m. Central Standard Time, on November 20, 2016.

Submitted by _____

[LIST ACCOUNT MEMBERS ON REVERSE OR ON SEPARATE SHEET]

By _____

Telephone No. (_____) _____

E-Mail _____

ACCEPTANCE

Pursuant to action taken by the Governing Body of the City of Gardner, Kansas, the above proposal is accepted November 20, 2017.

Attest:

Mayor

City Clerk

NOTE: No additions or alterations in the above proposal form shall be made, and any erasures may cause rejection of any bid. Bids may be filed with Ehlers & Associates, Inc., on behalf of the Finance Director or may be submitted electronically through the PARITY® electronic bid system prior to 11:00 a.m., Central Standard Time, on November 20, 2017. Any bid received after such time will not be considered.