

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 5, 2020

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 will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended. For a more detailed description of such opinions of Bond Counsel, see "THE BONDS- TAX MATTERS" herein.

New Issue

Rating Application Made: S&P Global Ratings

CITY OF GARDNER, KANSAS (Johnson County)

\$5,205,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020B

PROPOSAL OPENING: November 16, 2020, 11:00 A.M., C.T.

CONSIDERATION: November 16, 2020, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$5,205,000* General Obligation Refunding Bonds, Series 2020B (the "Bonds") of the City of Gardner, Kansas (the "City") are being issued pursuant to K.S.A. 12-427 *et seq.*, and K.S.A. 12-685 *et seq.*, all as amended and supplemented, for the purposes of: (i) funding a portion of the cost of the I35 and Gardner Road Interchange; and (ii) effecting a current refunding of certain outstanding general obligations of the City as more fully described herein. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kutak Rock LLP, Kansas City, Missouri.

DATE OF BONDS: December 10, 2020

MATURITY: October 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2021	\$505,000	2025	\$520,000	2029	\$545,000
2022	490,000	2026	525,000	2030	550,000
2023	505,000	2027	525,000		
2024	510,000	2028	530,000		

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: October 1, 2021 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on October 1, 2027 and thereafter are subject to call for prior optional redemption on October 1, 2026 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: \$5,163,360.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$104,100 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: State of Kansas - Office of the State Treasurer

BOND COUNSEL: Kutak Rock LLP

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. 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. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.

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 and 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 and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Bonds.

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 and 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 City is 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 OF GARDNER CITY COUNCIL

		<u>Term Expires</u>
Steve Shute	Mayor	January 2022
Dr. Todd Winters	Council President	January 2024
Rich Melton	Council Vice President	January 2024
Mark Baldwin	Member	January 2022
Randy Gregorcyk	Member	January 2022
Tory Roberts	Member	January 2024

ADMINISTRATION

Jim Pruetting, City Administrator

Matt Wolff, Finance Director

Nancy Torneden, Fiscal Services Manager

PROFESSIONAL SERVICES

Ryan Denk, City Attorney, McAnany, Van Cleave & Phillips, P.A., Kansas City, Kansas

Kutak Rock LLP, Bond Counsel, Kansas City, Missouri

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota
(*Other offices located in Waukesha, Wisconsin 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 \$5,205,000* General Obligation Refunding Bonds, Series 2020B (the "Bonds"). 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 ordinance and resolution authorizing the issuance and sale of the Bonds (collectively the "Award Resolution") to be adopted by the City Council on November 16, 2020.

Inquiries may be directed to Ehlers and 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 10, 2020. 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 October 1, 2021, 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 2021 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 State of Kansas - Office of the State Treasurer, Topeka, Kansas, to act as paying agent (the "Paying Agent"). The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying 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, 2027 shall be subject to optional redemption prior to maturity on October 1, 2026 or 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 issued pursuant to K.S.A. 10-427 *et seq.*, and K.S.A. 12-685 *et seq.*, all as amended and supplemented, by the City, for the purposes of: (i) funding a portion of the I35 and Gardner Road Interchange (the "Road Interchange Portion"); and (ii) effecting a current refunding of the City's \$2,770,000 General Obligation Bonds, Series 2010A (the "Series 2010A Bonds" and "Series 2010A Refunding Portion") as follows:

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 365591
Series 2010A Bonds	09/01/10	12/18/20	Par	2021	3.000%	\$135,000	QU3
				2022	3.000%	130,000	QV1
				2023	3.000%	145,000	QW9
				2024	3.000%	150,000	QX7
				2025	3.125%	165,000	QY5
				2026	3.250%	165,000	QZ2
				2027	3.375%	165,000	RA6
				2028	3.375%	170,000	RB4
				2029	3.500%	180,000	RC2
				2030	3.600%	<u>185,000</u>	RD0
Total Series 2010A Bonds Being Refunded						<u>\$1,590,000</u>	

Proceeds of the Bonds will be used to call and prepay the maturities described above and to pay all or most of the costs of issuance.

ESTIMATED SOURCES AND USES*

Sources	Road Interchange Portion	Series 2010A Refunding Portion	Total Bond Issue
Par Amount of Bonds	<u>\$3,565,000</u>	<u>\$1,640,000</u>	<u>\$5,205,000</u>
Total Sources	\$3,565,000	\$1,640,000	\$5,205,000
Uses			
Total Underwriter's Discount (1.200%)	\$42,780	\$19,680	\$62,460
Costs of Issuance	42,280	19,450	61,730
Deposit to Project Construction Fund	3,477,091	-	3,477,091
Deposit to Current Refunding Fund	-	1,601,033	1,601,033
Rounding Amount	<u>2,849</u>	<u>(163)</u>	<u>2,686</u>
Total Uses	\$3,565,000	\$1,640,000	\$5,205,000

Breakdown of Principal Payments:

Payment Date	Road Interchange Portion	Series 2010A Refunding Portion	Total Bond Issue
10/01/2021	\$350,000	\$155,000	\$505,000
10/01/2022	345,000	145,000	490,000
10/01/2023	345,000	160,000	505,000
10/01/2024	350,000	160,000	510,000
10/01/2025	350,000	170,000	520,000
10/01/2026	355,000	170,000	525,000
10/01/2027	360,000	165,000	525,000
10/01/2028	365,000	165,000	530,000
10/01/2029	370,000	175,000	545,000
10/01/2030	<u>375,000</u>	<u>175,000</u>	<u>550,000</u>
Total	\$3,565,000	\$1,640,000	\$5,205,000

*Preliminary, subject to change.

SECURITY

The Bonds will be general obligations of the City payable as to both principal and interest 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.

The City anticipates that debt service on the Road Interchange Portion of the Bonds will be paid from the Special Highway Fund.

The City anticipates that debt service on the Series 2010A Refunding Portion of the Bonds will be paid from ad valorem taxes, as it has with the existing bonds.

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.

CONCURRENT FINANCING

By means of a separate Preliminary Official Statement, the City will be issuing General Obligation Temporary Notes, Series 2020C (the "Concurrent Obligations" or the "Series 2020C Notes") on December 10, 2020.

RATING

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

The City has requested a rating on the Bonds from S&P Global Ratings, 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 Global Ratings. 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 "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 has timely filed its Comprehensive Annual Financial Report ("CAFR") each year during the past five years. The City has included information in its CAFR to meet its continuing disclosure undertakings; however, the level of detail and format of certain information presented in the CAFR has not corresponded precisely in all cases to the detail and format of such information as presented in the City's official statements. 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, and has made a practice of supplementing its CAFR with a filing obtaining certain operating and financial data to help ensure compliance going forward.

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

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kutak Rock LLP, Kansas City, Missouri, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

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 above assumes the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (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.

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. A copy of the form of opinion of Bond Counsel is attached hereto as Appendix B.

[Original Issue Discount

The Bonds that have an original yield above their respective interest rates, as shown on the cover 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 or is otherwise required to be recognized in gross income 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 on disposition of such Discount Bond that are attributable to accrued or otherwise recognized 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, with respect to when such original issue discount must be recognized as an item of gross income 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 cover 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.]

Recognition of Income Generally

Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the Bonds under the Code.

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.

Internal Revenue Service Audits

The Internal Revenue Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Internal Revenue Service, interest on such tax-exempt obligations is included in the gross income for federal income tax purposes. It cannot be predicted whether or not the Internal Revenue Service will commence an audit of any of the Bonds. If an audit is commenced, under current procedures the Internal Revenue Service may treat the related issuer as a taxpayer, and the registered owners of the Bonds may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the related Bonds until the audit is concluded, regardless of the ultimate outcome.

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.

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended.

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. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

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, Colorado, 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, 2019, 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 "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.

Cybersecurity: The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

Impact of the Spread of COVID-19: On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended worldwide mitigation measures. The extent of COVID-19's effect on the City's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the City's operations, the City's finances, or the operational and economic indicators contained in this Official Statement. However, if the pandemic continues to evolve, this could have a material adverse effect on the City's operation, statement of net position, statement of activities and cash flows.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

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. By law, property, with the exception of agriculture, is appraised at "fair market value" as it exists on January 1. The state's definition: "Fair market value means the amount in terms of money that a well informed buyer is justified in paying and a well informed seller is justified in accepting for property in an open and competitive market, assuming that the parties are acting without undue compulsion." 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% |

CURRENT PROPERTY VALUATIONS

	2019 Assessed Valuation
Real Estate	\$194,068,703
Personal Property	1,491,583
State Assessed Utilities	4,923,303
Taxable Assessed Valuation	\$200,483,589
Plus: Motor Vehicles	26,575,115
Recreational Vehicles	242,584
Total Equalized Assessed Tangible Valuation	<u>\$227,301,288</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
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	25,689,124	199,992,373	+10.09%
2018	182,303,869	1,551,694	4,756,452	25,889,508	214,501,523	+ 7.25%
2019	194,068,703	1,491,583	4,923,303	26,575,115	227,301,288	+ 5.97%

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	2019 Taxable Assessed Valuation	Percent of City's Total Taxable Assessed Valuation
Walmart	Retail	\$3,828,501	1.91%
TPAF IV Moonlight, LLC	Real Estate	2,811,980	1.40%
Conestoga Titleholder, LLC	Real Estate	1,925,100	0.96%
Horizon Trails, LLC	Real Estate	1,779,050	0.89%
Axiom-Aspen, LLC	Real Estate	1,431,290	0.71%
Bristol Partners XVI, LLC	Real Estate	1,194,750	0.60%
Sante Fe Storage, LLC	Real Estate	1,151,501	0.57%
Energy Center Industrial, LLC	Real Estate	1,084,250	0.54%
RH Partners Owner Co., LLC	Real Estate	956,676	0.48%
Axiom-Lincoln, LLC	Real Estate	<u>918,621</u>	<u>0.46%</u>
Total		\$17,081,719	8.52%
City's Total 2019 Taxable Assessed Valuation	\$200,483,589		

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 Series 2020B Bonds)*	\$66,010,000
Total G.O. debt being paid from wastewater & water revenues	<u>2,130,000</u>
Total General Obligation Debt ² *	<u><u>\$68,140,000</u></u>

Temporary General Obligation Debt

Date of Issue	Name of Issue	Final Maturity	Principal Outstanding
12/12/19	General Obligation Temporary Notes, Series 2019C	10/01/21	\$1,130,000
12/12/19	General Obligation Temporary Notes, Series 2019D (Taxable under Federal Law)	10/01/21	2,510,000
12/10/20	General Obligation Temporary Notes, Series 2020C	10/01/22	5,280,000*

Non-General Obligation Debt (see schedule following)

Total Non-G.O. debt being paid from water & wastewater revenues	<u><u>\$8,530,830</u></u>
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Lease Purchase Obligations (see schedule following)

Lease purchase obligations - City	\$11,663,206
Lease purchase obligations - Public Building Commission	<u>470,000</u>
Total Lease Purchase Obligations	<u><u>\$12,133,206</u></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. The outstanding debt does not reflect the Series 2010A General Obligation Bonds or the Series 2019C General Obligation Temporary Notes, both of which will be refunded within the 10 days following the dated date of the Obligations.

² This amount does not include General Obligation Temporary Note debt.

City of Gardner, Kansas
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 12/10/2020)

Dated Amount Maturity	G.O. Bonds Series 2011A		G.O. Bonds 1) Series 2012A		Refunding Bonds 2) Series 2012C		Refunding Bonds Series 2013A		Refunding bonds Series 2014A	
	09/08/2011 \$1,325,000 10/01		02/01/2012 \$3,995,000 08/01		04/24/2012 \$11,745,000 09/01		03/27/2013 \$7,015,000 10/01		04/10/2014 \$4,895,000 10/01	
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	65,000	27,705	190,000	64,731	1,475,000	59,000	35,000	2,888	315,000	90,613
2022	65,000	26,145	195,000	60,931			35,000	2,188	330,000	81,163
2023	65,000	24,325	200,000	57,031			35,000	1,488	335,000	71,263
2024	70,000	22,505	205,000	53,031			35,000	788	345,000	61,213
2025	70,000	20,300	210,000	48,931					355,000	53,450
2026	75,000	18,095	215,000	44,731					365,000	44,575
2027	75,000	15,508	225,000	39,894					370,000	34,994
2028	80,000	12,920	230,000	34,550					385,000	23,894
2029	80,000	9,960	235,000	28,800					395,000	12,344
2030	85,000	7,000	245,000	22,338						
2031	90,000	3,600	255,000	15,600						
2032			265,000	7,950						
2033										
2034										
2035										
2036										
2037										
2038										
2039										
2040	820,000	188,063	2,670,000	478,519	1,475,000	59,000	140,000	7,350	3,195,000	473,506

1) This issue is not subject to the debt limit.

2) This issue is not subject to the debt limit.

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City of Gardner, Kansas
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 12/10/2020)

	G.O. Bonds & Refunding Bonds Series 2014B		Refunding and Improvement Bonds Series 2016A		Taxable G.O. Bonds 3) Series 2016B		Refunding and Improvement Bonds Series 2017A		G.O. Bonds Series 2018A	
	Dated Amount	12/23/2014 \$4,140,000	12/29/2016 \$2,870,000	12/29/2016 \$855,000	12/20/2017 \$3,505,000	06/28/2018 \$14,985,000				
Maturity		10/01	10/01	10/01	10/01	10/01				
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	305,000	63,563	270,000	61,800	85,000	16,325	540,000	77,738	660,000	526,350
2022	310,000	57,463	275,000	53,700	85,000	14,200	555,000	61,538	685,000	493,350
2023	245,000	51,263	285,000	45,450	85,000	11,650	565,000	44,888	720,000	459,100
2024	250,000	45,750	290,000	36,900	90,000	9,100	585,000	27,938	760,000	423,100
2025	260,000	39,500	300,000	28,200	95,000	6,175	145,000	10,388	795,000	385,100
2026	265,000	33,000	315,000	19,200	95,000	3,088	150,000	7,125	835,000	345,350
2027	275,000	25,050	160,000	9,750			150,000	3,750	880,000	303,600
2028	280,000	16,800	165,000	4,950					685,000	259,600
2029	280,000	8,400							715,000	232,200
2030									735,000	210,750
2031									755,000	188,700
2032									780,000	166,050
2033									805,000	141,675
2034									830,000	115,513
2035									855,000	88,538
2036									885,000	60,750
2037									915,000	30,881
2038										
2039										
2040	2,470,000	340,788	2,060,000	259,950	535,000	60,538	2,690,000	233,363	13,295,000	4,430,606

3) This issue is not subject to the debt limit.

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City of Gardner, Kansas
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 12/10/2020)

Wastewater Bonds 4) Series 2019B			G.O. Bonds Series 2019E			G.O. Bonds Series 2020A			G.O. and G.O. Refunding Bonds 5) Series 2020B					
Dated	06/12/2019	12/12/2019	05/28/2020	12/10/2020										
Amount	\$1,970,000	\$2,465,000	\$27,450,000	\$5,205,000*										
Maturity	10/01	10/01	10/01	10/01										
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2021	205,000	37,380	225,000	59,000	910,000	1,118,967	505,000	49,824	5,785,000	2,255,882	8,040,882	60,225,000	8.76%	2021
2022	210,000	33,280	230,000	52,250	1,235,000	802,163	490,000	58,860	4,700,000	1,797,229	6,497,229	55,525,000	15.88%	2022
2023	215,000	29,080	235,000	45,350	1,270,000	758,938	505,000	55,675	4,760,000	1,655,499	6,415,499	50,765,000	23.09%	2023
2024	220,000	24,780	240,000	38,300	1,320,000	714,488	510,000	51,635	4,920,000	1,509,526	6,429,526	45,845,000	30.55%	2024
2025	225,000	20,380	245,000	31,100	1,365,000	668,288	520,000	47,045	4,985,000	1,358,856	5,943,856	41,260,000	37.49%	2025
2026	230,000	15,880	255,000	23,750	1,410,000	620,513	525,000	41,845	4,735,000	1,217,151	5,952,151	36,525,000	44.67%	2026
2027	230,000	11,625	260,000	16,100	1,460,000	571,163	525,000	36,070	4,610,000	1,067,503	5,677,503	31,915,000	51.65%	2027
2028	235,000	5,875	270,000	10,900	1,505,000	520,063	530,000	28,458	4,365,000	918,009	5,283,009	27,550,000	58.26%	2028
2029			275,000	5,500	1,560,000	467,388	545,000	19,713	4,085,000	784,304	4,869,304	23,465,000	64.45%	2029
2030					1,620,000	412,788	550,000	10,175	3,235,000	663,050	3,898,050	20,230,000	69.35%	2030
2031					1,240,000	364,188			2,340,000	572,088	2,912,088	17,890,000	72.90%	2031
2032					1,265,000	339,388			2,310,000	513,388	2,823,388	15,580,000	76.40%	2032
2033					1,290,000	314,088			2,095,000	455,763	2,550,763	13,485,000	79.57%	2033
2034					1,315,000	286,675			2,145,000	402,188	2,547,188	11,340,000	82.82%	2034
2035					1,350,000	253,800			2,205,000	342,338	2,547,338	9,135,000	86.16%	2035
2036					1,380,000	220,050			2,265,000	280,800	2,545,800	6,870,000	89.59%	2036
2037					1,425,000	178,650			2,340,000	209,531	2,549,531	4,530,000	93.14%	2037
2038					1,465,000	135,900			1,465,000	135,900	1,600,900	3,065,000	95.36%	2038
2039					1,510,000	91,950			1,510,000	91,950	1,601,950	1,555,000	97.64%	2039
2040					1,555,000	46,650			1,555,000	46,650	1,601,650	0	100.00%	2040
	1,770,000	178,280	2,235,000	282,250	27,450,000	8,886,092	5,205,000	399,299	66,010,000	16,277,602	82,287,602			

* Preliminary, subject to change.

4) This issue is not subject to the debt limit.

5) This issue is refunding the 2021 through 2030 maturities of the City's \$2,770,000 General Obligation Bonds, Series 2010A dated September 1, 2010.

City of Gardner, Kansas

Schedule of Bonded Indebtedness

General Obligation Debt Secured by Wastewater and Water Revenues

(As of 12/10/2020)

**Refunding Bonds 1)
Series 2015A**

Dated Amount	07/15/2015 \$3,945,000							
Maturity	10/01							
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2021	400,000	63,900	400,000	63,900	463,900	1,730,000	18.78%	2021
2022	415,000	51,900	415,000	51,900	466,900	1,315,000	38.26%	2022
2023	425,000	39,450	425,000	39,450	464,450	890,000	58.22%	2023
2024	440,000	26,700	440,000	26,700	466,700	450,000	78.87%	2024
2025	450,000	13,500	450,000	13,500	463,500	0	100.00%	2025
	2,130,000	195,450	2,130,000	195,450	2,325,450			

1) This issue is not subject to the debt limit.

City of Gardner, Kansas
Schedule of Bonded Indebtedness
Revenue Debt Secured by Wastewater and Water Revenues
(As of 12/10/2020)

Dated Amount	KDHE Loan Series 2007		KDHE Loan Series 2014		Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
	03/01/2008 \$3,483,009	03/01 & 09/01	09/01/2014 \$10,167,808	03/01 & 09/01				
Maturity								
Calendar Year Ending	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding
2021	155,505	27,384	470,151	148,304	625,656	175,688	801,344	7,905,175
2022	159,653	23,627	481,026	138,610	640,680	162,238	802,917	7,264,495
2023	163,912	19,770	492,154	128,693	656,066	148,463	804,529	6,608,429
2024	168,285	15,810	503,538	118,546	671,823	134,356	806,179	5,936,606
2025	172,774	11,745	515,186	108,164	687,960	119,908	807,868	5,248,646
2026	177,383	7,571	527,104	97,542	704,486	105,112	809,598	4,544,160
2027	182,114	3,285	539,297	86,674	721,411	89,959	811,370	3,822,749
2028			551,773	75,555	551,773	75,555	627,328	3,270,976
2029			564,536	64,178	564,536	64,178	628,714	2,706,440
2030			577,595	52,539	577,595	52,539	630,133	2,128,845
2031			590,956	40,630	590,956	40,630	631,586	1,537,890
2032			604,626	28,446	604,626	28,446	633,072	933,264
2033			618,612	15,980	618,612	15,980	634,592	314,652
2034			314,652	3,225	314,652	3,225	317,877	0
	1,179,626	109,192	7,351,205	1,107,084	8,530,830	1,216,276	9,747,107	

City of Gardner, Kansas
Schedule of Bonded Indebtedness
Non-General Obligation Debt Secured by Annual Appropriation
(As of 12/10/2020)

Dated Amount	Maturity	Land Lease Series 2016C		Electric Capital Dogwood Series 2018		Tax-Exempt Lease Series 2018		Equipment Lease 2019 Lease		Lease Purchase Series 2019		Total P & I	Total Interest	Total Principal	Outstanding Principal	% Paid	Calendar Year Ending
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest						
2021		66,000	9,011	358,086	494,788	109,000	47,181	8,667	1,356	33,299	1,729	1,129,118	554,066	575,052	11,088,153	4.93%	2021
2022		67,000	8,028	375,829	476,440	115,000	41,999	8,988	1,035	33,918	1,110	1,129,348	528,613	600,735	10,487,418	10.08%	2022
2023		68,000	6,942	395,185	457,165	120,000	36,559	9,321	703	34,548	480	1,128,902	501,848	627,054	9,860,364	15.46%	2023
2024		70,000	5,459	414,541	436,921	125,000	30,860	9,566	358			1,092,805	473,598	619,207	9,241,157	20.77%	2024
2025		72,000	3,776	435,510	415,670	131,000	24,927					1,082,883	444,373	638,510	8,602,647	26.24%	2025
2026		74,000	1,721	456,479	393,370	138,000	18,713					1,082,283	413,804	668,479	7,934,168	31.97%	2026
2027				479,061	369,982	144,000	12,171					1,005,213	382,152	623,061	7,311,107	37.31%	2027
2028				503,256	345,424	151,000	5,323					1,005,003	350,747	654,256	6,656,851	42.92%	2028
2029				529,064	319,616							848,680	319,616	529,064	6,127,787	47.46%	2029
2030				554,872	292,518							847,390	292,518	554,872	5,572,915	52.22%	2030
2031				583,906	264,048							847,954	264,048	583,906	4,989,009	57.22%	2031
2032				612,940	234,127							846,301	234,127	612,940	4,376,069	62.48%	2032
2033				643,587	202,714							846,301	202,714	643,587	3,732,482	68.00%	2033
2034				675,847	169,728							845,575	169,728	675,847	3,056,635	73.79%	2034
2035				709,720	135,089							844,809	135,089	709,720	2,346,915	79.88%	2035
2036				743,593	98,756							842,349	98,756	743,593	1,603,322	86.25%	2036
2037				782,305	60,608							842,913	60,608	782,305	821,017	92.96%	2037
2038				821,017	20,525							841,542	20,525	821,017	0	100.00%	2038
		417,000	34,937	10,074,798	5,187,489	1,033,000	217,733	36,642	3,452	101,765	3,320	17,110,136	5,446,931	11,663,206			

City of Gardner, Kansas
Schedule of Bonded Indebtedness
Non-General Obligation Debt Secured by Revenues
(As of 12/10/2020)

Lease Refunding (PBC) Series 2012A									
Dated	09/11/2012								
Amount	\$3,105,000								
Maturity	11/01								
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending	
2021	470,000	10,575	470,000	10,575	480,575	0	100.00%	2021	
	470,000	10,575	470,000	10,575	480,575				

DEBT LIMIT

2019 Equalized Assessed Tangible Valuation	\$227,301,288
Multiply by 30%	<u>0.30</u>
Statutory Debt Limit	\$ 68,190,386
Less: Outstanding debt subject to the debt limit*	<u>(38,210,413)</u>
Unused Debt Limit	<u><u>\$ 29,979,973</u></u>

*Preliminary, subject to change.

OVERLAPPING DEBT¹

Taxing District	2019 Taxable Assessed Valuation	% In City	Total G.O. Debt ²	City's Proportionate Share
Johnson County	\$11,150,320,050	1.6800%	\$ 576,935,000	\$ 9,692,508
U.S.D. 231 (Gardner Edgerton)	352,700,395	52.7200%	122,910,000	<u>64,798,152</u>
City's Share of Total Overlapping Debt				<u><u>\$74,490,660</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 (\$227,301,288)	Debt/21,351 Current Estimated Population
Direct G.O. Debt Being Paid From:			
Taxes & Other City Revenues*	\$ 66,010,000		
Water & Wastewater Revenues	<u>2,130,000</u>		
Total General Obligation Debt ¹ (includes the Series 2020B Bonds)*	\$ 68,140,000		
Less: G.O. Debt Paid Entirely from Revenues* ²	<u>(44,164,587)</u>		
Net General Obligation Debt*	\$ 23,975,413	10.55%	\$1,122.92
 City's Share of Total Overlapping Debt	 \$ 74,490,660	 32.77%	 \$3,488.86
 Total	 \$ 98,466,073	 43.32%	 \$4,611.78

*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 addition to the concurrent financing, during the next 12 months, the City anticipates issuing approximately \$30 million in General Obligation Bonds to fund a new wastewater treatment plant, other wastewater and water system improvements, and street reconstruction projects.

¹ General Obligation Temporary debt is not included in the Total General Obligation Debt.

² 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

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date ²	% Collected
2015/16	\$4,415,625	\$4,372,424	\$4,492,367	101.74%
2016/17	3,356,643	3,321,106	3,350,823	98.50%
2017/18	3,696,484	3,656,109	3,672,747	99.40%
2018/19	4,006,379	3,970,824	3,947,560	99.80%
2019/20	4,263,681	4,223,131	4,283,899	100.00%

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.

The spread of COVID-19 and responses taken by the United States government, state governments, local governments and private industries have caused significant disruptions to the national and State economy. See "RISK FACTORS - Impact of the Spread of COVID-19" herein. Certain states have announced extended deadlines for payment of property taxes, although as of this date Kansas has not taken such measures. The City cannot predict whether and how much payment of property taxes will be impacted. Any delays or reduction in the receipt of property taxes may materially adversely impact the City's finances and payment of debt obligations, including the Bonds.

Source: *Johnson County Treasurer's office*

¹ This reflects the Final Levy Certification of the City after all adjustments have been made.

² Collections are through October 10, 2020.

TAX MILL LEVIES¹

	2015	2016	2017	2018	2019
Johnson County	19.582	19.59	19.318	19.024	19.036
State of Kansas	1.500	1.500	1.500	1.500	1.500
City of Gardner	29.455	20.544	20.540	20.720	20.710
Johnson County Park & Rec.	3.101	3.102	3.112	3.088	3.090
Johnson County Library	3.912	3.915	3.921	3.901	3.904
Johnson County Community College	9.469	9.473	9.503	9.266	9.121
Fire District #1 ²	N/A	12.443	12.440	12.383	12.454
U.S.D. No. 231 (Gardner Edgerton)	69.185	67.787	66.981	65.969	65.775

Source: *Johnson County Abstract of Taxes.*

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

² In 2016, Fire District #1 began levying taxes separately from the City.

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 146 full-time, 5 part-time, and 105 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.

POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The City's most recent actuarial study shows a total OPEB liability of \$465,073 as of December 31, 2019. The City has been funding these obligations on a pay-as-you-go basis.

Source: The City's most recent actuarial study.

LITIGATION

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 HAND (As of September 30, 2020)

Fund	Total Cash and Investments
General Fund	\$ 4,717,320
Special Revenue Fund	224,577
Capital Project Fund	10,641,651
Debt Service Fund	1,927,718
Enterprise Funds	34,900,018
Internal Service Fund	630,999
Total Funds on Hand	<u><u>\$53,042,283</u></u>

ENTERPRISE FUNDS

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

	2017	2018	2019
Electric¹			
Total Operating Revenues	\$14,414,445	\$ 17,534,000	\$ 16,545,548
Less: Operating Expenses	<u>(12,664,568)</u>	<u>(16,792,921)</u>	<u>(14,269,221)</u>
Operating Income	\$ 1,749,877	\$ 741,079	\$ 2,276,327
Plus: Depreciation	<u>1,495,111</u>	<u>1,577,642</u>	<u>1,620,360</u>
Revenues Available for Debt Service	<u><u>\$ 3,244,988</u></u>	<u><u>\$ 2,318,721</u></u>	<u><u>\$ 3,896,687</u></u>
Water			
Total Operating Revenues	\$ 5,612,380	\$ 6,248,707	\$ 5,927,668
Less: Operating Expenses	<u>(4,114,865)</u>	<u>(3,816,158)</u>	<u>(4,725,651)</u>
Operating Income	\$ 1,497,515	\$ 2,432,549	\$ 1,202,017
Plus: Depreciation	<u>780,859</u>	<u>804,372</u>	<u>863,420</u>
Revenues Available for Debt Service	<u><u>\$ 2,278,374</u></u>	<u><u>\$ 3,236,921</u></u>	<u><u>\$ 2,065,437</u></u>
Wastewater			
Total Operating Revenues	\$ 5,168,047	\$ 5,452,335	\$ 5,428,736
Less: Operating Expenses	<u>(3,893,728)</u>	<u>(4,217,707)</u>	<u>(4,648,447)</u>
Operating Income	\$ 1,274,319	\$ 1,234,628	\$ 780,289
Plus: Depreciation	<u>1,582,756</u>	<u>1,587,986</u>	<u>1,981,631</u>
Revenues Available for Debt Service	<u><u>\$ 2,857,075</u></u>	<u><u>\$ 2,822,614</u></u>	<u><u>\$ 2,761,920</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 2019 audited financial statements.

FISCAL YEAR ENDING DECEMBER 31					
COMBINED STATEMENT	2017 Audited	2018 Audited	2019 Audited	2020 Revised Budget 1)	2021 Adopted Budget 2)
Revenues					
Taxes*	\$5,896,375	\$5,751,080	\$6,368,702	\$6,520,500	\$7,042,300
Special assessments	2,905	7,540	7,722	6,000	6,000
Intergovernmental	2,321,958	2,447,003	2,318,007	2,283,400	2,348,200
License and permits	337,987	452,521	306,785	303,600	303,600
Charges for services	2,444,420	2,593,495	2,882,631	2,358,000	3,041,200
Fines and fees	529,085	479,255	538,399	484,000	549,000
Investment earnings	27,585	68,728	102,195	12,600	12,700
Other miscellaneous revenues	25,221	311,488	50,106	178,500	15,200
Total Revenues	\$11,585,536	\$12,111,110	12,574,547	\$12,146,600	\$13,318,200
Expenditures					
Current:					
General government	\$2,885,767	\$3,073,931	\$2,808,030	\$2,763,500	\$3,013,700
Public safety	3,994,544	4,315,082	4,774,678	4,818,900	5,236,600
Public works	2,178,895	2,164,201	2,336,022	2,169,700	2,377,000
Business and economic development	883,428	925,371	1,030,478	1,023,900	1,043,500
Culture and recreation	2,600,834	2,548,071	2,572,729	1,877,100	2,497,200
Capital outlay	350,175	413,465	265,263	56,000	235,000
Debt service	21,021	0	0	0	0
Total Expenditures	\$12,914,664	\$13,440,121	13,787,200	\$12,709,100	\$14,403,000
Excess of revenues over (under) expenditures	(\$1,329,128)	(\$1,329,011)	(\$1,212,653)	(\$562,500)	(\$1,084,800)
Other Financing Sources (Uses)					
Proceeds from sale of capital lease	\$0	\$0	\$180,000	\$0	\$0
Proceeds from sale of capital assets	3,631	17,475	11,120	0	0
Operating transfers in	759,700	831,100	866,900	860,300	903,600
Operating transfers out	(80,800)	0	0	(56,300)	0
Total Other Financing Sources (Uses)	\$682,531	\$848,575	\$1,058,020	\$804,000	\$903,600
Net changes in Fund Balances	(\$646,597)	(\$480,436)	(\$154,633)	\$241,500	(\$181,200)
General Fund Balance January 1	5,302,873	4,656,276	4,175,840		
Prior Period Adjustment	0	0	11,335		
Residual Equity Transfer in (out)	0	0	0		
General Fund Balance December 31	\$4,656,276	\$4,175,840	\$4,032,542		
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$0	\$29,694	\$23,758		
Assigned	184,992	166,052	306,996		
Unassigned	4,471,284	3,980,094	3,701,788		
Total	\$4,656,276	\$4,175,840	\$4,032,542		

*Taxes include franchise fees.

1) The 2020 revised budget was adopted in August of 2020.

2) The 2021 budget was adopted in August of 2020.

GENERAL INFORMATION

LOCATION

The City of Gardner, with a 2010 U.S. Census population of 19,123, and a current estimated population of 21,351, comprises 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 EMPLOYERS¹

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	950
Walmart	Retail	265
City of Gardner	Municipal government and services	256 ²
Coleman	Distribution center for camping and outdoor products	160
Meadowbrook Rehabilitation Hospital	Rehabilitation hospital	156
Excelligence Learning Corporation	Tech-enabled early childhood and elementary education	150
TradeNet	Specialty advertising products	120
Price Chopper	Grocery store	100
Medical Lodges Gardner	Nursing and rehabilitation center	90
First Student	Transportation- buses & charter rental	66
Vintage Park	Residential care home	65
Perkins	Restaurant	60

Source: *ReferenceUSA, written and telephone survey (March 2020).*

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data. Estimates provided are accurate as of the date noted and may not reflect changes in the number of employees resulting from the current COVID-19 pandemic. (See “Risk Factors”).

² Includes full time, part time and seasonal employees.

BUILDING PERMITS

	2016	2017	2018	2019	2020 ¹
<u>New Residential Homes/Buildings</u>					
No. of building permits	98	116	121	155	100
Valuation	\$18,059,207	\$24,965,967	\$28,067,777	\$30,780,018	\$21,784,239
<u>New Commercial/Industrial</u>					
No. of building permits	1	5	3	5	9
Valuation	\$2,601,485	\$13,083,304	\$52,670,856	\$5,078,883	\$7,343,128
<u>All Building Permits</u>					
<i>(including additions and remodelings)</i>					
No. of building permits	108	133	139	179	121
Valuation	\$22,534,194	\$40,097,213	\$84,654,766	\$37,760,375	\$30,366,759

Source: The City.

¹ As of October 31, 2020.

U.S. CENSUS DATA

Population Trend: The City

2000 U.S. Census	9,365
2010 U.S. Census	19,123
2018 Current Population Estimate	21,351
Percent of Change 2000 - 2010	+104.20%

Income and Age Statistics

	The City	Johnson County	State of Kansas	United States
2018 per capita income	\$28,225	\$44,986	\$30,757	\$32,621
2018 median household income	\$75,985	\$84,915	\$57,422	\$60,293
2018 median family income	\$82,860	\$105,461	\$73,222	\$73,965
2018 median gross rent	\$1,056	\$1,065	\$831	\$1,023
2018 median value owner-occupied units	\$178,700	\$244,100	\$145,400	\$204,900
2018 median age	32.2 yrs.	37.5 yrs.	36.5 yrs.	37.9 yrs.

	State of Kansas	United States
City % of 2018 per capita income	91.77%	86.52%
City % of 2018 median family income	113.16%	112.03%

Housing Statistics

	<u>The City</u>		
	2010	2018	Percent of Change
All Housing Units	3,496	7,300	108.81%

Source: 2000 and 2010 Census of Population and Housing, and 2017 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
2016	317,670	3.3%	4.0%
2017	323,123	3.0%	3.6%
2018	326,954	2.9%	3.3%
2019	329,456	2.8%	3.2%
2020, September	314,617	4.7%	5.9%

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 or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary 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.

CITY OF GARDNER, KANSAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019



Prepared by the Finance Department

Fiscal Services Division

Matt Wolff, Finance Director

Nancy Torneden, Fiscal Services Manager

Jackie Schulz, Senior Accountant

Stephanie Diaz, Senior Accountant

CITY OF GARDNER, KANSAS
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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended
December 31, 2019

INTRODUCTORY SECTION



June 1, 2020

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Gardner (City) for the fiscal year ended December 31, 2019. This is the sixteenth year that the City has prepared a CAFR, and staff has submitted this CAFR for a Certificate of Achievement for Excellence in Financial Reporting with the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that conforms to program standards. The CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for one year only. We believe this report conforms to the Certificate of Achievement program requirements.

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

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

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal requirements of Kansas Statutes. Activities of the General Fund, special revenue funds (unless exempted by a specific statute), enterprise funds, and the Debt Service Fund are included in the annual appropriated

budget, as required by Kansas Statutes. Spending in funds, which are not subject to said Statutes, are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the City.

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

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

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

Profile of the Government

The City of Gardner was established on March 16, 1858 and came under the jurisdiction of the State of Kansas in 1861. The City was incorporated as a Municipal Corporation of the third class in January 1887 and as a Municipal Corporation of the second class in December 2002. The City is located in Johnson County, Kansas, along Interstate 35, about 25 miles southwest of downtown Kansas City, Missouri. Johnson County, Kansas is considered to be one of the top growth areas in the state, and one of the top growth areas in the country. Johnson County is the largest county in Kansas with a population of approximately 597,555.

Because of Gardner's location on the edge of the Kansas City metropolitan area, the city serves as a suburban living area for individuals employed in the metropolitan area, as well as the surrounding rural agricultural community. Gardner is also experiencing rapidly accelerated development tangentially related to the intermodal/logistics park facility noted below. Currently, Gardner is approximately 11.94 square miles in size.

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

Gardner provides a full range of services including police protection and codes enforcement through its Police Department, fire services provided by Johnson County Fire District No.1, and ambulance services provided by Johnson County Med-Act. The City provides municipal electric, water, and wastewater services, street maintenance, and engineering. Other services include planning, zoning, municipal court, comprehensive parks and recreational activities and facilities, general administrative services, and a municipal airport.

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

Using said criterion, it was determined that the City has a blended component unit. The blended component unit - the Public Building Commission (PBC) - although a legally separate entity, is, in substance, part of the City's operations. In 2019, there was no fund balance or activity to report for the PBC.

Economic Condition and Outlook

Since 1990, Gardner has experienced tremendous growth, catapulting from 3,200 to approximately 22,000 citizens. 2020 projections from the county appraiser indicate significant growth in assessed valuation, at 11.47% for taxable properties. Based on the 2020 projections, the City's overall market value increased from \$1.84 billion to \$1.96 billion, an additional 7.68%.

Gardner is experiencing accelerating development, tangentially influenced by a several thousand acre railroad and logistics park - an inland port supporting the global supply chain - on its western border and a premiere multi-modal business park containing over 64 companies with names such as Amazon, DuPont Nutrition and Health, Garmin International, Unilever, and Centurylink on its eastern border. These adjacent business catalysts, the City's financial capacity and ability to leverage its municipally owned utilities, combined with ample undeveloped land around Gardner's two interchanges on Interstate 35, position the City as a central point for commerce.

In 2019, Gardner secured over \$58 million in private investment for business expansion and new development accompanied by projections for 175 new jobs and 151 new single-family homes.

Two projects were facilitated by industrial revenue bonds paired with property tax abatements: a five-story, 84-room Hampton Inn with a 200-seat conference center and the 646,400 sq. ft. "Excelligence" warehouse logistics, manufacturing, and call center facility. The use of property tax abatements for these two projects is consistent with the City Council's long-term strategic priority of promoting economic development and its economic development incentive policy. Gardner's strategic plan, economic development strategy, and economic development incentive policy are available on the City's website. A full cost-benefit analysis for the Hampton Inn Hotel can be found in the March 20, 2017 City Council Meeting Agenda Packet. The full benefit cost analysis for the "Excelligence" industrial project can be found in the October 16, 2017 City Council Meeting Agenda Packet. Both agenda packets can be found on the City's website at www.gardnarkansas.gov.

In the last 12 months, several businesses have started construction or made announcements of pending construction: a 60,000 sq. ft. new grocery store; the redevelopment of the current Price Chopper grocery store into new commercial uses; the development of two new pad sites for restaurants or retail; two new mixed-use developments that include approximately 100,000 sq. ft. of various retail/restaurant/office, 144 apartments, 136 assisted living units, and a 69,000 sq. ft. hotel. Olathe Medical Center - a major, regional hospital - completed its first phase of construction for a 13,500 sq. ft. laboratory and special services facility; the total build out is anticipated to be 125,000 sq. ft. for additional medical facilities planned over the next 5-10 years. Residential construction is also active; the City anticipates issuing 130 single-family home permits in 2020.

Due to the impact of COVID-19, the City anticipates a shortfall in the City's portion of county sales tax, City sales tax, and transient guest tax revenues in 2020. In response to the expected shortfall, the City has implemented a partial hiring freeze, made budget cuts of approximately 10% of the General Fund expenditures, and reduced expenditures in the Economic Development Fund by 49%.

The City expects continuing diversification of the tax base and increased valuation over the next several years, although any significant increase in associated revenue will not likely occur until approximately 2 years following the construction wave, as announced projects become reality.

2019 Major Initiatives

Following the cohesive commitment evidenced by consecutive Governing Bodies and citizens, a new Justice Center to house police headquarters, municipal court, and other community purposes started construction in 2018. The facility opened in the summer of 2019.

Promotion of economic development continued with the creation of the Gardner Destination Downtown Plan. The purpose of the plan was to form a coalition of ideas and support to create new dynamic public spaces and an enhanced downtown streetscape to revitalize the central core of the City.

The City established four benefit districts to support economic development including the Tuscan Farms residential development, the Waverly Plaza mixed-use development, and the Plaza South mixed-use development.

The City established a community improvement district to support the Main Street Market Place commercial development. The City anticipates issuing special obligation CID bonds in 2020.

Capital projects identified in the previous utility assessments and Capital Improvement Element (CIE) were implemented for water, wastewater, and electric utilities. The CIE is a plan for managing the condition of the City's infrastructure over the next 20 years. This long-term schedule of capital projects will guide infrastructure investment to serve infill areas of the City, as well as extend infrastructure to the I-35 interchanges; development of these interchange areas is essential to securing the City's future.

The City completed the design and started construction of the Hilsdale Water Treatment Plant Expansion Project. The expansion will increase water capacity by 3 million gallons per day and will support future community growth.

The City's Inflow and Infiltration Reduction Program was created in 2018 and implemented in 2019 to help reduce stormwater and ground water from entering into the sanitary sewer system.

Transportation network improvements continued for the I-35 and 191st Gardner Road interchange realignment, Waverly Road from 175th Street to Madison, and Sante Fe from Waverly to Poplar. Design work for all three projects started in 2018. Construction improvements for the I-35 and 191st Gardner road interchange realignment and the Waverly Road from 175th Street to Madison are anticipated to start in 2020. Construction improvements for Sante Fe from Waverly to Poplar started in 2019 and are anticipated to be complete in 2020.

The fourth phase of the Pavement Management Program improved 22 lane miles of residential streets, including road resurfacing, curb and gutter work, and new ADA accessible sidewalk curb ramps.

Future/Planned Initiatives

The Strategic Plan documents the majority of the Governing Body's budget policy directives and will guide the development of future initiatives to support the community's continuing economic "Transformation 2.0". The plan includes:

- The four strategic priorities
- Top goal for each strategic priority
- Objectives and strategies for each goal

Continued employee recruitment and retention efforts are planned through FY 2020, including merit compensation, bolstered medical insurance benefits, promotional opportunities, and some market wage adjustments.

The City anticipates improvements to the transportation network for the I-35 and 191st and Gardner Road interchange realignment, Waverly Road from 175th Street to Madison, and the installation of signals at Moonlight and Madison. The fifth year of the Pavement Management Program is planned and supports the "develop long-term infrastructure" objective in the Strategic Plan. Additional pedestrian trail improvements are planned for

2020, as well as construction of sidewalks and trails to fill gaps around Moonlight Elementary School; the project includes approximately \$252,000 in grant funding through MARC's "Safe Routes to Schools" program. Design for improvements on Main Street from Sycamore to Moonlight will begin in 2020 with construction anticipated to start in 2021.

The City continues to develop infrastructure plans for providing service to recently annexed properties on the other side of I-35. The Capital Improvement Program includes a schedule of planned capital projects for the next 5 years.

Financial Planning

Revenues greater than budget estimates contributed to the City's EOY 2019 General Fund balance that met and exceeded the City's target fund balance for the General Fund of 25% of expenditures. This level of fund balance exceeded the Government Finance Officers Association's "best practice" recommendation "of no less than two months of regular general fund operating revenues or regular general fund operating expenditures" (or 16.67%).

Due to the impact of COVID-19, the City anticipates a shortfall in sales tax and transient guest tax revenues. City Management has already implemented budget cuts in the General Fund and Economic Development Fund to offset anticipated revenue shortfalls. City staff participate in regional meetings with other government officials in the KC Metro and across Kansas to share information and prepare for the impact of COVID-19. Despite the impact of COVID-19, development projects continue to move forward in Gardner. It may be several years before the revenues associated with the new development projects become available.

The City updated its Funding Capacity Study in early 2020. The study provides guidance and context to strategically prioritize projects and opportunities and align those priorities with the City's resources. The 2019-2023 Capital Improvement Program (CIP) includes approximately \$53 million in capital improvements.

Increased vigilance and strategic prioritization is necessitated by the Kansas legislature's introduction of a "tax lid" effective January 1, 2018. The legislation limits local governments' ability to increase property tax revenues without voter approval above a cap calculated from a 5-year rolling average of the Consumer Price Index (CPI). The intent of the legislation is to curtail property tax revenue increases historically gained from increases in the appraised value of properties (a.k.a. market value). An additional impact of restricted property tax revenue is more reliance on volatile sales tax revenue or increasing fees for services. The challenge for growing cities such as Gardner will be prioritizing funding for competing operations, initiatives and development opportunities.

The tax lid legislation may inhibit the City's ability to facilitate development projects, such as providing incentives or building infrastructure to prepare an area to be "shovel ready," as development opportunities are typically confidential in nature and require time-

sensitive commitments. This need for nimble response is contradictory to the process of scheduling an election and providing enough in-depth, accurate information to educate voters and gain their approval for any tax increase quickly enough to facilitate opportunities, thus making elections for development funding impractical.

In addition to continuing its economic transformation, Gardner is engaged in continuous process improvement. Future financial planning includes identifying and implementing operational efficiencies to enhance fiscal stewardship, sustainability, and increase funding capacity to facilitate development opportunities.

As the Governing Body continues planning major initiatives and capital projects, and as development continues and revenues increase, projections past 2020 will likely be revised. Management will continue to monitor reserves and will take necessary action to maintain desired levels, as evidenced by past financial performance and the current Standard & Poor's investment grade credit rating of AA-/Stable.

Acknowledgements

The preparation of this report could not have been accomplished without the cooperation and support of the Governing Body in maintaining the highest standards of professionalism in the management of Gardner's finances. In addition, special thanks are extended to Administration, other City departments, external auditors, and for the efficient, dedicated efforts of the entire staff of the City's accounting division.

Sincerely,



James Pruetting
City Administrator

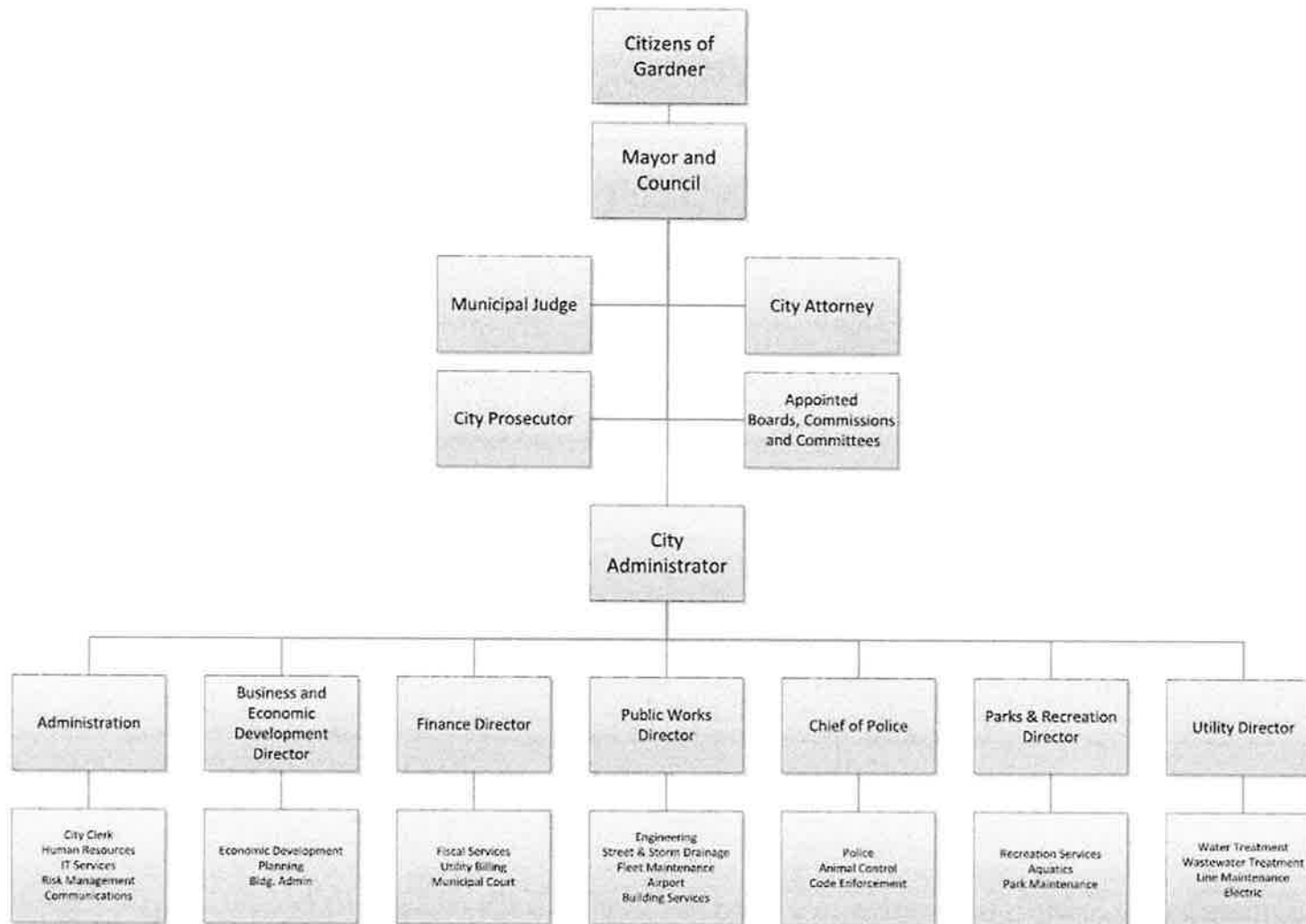


Matthew Wolff
Finance Director

City of Gardner, Kansas

Organizational Chart

December 31, 2019





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Gardner
Kansas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill
Executive Director/CEO



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended

December 31, 2019

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council Members
City of Gardner, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Gardner, Kansas (the City) as of and for the year ended December 31, 2019, 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.

Emphasis of a Matter

As discussed in *Note 16*, adjustments were made to the beginning net position to correct an error in the prior year financial statements. Our opinions are not modified with respect to this matter.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gardner, Kansas, as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 1, 2020
Wichita, Kansas

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Gardner (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, the City's basic financial statements and the related notes to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of 2019 by \$131,921,420 (*net position*). Of this amount, \$15,546,479 (*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 \$1,092,844 during the fiscal year.
- As of the close of 2019, the City's governmental funds reported combined ending fund balances of \$19,497,100. Approximately 19% of this total amount, \$3,701,788, is unassigned fund balance available for spending at the City's discretion.
- At the close of the current fiscal year, fund balance for the City's primary operating fund, the general fund, was \$4,032,542 or 32% of the total general fund revenues of \$12,574,547.
- The City's total long-term debt increased by \$3,861,061 during the fiscal year. The increase is due to new debt issued for \$11,980,000, which was offset by \$8,118,939 of debt retirement.
- The City recorded a \$427,302 prior period adjustment to the government-wide financial statements and the financial statements of the business-type activities for the City's proprietary funds for the write-off of two capital assets in the wastewater fund. See Note 16 for additional details.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The basic financial statements of the City include the government-wide financial statements and the fund financial statements. The notes to the financial statements follow the basic financial statements and are essential for the reader's understanding of the financial statements. Other supplementary information, including the statistical section, is also included at the end of this report to provide additional information for the reader.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund, capital projects fund and infrastructure special sales tax fund, all of which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The City has five enterprise funds: electric fund, water fund, wastewater fund, stormwater fund and the airport fund. The City has four internal service funds: risk services fund, information technology services fund, building services fund, and the utility billing services fund. The electric fund, water fund, and wastewater fund are the only funds being considered major funds for presentation purposes.

Notes to the Financial Statements

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

Other Information

In addition to the financial statements and notes described above, required supplementary information concerning the City's net pension liability and schedule of contributions for KPERS and KP&F and the City's total OPEB liability have been included to give the reader further information. Combining statements for non-major funds and internal service funds are presented following the required supplementary information. Finally, the Statistical Section includes statistical data about the City.

ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. For the City, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$131,921,420 at the close of the current fiscal year. The City's net position increased by \$1,092,844 from the prior year. While governmental activities decreased by \$1,697,850, business-type activities increased \$2,790,694.

City of Gardner, Kansas
Net Position

	Governmental Activities			Business-type Activities			Total
	2019	2018	2019	2018	2019	2018	
Current and other assets	\$35,138,016	\$37,622,601	\$21,158,151	\$22,103,567	\$56,296,167	\$59,726,168	
Capital assets	68,220,186	61,435,164	95,478,535	93,089,651	163,698,721	154,824,815	
Total assets	103,358,202	99,057,765	116,636,686	115,193,218	219,994,888	214,550,983	
Deferred outflow s	2,048,017	2,272,684	475,428	519,724	2,523,445	2,792,408	
Long-term liabilities	52,823,814	47,402,559	31,358,608	32,463,120	84,282,422	79,865,679	
Other liabilities	1,168,527	1,074,378	926,299	1,206,260	2,094,826	2,280,638	
Total liabilities	54,092,341	48,476,937	32,284,907	33,669,380	86,377,248	82,146,317	
Deferred inflow s	4,138,925	3,980,709	80,740	87,789	4,219,665	4,068,498	
Net position:							
Net investment in Capital Assets	32,182,882	34,541,491	66,658,777	63,039,388	98,841,659	97,860,879	
Restricted for:							
Debt service	11,909,249	14,218,486	-	-	11,909,249	14,218,486	
Capital projects	3,926,975	749,775	-	-	3,926,975	749,775	
Streets improvements	1,453,912	1,013,247	-	-	1,453,912	1,013,247	
Economic development	110,752	49,488	-	-	110,752	49,488	
Other purposes	132,394	89,116	-	-	132,394	89,116	
Unrestricted	(2,541,211)	(1,788,810)	18,087,650	18,916,385	15,546,479	17,127,575	
Total net position	\$47,774,953	\$48,872,803	\$84,746,467	\$81,955,773	\$131,921,420	\$130,828,576	

The largest portion of the City's net position (75%) reflects its investment of \$98,841,659 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 \$17,533,282 of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of the City's net position of \$15,546,479 is unrestricted and may be used to meet ongoing obligations to citizens and creditors.

The City had a negative balance in unrestricted net position for governmental activities as a result of OPEB and pension liabilities.

Analysis of Changes in Net Position

As stated earlier, the City's net position increased by \$1,092,844 during the current fiscal year. The following table reflects the revenues and expenses for the City's activities for the year ended December 31, 2019, and illustrates the comparison between 2019 and the prior year:

City of Gardner, Kansas Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 1,728,723	\$ 2,480,839	\$ 28,151,860	\$ 29,493,481	\$ 29,880,583	\$ 31,974,320
Operating grants and contributions	3,835,400	3,734,419	-	-	3,835,400	3,734,419
Capital grants and contributions	1,673,007	2,253,302	700,141	32,121	2,373,148	2,285,423
General Revenues:						
Property taxes	4,476,355	4,206,575	-	-	4,476,355	4,206,575
Sales taxes	4,333,660	4,171,850	-	-	4,333,660	4,171,850
Franchise taxes	257,002	282,893	-	-	257,002	282,893
Excise taxes	451,991	686,718	-	-	451,991	686,718
Transient guest tax	153,661	66,361	-	-	153,661	66,361
Unrestricted investment earnings	335,633	311,787	376,630	240,469	712,263	552,266
Other	78,002	328,963	-	-	78,002	328,963
Total Revenue	17,323,434	18,523,717	29,228,631	29,766,071	46,552,065	48,289,788
Expenses:						
General government	3,091,437	3,332,171	-	-	3,091,437	3,332,171
Police	5,600,299	5,040,277	-	-	5,600,299	5,040,277
Public works	5,353,865	4,653,338	-	-	5,353,865	4,653,338
Culture and recreation	3,531,547	3,363,570	-	-	3,531,547	3,363,570
Business & Economic Dev	1,061,554	947,501	-	-	1,061,554	947,501
Interest on long-term debt	1,404,127	1,453,025	-	-	1,404,127	1,453,025
Electric	-	-	16,829,253	16,829,253	16,829,253	16,829,253
Water	-	-	4,772,701	3,901,601	4,772,701	3,901,601
Wastewater	-	-	5,086,690	4,706,539	5,086,690	4,706,539
Stormwater	-	-	33,155	28,443	33,155	28,443
Airport	-	-	292,205	268,698	292,205	268,698
Total Expenses	20,042,829	18,789,882	25,002,435	25,734,534	45,045,264	44,524,416
Increase (decrease) in net position before transfers	(2,719,395)	(266,165)	4,226,196	4,031,537	1,506,801	3,765,372
Transfers	1,008,200	969,500	(1,008,200)	(969,500)	-	-
Change in net position	(1,711,195)	703,335	3,217,996	3,062,037	1,506,801	3,765,372
Net position, 1/1	48,872,803	48,218,674	81,955,773	78,924,918	130,828,576	127,143,592
Prior period adjustment	13,345	(49,206)	(427,302)	(31,182)	(413,957)	(80,386)
Net position, 12/31	\$ 47,174,953	\$ 48,872,803	\$ 84,746,467	\$ 81,955,773	\$ 131,921,420	\$ 130,828,576

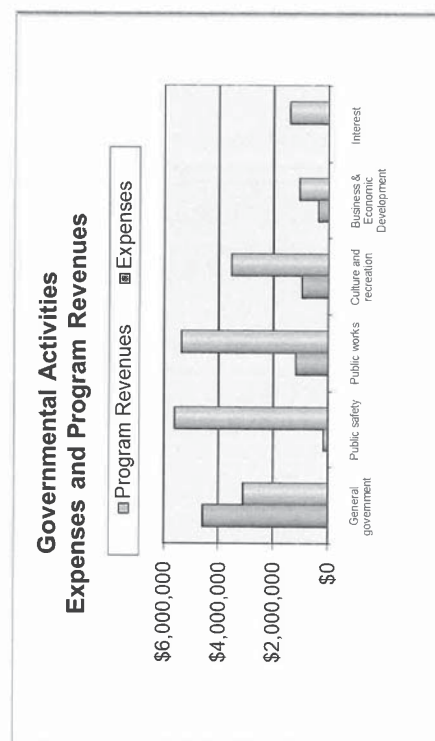
Governmental Activities

The City's net position related to governmental activities decreased \$1,697,850 during the year, a decrease of \$2,351,979 from the prior year.

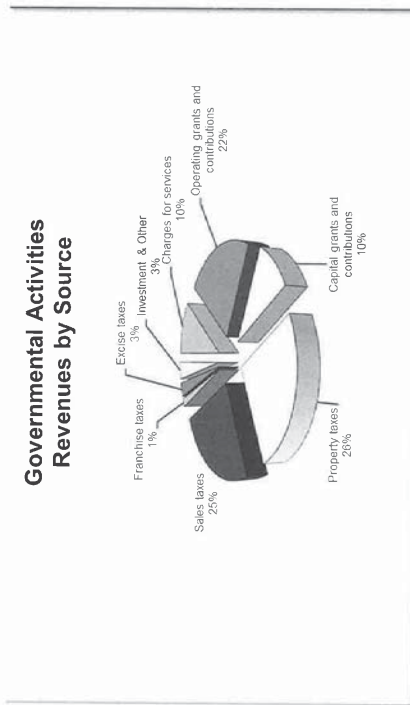
Total governmental revenues decreased \$1,200,283 from the prior year. The City saw decreases in program revenues of \$1,231,430 due to decreased grant funding for qualifying street projects and a large special assessment receivable write-off due to delinquent properties sold at a tax foreclosure auction. Excise tax revenue decreased due to a large development project in 2018 that did not recur in 2019. These decreases were partially offset by increased property and sales tax revenues of \$431,590.

Total governmental expenses increased \$1,252,947 from the prior year. Part of the increase was due to the disposal of some capital assets. Land that was previously reserved for a future fire station was transferred to Johnson County Fire District No.1 and with the recent construction of the new Justice Center the prior police buildings were disposed. Additionally, police saw increases in personnel-related expenses. The City also saw an increase in street related repair and maintenance due to the 2019 Pavement Management Program rehabilitation program.

The chart below illustrates how the City's various governmental activities program revenues vs. program expenses fared in 2019.



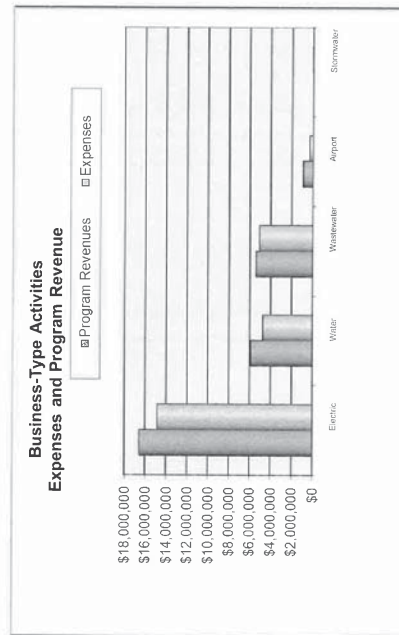
The chart below illustrates the City's overall program and general revenues for governmental activities:



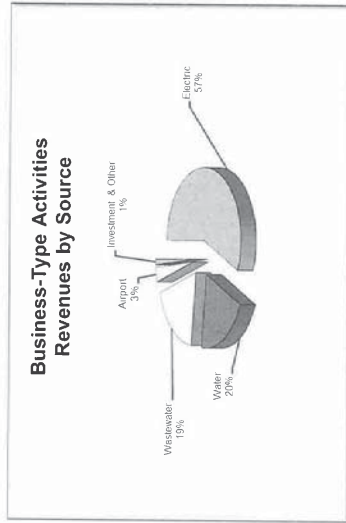
Business-Type Activities

The City's net position related to business-type activities increased \$2,790,694. The electric, water and wastewater funds all experienced positive changes (3.3%, 1.4%, and 5.6%, respectively). The increases were mostly due to contributed capital from developers and decreased wholesale energy costs.

The City's residential electric base rates decreased 2%, water rates increased 3.7% while wastewater rates were unchanged in 2019. 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 96.32% 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 \$19,497,100, a decrease of \$725,363 in comparison with the prior year. Approximately 21% of this total amount or \$4,008,784 constitutes fund balance that is available to meet the City's current and future needs. The remainder of the fund balance totaling \$15,488,316 is restricted for specific spending or nonspendable in form.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was \$4,032,542. 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 29% of total general fund expenditures of \$13,787,200.

The fund balance in the City's general fund had a decrease of \$143,298 during the current fiscal year. While total revenues in the general fund increased \$463,437, total expenditures increased \$347,079, compared to the previous year contributing to the negative change.

The debt service fund had an ending fund balance of \$1,940,213, all of which is restricted for the payment of debt service. This is a decrease of \$2,214,212 from prior year. The City had increased principal payments from the payoff of a partial net cash advance refunding that originated in 2017 and paid off the old debt in 2019.

The capital projects fund had an ending fund balance of \$6,773,678. This is a decrease of \$1,255,405 from the prior year. The decrease is due to increased capital outlay expenses for the Justice Center project started in 2018.

The infrastructure special sales tax fund had an ending fund balance of \$1,412,031, all of which is restricted for rehabilitation of streets and pedestrian bridges and trails. This is an increase of \$312,868 from the previous year. This is due to decreased capital outlay expenditures.

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 \$18,110,405. The total decrease in unrestricted net position was \$838,007 from the prior year.

The electric fund had total net position of \$38,524,166 at the end of the current fiscal year. This is an increase of \$1,215,183 or 3.26% from the previous year. This is primarily due to decreased operating expenses.

The water fund had total net position of \$21,144,930 at the end of the current fiscal year. This is an increase of \$298,690 or 1.43% from the previous year.

The wastewater fund had total net position of \$21,156,863 at the end of the current fiscal year. This is an increase of \$1,112,731 or 5.55% from the previous year. This increase is down from the prior year due to increased operating expenses.

The airport fund (a non-major proprietary fund) had total net position of \$3,084,904 at the end of the current fiscal year. This is an increase of \$2,964 or .10% from the previous year.

The stormwater fund (a non-major proprietary fund) had total net position of \$796,396 at the end of the current fiscal year. This is an increase of \$161,126 or 25.36% from the previous year because of capital contributions from developers.

The City's internal service funds had total net position of \$305,708 at the end of the current fiscal year. This is an increase of \$26,546 from the previous year due to an unallocated equipment credit that will be allocated in 2020 when received.

GENERAL FUND BUDGETARY HIGHLIGHTS:

The City's general fund budget was not amended during 2019; therefore, the original budget and the final budget are the same. During the year, total revenues were more than budgetary estimates by \$182,696. Due to the City's effective budget controls expenditures were \$2,722,678 less than budgeted, which

resulted in a positive variance of \$2,905,374. A summary of differences between budgetary estimates for revenues and expenditures is as follows:

- Property tax collections were less than the original estimate by \$58,808.
- City sales and use tax revenues were more than estimated by \$104,889. This is due to an improvement of economic conditions.
- Licenses and permits were \$49,785 more than estimated. This can be attributed to increased building and construction permits.
- Investment earnings were \$77,195 more than estimated due to a more aggressive investment strategy and increased interest rates.
- General fund project reserves of \$3,075,363 remain available at the end of 2019. This is up 2% from the prior year. These large reserves will provide funding to undertake major initiatives planned for the future.
- Police expenditures were \$272,978 more than estimated due to increased contractual services for the newly constructed Justice Center and personnel-related costs.

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, 2019, amounted to \$163,698,721 (net of accumulated depreciation and amortization). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, intangibles, vehicles, roads, water lines, sewer collectors and electric lines.

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

	Governmental Activities			Business-Type Activities			Total
	2019	2018	2019	2018	2018	2018	2018
Land	\$ 4,727,103	\$ 4,780,151	\$ 3,640,094	\$ 3,640,094	\$ 8,387,197	\$ 8,420,245	
Construction in progress	16,168,381	8,227,572	3,975,849	555,534	20,144,230	8,783,106	
Buildings	2,807,978	3,086,860	17,370,898	18,329,300	20,178,844	21,396,160	
Improvements	3,225,954	3,424,076	7,385,221	7,124,478	10,610,785	10,548,554	
Infrastructure	40,236,574	40,745,486	55,463,071	55,858,536	95,699,652	96,603,992	
Intangibles	-	-	6,006,053	6,243,741	6,006,053	6,243,741	
Machinery and equipment	640,154	646,312	816,056	877,348	1,456,210	1,523,660	
Vehicles	414,432	544,737	821,318	460,620	1,235,750	1,005,357	
	\$ 68,220,186	\$ 61,435,164	\$ 95,478,535	\$ 93,085,651	\$103,698,721	\$154,524,815	

More detailed information about the City's capital assets is presented in Note 4 to the Basic Financial Statements.

Long-Term Debt

At the end of the current fiscal year, the City had total long-term debt outstanding of \$71,440,179. Of this amount, \$33,245,000 was general obligation debt backed by the full faith and credit of the City. However, \$8,845,000 of general obligation debt is supported by business-type revenues. Special assessment debt in the amount \$8,570,000 is debt for which the City is liable in the event of default by the property owners subject to the assessment. An additional \$9,141,812 of the City's debt is from construction loans with the Kansas Department of Health and Environment for improvements to the wastewater system. The

remainder of the City's debt represents bond anticipation notes, PBC revenue bonds and capital lease obligations.

In 2019, the City issued bonds to finance various street improvements within the City and wastewater system improvements. The City also entered into two lease purchase agreements to finance the purchase of equipment for the public works department.

In 2019, the City also issued temporary bond anticipation notes to temporarily finance street and utility improvements for two new benefit districts.

More detailed information about the City's long-term debt is presented in Note 11 to the Basic Financial Statements.

City of Gardner's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total
	2019	2018	2019	2018	2018
General obligation bonds	\$24,400,000	\$23,398,487	\$ 8,845,000	\$ 9,039,013	\$33,245,000
Special assessment debt with government commitment	8,570,000	11,592,500	-	-	8,570,000
Bond anticipation notes payable	7,365,000	-	-	-	7,365,000
PBC revenue bonds	900,000	1,295,000	-	-	900,000
Construction loan payable	-	-	9,141,812	9,738,473	9,141,812
Capital lease obligations	1,800,000	1,785,000	10,418,367	10,750,645	12,218,367
	\$43,035,000	\$38,050,987	\$28,405,179	\$29,528,131	\$71,440,179
					\$67,579,118

The City's total long-term debt increased \$3,861,061 during the current fiscal year. This is due to the aforementioned new GO Debt, bond anticipation notes and capital lease obligations and is offset by retirement of existing debt.

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 \$68,190,386, which is significantly in excess of the City's outstanding general obligation bonds.

More detailed information about the City's long-term debt is presented in Note 11 to the basic financial statements.

REQUESTS FOR INFORMATION

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

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CITY OF GARDNER, KANSAS
STATEMENT OF NET POSITION

December 31, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Deposits and investments	\$ 10,843,384	\$ 16,649,248	\$ 27,492,632
Receivables, net of allowance for uncollectibles:			
Taxes	4,717,025	-	4,717,025
Accounts Receivable	-	3,068,987	3,068,987
Intergovernmental	938,407	-	938,407
Special assessments	10,473,639	-	10,473,639
Other	82,662	27,266	109,928
Internal balances	(26,842)	26,842	-
Prepaid items	2,848	-	2,848
Inventories	23,758	1,098,035	1,121,793
Restricted deposits and investments	8,083,135	287,773	8,370,908
Capital assets, net of accumulated depreciation, where applicable:			
Land	4,727,103	3,640,094	8,367,197
Construction in progress	16,168,381	3,975,849	20,144,230
Buildings	2,807,978	17,370,866	20,178,844
Improvements	3,225,564	7,385,221	10,610,785
Infrastructure	40,236,574	55,463,078	95,699,652
Intangible	-	6,006,053	6,006,053
Machinery and equipment	640,154	816,056	1,456,210
Vehicles	414,432	821,318	1,235,750
Total assets	103,358,202	116,636,686	219,994,888
Deferred outflows of resources:			
Unamortized portion of refunding gain	225,427	14,411	239,838
Pension deferred outflow	1,809,471	456,283	2,265,754
OPEB deferred outflow	13,119	4,734	17,853
Total deferred outflows of resources	2,048,017	475,428	2,523,445
Liabilities:			
Accounts payable	777,979	474,853	1,252,832
Accrued payroll	68,768	21,734	90,502
Accrued interest payable	321,780	141,939	463,719
Liabilities payable from restricted assets	-	287,773	287,773
Noncurrent liabilities:			
Due within one year	3,783,886	3,412,205	7,196,091
Due in more than one year	49,139,928	27,946,403	77,086,331
Total liabilities	54,092,341	32,284,907	86,377,248
Deferred inflows of resources:			
Property tax receivable	3,992,052	-	3,992,052
Pension deferred inflow	110,806	59,214	170,020
OPEB deferred inflow	36,067	21,526	57,593
Total deferred inflows of resources	4,138,925	80,740	4,219,665
Net position:			
Net investment in capital assets	32,182,882	66,658,777	98,841,659
Restricted for:			
Debt service	11,909,249	-	11,909,249
Capital projects	3,926,975	-	3,926,975
Street improvements	1,453,912	-	1,453,912
Economic development	110,752	-	110,752
Other purposes	132,394	-	132,394
Unrestricted	(2,541,211)	18,087,690	15,546,479
Total net position	\$ 47,174,953	\$ 84,746,467	\$ 131,921,420

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

CITY OF GARDNER, KANSAS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

Functions/Programs						Net (Expense) Revenue and Changes in Net Position		
	Expenses	Indirect Expenses Allocation	Program Revenues			Primary Government		Total
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary government:								
Governmental activities:								
General government	\$ 4,736,733	\$ (1,645,296)	\$ 417,849	\$ 3,045,078	\$ 1,095,293	\$ 1,466,783	\$ -	\$ 1,466,783
Police	5,600,299	-	8,427	148,581	-	(5,443,291)	-	(5,443,291)
Public works	5,353,865	-	-	601,620	577,714	(4,174,531)	-	(4,174,531)
Culture and recreation	3,531,547	-	923,514	40,121	-	(2,567,912)	-	(2,567,912)
Business and economic development	1,061,554	-	378,933	-	-	(682,621)	-	(682,621)
Interest on long-term debt	1,404,127	-	-	-	-	(1,404,127)	-	(1,404,127)
Total governmental activities	21,688,125	(1,645,296)	1,728,723	3,835,400	1,673,007	(12,805,699)	-	(12,805,699)
Business-type activities:								
Electric	14,316,288	501,396	16,545,548	-	-	-	1,727,864	1,727,864
Water	4,186,201	586,500	5,927,668	-	-	-	1,154,967	1,154,967
Wastewater	4,529,290	557,400	5,428,736	-	-	-	342,046	342,046
Stormwater	33,155	-	-	-	-	-	(33,155)	(33,155)
Airport	292,205	-	249,908	-	700,141	-	657,844	657,844
Total business-type activities	23,357,139	1,645,296	28,151,860	-	700,141	-	3,849,566	3,849,566
Total primary government	\$ 45,045,264	\$ -	\$ 29,880,583	\$ 3,835,400	\$ 2,373,148	(12,805,699)	3,849,566	(8,956,133)
General revenues:								
Property taxes						4,476,355	-	4,476,355
Sales taxes						4,333,660	-	4,333,660
Franchise taxes						257,002	-	257,002
Excise taxes						451,991	-	451,991
Transient guest tax						153,661	-	153,661
Unrestricted investment earnings						335,633	376,630	712,263
Other						78,002	-	78,002
Transfers						1,008,200	(1,008,200)	-
Total general revenues and transfers						11,094,504	(631,570)	10,462,934
Change in net position						(1,711,195)	3,217,996	1,506,801
Net position, beginning of year						48,872,803	81,955,773	130,828,576
Prior period adjustment						13,345	(427,302)	(413,957)
Net position, end of year						\$ 47,174,953	\$ 84,746,467	\$ 131,921,420

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

CITY OF GARDNER, KANSAS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2019

	General	Debt Service	Capital Projects	Infrastructure Special Sales Tax	Other Governmental Funds	Total Governmental Funds
Assets						
Deposits and investments	\$ 3,442,477	\$ 1,680,585	\$ 473,694	\$ 1,138,423	\$ 3,772,091	\$ 10,507,270
Receivables (net of allowance for uncollectibles):						
Taxes	3,179,595	1,272,366	-	206,300	58,764	4,717,025
Special assessments	-	10,473,639	-	-	-	10,473,639
Intergovernmental	521,176	76,805	60,656	-	279,770	938,407
Other	49,382	-	6,576	-	-	55,958
Inventories	23,758	-	-	-	-	23,758
Restricted deposits and investments	-	182,823	6,288,944	151,397	1,459,971	8,083,135
Total assets	<u>\$ 7,216,388</u>	<u>\$ 13,686,218</u>	<u>\$ 6,829,870</u>	<u>\$ 1,496,120</u>	<u>\$ 5,570,596</u>	<u>\$ 34,799,192</u>
Liabilities						
Accounts payable	375,607	-	56,192	84,089	231,960	747,848
Accrued payroll	66,079	-	-	-	-	66,079
Due to other funds	22,474	-	-	-	-	22,474
Total liabilities	<u>464,160</u>	<u>-</u>	<u>56,192</u>	<u>84,089</u>	<u>231,960</u>	<u>836,401</u>
Deferred Inflows of Resources						
Unavailable revenue - special assessments	-	10,473,639	-	-	-	10,473,639
Deferred revenue - property taxes	2,719,686	1,272,366	-	-	-	3,992,052
Total deferred inflows of resources	<u>2,719,686</u>	<u>11,746,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,465,691</u>
Fund Balances						
Nonspendable	23,758	-	-	-	-	23,758
Restricted						
Debt Service	-	1,940,213	-	-	-	1,940,213
Capital projects	-	-	6,773,678	1,412,031	3,641,578	11,827,287
Street improvements	-	-	-	-	1,453,912	1,453,912
Economic development	-	-	-	-	110,752	110,752
Other	-	-	-	-	132,394	132,394
Assigned						
General Government	1,500	-	-	-	-	1,500
Police	159,826	-	-	-	-	159,826
Public Works	132,760	-	-	-	-	132,760
Culture and Recreation	12,910	-	-	-	-	12,910
Unassigned	3,701,788	-	-	-	-	3,701,788
Total fund balances	<u>4,032,542</u>	<u>1,940,213</u>	<u>6,773,678</u>	<u>1,412,031</u>	<u>5,338,636</u>	<u>19,497,100</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,216,388</u>	<u>\$ 13,686,218</u>	<u>\$ 6,829,870</u>	<u>\$ 1,496,120</u>	<u>\$ 5,570,596</u>	<u>\$ 34,799,192</u>

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, 2019

Total fund balances in Governmental Funds Balance Sheet \$ 19,497,100

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. 67,996,462

Other long-term assets are not available to pay for current period
expenditures and therefore are deferred in the funds. 10,473,639

Deferred outflows of resources are not available and payable in the current period
and therefore are not reported in the funds:

Deferred refunding	225,427	
Deferred outflows related to pensions	1,749,120	
Deferred outflows related to OPEB	12,417	
Total		1,986,964

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	(321,780)	
Bonds:		
General obligation, bond anticipation notes and special assessments bond payable, net of unamortized premium of \$1,310,866	(41,645,866)	
Net pension liability	(7,378,017)	
PBC lease revenue bonds	(900,000)	
Land Lease Purchase	(1,620,000)	
Other post employment benefits	(311,179)	
Capital lease obligation	(180,000)	
Compensated absences	(554,643)	
Total		(52,911,485)

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		(101,666)
Deferred inflows - OPEB		(32,561)

Internal service funds are used by management to charge the costs of risk services,
building services and information technology services to individual funds. The
assets and liabilities of these internal service funds are included in
governmental activities in the statement of net position.

266,500

Net position of governmental activities

\$ 47,174,953

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, 2019

	General	Debt Service	Capital Projects	Infrastructure Special Sales Tax	Other Governmental funds	Total Governmental Funds
Revenues						
Taxes:						
Property tax	\$ 3,007,811	\$ 1,468,544	\$ -	\$ -	\$ -	\$ 4,476,355
Sales tax	3,103,889	-	-	1,229,771	-	4,333,660
Franchise tax	257,002	-	-	-	-	257,002
Transient guest tax	-	-	-	-	153,661	153,661
Excise Tax	-	-	-	-	451,991	451,991
Special assessments	7,722	1,111,772	-	-	-	1,119,494
Intergovernmental	2,318,007	423,195	110,250	-	1,156,965	4,008,417
Licenses and permits	306,785	-	-	-	-	306,785
Charges for services	2,882,631	-	-	-	-	2,882,631
Fines and fees	538,399	-	-	-	113,141	651,540
Investment earnings	102,195	77,484	103,462	14,873	37,619	335,633
Other	50,106	-	-	-	4,177	54,283
Total revenues	<u>12,574,547</u>	<u>3,080,995</u>	<u>213,712</u>	<u>1,244,644</u>	<u>1,917,554</u>	<u>19,031,452</u>
Expenditures						
Current:						
General government	2,808,030	-	-	-	111,657	2,919,687
Police	4,774,678	-	-	-	-	4,774,678
Public works	2,336,022	-	-	1,167,764	-	3,503,786
Culture and recreation	2,572,729	-	198,745	-	-	2,771,474
Business and economic development	1,030,478	-	507	-	-	1,030,985
Capital outlay	265,263	-	8,410,305	114,682	614,064	9,404,314
Debt service:						
Principal	-	4,595,987	-	385,000	45,000	5,025,987
Interest and fiscal charges	-	1,153,067	-	142,638	13,563	1,309,268
Other	-	1,000	116,590	21,084	45,997	184,671
Total expenditures	<u>13,787,200</u>	<u>5,750,054</u>	<u>8,726,147</u>	<u>1,831,168</u>	<u>830,281</u>	<u>30,924,850</u>
Excess of revenues over (under) expenditures	<u>(1,212,653)</u>	<u>(2,669,059)</u>	<u>(8,512,435)</u>	<u>(586,524)</u>	<u>1,087,273</u>	<u>(11,893,398)</u>
Other financing sources (uses)						
General obligation bonds issued	-	-	-	860,000	1,605,000	2,465,000
Bond anticipation note issued	-	252,512	7,112,488	-	-	7,365,000
Proceeds from capital lease	180,000	-	-	-	-	180,000
Issuance: premium	-	-	-	39,392	73,379	112,771
Proceeds from sale of capital assets	11,120	-	-	-	12,599	23,719
Transfers in	866,900	202,335	152,177	-	-	1,221,412
Transfers out	-	-	(7,635)	-	(205,577)	(213,212)
Total other financing sources (uses)	<u>1,058,020</u>	<u>454,847</u>	<u>7,257,030</u>	<u>899,392</u>	<u>1,485,401</u>	<u>11,154,690</u>
Net change in fund balances	(154,633)	(2,214,212)	(1,255,405)	312,868	2,572,674	(738,708)
Fund balances, beginning of year	4,175,840	4,154,425	8,029,083	1,099,163	2,763,952	20,222,463
Prior period adjustment	11,335	-	-	-	2,010	13,345
Fund balances, end of year	<u>\$ 4,032,542</u>	<u>\$ 1,940,213</u>	<u>\$ 6,773,678</u>	<u>\$ 1,412,031</u>	<u>\$ 5,338,636</u>	<u>\$ 19,497,100</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, 2019

Net change in fund balances - total governmental funds \$ (738,708)

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	9,404,314	
Depreciation Expense	(2,752,400)	
Net Change	<u>6,651,914</u>	6,651,914

Net gain (loss) on disposal of capital assets (230,396)

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		(2,141,434)
Donated capital assets		409,697

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	(102,753)	
Accrued interest	15,440	
Premium amortization	116,719	
Deferred refunding	(42,347)	
Net pension liability	(584,687)	
Total OPEB liability	5,598	
Total	<u>(592,030)</u>	(592,030)

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	(2,465,000)	
Proceeds from bond anticipation note	(7,365,000)	
Proceeds from capital lease	(180,000)	
Premiums	(112,771)	

Principal repayments:

General obligation and special assessment bonds payable	4,485,987	
PBC lease revenue bonds	395,000	
City Lease Purchase	145,000	
Total	<u>(5,096,784)</u>	(5,096,784)

Internal service funds are used by management to charge the costs of risk services, building services and information technology services to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

26,546

Change in net position of governmental activities \$ (1,711,195)

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, 2019

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes:				
Property	\$ 3,066,619	\$ 3,066,619	\$ 3,007,811	\$ (58,808)
Sales	2,999,000	2,999,000	3,103,889	104,889
Franchise	315,000	315,000	257,002	(57,998)
Intergovernmental	2,320,940	2,320,940	2,318,007	(2,933)
Licenses and permits	257,000	257,000	306,785	49,785
Charges for services	2,872,600	2,872,600	2,882,631	10,031
Fines and fees	531,900	531,900	538,399	6,499
Investment earnings	25,000	25,000	102,195	77,195
Other	1,000	1,000	55,036	54,036
Total revenues	12,389,059	12,389,059	12,571,755	182,696
Expenditures				
General government	3,012,500	3,012,500	2,809,530	202,970
Police	4,501,700	4,501,700	4,774,678	(272,978)
Public works	2,291,800	2,291,800	2,295,597	(3,797)
Culture and recreation	2,489,500	2,489,500	2,536,650	(47,150)
Business and economic development	1,038,700	1,038,700	1,021,478	17,222
Capital outlay	237,400	237,400	486,352	(248,952)
Project reserve	3,075,363	3,075,363	-	3,075,363
Total expenditures	16,646,963	16,646,963	13,924,285	2,722,678
Excess of revenues over (under) expenditures	(4,257,904)	(4,257,904)	(1,352,530)	2,905,374
Other financing sources and (uses)				
Transfers in	866,900	866,900	866,900	-
Transfers out	-	-	(5,000)	(5,000)
Proceeds from capital lease	-	-	180,000	180,000
Proceeds from sale of capital assets	-	-	11,120	11,120
Total other financing sources and (uses)	866,900	866,900	1,053,020	186,120
Net change in fund balances	(3,391,004)	(3,391,004)	(299,510)	3,091,494
Fund balances, beginning of year	3,483,863	3,483,863	4,009,788	525,925
Fund balances, end of year	\$ 92,859	\$ 92,859	3,710,278	\$ 3,617,419

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	306,996
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GAAP fund balance	<u>\$ 4,017,274</u>
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Fund balances for separately budgeted and non-budgeted funds included with the General Fund on GAAP financials:

Land Bank	5,000
Special Olympics	10,268
	<u>\$ 4,032,542</u>

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

CITY OF GARDNER, KANSAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2019

	Major Funds		
	Electric	Water	Wastewater
Assets			
Current assets:			
Cash and cash equivalents	\$ 13,468,947	\$ 959,986	\$ 1,508,551
Accounts receivable, net	1,871,866	579,143	567,382
Other receivable	19,391	1,790	2,685
Prepaid items	-	-	-
Inventories	880,075	141,864	49,803
Restricted deposits and investments	224,176	57,897	-
Due from other funds	610,582	1,063	197
Total current assets	<u>17,075,037</u>	<u>1,741,743</u>	<u>2,128,618</u>
Noncurrent assets:			
Capital assets:			
Land	678,878	964,968	710,874
Construction in progress	256,372	3,082,569	-
Buildings	11,617,738	7,708,948	26,647
Infrastructure	40,969,870	18,857,461	47,805,864
Intangible	401,622	270,622	7,090,821
Improvements	8,422,821	3,107,473	2,114,224
Machinery and equipment	875,811	384,017	706,633
Vehicles	492,362	571,193	582,816
Less accumulated depreciation and amortization	<u>(29,808,291)</u>	<u>(12,365,239)</u>	<u>(24,338,070)</u>
Total capital assets	<u>33,907,183</u>	<u>22,582,012</u>	<u>34,699,809</u>
Total noncurrent assets	<u>33,907,183</u>	<u>22,582,012</u>	<u>34,699,809</u>
Total assets	<u>50,982,220</u>	<u>24,323,755</u>	<u>36,828,427</u>
Deferred outflows of resources			
Unamortized portion of refunding gain	-	-	14,411
Pension deferred outflow	219,512	85,880	77,443
OPEB deferred outflow	1,234	1,046	1,458
Total deferred outflows of resources	<u>220,746</u>	<u>86,926</u>	<u>93,312</u>
Liabilities			
Current liabilities:			
Accounts payable	210,613	32,080	206,585
Accrued payroll	9,637	4,736	4,113
Customer and developer deposits	224,176	57,897	-
Accrued interest payable	4,581	18,900	117,561
Due to other funds	-	-	-
Compensated absences	125,937	41,650	62,262
Current portion of bonds payable	80,000	390,000	1,675,000
Current portion of construction loans payable	-	-	610,986
Current portion of lease payable	<u>343,569</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>998,513</u>	<u>545,263</u>	<u>2,676,507</u>
Noncurrent liabilities:			
Other postemployment benefit obligation	49,461	34,617	33,962
Bonds payable, net	539,548	2,263,908	4,143,912
Net Pension liability	980,772	406,734	364,853
Lease payable	10,074,798	-	-
Construction loan payable	<u>-</u>	<u>-</u>	<u>8,530,826</u>
Total noncurrent liabilities	<u>11,644,579</u>	<u>2,705,259</u>	<u>13,073,553</u>
Total liabilities	<u>12,643,092</u>	<u>3,250,522</u>	<u>15,750,060</u>
Deferred inflows of resources			
Pension deferred inflow	26,665	11,305	10,076
OPEB deferred inflow	9,043	3,924	4,740
Total deferred inflows of resources	<u>35,708</u>	<u>15,229</u>	<u>14,816</u>
Net position			
Net investment in capital assets	22,869,268	19,928,104	19,753,496
Unrestricted	15,654,898	1,216,826	1,403,367
Total net position	<u>\$ 38,524,166</u>	<u>\$ 21,144,930</u>	<u>\$ 21,156,863</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
Totals		Total	Service Funds
\$ 365,963	\$ 16,303,447	\$ 681,915	
50,596	3,068,987	-	
-	23,866	30,104	
-	-	2,848	
26,293	1,098,035	-	
5,700	287,773	-	
-	611,842	-	
448,552	21,393,950	714,867	
1,285,374	3,640,094	-	
636,908	3,975,849	-	
1,745,363	21,098,696	-	
1,696,409	109,329,604	-	
-	7,763,065	-	
880,033	14,524,551	-	
-	1,966,461	492,694	
-	1,646,371	131,844	
(2,016,479)	(68,528,079)	(338,891)	
4,227,608	95,416,612	285,647	
4,227,608	95,416,612	285,647	
4,676,160	116,810,562	1,000,514	
-	14,411	-	
716	383,551	133,083	
-	3,738	1,698	
716	401,700	134,781	
17,782	467,060	37,924	
118	18,604	5,819	
5,700	287,773	-	
897	141,939	-	
585,000	585,000	4,368	
2,915	232,764	72,536	
35,000	2,180,000	-	
-	610,986	-	
-	343,569	-	
647,412	4,867,695	120,647	
265	118,305	35,589	
146,622	7,093,990	-	
1,195	1,753,554	645,800	
-	10,074,798	-	
-	8,530,826	-	
148,082	27,571,473	681,389	
795,494	32,439,168	802,036	
75	48,121	20,233	
7	17,714	7,318	
82	65,835	27,551	
4,045,986	66,596,854	285,647	
(164,686)	18,110,405	20,061	
\$ 3,881,300	84,707,259	\$ 305,708	
	39,208		
	\$ 84,746,467		

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, 2019

	Major Funds		
	Electric	Water	Wastewater
Operating revenues			
Charges for sales and services	\$ 16,508,702	\$ 5,927,668	\$ 5,428,436
Other	36,846	-	300
Total operating revenues	16,545,548	5,927,668	5,428,736
Operating expenses			
Administration	1,651,507	1,110,945	1,059,431
Wholesale energy cost	8,316,421	-	-
Generation	706,197	-	-
Treatment	-	2,030,397	1,143,699
Distribution and collection	1,974,736	720,889	463,686
Contractual services	-	-	-
Other supplies and expenses	-	-	-
Repairs and maintenance	-	-	-
Depreciation and amortization	1,620,360	863,420	1,981,631
Other	-	-	-
Total operating expenses	14,269,221	4,725,651	4,648,447
Operating income (loss)	2,276,327	1,202,017	780,289
Nonoperating revenues (expenses)			
Investment earnings	279,759	49,343	44,346
Interest expense	(548,463)	(84,150)	(391,692)
Other	-	37,100	(46,551)
Total nonoperating revenues (expenses)	(268,704)	2,293	(393,897)
Income (loss) before transfers and contributions	2,007,623	1,204,310	386,392
Capital grants and contributions	102,060	137,980	223,741
Transfers in	-	-	1,200,000
Transfers out	(894,500)	(1,043,600)	(270,100)
Change in net position	1,215,183	298,690	1,540,033
Total net position, beginning of year	37,308,983	20,846,240	20,044,132
Prior period adjustment	-	-	(427,302)
Total net position, end of year	\$ 38,524,166	\$ 21,144,930	\$ 21,156,863
Change in net position			

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

Change in net position of business-type activities

Nonmajor Funds			Internal
Totals	Total	Service Funds	
\$ 249,908	\$ 28,114,714	\$ 3,302,562	
-	37,146	13,703	
249,908	28,151,860	3,316,265	
157,448	3,979,331	1,077,566	
-	8,316,421	-	
-	706,197	-	
-	3,174,096	-	
-	3,159,311	-	
-	-	1,559,520	
-	-	99,712	
13,916	13,916	20,382	
151,601	4,617,012	55,504	
-	-	480,435	
322,965	23,966,284	3,293,119	
(73,057)	4,185,576	23,146	
3,182	376,630	-	
(2,395)	(1,026,700)	-	
-	(9,451)	3,400	
787	(659,521)	3,400	
(72,270)	3,526,055	26,546	
236,360	700,141	-	
-	1,200,000	-	
-	(2,208,200)	-	
164,090	3,217,996	26,546	
3,717,210	81,916,565	279,162	
-	(427,302)	-	
\$ 3,881,300	84,707,259	\$ 305,708	
	3,217,996		
	-		
	\$ 3,217,996		

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, 2019

	Major Funds	
	Electric	Water
Cash flows from operating activities:		
Receipts from customers	\$ 16,526,744	\$ 5,997,772
Other receipts	-	-
Payments to suppliers	(10,897,857)	(2,699,490)
Payments to employees	(1,894,881)	(1,191,323)
Other payments	(585,000)	-
Net cash provided by operating activities	<u>3,149,006</u>	<u>2,106,959</u>
Cash flows from noncapital financing activities:		
Transfers from other funds	-	-
Transfers to other funds	(894,500)	(1,043,600)
Net cash provided by (used in) noncapital financing activities	<u>(894,500)</u>	<u>(1,043,600)</u>
Cash flows from capital and related financing activities:		
Capital grants and contributions	-	-
Acquisition and construction of capital assets	(220,702)	(3,488,257)
Principal paid on general obligation bonds	(325,000)	(380,000)
Principal paid on construction loan	-	-
Principal paid on capital lease	(332,278)	-
Interest paid on general obligation bonds, construction loan, and capital lease	(551,130)	(87,000)
Proceeds from general obligation bonds	-	-
Proceeds from sale of assets	-	37,100
Issuance costs and fees	-	-
Net cash used in capital and related financing activities	<u>(1,429,110)</u>	<u>(3,918,157)</u>
Cash flows from investing activities:		
Interest received	<u>279,759</u>	<u>49,343</u>
Net increase (decrease) in cash and cash equivalents	1,105,155	(2,805,455)
Cash and cash equivalents, beginning of year	<u>12,587,968</u>	<u>3,823,338</u>
Cash and cash equivalents, end of year	<u>\$ 13,693,123</u>	<u>\$ 1,017,883</u>

	Nonmajor Funds		Internal
Wastewater	Totals	Total	Service Funds
\$ 5,500,006	\$ 208,964	\$ 28,233,486	\$ 3,302,562
-	585,000	585,000	13,703
(1,814,130)	(147,377)	(15,558,854)	(2,184,127)
(755,755)	(14,445)	(3,856,404)	(1,055,492)
-	-	(585,000)	-
2,930,121	632,142	8,818,228	76,646
1,200,000	-	1,200,000	-
(270,100)	-	(2,208,200)	-
929,900	-	(1,008,200)	-
-	42,079	42,079	-
(2,629,510)	(580,817)	(6,919,286)	-
(1,420,000)	(39,013)	(2,164,013)	-
(596,661)	-	(596,661)	-
-	-	(332,278)	-
(427,964)	(1,997)	(1,068,091)	-
1,970,000	-	1,970,000	-
30,000	-	67,100	-
(25,291)	-	(25,291)	-
(3,099,426)	(579,748)	(9,026,441)	-
44,346	3,182	376,630	-
804,941	55,576	(839,783)	76,646
703,610	316,087	17,431,003	605,269
\$ 1,508,551	\$ 371,663	\$ 16,591,220	\$ 681,915

The accompanying notes are an integral part of the financial statements

CITY OF GARDNER, KANSAS

STATEMENT OF CASH FLOWS
(Continued)

PROPRIETARY FUNDS

Year Ended December 31, 2019

	<u>Electric</u>	<u>Water</u>
Cash consists of:		
Cash	\$ 13,468,947	\$ 959,986
Restricted deposits and investments	<u>224,176</u>	<u>57,897</u>
	<u>13,693,123</u>	<u>1,017,883</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	2,276,327	1,202,017
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Items not requiring cash:		
Depreciation and amortization expense	1,620,360	863,420
Total OPEB liability	3,743	1,005
Loss (gain) on sale of asset	-	-
Pension expense	55,117	23,295
Changes in:		
Receivables	(6,839)	71,020
Inventories	21,927	8,110
Due from other funds	(588,350)	(766)
Prepaid expenses	60	-
Accounts payable	(191,703)	(45,594)
Due to other funds	(125)	(1,017)
Accrued liabilities	(32,896)	(14,381)
Customer deposits	<u>(8,615)</u>	<u>(150)</u>
Net cash provided by operating activities	<u>\$ 3,149,006</u>	<u>\$ 2,106,959</u>
Noncash investing capital and financing activities:		
Contributed capital assets	\$ 102,060	\$ 137,980

Wastewater	Nonmajor Funds	Total	Internal
	Totals		Service Funds
\$ 1,508,551	\$ 365,963	\$ 16,303,447	\$ 681,915
-	5,700	287,773	-
1,508,551	371,663	16,591,220	681,915
780,289	(73,057)	4,185,576	23,146
1,981,631	151,601	4,617,012	55,504
512	-	5,260	3,090
-	-	-	(3,400)
20,865	(5)	99,272	37,174
71,160	(40,644)	94,697	(21,340)
13,565	(5,453)	38,149	-
110	-	(589,006)	-
-	-	60	2,920
69,589	14,642	(153,066)	(2,572)
(886)	585,000	582,972	1,378
(6,714)	358	(53,633)	(19,254)
-	(300)	(9,065)	-
\$ 2,930,121	\$ 632,142	\$ 8,818,228	\$ 76,646
\$ 223,741	\$ 194,281	\$ 658,062	-

The accompanying notes are an integral part of the financial statements

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

1 - Summary of Significant Accounting Policies

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

Reporting Entity

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The blended component unit, although a legally separate entity, is, in substance, part of the City's operations.

Blended Component Unit. The Public Building Corporation (PBC) is a not-for-profit corporation governed by the Mayor, certain City Council members and members of the City's management. The PBC's sole purpose is to acquire assets and construct facilities and infrastructure for the benefit of the City through the issuance of revenue bonds pursuant to Kansas Statute 12-1757. In prior years, the financial statements of the PBC have been included within the City's reporting entity as a capital projects fund (City Hall); however, in 2017, 2018 and 2019, there was no fund balance or activity to report. Separately issued financial statements of the PBC are not available.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. A 90-day availability period is used for revenue recognition for all governmental funds revenues except property taxes for which a 60-day availability period is used. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The City reports the following major governmental funds:

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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

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

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

The infrastructure special sales tax fund accounts for the sales tax revenues that are restricted to expenditures relating to the rehabilitation of streets and pedestrian trails and bridges.

The City reports the following major proprietary funds:

The electric fund accounts for the planning, development, production, purchase, transmission and distribution of all electricity for the City.

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

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

Additionally, the City reports the following fund type:

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the electric, water, wastewater, and stormwater funds are charges to customers for sales and services. The principal operating revenues for the municipal airport are hangar rental and fuel sales. Operating expenses for enterprise funds include the cost of sales and services, administrative

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)

expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Pooled Cash and Investments

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

Investments are measured at fair value. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. There is a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value

Statement of Cash Flows

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

Allowances for Uncollectibles

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 238 days comprise the trade accounts receivable allowance for uncollectibles. The allowance for trade uncollectibles is as follows at December 31, 2019:

Electric Fund	\$ 703,749
Water Fund	286,220
Wastewater Fund	257,460

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

1 - Summary of Significant Accounting Policies (Continued)

Allowances for Uncollectibles (Continued)

The property tax receivable allowance is equal to 2.5% of outstanding property taxes at December 31, 2019.

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 cost.

Prepaid Items

Prepaid items are those paid out in the current year but which benefit future accounting periods. The City uses the consumption method and records these items as an asset.

Capital Assets

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

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

1 - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method. Additionally, a full year of depreciation expense is recognized in the year of acquisition and none in the year of disposal. Depreciation is recognized over the following estimated useful lives.

Buildings and improvements	20 - 40 years
Machinery and equipment	10 years
Vehicles	3 - 10 years
Infrastructure	15 - 50 years

The City will, from time to time, acquire electric utility customers and water utility customers. These transactions will be reported in the electric fund and the water fund, respectively and will also be reported in the business-type activities column in the government-wide financial statements as a capital asset. The city is amortizing these assets based on the revenue generated from the acquired customers.

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

Compensated Absences

The City's policies allow employees to accumulate up to one and one half times their annual vacation accrual at any time and can carry over to subsequent years. This carryover payable upon separation from service, can range from 120 to 240 hours depending upon the employee's length of service.

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Continued)

Sick leave for full-time employees accrues at the rate of 3.692 hours per bi-weekly pay period with a maximum accumulation of 1,040 hours. Hours accumulated at the end of the year over the 1,040 hours are paid out the following January at a specified rate. Regular part-time employees accrue sick leave at a proportional rate to full-time employees. Twenty percent of accumulated sick pay under the 1,040 hours is payable upon separation from service and has been included in the compensated absences calculation.

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.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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, 2019, 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.

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

Committed fund balance – includes amounts that can only be used for specific purposes determined by a formal action of the City's highest level of decision-making authority, the City Council. Commitments are created by, and can only be changed or removed by, a resolution adopted by the City Council.

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

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

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

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide statement of net position and proprietary funds 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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources (Continued)

Note 6 for more information on this deferred outflow. Lastly, the government reports a deferred outflow for OPEB related items. See Note 8 for more information.

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 four types of items, unavailable revenue, deferred revenue, deferred inflow for pension related items, and deferred inflow for OPEB 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 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 and fourth items, deferred inflows for pension related items and deferred inflows for OPEB related items, are reported only in the Statement of Net Position. See Notes 6 and 8 for more information on these deferred inflows.

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

General fund property taxes receivable	\$ 2,719,686
Debt service fund property taxes receivable	1,272,366
Debt service fund special assessments receivable	10,473,639
	<u>\$ 14,465,691</u>

Net position

The government-wide statement of net position reports \$17,533,282 of restricted net position, of which \$1,453,912 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.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Concentrations of Credit Risk (Continued)

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pending Governmental Accounting Standards Board Statements

At December 31, 2019, 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. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates

The effective date of the following pronouncement is postponed by 18 months:

- Statement No. 87, Leases

GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single method for lease accounting based on the foundational principle that leases are financings of the right to use an

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions of this statement were originally effective for financial statements for the City's fiscal year ending December 31, 2020 and are now postponed until December 31, 2022 per GASB Statement No. 95.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions of this statement were originally effective for the financial statements for the City's fiscal year ending December 31, 2020 and are now postponed until December 31, 2021 per GASB Statement No. 95.

GASB Statement No. 92, *Omnibus 2020*, enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including: effective date of GASB 87 for interim financial reports; intra-entity transfers between primary governments and component unit pension or OPEB plans; applicability of Statements No. 73 and 74 for reporting assets accumulated for postemployment benefits; applicability of certain requirements of GASB 84 to postemployment benefit arrangements; measurement of asset retirement obligations in government acquisitions; reporting by public entity risk pools for amounts recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements in authoritative literature and terminology used related to derivative instruments. Certain provisions of this statement were effective upon issuance and did not impact the City's financial reporting; other provisions of this statement were originally effective for financial statements for the City's fiscal year ending December 31, 2021 and are now postponed until December 31, 2022 per GASB Statement No. 95.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance where some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The provisions of this statement were originally effective for financial statements for the City's fiscal year ending December 31, 2022 and are now postponed until December 31, 2023 per GASB Statement No. 95.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

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 some of the capital projects funds, the capital improvement reserve fund, the Mayor's Christmas tree fund, the Special Olympics fund, and the law enforcement trust fund. Legal operating budgets are, however, required for the park improvement, special highway, and street improvement capital project funds. 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:

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

Kansas statutes permit transferring budgeted amounts from one object or purpose to another within the same fund; however, such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures in an individual fund. The City Administrator is authorized to approve over-expenditures at the departmental level or transfers of budgeted appropriations between departments. However, management may not amend a fund's total budgeted expenditures without Council approval. The legal level of budgetary control is the fund level. Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the City. All unencumbered appropriations lapse at the end of the year. Encumbered appropriations are not appropriated in the ensuing year's budget but are carried forward until liquidated or cancelled. Kansas statutes permit original budgets to be increased for previously unbudgeted increases in revenue other than ad valorem property taxes. The City must first publish a notice of public hearing to amend the budget. Ten days after publication, a public hearing is held and the governing body may amend the budget at that time. There were no budget amendments in 2019.

Deficit Budgetary Fund Balance

Kansas statutes additionally state that "... (a) The limits of indebtedness prescribed under the provisions of article 11 of chapter 10 of the Kansas Statutes Annotated may be exceeded when: (1) Payment has been authorized by a vote of the electors of the municipality; (2) provision has been made for payment by the issuance of bonds or temporary notes as provided by law;....". The City had one fund, the Special Highway Fund that exceeded the limits of indebtedness this year due to

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Stewardship, Compliance and Accountability (Continued)

Deficit Budgetary Fund Balance (Continued)

a project with authorized debt funding for which debt had not yet been issued. This timing difference resulted in a deficit budgetary fund balance of (\$601,309) at the end of the fiscal year.

3 - Deposits and Investments

Deposits

Custodial Credit Risk-Deposits

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

Fair Value Measurements

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

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

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

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 Bills are valued at Level 1 using prices quoted in active markets for those identical assets.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3 - Deposits and Investments (Continued)

Deposits (Continued)

At December 31, 2019, the City had the following investments:

Schedule of Investments at December 31, 2019					
	Interest Rates	Maturities	Par Value	Fair Value	Fair Value Hierarchy
City Investments:					
Money Market Mutual Funds	1.41%	On Demand	\$ 78,351	\$ 78,351	N/A
U.S. Treasury Bill	2.32%	4/15/2020	10,000,000	10,076,850	Level 1
Certificate of Deposit	2.12%	10/22/2020	7,500,000	7,500,000	N/A
KMP - Overnight	1.25% - 2.00%	On Demand	8,054,372	8,054,372	N/A
			\$25,632,723	\$ 25,709,573	

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.

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, 2019, the City was not exposed to custodial credit risk.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3 - Deposits and Investments (Continued)

Investments (Continued)

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

Reconciliation of Cash			
	Deposits Including	Restricted Cash	Total
	Investments	and Investments	
Government-type activities	\$ 10,843,384	\$ 8,083,135	\$ 18,926,519
Business-type activities	16,649,248	287,773	16,937,021
Total	\$ 27,492,632	\$ 8,370,908	\$ 35,863,540

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

Reconciliation of Deposits and Investments	
	Primary Government
Cash on hand	\$ 3,000
Carrying amount of deposits	10,150,967
Carrying amount of investments	25,709,573
Total deposits and investments	\$ 35,863,540
Deposits including investments	\$ 27,492,632
Restricted cash and investments	8,370,908
Total deposits and investments	\$ 35,863,540

4 - Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2019 was as follows:

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - Capital Assets (Continued)

Capital Assets (Continued)

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

Reconciliation of Cash			
	Deposits Including	Restricted Cash	Total
	Investments	and Investments	
Government-type activities	\$ 10,843,384	\$ 8,083,135	\$ 18,926,519
Business-type activities	16,649,248	287,773	16,937,021
Total	\$ 27,492,632	\$ 8,370,908	\$ 35,863,540

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

Reconciliation of Deposits and Investments	
	Primary Government
Cash on hand	\$ 3,000
Carrying amount of deposits	10,150,967
Carrying amount of investments	25,709,573
Total deposits and investments	\$ 35,863,540
Deposits including investments	\$ 27,492,632
Restricted cash and investments	8,370,908
Total deposits and investments	\$ 35,863,540

4 - Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2019 was as follows:

	December 31, 2018	Increases	Decreases	Transfers	December 31, 2019
Governmental activities:					
Capital assets, not being depreciated	\$ 4,780,151	\$ 22,835	\$ (75,883)	\$ -	\$ 4,727,103
Land	8,227,572	9,175,452	(1,234,643)	-	16,168,381
Construction in progress	13,007,723	9,198,287	(1,310,526)	-	20,895,484
Total capital assets, not being depreciated					
Capital assets, being depreciated					
Buildings	5,363,748	-	(416,081)	-	4,947,667
Improvements other than buildings	5,490,163	79,004	-	-	5,569,167
Infrastructure	66,992,295	1,543,527	-	-	68,535,822
Machinery and Equipment	2,378,932	156,484	(23,803)	(32,438)	2,479,175
Vehicles	1,827,287	71,353	(43,637)	32,258	1,887,033
Total capital assets being depreciated	81,855,425	1,850,368	(483,521)	(180)	83,222,092
Less accumulated depreciation for:					
Buildings	(2,286,889)	(123,410)	280,009	-	(2,130,290)
Improvements other than buildings	(2,086,087)	(277,516)	-	-	(2,363,603)
Infrastructure	(26,248,839)	(2,052,409)	-	-	(28,301,248)
Machinery and Equipment	(1,732,620)	(143,600)	4,761	32,438	(1,839,021)
Vehicles	(1,082,500)	(201,659)	43,637	(32,258)	(1,272,820)
Total accumulated depreciation	(33,427,935)	(2,701,024)	328,407	180	(35,887,330)
Total capital assets being depreciated, net	48,427,490	(850,656)	(154,894)	-	47,421,936
Governmental activities capital assets, net	\$ 81,435,184	\$ 2,650,962	\$ (1,485,940)	\$ -	\$ 82,600,206

	December 31, 2018	Prior Period Adjustment	Adjusted Balance	Increases	Decreases	Transfers	December 31, 2019
Business-type activities:							
Capital assets, not being depreciated	\$ 3,640,094	\$ -	\$ 3,640,094	\$ -	\$ -	\$ -	\$ 3,640,094
Land	555,534	-	555,534	6,304,581	(2,884,266)	-	3,975,849
Construction in progress	4,195,628	-	4,195,628	6,304,581	(2,884,266)	-	7,615,943
Total capital assets, not being depreciated							
Capital assets, being depreciated/amortized							
Buildings	23,007,787	(1,909,091)	21,098,696	-	-	-	21,098,696
Improvements other than buildings	7,765,065	-	7,765,065	-	-	-	7,765,065
Infrastructure	13,789,482	-	13,789,482	819,054	-	-	14,608,536
Machinery and equipment	108,572,436	-	108,572,436	2,757,198	-	-	111,329,634
Vehicles	1,842,702	-	1,842,702	101,830	-	32,438	1,976,970
Total capital assets being depreciated/amortized	155,177,472	-	155,177,472	(119,273)	(270,167)	(32,258)	154,768,884
Less accumulated depreciation/amortization for:							
Buildings	(4,878,487)	1,481,789	(3,396,698)	(531,132)	-	-	(3,727,800)
Improvements other than buildings	(1,909,091)	-	(1,909,091)	-	-	-	(1,909,091)
Infrastructure	(6,585,009)	-	(6,585,009)	(557,321)	-	-	(7,142,330)
Machinery and equipment	(50,713,800)	-	(50,713,800)	(3,152,828)	-	-	(53,866,628)
Vehicles	(965,354)	-	(965,354)	(163,122)	-	(32,438)	(1,160,914)
Total accumulated depreciation/amortization	(64,041,741)	1,481,789	(62,559,952)	(1,704,483)	270,167	(180)	(63,794,268)
Total capital assets being depreciated, net	89,894,023	(427,302)	89,466,721	(634,120)	270,167	(180)	88,032,592
Business-type activities capital assets, net	\$ 93,080,651	\$ (427,302)	\$ 92,653,349	\$ (5,700,452)	\$ (2,884,266)	\$ -	\$ 84,168,631

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - Capital Assets (Continued)

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

Governmental activities	
General Government	\$ 100,369
Police	169,456
Public Works	1,782,590
Culture and Recreation	697,600
Business & Economic Development	2,385
Internal Service Fund - Governmental Type Activities	46,193
Total depreciation expense for governmental activities	\$ 2,798,593

Business-type activities	
Electric	\$ 1,621,010
Water	882,550
Wastewater	2,095,366
Stormwater	33,155
Airport	119,770
Internal Service Fund - Business Type Activity	9,311
Total depreciation expense for business-type activities	\$ 4,761,162

5 - Capital Leases

The City has entered into a lease for land, equipment, golf course improvements, and an asset purchase agreement for a 32.26% interest in KMEA's (Kansas Municipal Energy Agency) 10.1% undivided interest in the Dogwood Energy Facility which 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. Rental payments began in April 2017 and thereafter on a semi-annual basis until maturity in 2026.

In June 2018, the City entered into a \$1,218,000 Lease Purchase Agreement, Series 2018, to finance various golf course improvements. Rental payments began in April 2019 and thereafter on a semi-annual basis until maturity in 2028.

In March 2018, the City entered into an asset purchase agreement with KMEA to assume the costs of a 32.26% participation in KMEA's 10.1% undivided interest in the Dogwood Energy Facility. Payments begin in April 2019 and will continue on a semi-annual basis until maturity in 2038.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5 - Capital Leases (Continued)

In May 2019, the City entered into a \$45,000 Lease Purchase Agreement to finance the purchase of equipment for the public works department. Rental payments begin in April of 2020 and thereafter on an annual basis until maturity in 2024.

In December 2019, the City entered into a \$135,000 Lease Purchase Agreement to finance the purchase of a dump truck for the public works department. Rental payments begin in April 2020 and thereafter on a semi-annual basis until maturity in 2023.

The following table details property under capital leases by major classification at December 31, 2019.

Assets Under Capital Lease		
	Governmental Activities	Business-Type Activities
Machinery and equipment	\$ 45,000	\$ -
Land	678,000	-
Buildings	-	10,750,645
Infrastructure	862,779	-
Vehicles	71,353	-
Less accumulated depreciation	(102,413)	(470,341)
Total	\$ 1,554,719	\$ 10,280,304

6 - Defined Benefit Pension Plans

Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERS), 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. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at <http://www.kpers.org> or by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803) or by calling 1-888-275-5737.

Benefits Provided

KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the Legislature. Member employees (except Police and Firemen) with ten or more years of credited service, may retire as early as age

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plans (Continued)

Benefits Provided (Continued)

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

The 2012 Legislature made changes affecting new hires, current member employees and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 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. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. K.S.A. 74-4975 establishes the Police and Firemen (KP&F) member-employee contribution rate at 7.15% of covered salary. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plans (Continued)

Contributions (Continued)

State law provides that the employer contribution rates for KPERS 1, KPERS 2, KPERS 3 and KP&F be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1.0% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.89% for KPERS and 22.13% for KP&F for the fiscal year ended December 31, 2019.

House Substitute for SB21 included changes to the working after retirement rules for members who retire on or after January 1, 2018. The key provisions of the bill were to lengthen the waiting period for KPERS members to return to work from 60 days to 180 days for members who retire before attaining age 62, removing the earnings limitation for all retirees and establish a single employer contribution schedule for all retirees. For employees working after retirement, KPERS employees will pay the same statutorily required rate as the other KPERS plans (for the City that rate is 8.89% for 2019) on earnings up to \$25,000 and 30% on earnings over \$25,000.

Contributions to the pension plan from the City were \$649,618 for KPERS and \$521,143 for KP&F for the year ended December 31, 2019.

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

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

At December 31, 2019, the City reported a liability of \$5,416,038 for KPERS and \$4,361,333 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, 2019, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. 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 to KPERS and KP&F for the fiscal year ended June 30, 2019. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2019, the City's proportion and change from its proportion measured as of June 30, 2018 were as follows:

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plans (Continued)

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

	Governmental Activities	Business-Type Activities	Total net pension liability as of		Proportion as of		Change in proportion from	
			December 31, 2019	June 30, 2019	June 30, 2019	June 30, 2018	June 30, 2018	June 30, 2018
KPERS (local)	\$ 3,309,833	\$ 2,106,205	\$ 5,416,038	0.387588%	0.387588%	0.015634%	0.015634%	0.015634%
KP&F	4,361,333	-	4,361,333	0.430911%	0.430911%	0.010852%	0.010852%	0.010852%
Total	\$ 7,671,166	\$ 2,106,205	\$ 9,777,371					

For the year ended December 31, 2019, the City recognized pension expense of \$954,564 for KPERS and \$937,331 for KP&F. At December 31, 2019, 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	\$ 254,379	\$ 3,864	\$ 91,553	\$ 52,929
Net difference between projected and actual earnings on pension plan investments	177,340	37,866	-	-
Changes in proportionate share	663,428	211,454	6,795	2,937
Changes in assumptions	256,003	64,027	12,458	3,348
City contributions subsequent to measurement date	458,321	139,072	-	-
Total	\$ 1,809,471	\$ 456,283	\$ 110,806	\$ 59,214

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plans (Continued)

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

The \$597,393 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, 2020. 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
2020	\$ 606,088	\$ 132,120
2021	275,702	47,332
2022	222,060	46,393
2023	130,978	31,078
2024	5,516	1,074
	\$ 1,240,344	\$ 257,997

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions	Entry age normal
Inflation	2.75 percent
Salary increases	3.50 to 12.00 percent, including price inflation
Investment rate of return	7.75 percent compounded annually, net of investment expense, including price inflation

Mortality rates were based on the RP 2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of an actuarial experience study conducted for the period January 1, 2013 through December 31, 2015. The experience study is dated November 18, 2016.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plans (Continued)

Actuarial assumptions (Continued)

The actuarial assumptions changes adopted by the Pension Plan for all groups based on the experience study:

- Price inflation assumption lowered from 3.00 percent to 2.75 percent
- Investment return assumption was lowered from 8.00 percent to 7.75 percent
- General wage growth assumption was lowered from 4.00 to 3.50 percent
- Payroll growth assumption was lowered from 4.00 percent to 3.00 percent

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. Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, dated November 18, 2016, as provided by KPERS' investment consultant, are summarized in the following table:

Asset class	Long-term target allocation	Long-term expected real rate of return
Global Equity	47.00 %	6.85 %
Fixed Income	13.00	1.25
Yield driven	8.00	6.55
Real return	11.00	1.71
Real estate	11.00	5.05
Alternatives	8.00	9.85
Short-term investments	2.00	(0.25)
Total	100.00 %	

Discount rate

The discount rate used by KPERS to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate was based on member and employer contributions as outlined below:

In KPERS, Local groups do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993 and subsequent legislation, the employer contribution rates certified by the KPERS' Board of Trustees for this group may not increase by more than the statutory cap. The statutory cap for Fiscal Year 2019 was 1.2 percent. The Local employers are currently contributing

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plans (Continued)

Discount rate (continued)

the full actuarial contribution rate. Employers contribute the full actuarial determined rate for KP&F.

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

The following presents the City's proportionate share of the collective net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's KPERS proportionate share of the net pension liability	\$ 8,088,980	\$ 5,416,038	\$ 3,180,188
City's KP&F proportionate share of the net pension liability	6,189,056	4,361,333	2,831,189
	\$ 14,278,036	\$ 9,777,371	\$ 6,011,377

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7 - Deferred Compensation Plan (Continued)

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 2019, the City's contributions were \$46,134.

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 180 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.

Active employees eligible for coverage	128
Inactive employees or beneficiaries currently receiving benefit payments	1
	<u>129</u>

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 2019, the City contributed \$5,000 to the plan.

OPEB Liability

The City's total OPEB liability of \$313,749 related to the City's plan was measured as of December 31, 2018; the total OPEB liability was determined by an actuarial valuation as of July 1, 2017. The

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Other Postemployment Healthcare Benefits (Continued)

OPEB Liability (Continued)

results of the July 1, 2017 valuation were projected to the beginning and end of year measurement dates using standard actuarial techniques.

Actuarial assumptions. The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Valuation Date	July 1, 2017
Measurement Date	December 31, 2018
Payroll Growth	3.00%
Discount rate	3.68%
Actuarial Cost Method	Entry Age - Level Percent-of-Pay
Healthcare cost trend rates	7.0% for 2018-19, decreasing by .5% per year until 2021-22 and then decreasing by .25% per year to an ultimate rate of 5.0% for 2024-25 and later years.
Retirees' share of benefit-related costs	Retirees contribute 135% of the active funding rate

Discount rate. GASB 75 standards require a single discount rate to be determined. To the extent Plan (i.e. Trust) assets are projected to be sufficient to make projected benefit payments, the discount rate will equal the expected return on such assets. To the extent a Plan is not projected to be sufficient to make future benefit payments the yield or index for 20-year, tax-exempt, general obligation municipal bonds with an average rating of AA/Aa or higher should be factored in. Plan assets do not apply to the City's program.

In order to determine the municipal bond rate, the average of the published yields from the S&P Municipal Bond 20 year High Grade and the Fidelity GO AA-20 Years indexes were used. The selected average rates are 3.23% and 3.68% as of the beginning and end of year, respectively. These were used as the discount rates to determine present value costs.

Changes in Total OPEB Liability	
Balance at 12/31/2018	\$ 347,662
Service cost	31,515
Interest cost	12,167
Changes of benefit terms	(62,674)
Changes in assumptions	(15,296)
Differences between expected and actual experience	5,375
Benefit payments	(5,000)
Net change	(33,913)
Balance at 12/31/2019	\$ 313,749

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Other Postemployment Healthcare Benefits (Continued)

OPEB Liability (Continued)

Sensitivity of Total OPEB Liability to changes in the Discount rate. The following presents the Total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

	Current		
	1% Decrease (2.68%)	Discount Rate (3.68%)	1% Increase (4.68%)
Total OPEB liability	\$ 346,121	\$ 313,749	\$ 284,597

Sensitivity of Total OPEB Liability to changes in Healthcare Cost Trend Analysis. The following presents the Total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	Current		
	1% Decrease (6.00%)	Trend Assumption (7.00%)	1% Increase (8.00%)
Total OPEB liability	\$ 272,105	\$ 313,749	\$ 363,589

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019, the City recognized OPEB income of \$19,317. Effective July 1, 2018 retirees are charged 135% of group plan premiums rather than 125% from prior year. The impact on the actuarial accrued liability is a reduction of \$62,674 resulting in an OPEB income position.

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Governmental Activities		Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial experiences	\$ 3,810	\$ -	\$ -	\$ 1,162
Changes in assumptions	3,634	10,844		1,215
Benefits subsequent to measurement date	4,503	-		1,497
	\$ 11,947	\$ 10,844	\$ -	\$ 3,874
				\$ 3,302

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Other Postemployment Healthcare Benefits (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The \$6,000 reported as deferred outflows of resources related to OPEB resulting from the City's benefits subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ended December 31, 2020.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	Deferred Outflows (Inflows) of Resources	
	Governmental Activities	Business-Type Activities
2020	\$ (255)	\$ (70)
2021	(255)	(70)
2022	(255)	(70)
2023	(255)	(70)
2024	(255)	(70)
2025 & Thereafter	(2,125)	(575)
	\$ (3,400)	\$ (925)

KPERS Death and Disability OPEB Plan

Plan Description. The City of Gardner participates in an agent multiple-employer defined benefit other postemployment benefit (OPEB) plan (the Plan) which is administered by the Kansas Public Employees Retirement System (KPERS). The Plan provides long-term disability benefits and a life insurance benefit for disabled KPERS members, as provided by K.S.A. 74-04927. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However because the trust's assets are used to pay employee benefits other than OPEB, the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis. There is no stand-alone financial report for the plan.

Benefits

Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60 percent (prior to January 1, 2006, 66 2/3 percent) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - KPERS Death and Disability OPEB Plan (Continued)

Benefits (Continued)

The monthly long-term disability benefit is 60 percent of the member's monthly compensation, with a minimum of \$100 and a maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, workers compensation benefits, other disability benefits from any other sources by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while the disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability begins after age 60, benefits are payable while the disability continues, for a period of five years or until the member retires, whichever occurs first.

Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the shorter of the term of the disability or 24 months per lifetime.

The death benefit paid to beneficiaries of disabled members is 150% of the greater of 1) the member's annual rate of compensation at the time of disability, or 2) the members previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

Covered Employees

The City of Gardner has the following employees covered by the Plan as of June 30, 2019:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	112
Total	112

OPEB Liability

The City of Gardner's total OPEB liability of \$151,324 related to KPERS reported as of December 31, 2019, was measured as of June 30, 2019 (the measurement date), and was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019, using the following actuarial assumptions:

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - KPERS Death and Disability OPEB Plan (Continued)

OPEB Liability (Continued)

Valuation Date	December 31, 2018
Measurement Date	June 30, 2019
Inflation	2.75%
Payroll Growth	3.00%
Discount rate	3.50%
Salary increases including inflation	3.5% to 10.0%, including price inflation
Healthcare cost trend rates	Not applicable for the coverage in this plan
Retirees' share of benefit-related costs	Not applicable for the coverage in this plan

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index. Mortality rates were based on the RP-2014 Mortality Table, as appropriate, with adjustment for mortality improvements based on Scale MP-2019.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study conducted for three years ending December 31, 2015. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the June 30, 2019 pension valuation.

Changes in Total OPEB Liability

Changes in Total OPEB Liability	
Balance at December 31, 2018	\$ 135,555
Service cost	26,028
Interest cost	6,253
Effect of plan changes	-
Effect of economic/demographic gains or losses	(18,777)
Effect of assumptions changes or inputs	2,265
Benefit payments	-
Net change	15,769
Balance at December 31, 2019	\$ 151,324

Changes of assumptions. Changes of assumptions and other inputs reflect the changes in the discount rate each period. The discount rate decreased from 3.87% to 3.50%.

Sensitivity Analysis. The following presents the City of Gardner's total OPEB liability calculated using the discount rate of 3.50%, as well as what the City's total OPEB liability would be if it were

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

8 - KPERS Death and Disability OPEB Plan (Continued)

Changes in Total OPEB Liability (Continued)

calculated using a discount rate that is 1-percentage point lower (2.50%) or 1-percentage point higher (4.50%) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 156,924	\$ 151,324	\$ 144,963

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The healthcare trend rates do not affect the liabilities related to the long-term disability benefits sponsored by KPERS. Therefore, there is no sensitivity to a change in healthcare trend rates.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019, the City of Gardner recognized OPEB expense of \$27,069. At December 31, 2019, the City of Gardner reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Governmental Activities		Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 22,704	\$ -	\$ 16,529
Changes in assumptions	1,172	2,519	860	1,695
	\$ 1,172	\$ 25,223	\$ 860	\$ 18,224

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Governmental Activities		Business-Type Activities	
Year ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
2020	\$ (3,027)	\$ (2,185)	\$ (3,027)	\$ (2,185)
2021	(3,027)	(2,185)	(3,027)	(2,185)
2022	(3,027)	(2,185)	(3,027)	(2,185)
2023	(3,027)	(2,185)	(3,027)	(2,185)
2024	(3,027)	(2,185)	(3,027)	(2,185)
2025 & Thereafter	(8,916)	(6,439)	(24,051)	(17,364)
	\$	\$	\$	\$

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

8 - KPERS Death and Disability OPEB Plan (Continued)

Summary of OPEB Plans

As of December 31, 2019 the City's total OPEB liability, deferred outflows of resources, deferred inflows of resources and OPEB expense associated with the two OPEB plans are summarized as follows:

	2019
Total OPEB liability	\$ 465,073
Deferred outflows of resources	\$ 17,853
Deferred inflows of resources	\$ 57,593
OPEB expense	\$ 7,752

9 - Risk Services

The City is exposed to various risks of loss related to torts; that is, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is 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 participate any additional assessments in excess of premiums paid as a result of its participation in these trusts.

10 - Capital Projects

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

Following is a summary of project-to-date costs to December 31, 2019 on the capital projects compared to the amount authorized:

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Capital Projects (Continued)

Primary Government		Expenditures	
Project Authorizations and Expenditures Since Inception		Since Inception	
Project Category	Authorization		
Primary Government			
Governmental Improvements	\$ 40,905,455	\$ 17,403,025	
Electric Improvements	4,639,749	256,373	
Water Improvements	31,443,856	3,509,711	
Wastewater Improvements	2,551,611	2,457,125	
Airport Improvements	794,722	636,908	
Total	\$ 80,335,393	\$ 24,263,142	

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, 2019.

Summary of Governmental Activities Debt for the year ended December 31, 2019					
Governmental activities:	Outstanding		Outstanding		Due Within One Year
	January 1,	December 31,	Reductions	December 31,	
Bonds:					
General obligation	\$ 23,398,487	\$ 2,465,000	\$ 1,463,487	\$ 24,400,000	\$ 1,670,000
Plus: issuance premium	1,314,814	112,771	116,719	1,310,866	-
Special assessment debt with government commitment	11,592,500	-	3,022,500	8,570,000	890,000
Bond anticipation notes payable	-	7,365,000	-	7,365,000	-
PBC lease revenue bonds	1,295,000	-	395,000	900,000	430,000
Direct placement - capital lease obligations	1,765,000	180,000	145,000	1,800,000	211,593
Net Pension Liability	7,217,855	453,311	-	7,671,166	-
Compensated absences	476,759	422,215	316,681	582,293	582,293
Total OPFB Liability	342,144	-	17,655	324,489	-
Total	\$ 47,402,559	\$ 10,998,297	\$ 5,477,042	\$ 52,923,814	\$ 3,783,886

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Debt (Continued)

2. Governmental Activities General Obligation Bonds

General obligation bonds payable at December 31, 2019 are comprised of the following issues:

Outstanding Governmental Activities General Obligation Bonds as of December 31, 2019					
	Original Issue Amount	Current Bonds Outstanding	Interest Rates	Original Term in Years	
2010A	\$ 2,770,000	\$ 1,725,000	2.000%-3.600%	20	
2014A	1,975,000	1,415,000	2.000%-3.125%	15	
2014B	4,140,000	2,770,000	2.000%-3.000%	15	
2016A	1,380,000	1,000,000	3.000%	12	
2017A	1,350,000	1,105,000	2.250%-3.000%	10	
2018A	14,985,000	13,920,000	3.000%-5.000%	19	
2019E	2,465,000	2,465,000	2.000%-3.000%	10	
Total	\$ 29,065,000	\$ 24,400,000			

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

In December 2019, the City issued Series 2019E General Obligation Bonds in the amount of \$2,465,000. Of that, \$860,000 was issued to finance the City's 2019 Pavement Management Program and \$1,605,000 was issued to finance improvements to Santa Fe Street.

The future annual requirements for general obligation bonds outstanding as of December 31, 2019 are as follows:

Debt Service Requirements Governmental Activities for General Obligation Bonds			
	Principal	Interest	Total
2020	\$ 1,670,000	\$ 834,973	\$ 2,504,973
2021	1,717,500	789,620	2,507,120
2022	1,757,500	727,946	2,485,446
2023	1,760,000	664,620	2,424,620
2024	1,825,000	599,257	2,424,257
2025-2029	8,925,000	1,959,757	10,884,757
2030-2034	4,090,000	829,348	4,919,348
2035-2038	2,655,000	180,169	2,835,169
Total	\$ 24,400,000	\$ 6,585,690	\$ 30,985,690

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Debt (Continued)

3. Bond Anticipation Notes Payable

The City issues bond anticipation notes to provide temporary financing for capital improvement projects.

In June 2019, the City issued Series 2019A General Obligation Temporary Notes in the amount of \$3,725,000 to temporarily finance public improvements for the Tuscan Farms Special Benefit Districts.

In December 2019, the City issued Series 2019C General Obligation Temporary Notes in the amount of \$1,130,000 to provide temporary financing for street and utility improvements in the Plaza South Special Benefit District.

In December 2019, the City issued Series 2019D General Obligation Temporary Notes in the amount of \$2,510,000 to temporarily finance street and utility improvements for the Waverly Plaza Special Benefit District.

Bond anticipation notes payable as of December 31, 2019 were as follows:

Outstanding Governmental Activities					
Bond Anticipation Notes Payable as of December 31, 2019					
	Original Issue Amount	Current Notes Outstanding	Interest Rates	Term in Years	Original Term in Years
2019A Tuscan Farms Temp Notes	\$ 3,725,000	\$ 3,725,000	1.70%	2	2
2019C Plaza South Temp Notes	1,130,000	1,130,000	1.35%	2	2
2019D Taxable Waverly Plaza Temp Notes	2,510,000	2,510,000	1.75%	2	2
Total	\$ 7,365,000	\$ 7,365,000			

Annual debt service requirements to maturity for bond anticipation notes payable are as follows:

Debt Service Requirements Governmental Activities for Bond Anticipation Notes Payable			
	Principal	Interest	Total
2020	\$ -	\$ 110,833	\$ 110,833
2021	7,365,000	122,505	7,487,505
Total	\$ 7,365,000	\$ 233,338	\$ 7,598,338

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Debt (Continued)

4. 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. Special assessment bonds at December 31, 2019 are comprised of the following issues:

Outstanding Governmental Activities					
Special Assessment Bonds as of December 31, 2019					
	Original Issue Amount	Current Bonds Outstanding	Interest Rates	Term in Years	Original Term in Years
2011A	\$ 1,325,000	\$ 880,000	0.500%-4.000%	20	20
2012A	3,995,000	2,855,000	1.000%-3.000%	20	20
2014A	1,975,000	1,415,000	2.000%-3.125%	15	15
2016A	1,490,000	1,320,000	3.000%	12	12
2017A	2,155,000	2,100,000	3.000%	7	7
	\$ 10,940,000	\$ 8,570,000			

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
2020	\$ 890,000	\$ 239,262	\$ 1,129,262
2021	927,500	216,022	1,143,522
2022	952,500	190,488	1,142,988
2023	970,000	163,992	1,133,992
2024	1,005,000	137,021	1,142,021
2025-2029	2,885,000	390,396	3,275,396
2030-2034	940,000	56,488	996,488
Total	\$ 8,570,000	\$ 1,393,669	\$ 9,963,669

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Debt (Continued)

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.

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			
2020	\$ 430,000	\$ 19,176	\$ 449,176
2021	470,000	10,576	480,576
Total	\$ 900,000	\$ 29,752	\$ 929,752

6. Capital Leases

As explained in Note 5, the City has entered into capital lease agreements to purchase land, equipment and make various golf course improvements. The following is a schedule by years of future minimum lease payments under capital leases together with the present value of these payments as of December 31, 2019:

Future Minimum Lease Payments	
Year Ending December 31:	Governmental Activities
2020	\$ 276,979
2021	276,243
2022	277,078
2023	276,553
2024	241,343
2025-2028	776,631
Total minimum lease payments	2,124,827
Less amounts representing interest	(324,827)
Present value of minimum lease payments	\$ 1,800,000

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

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Debt (Continued)

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, 2019.

Summary of Business-Type Activities Debt for the year ended December 31, 2019					
	Outstanding January 1,	Additions	Reductions	Outstanding December 31,	Due Within One Year
Business-type activities:					
General obligation bonds	\$ 9,039,013	\$ 1,970,000	\$ 2,164,013	\$ 8,845,000	\$ 2,180,000
Issuance premiums	545,189	27,285	143,484	428,990	-
Construction loans payable	9,738,473	-	596,661	9,141,812	610,986
Compensated absences	240,527	209,261	172,138	277,650	277,650
Capital lease obligations	10,750,645	-	332,278	10,418,367	343,569
Net Pension Liability	2,008,200	98,005	-	2,106,205	-
Total OPEB Liability	141,073	8,529	9,018	140,584	-
Total	\$ 32,463,120	\$ 2,313,080	\$ 3,417,592	\$ 31,358,608	\$ 3,412,205

2. Business-Type Activities General Obligation Bonds

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

In June 2019, the City issued Series 2019B General Obligation Bonds in the amount of \$1,970,000 to fund wastewater system improvements.

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

11 - Debt (Continued)

Business-Type Activities General Obligation Bonds (Continued)

General obligation bonds payable at December 31, 2019 are comprised of the following issues:

Outstanding Business-Type Activities General Obligation Bonds as of December 31, 2019					
	Original Issue Amount	Current Bonds Outstanding	Interest Rates	Original Term in Years	
2012C	\$ 11,745,000	\$ 2,890,000	2.000%-4.000%	20	
2013A	4,246,816	175,000	2.000%-2.250%	11	
2014A	945,000	675,000	2.000%-3.125%	15	
2015A	3,945,000	2,520,000	3.000%	11	
2016B	855,000	615,000	2.000%-3.250%	10	
2019B	1,970,000	1,970,000	1.8500%-2.500%	10	
Total	\$ 23,706,816	\$ 8,845,000			

The future annual requirements for general obligation bonds outstanding as of December 31, 2019 are as follows:

Debt Service Requirements for Business-Type Activities General Obligation Bonds			
	Principal	Interest	Total
2020	\$ 2,180,000	\$ 273,137	\$ 2,453,137
2021	2,260,000	196,937	2,456,937
2022	810,000	117,212	927,212
2023	825,000	95,362	920,362
2024	850,000	73,112	923,112
2025-2029	1,920,000	108,969	2,028,969
Total	\$ 8,845,000	\$ 864,729	\$ 9,709,729

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

11 - Debt (Continued)

3. Construction Loans Payable

Construction loans payable at December 31, 2019 are comprised of the following:

Outstanding Business-Type Activities Loans as of December 31, 2019				
	Original Issue Amount	Current Bonds Outstanding	Interest Rate	Original Term in Years
Kansas Water Pollution Control Loan # C20 1721 01	\$ 3,483,009	\$ 1,331,089	2.40%	20
Kansas Water Pollution Control Loan # C20 1956 01	10,167,808	7,810,723	2.05%	20
Total	\$ 13,650,817	\$ 9,141,812		

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

Debt Service Requirements for Business-Type Activities Loans		
	Principal	Interest
2020	\$ 610,986	\$ 188,821
2021	625,655	175,689
2022	640,679	162,238
2023	656,066	148,463
2024	671,824	134,357
2025-2029	3,230,164	454,713
2030-2034	2,706,438	140,819
Total	\$ 9,141,812	\$ 1,405,100

4. Capital Leases

The City of Gardner entered into an Asset Purchase Agreement, with a term of 20 years, with KMEA (Kansas Municipal Energy Agency) to assume the costs of a 32.26% participation in KMEA's 10.1% undivided interest in the Dogwood Energy Facility. The following is a schedule by years of future minimum lease payments under capital leases together with the present value of these payments as of December 31, 2019:

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

11 - Debt (Continued)

Capital Leases (Continued)

Future Minimum Lease Payments	
Year Ending	Business-Type
December 31:	Activities
2020	\$ 854,180
2021	852,874
2022	852,269
2023	852,349
2024	851,462
2025-2029	4,247,432
2030-2034	4,234,286
2035-2038	3,371,614
Total minimum lease payments	16,116,466
Less amounts representing interest	(5,698,099)
Present value of minimum lease payments	\$ 10,418,367

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, 2019, 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, 2019 was \$10,473,639.

The City has written off \$891,127 in receivables for delinquent special assessments in 2019 related to the 2016A bonds, because the property was sold at a tax auction for an amount that did not allow for the full recovery of delinquent assessments. These actions have not and will not affect the repayment of said bonds. The City is also in discussion with a private developer (the new property owner) about potentially abating or partially abating future special assessments through a land bank to facilitate the development of the property. In this event, the City would continue to pay all debt service associated with the bonds.

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

13 - Interfund Transactions

Interfund transfers for the year ended December 31, 2019 consisted of the following:

Fund	Transfers In	Transfers Out
Major funds:		
General Fund	\$ 866,900	\$ -
Debt Service Fund	202,335	-
Capital Projects Fund	152,177	7,635
Electric Fund	-	894,500
Water Fund	-	1,043,600
Wastewater Fund	1,200,000	270,100
Non-major governmental funds	-	205,577
Total transfers	\$ 2,421,412	\$ 2,421,412

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

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

13 - Interfund Transactions (Continued)

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

Amounts owed from the general fund to:	
Electric fund	\$ 21,330
Water fund	1,014
Wastewater fund	130
	<u>\$ 22,474</u>
Amounts owed from the internal service funds to:	
Electric fund	\$ 4,252
Water fund	49
Wastewater fund	67
	<u>\$ 4,368</u>
Amounts owed from the airport fund to:	
Electric fund	\$ 585,000
	<u>\$ 585,000</u>

The outstanding balance between proprietary funds was created to reflect the balance owed for services provided and to reflect an interfund loan between the electric fund and the airport fund. The City Council approved the \$585,000 loan to provide temporary financing for a land acquisition at the airport. The land purchase is eligible for an FAA grant that would cover 90% of the eligible costs. The City will apply for this grant as soon as its final purchase cost is determined, which the City anticipates will occur in 2020. The interfund payables due from certain non-major governmental funds include amounts owed to the General Fund for the reimbursement of certain indirect costs.

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

14 - Commitments and Contingencies

Litigation

The City is currently in litigation related to the condemnation of land. The action has been through an administration procedure resulting in compensation to the plaintiff of \$500,000. This \$500,000 award is eligible for reimbursement to the City under the FAA's AIP grant program. The property owner has appealed the case with a potential liability to the City of up to an additional \$600,000.

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

Industrial Revenue Bonds

The City has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. The lease agreements provide for rentals sufficient to service the related bonds. The debt service on these issues is paid solely from payments from the private businesses involved. Neither the City nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying basic financial statements. As of December 31, 2019, there were three industrial revenue bonds outstanding for a total of \$88,976,190.

Project	Issue Date	Amount Authorized	Amount Outstanding	Interest		Maturity Date
				Rate	Payment Dates	
Midwest Commerce/Coleman (Project 1)	12/11/2009	\$ 47,100,000	\$ 46,950,431	4.50%	Feb. 1	2/1/2020
Midwest Commerce/Excellence (Project 2)	4/6/2018	38,000,000	28,969,046	2.00%	Feb. 1	2/1/2029
Hampton Inn	12/31/2018	14,000,000	13,056,713	2.00%	Dec. 1	12/1/2028
		<u>\$ 99,100,000</u>	<u>\$ 88,976,190</u>			

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, 2019, the City's recorded encumbrances in governmental funds were as follows:

General	\$ 306,996
Capital Projects	240,900
Infrastructure	348,823
Special Sales Tax	4,118,786
Nonmajor funds	<u>\$ 5,015,505</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

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 stimulate the economic growth and development of existing and new industry and businesses for the benefit of Gardner.

For the fiscal year ended December 31, 2019, the City abated property taxes totaling \$2,792,413 (for all taxing jurisdictions) under this program. The City received PILOT (Payments in Lieu of Taxes) payments on these properties totaling \$762,198 in 2019. The active tax abatement projects are described below:

- 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 (PILOT) 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.
- A 100-percent property tax abatement to a commercial warehouse, manufacturing facility and call center for ten years beginning in 2019. The abatement was 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 (PILOT) starting in year 6 equal to 20% of the value of the abated tax amount and increasing each succeeding year by 20% through 2028 when the abatement ends. The PILOT payments will 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.
- A 100-percent property tax abatement to a five-story, 84-room hotel, and 200-seat conference center for ten years beginning in 2019. The abatement was 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 fixed annual PILOT. The PILOT payments will approximate 20% of the abated taxes in 2019 and 2020, 30% in 2021 and 2022, and then 40% for the remaining 6 years of the abatement. The PILOT payments will 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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

16 - Prior Period Adjustment

Fiduciary Funds

A prior period adjustment has been recorded on the Statement of Activities, the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds and the Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds due to the implementation of GASB 84. The City's two agency funds did not meet the criteria under the new GASB rules and were reclassified. The Mayor's Christmas Tree Fund is now a special revenue fund which accounts for the \$2,010 prior period adjustment and the Special Olympics Fund is now a sub-fund of the General Fund and accounts for the \$11,335 prior period adjustment.

Capital Assets

A prior period adjustment has been recorded on the Statement of Activities and Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds. During the year, management performed a review of wastewater capital assets and discovered inconsistencies that resulted in the write-off of two capital assets in the wastewater fund which account for the prior period adjustment of \$427,302.

17 - Subsequent Events

The City will issue approximately \$29,150,000 General Obligation Bonds, Series 2020A to provide financing for construction of a new water treatment plant and to provide financing for the purchase of water and electric smart meters.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended worldwide mitigation measures. The extent of COVID-19's effect on the City's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the City's operation. However, if the pandemic continues to evolve, this could have a material adverse effect on the City's operation, statement of net position, statement of activities and cash flows.

CITY OF GARDNER, KANSAS

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

Last Seven Fiscal Years*

	2019	2018	2017	2016	2015	2014	2013
City's proportion of the net pension liability (asset):							
KPERS (local group)	0.387588%	0.371954%	0.345167%	0.345689%	0.396578%	0.301717%	0.275540%
KP&F (police & firemen)	0.430911%	0.420559%	0.413915%	0.387631%	0.334665%	0.332432%	0.313729%
City's proportionate share of the net pension liability (asset)	\$9,777,371	\$9,226,055	\$9,026,076	\$8,947,934	\$6,322,077	\$5,893,730	\$6,744,453
City's covered payroll ^	\$9,209,371	\$8,714,608	\$8,382,884	\$7,675,340	\$6,430,700	\$6,144,004	\$5,834,765
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	106.17%	105.87%	105.16%	116.38%	98.31%	95.93%	115.59%
Plan fiduciary net position as a percentage of the total pension liability	69.88%	68.88%	67.12%	65.10%	64.95%	66.60%	59.91%

* GASB 68 requires presentation of ten years. As of December 31, 2019, only seven years of information is available.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$1,170,761	\$1,037,215	\$ 940,924	\$ 981,506	\$ 871,712	\$ 738,862	\$ 610,709	\$ 551,764	\$ 463,747
Contributions in relation to the contractually required contribution	(1,170,761)	(1,037,215)	(940,924)	(981,506)	(871,712)	(738,862)	(610,709)	(551,764)	(463,747)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll ^	\$9,413,571	\$8,962,317	\$8,474,557	\$8,424,022	\$7,000,063	\$6,412,857	\$6,005,220	\$5,775,547	\$5,323,385
Contributions as a percentage of covered payroll	12.436925%	11.576418%	11.102929%	11.651279%	12.453165%	11.537766%	10.668199%	9.553450%	8.711179%

*Information prior to 2011 is not available.

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

Changes in benefit terms for KPERS. In the state fiscal year 2014, the KP&F group had a change in benefit terms. The Legislature increased this group's employee contributions to 7.15 percent and eliminated the reduction of employee contributions to 2.0 percent after 32 years of service. In addition, the maximum retirement benefit increased to 90 percent of final average salary (reached at 36 years of service). Before this change the maximum retirement benefit was limited to 80 percent of final average salary (reached at 32 years of service).

Effective January 1, 2014, KPERS 1 member's employee contribution rate increased to 5.0 percent and then on January 1, 2015, increase to 6.0 percent, with an increase in benefit multiplier to 1.85 percent for future years of service. For KPERS 2 members retired after July 1, 2012, the cost of living adjustment (COLA) is eliminated, but members will receive a 1.85 percent multiplier for all years of service.

On January 1, 2015, the KPERS 3 cash balance plan became effective. Members enrolled in this plan are ones first employed in a KPERS covered position on or after January 1, 2015, or KPERS 1 or KPERS 2 members who left employment before vesting and returned to employment on or after January 1, 2015. The retirement benefit is an annuity based on the account balance at retirement.

For the state fiscal year 2017, the KP&F group had a change in benefit terms. The Legislature changed the duty-related death benefit for KP&F members to the greater of 50% of Final Average Salary and member's accrued retirement benefit under the 100% joint and survivor option, payable to the member's spouse. Including any benefits that may be due to child beneficiaries, the total monthly benefits may not exceed 90% of the member's Final Average Salary. Prior to this bill, the duty-related spousal death benefit for KP&F member was 50% of the Final Average Salary, and the maximum available to the family was 75% of the member's Final Average Salary.

For the state fiscal year 2017, the Legislature changed the working after retirement rules for members who retire on or after January 1, 2018. The key changes to the working after retirement rules were to lengthen the waiting period for KPERS members to return to work from 60 days to 180 days for members who retire before attaining age 62, remove the earnings limitation for all retirees and establish a single-employer contribution schedule for all retirees.

Changes from the November 2016 experience study that impacted individual groups are listed below:

KPERS:

- The post-retirement healthy mortality assumption was changed to the RP-2014 Mortality Table, with adjustments to better fit the observed experience for the various KPERS groups. The most recent mortality improvement scale, MP-2016, is used to anticipate future mortality improvements in the valuation process through the next experience study.
- The active member mortality assumption was modified to also be based on the RP-2014 Employee Mortality Table with adjustments.
- The retirement rates for the select period (when first eligible for unreduced benefits under Rule of 85) were increased, but all other retirement rates were decreased.
- Disability rates were decreased for all three groups.
- The termination of employment assumption was increased for all three groups.
- The interest crediting rate assumption for KPERS 3 members was lowered from 6.50% to 6.25%.

KP&F:

- The post-retirement healthy mortality assumption was changed to the RP-2014 Mortality Table with 1-year age set forward and the MP-2016, is used to anticipate future mortality improvements.
- The mortality assumption for disabled members was changed to the RP-2014 Disabled Lives Table (generational using MP-2016) with a 1-year age set forward.
- The active member mortality assumption was modified to the RP-2014 Employee Mortality Table with a 1-year age set forward with a 90% scaling factor.
- The retirement rates for Tier 1 were lowered and the ultimate assumed retirement age was changed from 63 to 65 for Tier 2.
- The termination of employment rates for Tier 2 were increased to better match the observed experience.

Schedule of Changes in the City's Total OPEB Liability and Related Ratios 2019*

Postemployment Healthcare Plan^

Schedule of Changes in Total OPEB Liability and Related Ratios		
	2019	2018
Service cost	\$ 31,515	\$ 30,994
Interest cost	12,167	12,501
Changes of benefit terms	(62,674)	-
Changes in assumptions	(15,296)	5,693
Differences between expected and actual experience	5,375	-
Benefit payments	(5,000)	(6,000)
Net change in Total OPEB liability	\$ (33,913)	\$ 43,188
Total OPEB liability - beginning of year	347,662	304,474
Total OPEB liability - end of year	\$ 313,749	\$ 347,662
Covered-employee payroll*	7,231,735	7,231,735
Total OPEB liability as a % of covered payroll	4.34%	4.81%

*GASB 75 requires presentation of ten years. As of December 31, 2019, only two years of information are available.

^No assets are accumulated in a trust to pay related benefits for this plan.

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period:

- The discount rate decreased from 3.76% on December 31, 2016 to 3.23% on December 31, 2017.
- The discount rate remained 3.23% through December 31, 2018.
- The discount rate increased from 3.23% on December 31, 2018 to 3.68% on December 31, 2019.

Schedule of Changes in the
City's Total OPEB Liability and Related Ratios
2019*

Death and Disability OPEB Plan^

Schedule of Changes in Total OPEB Liability and Related Ratios				
	2019	2018	2017	
Service Cost	\$ 26,028	\$ 25,739	\$ 26,816	
Interest on total OPEB liability	6,253	5,718	3,828	
Changes of benefit terms	-	-	-	
Effect of economic/demographic gains or (losses)	(18,777)	(28,208)	-	
Effect of assumption changes or inputs*	2,265	(1,699)	(4,152)	
Benefit payments	-	-	-	
Net change in total OPEB liability	\$ 15,769	\$ 1,550	\$ 26,492	
Total OPEB liability, beginning	\$ 135,555	\$ 134,005	\$ 107,513	
Total OPEB liability, ending	\$ 151,324	\$ 135,555	\$ 134,005	
Covered payroll	\$ 6,390,365	\$ 6,057,898	\$ 5,821,363	
Total OPEB liability as a % of covered payroll	2.37%	2.24%	2.30%	

*GASB 75 requires presentation of ten years. As of December 31, 2019 only 3 years are available.

^ No assets are accumulated in a trust to pay related benefits for this plan.

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period:

- The discount rate increased from 2.85% on June 30, 2016 to 3.58% on June 30, 2017.
- The discount rate increased from 3.58% on June 30, 2017 to 3.87% on June 30, 2018.
- The discount rate decreased from 3.87% on June 30, 2018 to 3.50% on June 30, 2019.

OTHER SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

Mayor's Christmas Tree Fund – This fund is used to account for donations received that are restricted for the purpose of supporting local charities.

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.

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. Additional revenue accounted for in this fund includes a portion of the Special County Sales and Use Tax.

CITY OF GARDNER, KANSAS COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

December 31, 2019

	Economic Development Reserve	Law Enforcement Trust	Special Alcohol/ Drug Program	Mayor's Christmas Tree	Special Parks and Recreation	Total Special Revenue
Assets						
Deposits and investments	\$ 51,988	\$ 12,490	\$ 76,870	\$ 3,517	\$ 39,517	\$ 184,382
Receivables:						
Taxes	58,764	-	-	-	-	58,764
Intergovernmental	-	-	-	-	-	-
Restricted deposits and investments	-	-	-	-	-	-
Total assets	\$ 110,752	\$ 12,490	\$ 76,870	\$ 3,517	\$ 39,517	\$ 243,146
Liabilities						
Accounts payable	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Fund Balances (Deficits)						
Restricted:						
Capital projects	-	-	-	-	-	-
Street improvements	-	-	-	-	-	-
Economic development	110,752	-	-	-	-	110,752
Other	-	12,490	76,870	3,517	39,517	132,384
Total fund balances	\$ 110,752	\$ 12,490	\$ 76,870	\$ 3,517	\$ 39,517	\$ 243,146
Total liabilities and fund balances	\$ 110,752	\$ 12,490	\$ 76,870	\$ 3,517	\$ 39,517	\$ 243,146

(Continued)

CITY OF GARDNER, KANSAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

(Continued)

December 31, 2019

	Capital Projects				Total Nonmajor Governmental Funds
	Park Improvement	Special Highway	Street Improvement	Total Capital Projects	
Assets					
Deposits and investments	\$ 166,601	\$ 1,967,196	\$ 1,453,912	\$ 3,587,709	\$ 3,772,091
Receivables:					
Taxes	-	-	-	-	58,764
Intergovernmental	-	279,770	-	279,770	279,770
Restricted deposits and investments	-	1,459,971	-	1,459,971	1,459,971
Total assets	\$ 166,601	\$ 3,706,937	\$ 1,453,912	\$ 5,327,450	\$ 5,570,596
Liabilities					
Accounts payable	-	231,960	-	231,960	231,960
Total liabilities	-	231,960	-	231,960	231,960
Fund Balances (Deficits)					
Restricted:					
Capital projects	166,601	3,474,977	-	3,641,578	3,641,578
Street improvements	-	-	1,453,912	1,453,912	1,453,912
Economic development	-	-	-	-	110,752
Other	-	-	-	-	132,394
Total fund balances	\$ 166,601	\$ 3,474,977	\$ 1,453,912	\$ 5,095,490	\$ 5,338,636
Total liabilities and fund balances	\$ 166,601	\$ 3,706,937	\$ 1,453,912	\$ 5,327,450	\$ 5,570,596

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2019

	Special Revenue Funds					Total Special Revenue
	Economic Development Reserve	Law Enforcement Trust	Special Alcohol/ Drug Program	Mayer's Christmas Tree	Special Parks and Recreation	
Revenues						
Transient guest tax	\$ 153,661	\$ -	\$ -	\$ -	\$ -	\$ 153,661
Excise Tax	-	-	-	-	-	-
Intergovernmental	-	2,464	40,121	-	40,121	82,706
Fines and Fees	-	-	-	-	-	-
Investment earnings	60	158	674	-	402	1,294
Other	-	-	-	4,177	-	4,177
Total revenues	153,721	2,622	40,795	4,177	40,523	241,838
Expenditures						
Current:						
General government	92,457	-	19,200	-	-	111,657
Capital outlay	-	-	-	-	33,599	33,599
Debt service	-	-	-	-	-	-
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	3,979	-	-	-	3,979
Other	-	3,979	19,200	2,670	-	26,849
Total expenditures	92,457	3,979	19,200	2,670	33,599	151,905
Excess of revenues over (under) expenditures	61,264	(1,357)	21,595	1,507	6,924	89,933
Other financing sources (uses)						
General obligation bonds issued	-	-	-	-	-	-
Insurance Premium	-	-	-	-	12,599	12,599
Proceed from sale of capital assets	-	-	-	-	-	-
Transfer out	-	-	-	-	12,599	12,599
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	61,264	(1,357)	21,595	1,507	19,523	102,532
Fund balances, beginning of year	49,488	13,847	55,275	-	19,994	138,604
Prior period adjustment	-	-	-	2,010	-	2,010
Fund balances, end of year	\$ 110,752	\$ 12,490	\$ 76,870	\$ 3,517	\$ 39,517	\$ 243,146

(Continued)

(Continued)

CITY OF GARDNER, KANSAS

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2019

	Park Improvement	Capital Projects Special Highway	Street Improvement	Total Capital Projects	Total Nonmajor Governmental Funds
Revenues					
Transient guest tax	\$ -	\$ -	\$ -	\$ -	\$ 153,661
Excise Tax	-	-	451,991	451,991	451,991
Intergovernmental	-	1,074,259	-	1,074,259	1,156,965
Fines and Fees	113,141	-	-	113,141	113,141
Investment earnings	2,162	19,389	14,774	36,325	37,619
Other	-	-	-	-	4,177
Total revenues	115,303	1,093,648	466,765	1,675,716	1,917,554
Expenditures					
Current:					
General government	-	-	-	-	111,657
Capital outlay	-	580,465	-	580,465	614,064
Debt service:					
Principal	-	45,000	-	45,000	45,000
Interest and fiscal charges	-	13,563	-	13,563	13,563
Other	-	39,348	-	39,348	45,997
Total expenditures	-	678,376	-	678,376	830,281
Excess of revenues over (under) expenditures	115,303	415,272	466,765	997,340	1,087,273
Other financing sources (uses)					
General obligation bonds issued	-	1,605,000	-	1,605,000	1,605,000
Insurance Premium	-	73,379	-	73,379	73,379
Proceed from sale of capital assets	-	-	-	-	12,599
Transfers out	(152,177)	(27,300)	(26,100)	(205,577)	(205,577)
Total other financing sources (uses)	(152,177)	1,651,079	(26,100)	1,472,802	1,485,401
Net change in fund balances	(36,874)	2,066,351	440,665	2,470,142	2,572,674
Fund balances, beginning of year	203,475	1,408,626	1,013,247	2,625,348	2,763,952
Prior period adjustment	-	-	-	-	2,010
Fund balances, end of year	\$ 166,601	\$ 3,474,977	\$ 1,453,912	\$ 5,095,490	\$ 5,338,636

CITY OF GARDNER, KANSAS

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

ECONOMIC DEVELOPMENT RESERVE FUND

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Transient guest tax	\$ 285,600	\$ 285,600	\$ 153,661	\$ (131,939)
Investment earnings	500	500	60	(440)
Total revenues	\$ 286,100	\$ 286,100	\$ 153,721	\$ (132,379)
Expenditures				
Project reserve	16,627	16,627	-	16,627
Contractual services	285,000	285,000	109,957	175,043
Total expenditures	301,627	301,627	109,957	191,670
Revenues over (under) expenditures	(15,527)	(15,527)	43,764	59,291
Net change in fund balance	(15,527)	(15,527)	43,764	59,291
Fund balances, beginning of year	15,527	15,527	24,488	8,961
Fund balances, end of year	\$ -	\$ -	\$ 68,252	\$ 68,252
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			42,500	
GAAP fund balance, end of year			\$ 110,752	

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, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Special alcohol tax	\$ 37,800	\$ 37,800	\$ 40,121	\$ 2,321
Investment earnings	200	200	674	474
Other	-	-	-	-
Total revenues	\$ 38,000	\$ 38,000	\$ 40,795	\$ 2,795
Expenditures				
Project reserve	68,824	68,824	-	68,824
Contractual services	19,200	19,200	19,200	-
Total expenditures	88,024	88,024	19,200	68,824
Revenues over (under) expenditures	(50,024)	(50,024)	21,595	71,619
Net change in fund balance	(50,024)	(50,024)	21,595	71,619
Fund balances, beginning of year	50,024	50,024	55,275	5,251
Fund balances, end of year	\$ -	\$ -	\$ 76,870	\$ 76,870

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, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Special alcohol tax	\$ 37,800	\$ 37,800	\$ 40,121	\$ 2,321
Investment earnings	100	100	402	302
Other	-	-	12,599	12,599
Total revenues	\$ 37,900	\$ 37,900	\$ 53,122	\$ 15,222
Expenditures				
Project reserve	52,955	52,955	-	52,955
Capital Outlay	-	-	33,599	(33,599)
Total expenditures	52,955	52,955	33,599	19,356
Revenues over (under) expenditures	(15,055)	(15,055)	19,523	34,578
Net change in fund balance	(15,055)	(15,055)	19,523	34,578
Fund balances, beginning of year	15,055	15,055	19,994	4,939
Fund balances, end of year	\$ -	\$ -	\$ 39,517	\$ 39,517

CITY OF GARDNER, KANSAS

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

PARK IMPROVEMENT RESERVE FUND

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Park impact fees	\$ 126,700	\$ 126,700	\$ 113,141	\$ (13,559)
Investment earnings	300	300	2,162	1,862
Total revenues	<u>127,000</u>	<u>127,000</u>	<u>115,303</u>	<u>(11,697)</u>
Expenditures				
Project reserve	287,840	287,840	-	287,840
Total expenditures	<u>287,840</u>	<u>287,840</u>	-	<u>287,840</u>
Revenues over (under) expenditures	(160,840)	(160,840)	115,303	276,143
Other financing sources (uses)				
Transfers out	(75,000)	(75,000)	(152,177)	(77,177)
Total other financing sources (uses)	<u>(75,000)</u>	<u>(75,000)</u>	<u>(152,177)</u>	<u>(77,177)</u>
Net change in fund balance	(235,840)	(235,840)	(36,874)	198,966
Fund balances, beginning of year	235,840	235,840	203,475	(32,365)
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,601</u>	<u>\$ 166,601</u>

CITY OF GARDNER, KANSAS

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

SPECIAL HIGHWAY FUND

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
State gasoline tax	\$ 572,300	\$ 572,300	\$ 423,197	\$ (149,103)
Intergovernmental	3,432,000	3,432,000	651,062	(2,780,938)
Investment earnings	3,500	3,500	19,389	15,889
Total revenues	<u>4,007,800</u>	<u>4,007,800</u>	<u>1,093,648</u>	<u>(2,914,152)</u>
Expenditures				
Project reserve	2,107,890	2,107,890	-	2,107,890
Capital outlay	6,970,000	6,970,000	4,316,898	2,653,102
Principal & Interest	249,600	249,600	58,563	191,037
Other	-	-	39,348	(39,348)
Total expenditures	<u>9,327,490</u>	<u>9,327,490</u>	<u>4,414,809</u>	<u>4,912,681</u>
Revenues over (under) expenditures	(5,319,690)	(5,319,690)	(3,321,161)	1,998,529
Other financing sources (uses)				
General obligation bonds issued	4,833,000	4,833,000	1,605,000	(3,228,000)
Issuance: Premium	-	-	73,379	73,379
Transfers out	(27,300)	(27,300)	(27,300)	-
Total other financing sources (uses)	<u>4,805,700</u>	<u>4,805,700</u>	<u>1,651,079</u>	<u>(3,154,621)</u>
Net change in fund balance	(513,990)	(513,990)	(1,670,082)	(1,156,092)
Fund balances, beginning of year	513,990	513,990	1,068,773	554,783
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>(601,309)</u>	<u>\$ (601,309)</u>

Explanation of difference between budgetary and GAAP fund balances:

Encumbrances for equipment and supplies ordered but not received are not recorded for GAAP purposes until received

GAAP fund balance, end of year

*Kansas statutes allow for funds to exceed the limits of indebtedness when provision has been made for payment by the issuance of bonds or temporary notes as provided by law. See Note 2 - Stewardship, Compliance and Accountability for more details.

4,076,286

\$ 3,474,977

CITY OF GARDNER, KANSAS

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

STREET IMPROVEMENT FUND

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Excise tax	\$ 311,300	\$ 311,300	\$ 451,991	\$ 140,691
Investment earnings	8,000	8,000	14,774	6,774
Total revenues	\$ 319,300	\$ 319,300	\$ 466,765	\$ 147,465
Expenditures				
Project reserve	1,532,538	1,532,538	-	1,532,538
Total expenditures	1,532,538	1,532,538	-	1,532,538
Revenues over (under) expenditures	(1,213,238)	(1,213,238)	466,765	1,680,003
Other financing sources (uses)				
Transfers out	(26,100)	(26,100)	(26,100)	-
Total other financing sources (uses)	(26,100)	(26,100)	(26,100)	-
Net change in fund balance	(1,239,338)	(1,239,338)	440,665	1,680,003
Fund balances, beginning of year	1,239,338	1,239,338	1,013,247	(226,091)
Fund balances, end of year	\$ -	\$ -	\$ 1,453,912	\$ 1,453,912

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, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 1,176,900	\$ 1,176,900	\$ 1,229,771	\$ 52,871
Intergovernmental	252,000	252,000	-	(252,000)
Investment earnings	6,000	6,000	14,873	8,873
Total revenues	1,434,900	1,434,900	1,244,644	(190,256)
Expenditures				
Principal and Interest	527,700	527,700	527,638	62
Other	-	-	21,084	(21,084)
Public Works	-	-	1,167,764	(1,167,764)
Capital Outlay	2,117,000	2,117,000	463,505	1,653,495
Project Reserve	611,227	611,227	-	611,227
Total expenditures	3,255,927	3,255,927	2,179,991	1,075,936
Revenues over (under) expenditures	(1,821,027)	(1,821,027)	(935,347)	885,680
Other financing sources (uses)				
General obligation bonds issued	1,000,000	1,000,000	860,000	(140,000)
Issuance: Premium	-	-	39,392	39,392
Total other financing sources (uses)	1,000,000	1,000,000	899,392	(100,608)
Net change in fund balance	(821,027)	(821,027)	(35,955)	785,072
Fund balances, beginning of year	821,027	821,027	1,099,163	278,136
Fund balances, end of year	\$ -	\$ -	\$ 1,063,208	\$ 1,063,208

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

348,823

\$ 1,412,031

CITY OF GARDNER, KANSAS

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

DEBT SERVICE FUND

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 1,414,327	\$ 1,414,327	\$ 1,468,544	\$ 54,217
Special assessments	1,151,100	1,151,100	1,111,772	(39,328)
Intergovernmental	480,000	480,000	423,195	(56,805)
Investment earnings	14,000	14,000	77,484	63,484
Payments in lieu of taxes	44,773	44,773	-	(44,773)
Total revenues	3,104,200	3,104,200	3,080,995	(23,205)
Expenditures				
Principal	5,880,500	5,880,500	4,595,987	1,284,513
Interest	-	-	1,153,697	(1,153,697)
Other	-	-	1,000	(1,000)
Project Reserve	1,582,621	1,582,621	-	1,582,621
Total expenditures	7,463,121	7,463,121	5,750,684	1,712,437
Revenues over (under) expenditures	(4,358,921)	(4,358,921)	(2,669,689)	1,689,232
Other financing sources				
Bond anticipation note issued	-	-	252,512	252,512
Transfers in	194,700	194,700	202,335	7,635
Total other financing sources	194,700	194,700	454,847	260,147
Net change in fund balance	(4,164,221)	(4,164,221)	(2,214,842)	1,950,009
Fund balances, beginning of year	4,164,221	4,164,221	4,154,925	(9,296)
Fund balances, end of year	-	-	\$ 1,940,083	\$ 1,940,083

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 barge on airport property. Expenses are for the construction, renovation and operation of the airport.

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

Internal Service Funds

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

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

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

Building Services Fund – This fund is used to account for the accumulation and allocation of costs associated with maintenance and miscellaneous repairs on city-owned property.

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

CITY OF GARDNER, KANSAS

COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS

December 31, 2019

Assets	Stormwater	Airport	Total
Current assets:			
Cash and cash equivalents	\$ -	\$ 365,963	\$ 365,963
Accounts receivable, net	-	50,596	50,596
Inventories	-	26,293	26,293
Restricted deposits and investments	-	5,700	5,700
Total current assets	-	448,552	448,552
Noncurrent assets:			
Capital assets:			
Land	-	1,285,374	1,285,374
Construction in progress	-	636,908	636,908
Buildings	-	1,745,363	1,745,363
Infrastructure	342,634	1,353,775	1,696,409
Improvements	737,691	142,342	880,033
Less accumulated depreciation and amortization	(283,929)	(1,732,550)	(2,016,479)
Total capital assets	796,396	3,431,212	4,227,608
Total noncurrent assets	796,396	3,431,212	4,227,608
Total assets	796,396	3,879,764	4,676,160
Deferred outflows of resources			
Pension deferred outflow	-	716	716
Total deferred outflows of resources	-	716	716
Liabilities			
Current liabilities:			
Accounts payable	-	17,782	17,782
Accrued payroll	-	118	118
Customer and developer deposits	-	5,700	5,700
Accrued interest payable	-	897	897
Due to other funds	-	585,000	585,000
Compensated absences	-	2,915	2,915
Current portion of bonds payable	-	35,000	35,000
Total current liabilities	-	647,412	647,412
Noncurrent liabilities:			
Other postemployment benefit obligation	-	265	265
Bonds payable, net	-	146,622	146,622
Pension liability	-	1,195	1,195
Total noncurrent liabilities	-	148,082	148,082
Total liabilities	-	795,494	795,494
Deferred inflows of resources			
Pension deferred inflow	-	75	75
OPEB deferred inflow	-	7	7
Total deferred inflows of resources	-	82	82
Net position			
Net investment in capital assets	796,396	3,249,590	4,045,986
Unrestricted	-	(164,866)	(164,866)
Total net position	\$ 796,396	\$ 3,084,724	\$ 3,881,300

CITY OF GARDNER, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NON-MAJOR ENTERPRISE FUNDS

Year Ended December 31, 2019

	Stormwater	Airport	Total
Operating revenues			
Charges for sales and services	\$ -	\$ 249,908	\$ 249,908
Total operating revenues	-	249,908	249,908
Operating expenses			
Administration	-	157,448	157,448
Repairs and maintenance	-	13,916	13,916
Depreciation and amortization	33,155	118,446	151,601
Total operating expenses	33,155	289,810	322,965
Operating income (loss)	(33,155)	(39,902)	(73,057)
Nonoperating revenue (expenses)			
Investment earnings	-	3,182	3,182
Interest expense	-	(2,395)	(2,395)
Total nonoperating revenue (expenses)	-	787	787
Income (loss) before transfers and contributions	(33,155)	(39,115)	(72,270)
Capital grants and contributions	194,281	42,079	236,360
Change in net position	161,126	2,964	164,090
Total net position, beginning of year	635,270	3,081,940	3,717,210
Total net position, end of year	\$ 796,396	\$ 3,084,724	\$ 3,881,300

CITY OF GARDNER, KANSAS
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS

Year Ended December 31, 2019

	Stormwater	Septer	Total
Cash flows from operating activities:			
Receipts from customers	\$ -	\$ 208,964	\$ 208,964
Other receipts	-	585,000	585,000
Payments to suppliers	-	(147,377)	(147,377)
Payments to employees	-	(14,443)	(14,443)
Net cash provided by operating activities	-	632,142	632,142
Cash flows from capital and related financing activities:			
Capital grants and contributions	-	42,079	42,079
Acquisition and construction of capital assets	-	(580,817)	(580,817)
Principal paid on general obligation bonds	-	(39,013)	(39,013)
Principal paid on construction loan	-	-	-
Interest paid on general obligation bonds, construction loan, and capital lease	-	(1,997)	(1,997)
Net cash used in capital and related financing activities	-	(579,748)	(579,748)
Cash flows from investing activities:			
Interest received	-	3,182	3,182
Net increase (decrease) in cash and cash equivalents	-	95,576	\$9,576
Cash and cash equivalents, beginning of year	-	316,087	316,087
Cash and cash equivalents, end of year	\$ -	\$ 371,663	\$ 371,663
Cash	\$ -	\$ 365,963	\$ 365,963
Restricted deposits and investments	-	5,700	5,700
	-	371,663	371,663
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	(93,155)	(93,992)	(79,657)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Items not requiring cash:			
Depreciation and amortization expense	33,155	118,446	151,601
Pension expense	-	(5)	(5)
Change in:			
Receivables	-	(40,644)	(40,644)
Inventories	-	(5,453)	(5,453)
Accounts payable	-	14,642	14,642
Due to other funds	-	585,000	585,000
Accrued liabilities	-	358	358
Customer deposits	-	(300)	(300)
Net cash provided by operating activities	\$ -	\$ 632,142	\$ 632,142
Noncash investing capital and financing activities:			
Contributed capital assets	\$ 194,281	\$ -	\$ -

CITY OF GARDNER, KANSAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

December 31, 2019

	Risk Services	Governmental Activities Information Technology Services	Building Services	Business-type Activities Utility Billing Services	Total
Assets					
Current assets:					
Deposits and investments	\$ 50,536	\$ 175,103	\$ 110,475	\$ 345,801	\$ 681,915
Prepaid items	-	2,848	-	-	2,848
Receivables:					
Other	157	26,547	-	3,400	30,104
Noncurrent assets:					
Capital assets:					
Machinery and equipment	-	467,391	14,794	10,509	492,694
Vehicles	-	-	49,237	82,607	131,844
Less accumulated depreciation	-	(389,289)	(38,409)	(31,933)	(338,891)
Total assets	50,693	402,660	156,097	411,124	1,000,514
Deferred outflows of resources					
Pension deferred outflow	9,979	37,527	12,845	72,732	133,083
OPFB deferred outflow	57	466	179	996	1,698
Total deferred outflows of resources	10,036	37,993	13,024	73,728	134,781
Liabilities					
Current liabilities:					
Accounts payable	389	12,604	17,138	7,793	37,924
Compensated absences	3,340	9,832	14,478	44,886	72,536
Due to other funds	-	-	4,368	-	4,368
Accrued payroll	427	1,735	527	3,130	5,819
Noncurrent liabilities:					
Other postemployment benefit obligation	1,831	6,605	4,874	22,279	35,589
Net Pension liability	48,143	183,379	61,627	352,651	645,800
Total liabilities	54,130	214,155	103,012	430,739	802,036
Deferred inflows of resources					
Pension deferred inflow	1,519	5,672	1,949	11,093	20,233
OPFB deferred inflow	412	2,509	585	3,812	7,318
Total deferred inflows of resources	1,931	8,181	2,534	14,905	27,551
Net position					
Net investment in capital assets	-	198,102	25,622	61,923	285,647
Unrestricted	4,668	20,155	17,953	(22,715)	20,061
Total net position	\$ 4,668	\$ 218,257	\$ 43,575	\$ 39,208	\$ 305,708

CITY OF GARDNER, KANSAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
Year Ended December 31, 2019

	Governmental Activities			Business-type Activities			
	Risk Services	Information Technology Services	Building Services	Utility Billing Services			Total
Operating revenues							
Charges for services	\$ 959,968	\$ 843,962	\$ 323,047	\$ 1,175,585	\$	\$ 3,302,562	
Other	13,703	-	-	-	-	13,703	
Total operating revenues	973,671	843,962	323,047	1,175,585		3,316,265	
Operating expenses							
Administration	74,299	330,013	87,801	585,453		1,077,566	
Contractual services	809,087	304,679	142,139	303,615		1,559,520	
Other supplies and expenses	21,206	49,557	13,269	15,680		99,712	
Repairs and maintenance	-	17,505	1,979	898		20,382	
Depreciation	-	41,265	4,978	9,311		55,554	
Other	69,079	74,396	72,932	264,028		480,435	
Total operating expenses	973,671	817,415	323,048	1,178,985		3,293,119	
Operating income	-	26,547	(1)	(3,400)		23,146	
Nonoperating revenues (expenses)							
Other	-	-	-	3,400		3,400	
Change in net position	-	26,547	(1)	-		26,546	
Total net position, beginning of year	4,668	191,710	43,576	39,208		279,162	
Total net position, end of year	<u>\$ 4,668</u>	<u>\$ 218,257</u>	<u>\$ 43,575</u>	<u>\$ 39,208</u>		<u>\$ 305,908</u>	

CITY OF GARDNER, KANSAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended December 31, 2019

	Governmental Activities			Business-type Activities			
	Risk Management	Information Technology Services	Building Services	Utility Billing Services			Total
Cash flows from operating activities:							
Receipts from customers	\$ 959,968	\$ 843,962	\$ 323,047	\$ 1,175,585	\$	\$ 3,302,562	
Other receipts	13,703	-	-	-	-	13,703	
Payments to suppliers	(896,654)	(486,311)	(217,582)	(583,580)		(2,184,127)	
Payments to employees	(72,621)	(324,027)	(84,676)	(374,166)		(1,055,492)	
Net cash provided by operating activities	4,396	33,624	20,787	17,839		76,646	
Net increase (decrease) in cash and cash equivalents	4,396	33,624	20,787	17,839		76,646	
Cash and cash equivalents, beginning of year	46,140	141,479	89,688	327,962		605,269	
Cash and cash equivalents, end of year	\$ 50,536	\$ 175,103	\$ 110,475	\$ 345,801		\$ 681,915	
Reconciliation of operating income to net cash provided by operating activities:							
Operating income	\$ -	\$ 26,547	\$ (1)	\$ (3,400)		\$ 23,146	
Adjustments to reconcile operating income to net cash provided by operating activities:							
Items not requiring cash:							
Depreciation expense	-	41,265	4,928	9,311		55,504	
Other postemployment benefit obligation	147	1,457	217	1,269		3,090	
Loss (gain) on sale of asset	-	-	-	(3,400)		(3,400)	
Pension expense	2,761	10,560	3,537	20,316		37,174	
Changes in:							
Receivables	1,807	(26,547)	-	3,400		(21,340)	
Due from other funds	-	-	-	-		-	
Prepaid expenses	2,520	-	-	-		2,520	
Accounts payable	(2,009)	(13,627)	12,423	641		(2,572)	
Accrued liabilities	(1,230)	(6,031)	(1,695)	(10,254)		(19,254)	
Due to other funds	-	-	1,378	-		1,378	
Net cash provided by operating activities	\$ 4,396	\$ 33,624	\$ 20,787	\$ 17,839		\$ 76,646	



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended
December 31, 2019

STATISTICAL SECTION

Statistical Section

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

Contents

Page

Financial Trends

105 - 108

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

109 - 117

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its most significant local revenue source, which is the electric, water and wastewater revenues, as well as its property taxes.

Debt Capacity

118 - 121

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

122 - 124

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time with other governments.

Operating Information

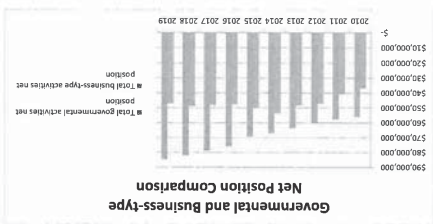
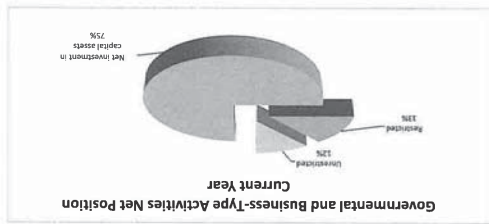
125 - 127

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

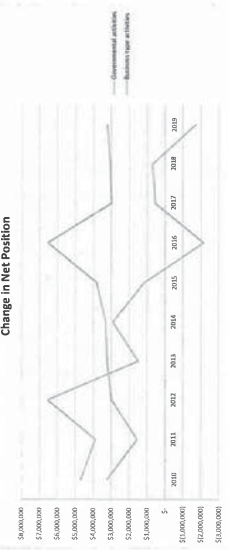
Fiscal Year	2019	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities										
Net investment in capital assets	\$ 17,533,282	\$ 34,541,491	\$ 17,866,534	\$ 31,189,584	\$ 16,120,122	\$ 1,989,019	\$ 48,072,803	\$ 47,174,833	\$ 66,658,777	\$ 10,087,990
Unrestricted	17,533,282	16,120,122	17,866,534	31,189,584	16,120,122	1,989,019	48,072,803	47,174,833	66,658,777	10,087,990
Total governmental activities net position	\$ 17,533,282	\$ 34,541,491	\$ 17,866,534	\$ 31,189,584	\$ 16,120,122	\$ 1,989,019	\$ 48,072,803	\$ 47,174,833	\$ 66,658,777	\$ 10,087,990
Business-type activities										
Net investment in capital assets	\$ 98,841,659	\$ 87,080,879	\$ 82,801,187	\$ 83,801,187	\$ 91,727,822	\$ 87,882,966	\$ 119,891,879	\$ 119,891,879	\$ 130,828,576	\$ 131,921,420
Unrestricted	98,841,659	87,080,879	82,801,187	83,801,187	91,727,822	87,882,966	119,891,879	119,891,879	130,828,576	131,921,420
Total business-type activities net position	\$ 98,841,659	\$ 87,080,879	\$ 82,801,187	\$ 83,801,187	\$ 91,727,822	\$ 87,882,966	\$ 119,891,879	\$ 119,891,879	\$ 130,828,576	\$ 131,921,420
Total primary government net position	\$ 116,374,941	\$ 121,622,370	\$ 100,667,721	\$ 114,990,771	\$ 107,847,944	\$ 105,765,932	\$ 267,964,682	\$ 267,964,682	\$ 267,487,353	\$ 242,009,410



Source: City of Gardner Finance Department

City of Gardner, Kansas Change in Net Position Last Ten Fiscal Years (accrual basis of accounting)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses										
General and administrative	\$ 2,822,418	\$ 2,620,535	\$ 3,887,271	\$ 3,508,824	\$ 3,888,677	\$ 2,817,264	\$ 3,888,677	\$ 3,508,824	\$ 3,888,677	\$ 3,888,677
Police	3,855,454	3,847,373	3,778,837	3,847,373	3,847,373	3,847,373	3,847,373	3,847,373	3,847,373	3,847,373
Fire	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Public works	2,211,773	2,211,773	2,211,773	2,211,773	2,211,773	2,211,773	2,211,773	2,211,773	2,211,773	2,211,773
Debt service	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Interest on long-term debt	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total governmental activities expenses	\$ 12,890,665	\$ 12,679,681	\$ 15,877,884	\$ 14,578,074	\$ 14,948,830	\$ 13,825,817	\$ 14,948,830	\$ 14,578,074	\$ 15,877,884	\$ 15,877,884
Business-type activities										
Water	11,572,594	12,052,825	11,778,832	12,535,764	11,915,965	12,535,764	11,915,965	12,535,764	11,915,965	11,915,965
Wastewater	3,855,454	3,847,373	3,778,837	3,847,373	3,847,373	3,847,373	3,847,373	3,847,373	3,847,373	3,847,373
Stormwater	71,088	71,088	71,088	71,088	71,088	71,088	71,088	71,088	71,088	71,088
Total business-type activities expenses	\$ 15,500,136	\$ 15,971,286	\$ 15,628,757	\$ 16,454,225	\$ 15,734,426	\$ 16,454,225	\$ 15,734,426	\$ 16,454,225	\$ 15,734,426	\$ 15,734,426
Total primary government expenses	\$ 28,390,801	\$ 28,650,967	\$ 31,506,641	\$ 31,032,299	\$ 30,683,256	\$ 30,279,042	\$ 30,683,256	\$ 31,032,299	\$ 31,506,641	\$ 31,506,641
Revenues										
General	\$ 14,082,709	\$ 14,082,709	\$ 14,082,709	\$ 14,082,709	\$ 14,082,709	\$ 14,082,709	\$ 14,082,709	\$ 14,082,709	\$ 14,082,709	\$ 14,082,709
Special	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Investment	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Other	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total primary government revenues	\$ 17,082,709	\$ 17,082,709	\$ 17,082,709	\$ 17,082,709	\$ 17,082,709	\$ 17,082,709	\$ 17,082,709	\$ 17,082,709	\$ 17,082,709	\$ 17,082,709
Change in Net Position	\$ (11,308,092)	\$ (11,568,258)	\$ (14,423,932)	\$ (13,949,590)	\$ (13,600,547)	\$ (13,196,333)	\$ (13,600,547)	\$ (13,949,590)	\$ (14,423,932)	\$ (14,423,932)

Change in Net Position



Source: City of Gardner Finance Department

**City of Gardner, Kansas
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years**

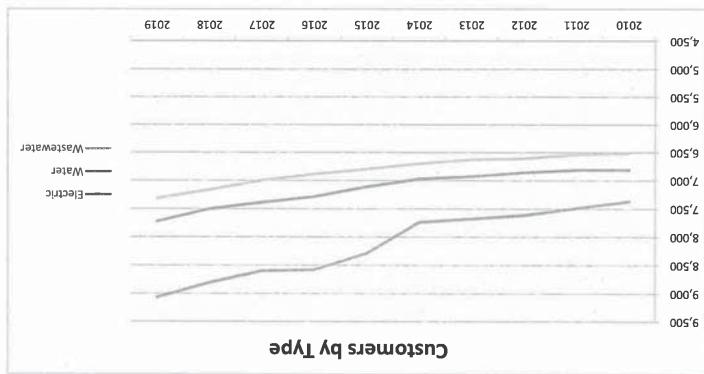
(modified accrual basis of accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617
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City of Gardner, Kansas
Number of Electric, Water, and Wastewater Customers by Type
Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Industrial	Water	Residential	Commercial	Industrial	Wastewater	Residential	Commercial	Industrial	Water	Total
2010	6,944	424	425	6	6,546	256	260	6,309	5	204	205	6,811	6,519
2011	7,064	424	425	6	6,554	259	270	6,333	5	204	205	6,811	6,542
2012	7,163	448	448	6	6,598	259	270	6,398	5	209	216	6,862	6,612
2013	7,214	462	462	6	6,555	270	270	6,408	7	216	219	6,932	6,631
2014	7,274	465	479	4	6,709	261	261	6,480	6	219	219	6,977	6,705
2015	7,806	488	488	4	6,821	309	290	6,577	6	219	229	7,118	6,802
2016	8,089	517	517	4	6,977	309	316	6,664	6	221	229	7,293	6,891
2017	8,081	517	517	4	7,069	316	316	6,766	6	228	229	7,392	6,981
2018	8,288	515	515	5	7,189	313	313	6,937	7	228	228	7,509	7,172
2019	8,541	522	522	7	7,402	319	319	7,081	7	235	235	7,728	7,323

Source: City of Gardner Utility Department



City of Gardner, Kansas Electric, Water, and Wastewater Rates Last Ten Fiscal Years											
Water Rates ^(a)											
(All Meter Sizes)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Base Rate	\$ 8.80	\$ 10.40	\$ 10.70	\$ 11.55	\$ 12.45	\$ 13.45	\$ 13.45	\$ 13.45	\$ 13.45	\$ 13.45	\$ 13.45
Usage Rate (per 1,000 gallons) First 40,000 gallons	4.45	4.65	4.80	5.15	5.55	5.99	5.99	5.99	5.99	5.99	5.99
Usage Rate (per 1,000 gallons) Over 40,000 gallons	3.80	3.90	3.90	4.20	4.55	4.99	4.99	4.99	4.99	4.99	4.99
Usage Rate (per 1,000 gallons) First 5,000 gallons	-	-	-	-	5.11	5.60	5.60	5.60	5.60	5.60	5.60
Usage Rate (per 1,000 gallons) 5,001-10,000 gallons	-	-	-	-	6.80	7.35	7.35	7.35	7.35	7.35	7.35
Usage Rate (per 1,000 gallons) 10,001-14,000 gallons	-	-	-	-	6.80	7.35	7.35	7.35	7.35	7.35	7.35
Usage Rate (per 1,000 gallons) 14,001-18,000 gallons	-	-	-	-	6.87	7.50	7.50	7.50	7.50	7.50	7.50
Usage Rate (per 1,000 gallons) 18,001 or more gallons	-	-	-	-	6.97	7.52	7.52	7.52	7.52	7.52	7.52
Wastewater Rates											
Base Rate	\$ 0.45	\$ 0.20	\$ 0.70	\$ 1.10	\$ 1.20	\$ 1.37	\$ 1.37	\$ 1.37	\$ 1.37	\$ 1.37	\$ 1.37
Usage Rate (per 1,000 gallons)	6.00	6.50	6.85	7.60	8.44	8.78	8.78	8.78	8.78	8.78	8.78
Electric Rates											
Residential											
Base Rate	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72
Usage Rate (per kWh)	0.10653	0.10653	0.10653	0.10619	0.10619	0.10619	0.10619	0.10619	0.10619	0.10619	0.10619
Commercial											
Base Rate	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35
Usage Rate (per kWh)	0.10416	0.10416	0.10416	0.11152	0.11152	0.11152	0.11152	0.11152	0.11152	0.11152	0.11152
Usage Rate (per kWh) With Demand	16.70	16.70	16.70	16.70	16.70	16.70	16.70	16.70	16.70	16.70	16.70
Usage Rate (per kWh) Over 5,000 kWh	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80
Usage Rate (per kWh) First 5,000 kWh	14.90	14.90	14.90	14.90	14.90	14.90	14.90	14.90	14.90	14.90	14.90
Usage Rate (per kWh) Over 5,000 kWh	0.05099	0.05099	0.05099	0.05708	0.05708	0.05708	0.05708	0.05708	0.05708	0.05708	0.05708
Usage Rate (per kWh) Demand	0.04273	0.04273	0.04273	0.05063	0.05063	0.05063	0.05063	0.05063	0.05063	0.05063	0.05063
Commercial/Large Meter Demand											
Base Rate	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26	\$ 22.26
Usage Rate (per kWh)	0.04872	0.04872	0.04872	0.05680	0.05680	0.05680	0.05680	0.05680	0.05680	0.05680	0.05680
Usage Rate (per kWh) First 5,000 kWh	14.92	14.92	14.92	14.92	14.92	14.92	14.92	14.92	14.92	14.92	14.92
Usage Rate (per kWh) Over 5,000 kWh	0.04317	0.04317	0.04317	0.05053	0.05053	0.05053	0.05053	0.05053	0.05053	0.05053	0.05053
All Electric Rates											
Residential											
Base Rate	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20
Summer Usage Rate (per kWh)	0.10352	0.10352	0.10352	0.11088	0.11088	0.11088	0.11088	0.11088	0.11088	0.11088	0.11088
Winter Usage Rate (per kWh) First 800 kWh	0.10352	0.10352	0.10352	0.11088	0.11088	0.11088	0.11088	0.11088	0.11088	0.11088	0.11088
Usage Rate (per kWh) Over 800 kWh	0.04117	0.04117	0.04117	0.04853	0.04853	0.04853	0.04853	0.04853	0.04853	0.04853	0.04853
Commercial											
Base Rate	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35
Usage Rate (per kWh)	0.10416	0.10416	0.10416	0.11152	0.11152	0.11152	0.11152	0.11152	0.11152	0.11152	0.11152
Summer Usage Rate (per kWh)	0.04362	0.04362	0.04362	0.04198	0.04198	0.04198	0.04198	0.04198	0.04198	0.04198	0.04198
Winter Usage Rate (per kWh)	0.03158	0.03158	0.03158	0.03894	0.03894	0.03894	0.03894	0.03894	0.03894	0.03894	0.03894

Source: City of Gardner Utility Department

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

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
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	Direct Rates			Overlapping Rates				Total Direct Rate - Gardner City (a)	Total Direct Overlapping Rates
	Gardner General Operating	Bond and Interest	State of Kansas	Johnson County Library	Johnson County Parks and Recreation	Johnson County Community College	Fire District #1	U.S.D. 231 (School District)	
2010	21.553	9.556	1.500	17.748	3.158	8.789	-	81.538	146.210
2011	23.107	8.025	1.500	17.700	3.145	8.776	-	82.565	147.181
2012	23.113	8.027	1.500	17.717	3.149	8.785	-	82.408	147.041
2013	23.108	8.025	1.500	17.745	3.155	8.551	-	79.710	144.801
2014	21.401	8.033	1.500	17.764	3.157	8.461	-	69.711	133.378
2015	19.415	10.040	1.500	19.582	3.912	9.469	-	69.165	136.204
2016	13.504	7.040	1.500	19.590	3.915	9.473	12.443	67.787	136.354
2017	11.977	8.553	1.500	19.318	3.921	9.503	12.440	65.981	137.315
2018	14.116	6.804	1.500	19.024	3.901	9.266	14.989	65.969	138.457
2019	14.109	6.801	1.500	19.036	3.904	9.121	12.454	65.775	135.590

Notes: 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 in the fire service area of the City and portions that were not. The "Gardner with City fire" rates are the mill rates for the portions of Gardner that are in the fire service area of the City and the "Gardner - No Fire" rates are the mill rates for the portions of Gardner that are not in the fire service area of the City. The "Gardner with City fire" rates are shown here for those years in which there were multiple "Gardner City fire" rates.

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

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

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

Taxpayer	Type of Business	2019			2018		
		Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Well-Mart	Real Estate	\$ 3,626,501	1	1.97%	\$ 1,841,760	1	1.22%
Midnight Apartments LLC	Real Estate	2,811,980	2	1.45%	1,511,009	2	1.19%
Horizon Trails, LLC	Real Estate	1,778,050	4	0.92%			
Horizon Trails, LLC	Real Estate	1,431,200	5	0.74%			
Kansas Gas Service	Utilities	1,234,060	6	0.64%			
United Telephone Co. of Eastern KS	Utilities	1,151,501	8	0.59%	879,500	7	0.65%
Energy Center Industrial, LLC	Real Estate	1,084,250	9	0.56%			
United Telephone Co. of Eastern KS	Utilities	992,777	10	0.51%			
First Choice Properties, Inc.	Real Estate				1,443,601	5	0.85%
Woodstone Apartments, L.P.	Real Estate				1,433,674	3	0.89%
C.L.S. Investment Company	Real Estate				1,434,475	8	0.85%
Woodstone Apartments, L.P.	Real Estate				1,254,075	10	0.83%
Woodstone Apartments, L.P.	Real Estate				1,254,075	4	0.83%
Fountain Gate Village, LLC	Real Estate				688,533	6	0.45%
Totals		\$ 17,433,659		8.99%	\$ 10,692,061		8.13%

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 industrially assessed from all valuations property taxes and therefore has no assessed valuation.

City of Gardner, Kansas

PROPERTY TAX LEVIES AND COLLECTIONS

For years ended December 31, 2010 through December 31, 2019

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	Amount	Percentage of Levy
2010	3,242,123	3,099,460	95.57%	136,592	4.23%	3,235,052	99.79%
2011	3,242,123	3,099,460	95.57%	136,592	4.23%	3,235,052	99.79%
2012	4,026,340	3,860,430	96.07%	125,720	3.12%	3,986,150	98.90%
2013	4,026,340	3,860,430	96.07%	125,720	3.12%	3,986,150	98.90%
2014	4,075,172	3,888,415	95.55%	153,690	3.75%	4,042,105	99.88%
2015	4,075,172	3,888,415	95.55%	153,690	3.75%	4,042,105	99.88%
2016	4,113,542	3,970,729	96.03%	33,468	0.81%	4,004,197	97.39%
2017	3,357,038	3,319,439	98.89%	24,075	0.72%	3,343,514	99.59%
2018	3,357,038	3,319,439	98.89%	24,075	0.72%	3,343,514	99.59%
2019	4,006,378	3,870,824	96.11%	5,840	0.15%	3,876,664	96.76%

PROPERTY TAX LEVIES AND COLLECTIONS

For years ended December 31, 2010 through December 31, 2019

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	Amount	Percentage of Levy
2010	238,008	238,008	100.00%	-	-	238,008	100.00%
2011	238,008	238,008	100.00%	-	-	238,008	100.00%
2012	284,743	284,743	100.00%	-	-	284,743	100.00%
2013	284,743	284,743	100.00%	-	-	284,743	100.00%
2014	284,743	284,743	100.00%	-	-	284,743	100.00%
2015	284,743	284,743	100.00%	-	-	284,743	100.00%
2016	284,743	284,743	100.00%	-	-	284,743	100.00%
2017	284,743	284,743	100.00%	-	-	284,743	100.00%
2018	284,743	284,743	100.00%	-	-	284,743	100.00%
2019	284,743	284,743	100.00%	-	-	284,743	100.00%

SPECIAL ASSESSMENT LEVIES AND COLLECTIONS

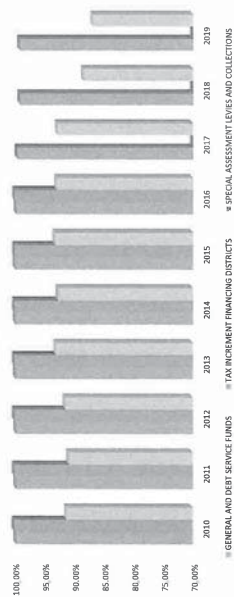
For years ended December 31, 2010 through December 31, 2019

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	Amount	Percentage of Assessment
2010	1,075,608	826,809	76.88%	154,797	14.39%	981,606	91.27%
2011	1,075,608	826,809	76.88%	154,797	14.39%	981,606	91.27%
2012	1,105,462	844,503	76.41%	107,158	9.69%	951,661	86.10%
2013	1,341,307	1,098,469	79.55%	180,304	13.44%	1,278,773	95.39%
2014	1,341,307	1,098,469	79.55%	180,304	13.44%	1,278,773	95.39%
2015	1,386,351	1,028,131	74.24%	204,204	14.73%	1,232,335	89.00%
2016	1,386,351	1,028,131	74.24%	204,204	14.73%	1,232,335	89.00%
2017	1,344,450	1,225,138	91.13%	22,888	1.70%	1,248,026	92.85%
2018	1,344,450	1,225,138	91.13%	22,888	1.70%	1,248,026	92.85%
2019	1,260,500	1,033,669	82.00%	1,869	0.15%	1,035,538	82.15%

(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

Percentage of Levy/Assessment Collected



City of Gardner, Kansas

PROPERTY TAX LEVIES AND COLLECTIONS

For years ended December 31, 2010 through December 31, 2019

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	Amount	Percentage of Levy
2010	3,242,123	3,099,460	95.57%	136,592	4.23%	3,235,052	99.79%
2011	3,242,123	3,099,460	95.57%	136,592	4.23%	3,235,052	99.79%
2012	4,026,340	3,860,430	96.07%	125,720	3.12%	3,986,150	98.90%
2013	4,026,340	3,860,430	96.07%	125,720	3.12%	3,986,150	98.90%
2014	4,075,172	3,888,415	95.55%	153,690	3.75%	4,042,105	99.88%
2015	4,075,172	3,888,415	95.55%	153,690	3.75%	4,042,105	99.88%
2016	4,113,542	3,970,729	96.03%	33,468	0.81%	4,004,197	97.39%
2017	3,357,038	3,319,439	98.89%	24,075	0.72%	3,343,514	99.59%
2018	3,357,038	3,319,439	98.89%	24,075	0.72%	3,343,514	99.59%
2019	4,006,378	3,870,824	96.11%	5,840	0.15%	3,876,664	96.76%

PROPERTY TAX LEVIES AND COLLECTIONS

For years ended December 31, 2010 through December 31, 2019

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	Amount	Percentage of Levy
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2018	284,743	284,743	100.00%	-	-	284,743	100.00%
2019	284,743	284,743	100.00%	-	-	284,743	100.00%

SPECIAL ASSESSMENT LEVIES AND COLLECTIONS

For years ended December 31, 2010 through December 31, 2019

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	Amount	Percentage of Assessment
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(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

PROPERTY TAX LEVIES AND COLLECTIONS

For years ended December 31, 2010 through December 31, 2019

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	Amount	Percentage of Levy
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PROPERTY TAX LEVIES AND COLLECTIONS

For years ended December 31, 2010 through December 31, 2019

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2016	284,743	284,743	100.00%	-	-	284,743	100.00%
2017	284,743	284,743	100.00%	-	-	284,743	100.00%
2018	284,743	284,743	100.00%	-	-	284,743	100.00%
2019	284,743	284,743	100.00%	-	-	284,743	100.00%

SPECIAL ASSESSMENT LEVIES AND COLLECTIONS

For years ended December 31, 2010 through December 31, 2019

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	Amount	Percentage of Assessment
2010	1,075,608	826,809	76.88%	154,797	14.39%	981,606	91.27%
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2016	1,386,351	1,028,131	74.24%	204,204	14.73%	1,232,335	89.0

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 ^(a)
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%	1,863
2016	24,615,000	1,205,028	12,805,000	2,427,189	38,197,839	3.04%	1,715
2017	22,017,500	1,192,472	14,012,500	5,117,019	32,105,453	2.35%	1,488
2018	32,437,500	1,860,003	11,992,500	4,154,425	41,735,578	2.92%	1,908
2019	33,245,000	1,739,655	8,570,000	1,940,213	41,614,642	2.72%	1,886

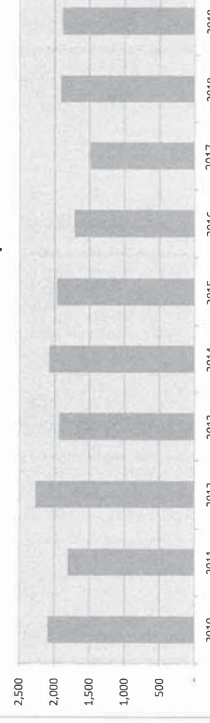
Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
^(a) Property value data can be found in the Assessed Value and Estimated Actual Value of Taxable Property schedule in this section.
^(b) Population data can be found in the Demographic and Economic Statistics schedule in this section.

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

Percentage of Actual Taxable Value of Property



Net Bonded Debt Per Capita



City of Gardner, Kansas
Direct and Overlapping Governmental Activities Debt
As of December 31, 2019

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ^(a)	Estimated Share of Direct and Overlapping Debt
GO Debt repaid with property taxes	\$	56.84%	\$ 79,133,234
Unified School District No. 231	139,215,000		332,156
Johnson County	18,473,577	1.80%	929,750
Johnson County Community College	51,710,000	1.80%	552,708
Johnson County Park and Recreation	30,740,000	1.80%	
Other			
Johnson County: Public Building Commission	345,025,000	1.80%	6,203,575
Subtotal, overlapping debt			87,151,423
City Direct Debt			44,345,866
Total direct and overlapping debt			\$ 131,497,289

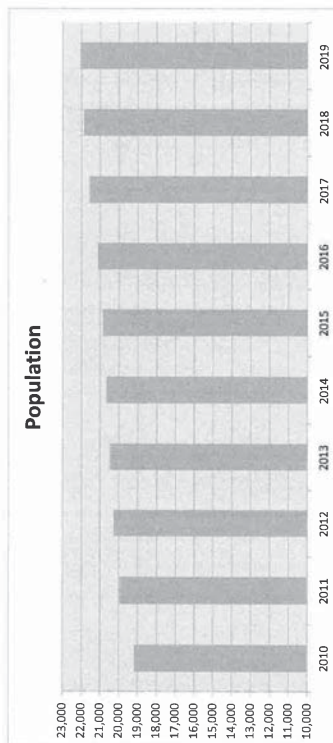
Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City.
^(a) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining 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

Calendar Year	Population ⁽¹⁾	Personal Income	Per Capita Personal Income ⁽²⁾	Median Age ⁽³⁾	School Enrollment ⁽⁴⁾	Unemployment Rate ⁽⁵⁾
2010	19,195	524,733,715	27,337	30.0	4,977	6.5%
2011	19,944	501,791,040	25,160	30.0	5,229	5.4%
2012	20,267	515,004,733	25,411	30.4	5,411	4.5%
2013	20,473	543,968,083	26,571	30.7	5,452	3.8%
2014	20,657	545,629,467	26,401	31.8	5,647	3.1%
2015	20,868	577,104,540	27,655	31.9	5,858	2.9%
2016	21,110	639,907,430	30,313	31.9	6,041	3.1%
2017	21,583	790,952,201	36,647	32.3	6,116	2.9%
2018	21,871	835,865,878	38,218	32.3	6,212	3.0%
2019	22,065	781,498,170	35,418	31.9	6,174	2.5%

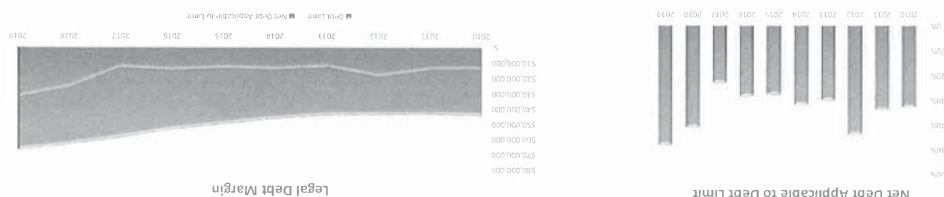
United School District No. 237

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A-82

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

Source: City of Gardner Finance Department



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

	2019			2010		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
United School District No. 231	926	1	24.32%	822	1	38.85%
Epic Landscape Productions	298	2	7.83%	255	2	12.10%
Wal-Mart	225	3	5.91%	200	3	9.45%
Coleman	160	4	4.20%	117	7	5.53%
City of Gardner	150	5	3.94%	120	5	5.67%
Excellence Learning Corp	150	6	3.94%	120	6	5.67%
Price Chopper	130	7	3.41%	120	6	5.67%
TradeNet Publishing	120	8	3.15%	120	6	5.67%
Meadowbrook Rehabilitation Hospital	113	9	2.97%	184	4	8.70%
D.O.T. Label, Inc. (ITW)	86	10	2.26%	105	8	4.96%
Medical Lodge of Gardner	83	11	2.18%	56	9	2.65%
Cramer Products, Inc.	24	12	0.63%	20	11	0.95%
Central Bank (MetCalif Bank)				19	12	0.90%
Gardner Bank				14	13	0.66%
Central National Bank				6	14	0.28%
Empire Plastics						
Total	2,465		64.73%	2,073		97.97%

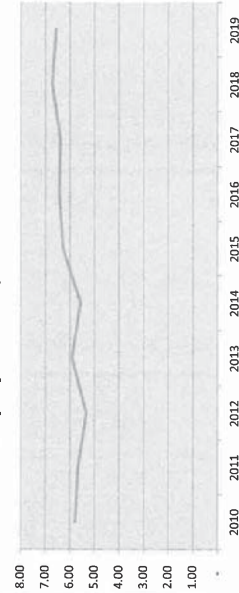
Source: City of Gardner Business and Economic Development Department

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

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government	3	3	2	6	5	5	5	5	5	5
Administration	3	3	3	2	2	4	4	4	4	4
Human Resources/City Clerk	1	1	1	1	1	3	3	3	3	3
Information Systems	4	4	4	5	5	7	7	7	7	7
Finance	2	2	2	2	2	2	2	2	2	2
Fiscal Services	8	8	8	8	8	9	9	9	9	9
Court	1	1	1	3	3	5	5	5	5	5
Utilities	2	2	1	3	3	3	2	2	3	3
Planning	5	5	4	5	3	5	6	7	7	7
Codes	23	22	22	23	24	28	28	27	30	30
Police	1	1	1	1	1	1	1	1	1	1
Administration	5	5	5	4	2	2	2	2	2	2
Operations	1	1	1	1	1	1	1	1	1	1
Animal Control	5	5	5	4	2	2	2	2	2	2
Public Works	1	1	1	1	1	1	1	1	1	1
Administration	1	1	1	1	1	1	1	1	1	1
Fleet	4	4	4	4	4	5	5	5	5	5
Engineering	1	1	1	1	1	1	1	1	1	1
Building Services	12	11	12	15	17	12	15	15	18	18
Streets & Line Maintenance	13	16	18	16	10	14	16	18	18	17
Electric	5	5	4	5	6	6	6	6	6	6
Water	5	5	5	5	5	6	6	6	6	6
Wastewater	5	5	5	5	5	6	7	6	6	7
Culture and Recreation	7	8	5	6	6	6	6	6	8	6
Recreation Services										
Park Maintenance										
Total	111	113	108	121	115	131	137	138	147	145

Source: City of Gardner Human Resources Department

Employees Per 1,000 Residents



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

Function	2010 ^(a)	2011	2012	2013	2014	2015	2016	2017 ^(d)	2018	2019
Police ^(b)	1			1	1	1		1	1	1
Stations										
Paro/MAC Units	13	16	16	16	16	16	19	20	20	20
Police Works ^(c)										
Streets (lane miles) ^(a)	89.33	108.7	108.7	109.61	109.61	191.00	192.00	192.60	194.35	203.00
Streets (feet miles)	1,139	1,214	1,214	1,364	1,364	2,450	2,450	2,450	2,450	2,594
Streets (feet miles) ^(a)										
Electric (in)	2	2	2	2	2	2	2	2	2	2
Electric (out)	2	2	2	2	2	2	2	2	2	2
Substations	3	3	3	3	3	3	3	3	3	3
Overhead lines (miles)	40.76	51.5	56.5	56.8	56.8	59.4	46.0	44.5	44.4	47.0
Underground lines (miles)	52.5	57.5	55.2	55.6	56.3	56.8	97.0	97.8	99.7	91.0
Water mains (miles)	106.01	106.24	106.24	107.61	107.61	134.00	135.00	136.00	137.20	138.00
Treatment Plants	1	1	1	1	1	1	1	1	1	1
Sanitary sewers (miles) ^(a)	123.36	123.36	124.63	125.97	125.97	109.00	109.00	130.50	132.00	111.00
Storm sewers (miles) ^(a)	42.64	42.64	42.64	43.92	43.92	45.00	45.00	45.00	46.00	65.00
Public Parks	1	1	1	1	1	1	1	1	1	1
Culture and Recreation ^(e)										
Average	339.95	339.95	341.95	341.95	341.95	341.95	341.95	341.95	341.95	341.95
Parks	13	13	13	13	13	13	13	13	13	13
Recreation	14	14	14	14	14	14	14	14	14	14
Multi-sport/athletic 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
Airport ^(f)								2,989	2,989	2,989
Toll Roadway (feet)								5,364	5,364	5,364
Toll Roadway (feet)								5,364	5,364	5,364
Toll Roadway (feet)								5,364	5,364	5,364

Sources: City of Greater Finance Department and
City of Greater Police Department

City of Greater Public Works
City of Greater Parks and Recreation Department
City of Greater Utility Department
City of Greater Public Works

MOTD: In 2010, the City of Greater entered into a contractual agreement with Johnson County Fire District No. 1 to provide all fire services to the City.

In 2017, the City of Greater acquired the Airport as a Department of the City.

In 2018, the City began reporting only active sanitary sewer lines.

In 2019, the City began including open concrete drainpipes/culverts in the storm sewer miles.

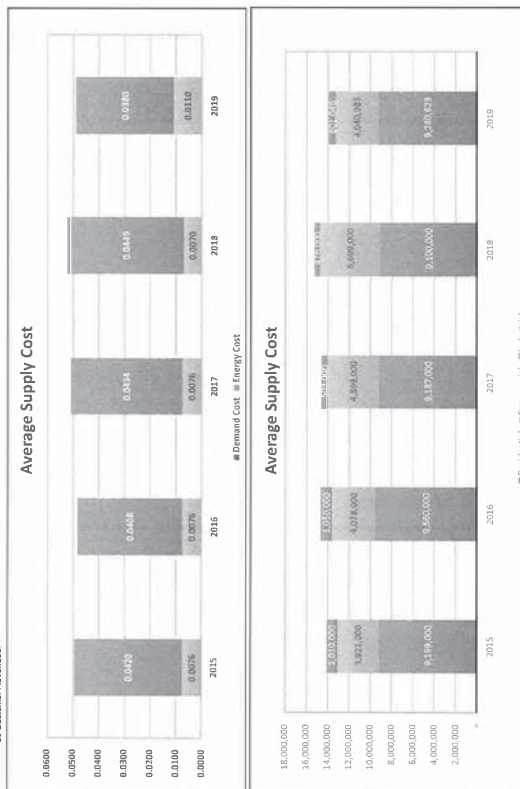
In 2019, the City began reporting only watermain miles for Wastewater Treatment plants from 16 to 1, 2008, and City decommissioned the Intermountain Pipeline and the Mid-Columbia Pipeline.



City of Gardner, Kansas
Electric Average Power Supply Cost Analysis per kWh and Customer Revenues
Last Five Fiscal Years

Fiscal Year	Average Supply Cost			Customer Revenues (a)		
	Demand Cost	Energy Cost	Total Cost	Residential	Commercial	Industrial
2015	0.0076	0.0420	0.0496	9,189,000	3,921,000	1,010,000
2016	0.0076	0.0408	0.0484	9,560,000	4,078,000	1,050,000
2017	0.0076	0.0434	0.0510	9,187,000	4,899,000	503,000
2018	0.0070	0.0449	0.0519	9,100,000	5,699,000	476,000
2019	0.0110	0.0380	0.0490	9,280,623	4,040,953	601,046

Source: City of Gardner Utility Department
Notes: (a) Customer Revenues may differ from the Operating Revenues as shown in the City's financial statements due to certain Operating Revenues not being classified as Customer Revenues.



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

The Honorable Mayor and City Council Members
City of Gardner, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gardner, Kansas (the City) as of and for the year ended December 31, 2019, 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 1, 2020.

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. 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 & Houlitt, L.P.
CERTIFIED PUBLIC ACCOUNTANTS

June 1, 2020
Wichita, Kansas

FORM OF LEGAL OPINION

(See following pages)

PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

Governing Body of the
City of Gardner, Kansas

Re: \$5,205,000* General Obligation Refunding and Improvement Bonds,
Series 2020B, of the City of Gardner, Kansas, dated December 10, 2020

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 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, 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. 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 express 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.

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).

*

Subject to change.

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

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.

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.

FORM OF CONTINUING DISCLOSURE LETTER OF INSTRUCTIONS

(See following pages)

FORM OF CONTINUING DISCLOSURE LETTER OF INSTRUCTIONS

[Closing Date]

Governing Body of the
City of Gardner, Kansas

Re: Continuing Disclosure Letter of Instructions for \$5,205,000* General Obligation Refunding and Improvement Bonds, Series 2020B, Dated December 10, 2020 of the City of Gardner, Kansas (the “Bonds”)

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 Bonds at the time the Bonds are delivered to the Underwriter and that no other person is expected to become so committed at any time after issuance of the Bonds.

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 Bonds.

“**Bonds**” means the “Bonds” as previously defined herein.

“**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 final official statement prepared by the City or its representatives in connection with the sale of the Bonds and delivered to the Underwriter within seven business days after the sale of the Bonds in accordance with the SEC Rule. The Final Official Statement includes the information in the Preliminary Official Statement as supplemented or amended.

“Financial Obligation” means a financial obligation as defined in the SEC Rule.

“GAAP” means generally accepted accounting principles.

“GASB” means the Governmental Accounting Standards Board or its successors or assigns.

“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.

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

- A. Bonds canceled by the Paying Agent or delivered to the Paying Agent for cancellation pursuant to the Bond Resolution;
- B. Bonds 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. Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Bond Resolution.

“Preliminary Official Statement” means the Preliminary Official Statement which was prepared by the City and its advisors in connection with the sale of the Bonds and distributed to

potential purchasers of the Bonds before the Final Official Statement, as described in the SEC Rule, was made available.

“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 Bonds:

- 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;

N. an appointment of a successor or additional trustee or the change of name of a trustee, if material;

O. incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and

P. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

“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, 2021.

“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 Bonds.

Section 2. Undertaking.

A. This Letter constitutes the written undertaking for the benefit of the holders of the Bonds 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 Bonds 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 Bonds are Outstanding to the MSRB in Prescribed Form in accordance with EMMA.

(3) If a Reporting Event occurs while any Bonds 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 Bonds.

(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 Bonds 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 Bonds 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 Bonds. This Letter may be amended without the consent of the holders of the Bonds, 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 Bonds as required by Section (b)(5)(i) of the SEC Rule, and shall create no rights in any other person or entity.

Governing Body of the
City of Gardner, Kansas
[Closing Date]
Page 7

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: _____
Steve Shute, 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 VALUATIONS” under the section entitled “VALUATIONS”
“DIRECT DEBT” under the section entitled “DEBT”
“TAX COLLECTIONS” under the section entitled “TAX LEVIES AND COLLECTIONS”

NOTICE OF SALE

NOTICE OF SALE

\$5,205,000*

GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS, SERIES 2020B

AND

\$5,280,000*

GENERAL OBLIGATION TEMPORARY NOTES, SERIES 2020C

OF THE CITY OF GARDNER, KANSAS

(GENERAL OBLIGATIONS 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 (“Ehlers” or the “Municipal Advisor”), by delivery, by email at bondsale@ehlers-inc.com or, in the case of electronic proposals, via **PARITY**[®] (“**PARITY**”), in the manner described in this Notice of Sale (“Notice”), until 11:00 a.m. on

MONDAY, NOVEMBER 16, 2020 (the “Sale Date”)

for the purchase of \$5,205,000* principal amount of General Obligation Bonds, Series 2020B (the “Bonds”) and \$5,280,000* principal amount of General Obligation Temporary Notes, Series 2020C (the “Notes”) of the City. The Bonds and Notes are referred to collectively herein as the “Obligations”. All bids will be available to the public at the office of the City Clerk at the address shown below 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 or as soon thereafter as may be heard. No oral or auction bids will be considered. All references to the time in this Notice mean Central Time.

BONDS

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 10, 2020 (the “Dated Date”). The Bonds will become due on October 1 in the years as follows:

Year	Principal* Amount	Year	Principal* Amount
2021	\$505,000	2026	\$525,000
2022	490,000	2027	525,000
2023	505,000	2028	530,000
2024	510,000	2029	545,000
2025	520,000	2030	550,000

** Preliminary; subject to change*

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 October 1, 2021.

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 or discount 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 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 or discount 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 or discount bid. 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”) (a) by check or draft mailed by the Paying Agent to the address of such registered owner shown on the registration books, (b) at such other address provided in writing by the owner to the Registrar or (c) 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, 2027, and thereafter, may be called for redemption and payment prior to maturity on October 1, 2026, 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 Bond 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 Bond 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 the Bond, 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 *et seq.* and K.S.A. 12-685 *et seq.*, all as amended or supplemented, for the purpose of: (i) paying the cost of refunding certain outstanding general obligation bonds of the City; (ii) financing a portion of certain street improvements; and (iii) paying the costs of issuance of the Bonds. The Bonds shall be general obligations of the City payable as to both principal and interest 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. Each interest rate specified shall be a multiple of 1/8 or 1/20 of 1%. No interest rate 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 at least 99.20% 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.

Establishment of Issue Price for the Bonds

(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 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 in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders will have an equal opportunity to bid;
- (3) the City anticipates receiving bids for the Bonds from at least three underwriters of municipal bonds who have 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 highest price (or 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 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 City determines to apply the Hold-the-Offering-Price Rule to any maturity of the Bonds. 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 underwriters 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 underwriters participating in the purchase of the Bonds, that the underwriters 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 underwriters 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 underwriters 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 either (1) all Bonds of that maturity have been sold or (ii) the 10% Test has been satisfied as to the Bonds of that maturity, provided that the winning bidder’s reporting obligation after the closing date may be at reasonable periodic intervals or otherwise upon the request of the City or Bond Counsel.

(f) The City acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in an 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 requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party 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 requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in the third-party 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 requirements for establishing the issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, 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 third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds.

(g) By submitting a bid, each bidder confirms that:

(i) it has an established industry reputation for underwriting new issuances of municipal bonds;

(ii) any agreement among underwriters, any selling group agreement and each third-party 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 third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the closing date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the winning bidder that the 10% Test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the closing date may be at reasonable periodic intervals or otherwise upon request of the winning bidder, and (ii) to comply with the Hold-the-Offering-Price Rule, if applicable, if and for so long as directed by the winning bidder and as set forth in the related pricing wires;

(B) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below); and

(C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(iii) any agreement among underwriters or selling group agreement 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 or dealer that is a party to a third-party 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 third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the closing date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the winning bidder or such underwriter that the 10% Test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the closing date may be at reasonable periodic intervals or otherwise upon request of the winning bidder or such underwriter, and (B) comply with the Hold-the-Offering-Price Rule, if applicable, if and for so long as directed by the winning bidder or the underwriter and as set forth in the related pricing wires.

(h) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Notice. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party;

(ii) “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 third-party distribution agreement participating in the initial sale of the Bonds to the public); and

(iii) 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 (A) more than 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), (B) 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 (C) 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.

NOTES

Note Details. The Notes will consist of fully registered notes in the denomination of \$5,000 or any integral multiple thereof. The Notes will be dated the Dated Date and will become due on

October 1, 2022. The Notes will bear interest from the Dated Date at a rate to be determined when the Notes are sold, which interest will be payable semiannually on April 1 and October 1, beginning on October 1, 2021 (the “Note Interest Payment Dates”) or earlier redemption.

Principal Amount Subject to Change. The City reserves the right to decrease or increase the principal amount of the Notes in order to properly size the Notes issue, including making adjustments based on net note proceeds received by the City as a result of any premium or discount bid. In the event the principal amount is modified, the purchase price will be adjusted to result in the same gross spread per \$1,000 of the Notes as that of the original proposal. Gross spread is the differential between the price paid to the City for the new issue and the price at which the securities are initially offered to the investing public. The successful bidder for the Notes may not withdraw its bid or change the interest rate bid as a result of any changes made to the principal amount of the Notes as described herein. If there is an adjustment in the final principal amount of the Notes as described above, any premium or discount bid on the Notes will be proportionately adjusted. Bidders wishing to obtain the final principal amount may contact the City by 1:00 p.m. on the Sale Date.

Place of Payment and Note Registration. The Notes will be initially registered in the name of Cede & Co., as nominee of DTC, New York, New York, to which payment of principal of and interest on the Notes will be made. Individual purchases of Notes will be made in book-entry form only. Purchasers of Notes will not receive certificates representing their interest in Notes purchased. The principal of and interest on the Notes 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 “Note Registrar”). The principal of each Note will be payable at maturity or earlier redemption upon presentation and surrender at the office of the Paying Agent. The interest payable on the Notes on any Note Interest Payment Dates shall be paid by the Paying Agent to the owner of each Note at the owner’s address as it appears on the registration books of the Note Registrar as of the fifteenth day (whether or not a business day) of the calendar month next preceding each Note Interest Payment Date (the “Record Date”) or at such other address provided in writing by the owner to the Note 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 Notes 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 Note Registrar for registration and transfer of the Notes and will also pay for preparation of a reasonable supply of registered note blanks. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Note Registrar, will be the responsibility of the owners.

As long as the Notes remain in book-entry form only, the provisions relating to registration, transfer and exchange stated above 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 Notes may be called for redemption and payment prior to maturity on October 1, 2021, or thereafter at any time, in whole or in part (selection of Notes 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.

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

Unless waived by any owner of the Notes to be redeemed, if the City elects to call any Notes for redemption and payment prior to maturity, the City shall instruct the Note Registrar to give written notice of its intention to call and pay such Notes on a specified date, such notice to be mailed by United States first-class mail addressed to the owners of the Notes, 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 Note is called for redemption and payment as described above, all interest on such Note 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 Notes, 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 the Notes. 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 Notes are being issued pursuant to K.S.A. 10-123 and K.S.A. 12-6a01 *et seq.*, all as amended or supplemented, for the purpose of: (i) paying the cost of certain water, street, sewer and related improvements, including the cost of redeeming certain temporary notes issued to provide interim financing for a portion of the improvements; and (ii) paying the cost of issuance of the Notes. The Notes shall be general obligations of the City payable as to both principal and interest from general obligation bonds of the City, from special assessments levied upon the property benefited by the construction of the improvements, and from current revenues of the City authorized for such purpose. If not so paid, the principal of and interest on the Notes shall be 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 of and interest on the Notes as the same become due.

Conditions of Bids. Proposals will be received on each series of Notes bearing such rate of interest as may be specified by the bidders, subject to the following conditions: The same rate shall apply to each series of Notes. The interest rate specified shall be a multiple of 1/8 or 1/100 of 1% and may not 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 Notes are sold, plus 3% for the Notes. No bid will be considered for a price of less than 98.80% of the par value of each series of Notes plus accrued interest, if any, to the date of delivery. No supplemental

interest payments will be considered. Each bid must specify the total interest cost to the City during the term of such series of Notes on the basis of such bid, the premium, if any, and the discount, if any, offered by the bidder, and the net interest cost to the City on the basis of such bid, all certified by the bidder to be correct. The City will be entitled to rely on the certificate of correctness of the bidder. Each bid must also specify the true interest cost to the City on the basis of such bid.

Establishment of Issue Price for the Notes

(a) The winning bidder shall assist the City in establishing the issue price of the Notes for federal income tax purposes 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 or the sales price or prices of the Notes, together with the supporting pricing wires or equivalent communications, which certificate shall be substantially in one of the two forms attached hereto as *Exhibit B-1* or *B-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 Notes 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 Notes) will apply to the initial sale of the Notes (the “Competitive Sale Requirements”) because:

(1) the City shall disseminate this Notice to potential underwriters 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 for the Notes 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 Notes to the bidder who submits a firm offer to purchase the Notes 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 Notes 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 Notes, as specified in the bid and in this Notice and shall not be subject to any conditions or qualifications except as permitted by this Notice.

(c) In the event that the Competitive Sale Requirements are not satisfied, the City shall so advise the winning bidder. In such event, the City shall treat the first price at which 10% of the Notes (the “10% Test”) is sold to the Public as the issue price. The winning bidder shall advise the City if the Notes satisfy the 10% Test as of the date and time of the award of the Notes. The City (or the City’s Municipal Advisor) shall promptly advise the prospective winning bidder, at or before the time of award of the Notes, whether the Notes shall be subject to the 10% Test. 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 the Notes will be subject to the 10% Test in order to establish the issue price of the Notes.

If the Competitive Sale Requirements are not satisfied, then until the 10% Test has been satisfied, the winning bidder agrees to promptly report to the City the prices at which the unsold Notes 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 or until all Notes have been sold.

(d) By submitting a bid, each bidder confirms that: (i) it has an established industry reputation for underwriting new issuances of municipal bonds; (ii) 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 Notes 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 report the prices at which it sells to the public the unsold Notes allotted to it until it is notified by the winning bidder that either the 10% Test has been satisfied or all Notes have been sold to the public; and (iii) any agreement among underwriters relating to the initial sale of the Notes 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 Notes to the public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the public the unsold Notes allotted to it until it is notified by the winning bidder or such underwriter that the 10% Test has been satisfied or all Notes have been sold to the public if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Notes to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice. Further, for purposes of this section:

- (i) “public” means any person other than an underwriter or a related party,
- (ii) “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 Notes 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 Notes 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 Notes to the public), and
- (iii) a purchaser of any of the Notes 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.

GOOD FAITH DEPOSIT

Checks Received by 11:00 a.m. on Sale Date. Unless a wire transfer of funds is provided as described in the next paragraph, each bid 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 \$104,100 for the Bonds and 105,600 for the Notes, 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 Notes or 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 a series of Obligations which the City will provide to the bidder of the apparent best bid for a series of Obligations following the bid opening. The City agrees to notify the bidder of the apparent best bid for each series of Obligations by no later than 11:00 a.m. on the Sale Date by telephoning the representative of the bidder who signed the bid form at the telephone number indicated on the bid form for such bidder. **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 of the good faith deposit must be received by the City by no later than 1:30 p.m. on the Sale Date. 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 [2020B Bonds / 2020C Notes]

Contemporaneously with such wire transfer, the bidder shall send an e-mail to mwolff@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.

Disposition of Good Faith Deposit. If a bid is accepted the good faith deposit 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 applicable successful bidder or deducted from the purchase price for the applicable series of Obligations at the option of the City. If a bid is accepted but the City fails to deliver the applicable series of Obligations to the applicable bidder in accordance with the terms and conditions of this Notice, the good faith deposit amount will be returned to such bidder. If a bid is accepted but the bidder defaults in the performance of any of the terms and conditions of this Notice, including, without limitation, the failure of such bidder to execute such documents or agreements as may be necessary to close the such issue through DTC during a period that DTC is not accepting the delivery of physical securities, the good faith deposit will be retained by the City. No interest will be paid on any bidder's good faith deposit.

BASIS OF AWARD

The award of each series of Obligations will be made on the basis of the lowest true interest cost ("TIC") to the City, 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 on such Obligations, from the payment date to the Dated Date, produces an amount equal to the par amount of such Obligations, plus the premium, if any, or less the 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 or discount 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 a series of Obligations received after 11:00 a.m. on the Sale Date will not be considered.

BID FORMS

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

SUBMISSION OF BIDS

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

(a) ***Sealed Bids.*** Bids may be submitted in a sealed envelope marked, as applicable to the bid as either "Proposal for the Bonds" or "Proposal for the Notes." Sealed bids may be submitted to Ehlers at the address shown in the first paragraph of this Notice.

(b) ***Email Bids.*** Bids may be submitted via email to Ehlers at bondsale@ehlers-inc.com. The City accepts no responsibility for inaccurate bids submitted by email or for the inability to submit an email bid to Ehlers before the indicated sale time. **The deadline for email bids is based on the time the email is received by Ehlers as opposed to the time the email is sent by the bidder.** Bidders are advised to allow time for the email to be received. No email bid will be considered unless, prior to sending the email, the bidder calls Ehlers at 651-697-8500 to indicate that an email bid is being submitted.

(c) ***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 each series of the Obligations, 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 or *PARITY* 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 applicable series of Obligations 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 Obligations. If a series of Obligations qualifies 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 applicable series of Obligations. If a series of Obligations qualifies 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 applicable series of Obligations. Any rating agency fees (in addition to the rating fees for the Obligations 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 the applicable series of Obligations. If a bidder elects to purchase insurance for a series of Obligations 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 applicable series of Obligations (except for a statement of insurance on the note or 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 applicable series of Obligations has been awarded to the successful purchaser shall not constitute cause for failure or refusal by the successful purchaser to accept delivery of the applicable series of Obligations from the City.

BOND RATING

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

CUSIP NUMBERS

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

DELIVERY AND PAYMENT

The City will pay for preparation of each series of Obligations and will deliver the same properly prepared, executed and registered without cost to the successful bidder of such obligations on or about December 10, 2020, through the facilities of DTC, New York, New York. Delivery elsewhere will be made at the expense of the successful bidder. The successful bidder for each series of Obligations will be furnished with a certified transcript of the proceedings evidencing the authorization and issuance of the applicable series of Obligations and the usual closing documents, including a certificate that there is no litigation pending or threatened at the time of delivery of the applicable series of Obligations affecting their validity and a certificate regarding the completeness and accuracy of the Preliminary Official Statement and the Official Statement. Payment for the applicable series of Obligations must be made in Federal Reserve funds, immediately subject to use by the City.

OFFICIAL STATEMENTS

The City has prepared a preliminary official statement dated November 5, 2020, with respect to each series of Obligations (each, a “Preliminary Official Statement”), each “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 each series of Obligations, the City will adopt a final official statement with respect to each series of Obligations (each, an “Official Statement”) and will furnish the applicable successful bidder of each series of Obligations, within seven business days of the award of the bid, with a reasonable number of copies of such Official Statement without additional cost upon request. Additional copies may be ordered by the successful bidder(s) at its expense.

LEGAL OPINION

Each series of Obligations 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 applicable successful bidder when the applicable series of Obligations are delivered. The opinions for the Bonds and the Notes will also include the opinion of Bond Counsel relating to the exclusion of the interest on each such series of Obligations from gross income for federal income tax purposes. The opinions for each series of Obligations will include the opinion of Bond Counsel relating to the exclusion of interest on each series of Obligations from computation of Kansas adjusted gross income. Reference is made to the Preliminary Official Statement for further discussion of federal and Kansas income tax matters relating to the interest on the Obligations and for the forms of opinion of Bond Counsel.

NOT BANK QUALIFIED

The Obligations will not be designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

ADDITIONAL INFORMATION

Additional information regarding the Obligations may be obtained from Matt Wolff, the City’s Finance Director (913-856-0927), 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: Tyler Ellsworth.

DATED November 5, 2020.

CITY OF GARDNER, KANSAS

Matt Wolff
Finance Director
120 East Main
Gardner, Kansas 66030
913-856-0927

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

EXHIBIT A-1

FORM OF ISSUE PRICE CERTIFICATE

\$5,205,000*

**GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS,
SERIES 2020B
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 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.*

(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 16, 2020.

(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]

SERIAL BONDS

[TERM BONDS

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

E-20

SCHEDULE B
COPY OF UNDERWRITER'S BID
(Attached)

EXHIBIT A-2
FORM OF ISSUE PRICE CERTIFICATE
\$5,205,000*
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS,
SERIES 2020B
OF THE CITY OF GARDNER, KANSAS

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale by the City of Gardner, Kansas (the “City”), General Obligation Bonds, Series 2020B, in the aggregate principal amount of \$5,205,000* (the “Bonds”).

1. [If all maturities satisfy the 10% test on the sale date:] **Sale of the Bonds.** As of the date of this Issue Price Certificate, for each Maturity of the Bonds, the first price at which at least ten percent of such Maturity of the Bonds was sold to the Public is the respective price listed in *Schedule A* hereto. [If only some of the maturities satisfy the 10% test on the sale date:] **Sale of the General Rule Maturities.** As of the date of this Issue Price Certificate, for each Maturity of the General Rule Maturities, the first price at which at least ten percent of such Maturity of the Bonds was sold to the Public is the respective price listed in *Schedule A* hereto.

2. [If only some of the maturities satisfy the 10% test on the sale date:] **Initial Offering Price of the Hold-the-Offering-Price Maturities.**

(a) [If all maturities use hold-the-offering-price rule:] [SHORT NAME OF UNDERWRITER] offered the Bonds to the Public for purchase at the respective initial offering prices listed in *Schedule A* hereto (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached as *Schedule B* hereto. [If select maturities use hold-the-offering-price rule:] [SHORT NAME OF UNDERWRITER] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in *Schedule A* hereto (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached as *Schedule B* hereto.]

(b) [If all maturities use hold-the-offering-price rule:] As set forth in the Notice of Sale, [SHORT NAME OF UNDERWRITER] has agreed in writing 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 will contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement will 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. [If select maturities use hold-the-offering-price rule:] As set forth in the Notice of Sale, [SHORT NAME OF UNDERWRITER] has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, 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 will contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement will contain the agreement of each broker-dealer

* Preliminary; subject to change.

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 Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms.***

[(a) “*General Rule Maturities*” means those Maturities of the Bonds listed in *Schedule A* hereto as the “General Rule Maturities.”]

[(b) “*Hold-the-Offering-Price Maturities*” means those Maturities of the Bonds listed in *Schedule A* hereto as the “Hold-the-Offering-Price Maturities.”]

[(c) “*Holding Period*” means, with respect to a Hold-the-Offering-Price Maturity, 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 16, 2020), or (ii) the date on which [SHORT NAME OF UNDERWRITER] sold at least ten percent of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.]

(d) “*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.

(e) “*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.

(f) “*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 16, 2020.

(g) “*Underwriter*” means (i) 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 (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 Issue Price Certificate are limited to factual matters only. Nothing in this Issue Price 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 on by the City with respect to certain of the representations set forth in the Closing Certificate for the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Kutak Rock LLP, as bond counsel (“Bond Counsel”), 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 Bond Counsel may give to the City from time to time relating to the Bonds.

IN WITNESS WHEREOF, the undersigned, on behalf of [SHORT NAME OF UNDERWRITER],
has set his or her hand as of the date first written above.

[UNDERWRITER]

By: _____

Name: _____

Dated: [ISSUE DATE]

SCHEDULE A

INITIAL OFFERING PRICES OF THE BONDS

\$5,205,000*

**General Obligation Refunding and Improvement Bonds, Series 2020B
of the City of Gardner, Kansas
Dated December 10, 2020**

[GENERAL RULE MATURITIES]

Maturity October 1	Principal Amount	Interest Rate	Dollar Price	Extended Price
20__	\$	%	%	\$
				\$

[HOLD-THE-OFFERING-PRICE MATURITIES]

Maturity October 1	Principal Amount	Interest Rate	Dollar Price	Extended Price
20__	\$	%	%	\$
				\$

** Preliminary; subject to change.*

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

EXHIBIT B-1

FORM OF ISSUE PRICE CERTIFICATE

\$5,280,000*
GENERAL OBLIGATION TEMPORARY NOTES
SERIES 2020C
OF THE CITY OF GARDNER, KANSAS
DATED DECEMBER 10, 2020

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 “Notes”).

1. *Reasonably Expected Initial Offering Price.*

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

(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 Notes.

2. *Defined Terms.*

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

(b) “*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.

(c) “*Sale Date*” means the first day on which there is a binding contract in writing for the sale of the Notes. The Sale Date of the Notes is November 16, 2020.

(d) “*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 Notes 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 Notes to the Public

* Subject to change

(including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes 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 Notes, and by Kutak Rock LLP in connection with rendering its opinion that the interest on the Notes 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 Notes.

[UNDERWRITER]

By: _____

Name: _____

Dated: [ISSUE DATE]

SCHEDULE A
EXPECTED OFFERING PRICE
\$5,280,000*
General Obligation Temporary Notes
Series 2020C
of the City of Gardner, Kansas
Dated December 10, 2020

Maturity October 1	Principal Amount	Interest Rate	Dollar Price	Extended Price
2022	\$	%	%	\$

* Subject to change

SCHEDULE B
COPY OF UNDERWRITER'S BID
(Attached)

EXHIBIT B-2
FORM OF ISSUE PRICE CERTIFICATE

\$5,280,000*
GENERAL OBLIGATION TEMPORARY NOTES
SERIES 2020C
OF THE CITY OF GARDNER, KANSAS
DATED DECEMBER 10, 2020

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 “Notes”).

1. ***Sale of the Notes.*** As of the date of this certificate, the first price at which at least 10% of the Notes was sold to the Public is the respective price listed in *Schedule A*.

2. ***Defined Terms.***

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

(b) “*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.

(c) “*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 Notes 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 Notes 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 Notes 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 Notes, and by Kutak Rock LLP in connection with rendering its opinion that the interest on the Notes 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 Notes.

* Subject to change

[UNDERWRITER]

By: _____

Name: _____

Dated: [ISSUE DATE]

SCHEDULE A

SALE PRICE OF THE NOTES

\$5,280,000*

**General Obligation Temporary Notes
Series 2020C
of the City of Gardner, Kansas
Dated December 10, 2020**

Maturity October 1	Principal Amount	Interest Rate	Dollar Price	Extended Price
2022	\$	%	%	\$

* 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 2020B, OF THE CITY OF GARDNER, KANSAS

To: Matt Wolff, Finance Director
November 16, 2020
of the City of Gardner, Kansas

City's ID# 48 6033380

Email: bondsale@ehlers-inc.com (Ehlers)

Phone No. 651-697-8500 (Ehlers)

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

For \$5,205,000* principal amount of General Obligation Refunding and Improvement Bonds, Series 2020B, of the City of Gardner, Kansas (the "City"), to be dated December 10, 2020 (referred to herein as the "Bonds"), as described in your Notice of Sale dated November 5, 2020 (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
2021	\$505,000	_____ %	2025	\$520,000	_____ %	2028	\$530,000	_____ %
2022	490,000	_____	2026	525,000	_____	2029	545,000	_____
2023	505,000	_____	2027	525,000	_____	2030	550,000	_____
2024	510,000	_____						

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

Total interest cost to maturity at the rates specified	\$ _____
Discount (if any, not to exceed \$41,640 or 0.80%)	(\$ _____)
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. Unless agreeing to wire transfer the good faith deposit as checked in the box shown below, a cashier's or certified check in the amount of **\$104,100** payable to the order of City of Gardner, Kansas, that complies with the provisions of the Notice accompanies this proposal 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 Time, on November 16, 2020.

Submitted by: _____

[LIST ACCOUNT MEMBERS ON REVERSE]

By: _____

Telephone No. _____

*Preliminary; subject to change.

4814-7730-5039.1

Pursuant to action taken by the Governing Body of the City of Gardner, Kansas, the above proposal is accepted November 16, 2020.

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 on behalf of the City Clerk, or may be submitted electronically through **PARITY**[®] electric bid system prior to 11:00 a.m. Central Time, November 16, 2020. Any bid received after such time will not be considered.