

CITY OF



EL DORADO
KANSAS

THE FINE ART OF LIVING WELL

**COMPREHENSIVE
ANNUAL FINANCIAL
REPORT**

2011

YEAR ENDED DECEMBER 31, 2011

COMPREHENSIVE ANNUAL FINANCIAL REPORT
of the
CITY OF EL DORADO, KANSAS

for the
Year Ended December 31, 2011

Mayor
Tom McKibban

Commissioner David Chapin
Commissioner Bill Young
Commissioner Nick Badwey
Commissioner Shane Krause

City Manager Herbert E. Llewellyn, Jr.

prepared by
Department of Finance
Tammy Schaffer
Finance Director

CITY OF EL DORADO, KANSAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Year Ended December 31, 2011

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	I - XI
Organizational Chart	XII
Government Finance Officers Association Certificate of Achievement	XIII
FINANCIAL SECTION:	
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 11
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statements of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budgetary Basis – General Fund	18 - 19
Statement of Net Assets – Proprietary Funds	20 - 21
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	22
Statement of Cash Flows – Proprietary Funds	23 - 24
Statement of Fiduciary Net Assets – Fiduciary Funds	25
Statement of Changes in Fiduciary Net Assets – Other Postemployment Benefits Plan Trust Fund	26
Notes to Financial Statements	27 - 68

CITY OF EL DORADO, KANSAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Year Ended December 31, 2011

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Required Supplementary Information:	
Schedule of Funding Progress – Retiree Health Care Benefit Plan Trust	69
Other Supplementary Information:	
Combining Balance Sheet – Nonmajor Governmental Funds	70 - 71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	72 - 73
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Funds Included in General Fund – Budgetary Basis:	
Cemetery	74
External Stores	75
Prairie Trails Restaurant/Golf	76
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budgetary Basis:	
Airport Fund	77
Major Street Improvement Fund	78
Industrial Development Fund	79
Special Parks and Recreation Fund	80
Tourism Tax Fund	81
Economic Development Sales Tax Fund	82
Stormwater Utility Fund	83
Debt Service Fund	84
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	85 - 86
Balance Sheet – Discretely Present Component Unit	87
Schedule of Revenues, Expenditures and Changes in Fund Balances – Discretely Presented Component Unit	88
STATISTICAL SECTION:	
Financial Trends:	
Net Assets by Component	89
Changes in Net Assets	90 - 92

CITY OF EL DORADO, KANSAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Year Ended December 31, 2011

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Fund Balances, Governmental Funds	93
Changes in Fund Balances, Governmental Funds	94
Tax Revenues by Source, Governmental Funds	95
Revenue Capacity:	
Property Tax Levies and Collections	96
Assessed Value and Estimated Actual Value of Taxable Property	97
Direct and Overlapping Property Tax Rates	98
Principal Property Taxpayers	99
Debt Capacity:	
Ratios of Outstanding Debt by Type	100
Ratios of General Bonded Debt Outstanding	101
Direct and Overlapping Debt	102
Legal Debt Margin	103
Revenue Bond Coverage – Waterworks System Revenue Bonds	104
Demographic and Economic Information:	
Demographic and Economic Statistics	105
Principal Employers	106
Operating Information:	
Full-time City Government Employees by Function/Program	107
Operating Indicators by Function/Program	108
Capital Asset Statistics by Function/Program	109
 SINGLE AUDIT SECTION	
Schedule of Expenditures of Federal Awards	110
Notes to Schedule of Expenditures of Federal Awards	111
Schedule of Findings and Questioned Costs	112 - 115
Summary Schedule of Prior Year Audit Findings and Questioned Costs	116 - 118
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 <i>Government Auditing Standards</i>	119 - 120
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	121 - 122

CITY OF



EL DORADO
KANSAS

THE FINE ART OF LIVING WELL

**INTRODUCTION
SECTION**



EL DORADO

THE FINE ART OF LIVING WELL

June 19, 2012

To the Citizens of El Dorado,
Honorable Mayor and City Commissioners:

The Comprehensive Annual Financial Report of the City of El Dorado, Kansas, for the year ended December 31, 2011, is submitted herewith. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data as presented is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City measured by the financial activity of its various funds. Disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

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

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Independent Audit

State statutes require an annual audit of the books of accounts, financial records and transactions of all administrative departments of the City by Independent Certified Public Accountants selected by the Finance Director. The goal of the independent audit was to provide reasonable assurance that the financial statements for the year ended December 31, 2011, are free of material misstatement. The opinion of Berberich Trahan & Co., P.A. is included in this report.

A CITY OF CHARACTER

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www.eldoks.com

PROFILE OF THE GOVERNMENT

El Dorado is located in south-central Kansas, approximately 16 miles east/northeast of Wichita, Kansas. El Dorado is the county seat of Butler County and has a population of approximately 13,096. The City operates under a Commission-Manager form of government.

The City of El Dorado provides a full range of municipal services. These include police and fire protection, health and sanitation, recreation, library, public improvements, building and zoning, general administrative services, water, wastewater, recycling/solid waste collection, airport and cemetery operations. The financial reporting entity consists of the primary government and a component unit, the Bradford Memorial Library.

Expenditures are authorized by a budget approved by the City Commission as required by State statute. The State statute level of budgetary control (i.e. the level at which expenditures cannot legally exceed the appropriated amount) is established at an individual fund level, but is monitored by department within each fund. The Finance Department continually reviews and approves all significant deviations from budget authorizations. The Kansas cash basis and budget laws require cash be on hand before an expenditure is authorized, that all expenditures be budgeted (unless specifically exempted by statute), and that the budget not exceed anticipated revenues, including carry forward balances. Budget-to-actual comparisons are provided in this report for each individual governmental fund in which an adopted annual operating budget is required by Kansas statute.

ECONOMIC CONDITION AND OUTLOOK

The City continues to monitor all the economic factors that affect the local economy. The City Commission has demonstrated a strong willingness to participate in projects that will provide a significant economic boost to the community. In early 1992, the City Commission adopted a statement of policies and procedures regarding tax exemptions and incentives specifically for economic development. An amendment to the Constitution of the State of Kansas, approved by the voters in 1989, allows local governmental units the ability to issue tax incentives for economic development, more specifically, tax abatements. The City Commission continued to utilize tax incentives in 2011. All applications are carefully reviewed to determine that the cost benefit analysis justifies the proposed abatement.

El Dorado Inc., an organization comprised of both public and private community leaders, continues to have a very active role in the economic development effort for El Dorado. Contributions to this organization by the private sector are matched dollar-for-dollar by the City up to a maximum equivalency of one mill. The objective of El Dorado Inc. is creating great jobs and enhancing the economic vitality of El Dorado. This organization has had numerous successes, but the board continually discusses the need for additional resources in order to compete with other municipalities in industrial development. During the 2003 sales tax renewal process, the City Commission agreed to the incorporation of an allocation of \$50,000 for economic development/job creation upon a successful local sales tax referendum. The referendum passed overwhelmingly at that time and again during the 2008 sales tax renewal process. The allocation of the sales tax monies continued with street maintenance, property tax relief, and the annual allotment for economic development. These economic development monies provide an additional resource to compete with other entities in attracting new businesses to the community.

A Memorandum of Understanding involving the City, El Dorado Inc., Convention and Visitors Bureau, and Chamber of Commerce was signed near the end of 2007, allowing the Executive Director of El Dorado Inc. /Convention and Visitors Bureau to focus entirely on economic development and tourism in the community. The comprehensive marketing plan developed with the help of a consultant in 2008 was reviewed, updated and implemented in 2009. These marketing efforts continued and expanded in 2010 and 2011 to include an initiative that invited private sector businesses to partner in an effort to market the City of El Dorado. The anchor to this initiative is the www.360eldorado.com web site. It features government, civic organizations and private businesses in a visually appealing and informational format. As the anchor, the web site can be referred to in television, radio, billboards, social and print media as the resource for "Everything El Dorado". Participation in the program continues to grow. Almost 500,000 pages were viewed by visitors to the site in 2011.

There were many positive results of economic development efforts during the 2011 year as reflected in the issuance of over \$59,000,000 in commercial building permits. Over the past 12 years the commercial permits average has been around \$5,000,000. To follow are the highlights of the 2011 year:

The infrastructure improvements in the El Dorado Industrial Park funded by special assessments, a \$750,000 CDBG grant in 2009 from the Kansas Department of Commerce and a \$1,000,000 Economic Development Administration (EDA) grant were completed in 2010. The scope of the EDA and CDBG project includes extension of a rail spur to be used by Barton Solvents and BG Products, as well as construction of a public road and water and sewer extensions to serve the needs of BG Products, Barton Solvents, Pioneer Balloon and 17 acres owned by the City. Development in this area is visible to the 15,000 + Kansas Turnpike daily travelers and has been a catalyst to additional project interest in the El Dorado community.

In 2010, Barton Solvents, a stocking wholesale distributor of industrial chemicals, oils, surfactants, and plasticizers, began construction of an office building and warehouse facility in the El Dorado Industrial Park. In 2011, they completed the office building, warehouse and a tank farm. In 2011, the City issued an additional permit of \$250,000 with the company reporting total investment in the project in excess of \$9,000,000. The El Dorado location will be used as their distribution branch serving Kansas and Oklahoma. The project will bring 25 new jobs to El Dorado. Rail service on the newly constructed spur on the Union Pacific branch line from Wichita is expected to begin in early 2012. There is a strong synergy between BG Products and Barton Solvents as Barton Solvents has been the biggest provider of base products to BG Products for over 25 years.

BG Products began expansion in El Dorado in 2006. The company manufactures automotive chemicals and additives designed to extend the life of vehicles and improve their performance. The products are distributed throughout the United States and in over 50 international markets. In August 2006, the City Commission approved a Resolution of Intent to issue Industrial Revenue Bonds in an amount not to exceed \$32,000,000 for BG to acquire, construct, install, and equip manufacturing and commercial facilities in the City's industrial park. In December 2006, the company purchased a 50,000 sq. ft. spec building to be used as a distribution center. Renovation of that facility, including a 3,000 sq. ft. addition, was completed in 2007. Through eminent domain proceedings, the City Commission obtained a 30-acre tract of land located in the Industrial Park. In June 2008, BG purchased that tract and an additional 19-acre tract from the City for the purpose of constructing a manufacturing facility that would be served by the Union Pacific Railroad. In 2008, BG sold approximately 19 acres of this parcel to Barton Solvents. Prior to any plans being made to relocate to El Dorado, BG had purchased a 40,000 sq. ft. building in the

El Dorado Industrial Park in 2005 for investment purposes. The business that had occupied the building vacated, allowing BG to move their tools and equipment division to El Dorado in 2009. This brought 20 additional employees to El Dorado, increasing the total employment to 35 employees at the end of 2009. During 2010, BG Products worked with process engineers and architects to design a new manufacturing facility to be built in the El Dorado Industrial Park. In December 2010, BG purchased a 5,000 sq ft building and land from the City of El Dorado that was adjacent to their parts and equipment facility. It is anticipated BG will relocate another support business to this building in the future. In November 2011, the City issued a building permit for \$30,000,000 for the construction of a 168,000 square foot manufacturing plant which is slated to be completed in late 2012. It is anticipated the proposed facility will include sufficient equipment to produce the majority of the product line currently produced in Wichita and a million gallon tank farm. Employment for this phase is estimated at 60.

In July 2010, the owners of Lake Point El Dorado, LLC requested Butler County issue taxable industrial refunding and improvement revenue bonds for the benefit of Lake Point El Dorado. The 2010 bonds were used to refund a 2003 Bond issue allowing the financing of both the existing nursing facility and construction of a new assisted living facility. The project was granted a 10 year tax abatement on the new assisted living facility and agreed to pay in lieu of taxes each year for the 10 years in the amount due on the property for 2009. In August 2010, the El Dorado City Commission passed a resolution approving Butler County's issuance of the industrial revenue bonds for Lake Point El Dorado, LLC and that the accompanying ad valorem property tax abatement for the bond finance facility be adopted. Construction of the 32-unit, 33,000 sq. ft. assisted living facility began in 2010 and was completed in 2011 with a completed cost of \$6,000,000. The project is expected to create 40 new jobs.

Commerce Bank began the construction of a new community bank headquarters in late summer 2010 which opened in 2011. The new full service banking center houses the financial team members who provide Consumer, Commercial, Trust, Private Banking, and Brokerage services. The banking center is 5,200 square feet of space, including a drive-up with four lanes, a drive thru ATM and safe deposit boxes. The cost of construction was \$1,700,000.

Hope Covenant Church, a new contemporary covenant church in El Dorado began building a new facility at 2582 Debra Drive in 2010. The facility cost was \$750,000 and was constructed on a 7 acre parcel just off north Main Street. The church has a growing membership that began as a bible study in 2003; Hope Covenant completed their building project in 2011. In 2009, a 90 member Facilities Task Force began evaluating USD 490 facility and curriculum needs. After a year they presented a comprehensive plan to the Board of Education, which included new buildings. In November 2010, USD 490 voters passed a \$36 million bond issue to build Phase I of the plan; a new grade school and a new middle school. The new Pre-K through 5th grade school will have capacity for 360 students and began construction in 2011 on the site of the existing Skelly Grade School with an anticipated cost of \$12,700,000. The site for a new middle school with a 500 student capacity was selected at 30th street and North Main in late 2011. Plans are to accept bids on the new facility in early 2012 and begin construction. Both projects in Phase I are expected to be complete by 2014. This project will provide both short-term and long-term economic benefits. The contract workers will bring additional sales in such items as materials, tools, food and lodging, and the community will benefit from efficient and modern facilities that will help attract new businesses and families to El Dorado.

In 2011, Butler Community College (BCC), USD 490 and the City of El Dorado created an educative authority with the intent to build common use facilities. The first project undertaken is a new sports stadium in El Dorado. BCC and USD 490 have played football in the existing Galen Blackmore

stadium in El Dorado for many years. The beloved facility is tucked away in the middle of town and lacks sufficient seating and parking to accommodate many of the activities hosted there. BCC football has won 12 conference championships in the past 14 years at Galen Blackmore but expects to play part of their 2012 home games in a new \$11,000,000 complex to be built near K-254 on Haverhill Road just east of the BCC main campus. The lead gift for the project of \$1.25 million was received from BG Products Inc. The City of El Dorado has committed to fund \$3 million of the project with the balance of funding for the project from USD 490 and private donations. The stadium will also be used by USD 490 football and track and for various community events. The project is expected to be complete in the fall of 2012.

In October 2011, the City Commission voted to approve the construction of a joint Fire Sub-Station & Butler Community College Training Facility at a proposed cost of \$3,287,000.00. The project was awarded to Dondlinger & Sons Construction and construction was started in December of 2011 with an estimated completion date of November 2012. This project is being funded by General Obligation Bonds, Series 2011, under Resolution No. 2684. The completion of this facility will culminate a 20-year effort to address timely emergency response to the west side of El Dorado, as well as cement the ongoing partnership with Butler Community College and the Fire Science Program offered through the college. The benefits the City realizes from this partnership are highly-trained college students who are well prepared to begin a career in the fire service and will allow the El Dorado Fire Department to have priority in the selection of new recruits. It is the vision of Butler Community College and the El Dorado Fire Department that this facility will attract fire service candidates from around the state and beyond.

A number of projects began in 2011 which included a \$1.2 million renovation project by WAL MART, a \$125,169 interior remodel project for the Coutts Museum of Art 3-story building in downtown El Dorado and the \$200,000 renovation of a space in the existing strip center on West Central in front of WAL MART for a new Huddle House restaurant. McCollum Construction started a new building in the 200 block of West Central in a space previously gutted by fire. The \$550,000 building will house Kansas Secured Title of the first floor and offer additional upper floor office space. The City of El Dorado was the recipient of a HUD \$500,000 HOPE IV rehab grant in 2011 to be used to develop downtown housing. Two downtown structures will be renovated with an estimated investment of over \$1.4 million. A building permit for \$20,000 was issued in 2011 with the projects expected to be under renovation in 2012 and complete in 2013. Three final projects with new capital investment in real estate include Mikes Rent to Own who began a new \$360,000 facility on North Main, Farm Bureau Financial Services who purchased a long time vacate facility at 1726 West Central and made an additional \$120,000 investment to create a very attractive office facility and Big A Wholesale Supply Company who added a \$20,000 office addition to their existing facility.

Additional economic drivers in 2011 were the merger in July of Holly Corporation and Frontier Oil Corporation to become one of the largest independent refiners in the U.S. and the construction by Savage Companies of a multi-use rail port facility on Southwest Haverhill Road.

Information from HollyFrontier website: HollyFrontier Corporation (NYSE: HFC) is among the largest independent petroleum refiners in the United States with operations throughout the mid-continent, southwestern and Rocky Mountain regions. They produce and market gasoline, diesel, jet fuel, asphalt, heavy products and specialty lubricant products. The Company is headquartered in Dallas, Texas and operates five complex refineries with 443,000 barrels per day of crude oil processing capacity. The El Dorado Refinery is one of the largest refineries in the Plains States and Rocky Mountain region with a crude oil capacity of 135,000 barrels per day. The El Dorado Refinery can select from many different

types of crude oil due to its direct pipeline access to the Cushing, Oklahoma hub, which is connected by pipelines to the Gulf Coast, Canada and a majority of U.S. crude production. This crude oil access, combined with the refinery's complexity, gives it the flexibility to refine a wide variety of crude oils. El Dorado refined products are marketed primarily throughout the Plains States and eastern slope of the Rocky Mountain region, which encompasses eastern Colorado (including the Denver metropolitan area) and eastern Wyoming.

Utilization of the Savage Rail Port Facility by HollyFrontier Refining in El Dorado began in 2011. Although the facility is just outside the El Dorado city limits it has the potential to provide rail access from the Burlington Northern Santa Fe main line to customers throughout south-central Kansas. The facility was initially built to serve the needs of Holly-Frontier Refinery but was built with excess capacity and the ability to expand. This project has also been a catalyst for interested companies looking for rail served parcels to consider El Dorado.

Main Street continued with its very aggressive and successful purpose of enhancing the downtown identity and heritage. The State offers technical assistance to this program. They continue to work to ensure an economic stability for the heart of El Dorado. This is accomplished through many efforts of design, promotion, organization, and economic revitalization committees. The City funded Main Street in 2011 at a level of \$30,000.

Following a five-year trend in decreasing unemployment rates from 5.9% in 2002 to 3.9% in 2007, Butler County's unemployment rate rose to 4.1% in 2008, 7.2% in 2009, and 8.3% in 2010. This considerable increase is due largely to the close proximity of Wichita, which has been heavily impacted by lay-offs in the aircraft industry. A large percentage of workers in the southwest area of Butler County were commuting to Wichita to work at the aircraft plants and have been laid off as a result of the downturn. Unemployment rates are unfortunately not available specifically for El Dorado. If that data were available, it is believed the rate for El Dorado would be considerably less than Butler County's 2010 unemployment rate. El Dorado does have citizens that commute to the aircraft plants to work, but not as high of a percent that are located nearer to Wichita. There have been a few businesses that have decreased in the number of employees, however, some of the effect of these lay-offs has been offset by new jobs created in part through economic development efforts. In 2011, the economy improved slightly and the aircraft industry started recalling employees after being laid off for over two years. The unemployment rate for Butler County decreased to 7.7% in 2011.

While other areas of the country have been hit very hard by the economic downturn, El Dorado has continued to be very fortunate to realize minimal negative overall effects in 2011. Property tax collections, the City's biggest source of revenue, were on target. Sales tax collections increased 9.03% from 2010 to 2011. The number of foreclosures in El Dorado continued to be at a normal level in 2011, although the average value of the properties foreclosed on increased slightly. Local realtors have indicated there is a waiting list of individuals interested in purchasing foreclosed properties. Additionally, data on the number of sheriff's deeds issued indicates the majority of the properties have been refinanced, brought current, or sold before the owners actually lost the properties.

In 2009, the City implemented some initiatives to boost residential construction. City staff met with builders to better understand the issues. As a result, in May, the City Commission authorized amortizing specials on improvements for new subdivisions over a period of 20 years with even annual principal and interest payments. They were previously assessed over 15 years with even principal and declining interest payments. The City Commission also authorized an amendment to the Neighborhood

Revitalization Program in July in an effort to stimulate housing starts and to create jobs for contractors. The approved changes to the plan included allowing new construction and rehabilitation of residential properties in all areas of the city for a period of six months that began August 1st, with a rebate period of five years and a cap of \$175,000 in appraised value of improvements that are eligible for the rebate. The program appeared to be successful, as 11 of the 15 new residential building permits issued in 2009 were purchased in the last five months of the year after the program's implementation. The program continued to be successful in 2010 with the residential building permits increasing to 17. The program continued through September 1, 2011 with 5 new residential building permits.

El Dorado has a variety of different types of businesses and industries. This diversification has allowed the community as a whole to be somewhat insulated from the economic downturn. Some sectors have been affected more than others, but the overall community is faring well. Frontier Oil Corporation, a Fortune 500 company, continues to demonstrate its commitment to its operations in El Dorado. The community has one remaining new-car dealership that has faced pressures related to the ripple effect of problems experienced by automakers, as well as a reduction in sales related to the economic climate in general. There are many governmental offices in the community, including State, Community College, County, City, and School District. Negative impacts are expected as the problems at the State level flow down through the various levels of government. However, lay-offs in some areas have created a positive impact on college employment and enrollment levels, as individuals retrain to be able to work in other areas. El Dorado is also fortunate to have a large water supply with the El Dorado Lake, providing an opportunity to market the community to industries that utilize large volumes of water. The City also has rail-served property located near U.S. 77, K-254, and I-35, making the city appealing to industrial prospects who are interested in rail for transportation of their raw materials and/or final products.

Capital Improvement Plan

The City plans for future capital needs through a six-year Capital Improvement Plan (CIP). This long-range plan is reviewed and updated annually, and subsequently adopted by the City Commission. Input is sought from City Staff, the Planning Commission, and the citizens of the community. The primary funding sources for these improvements are local sales tax, general obligation bonds, revenue bonds, federal and state grants, and the City's annual operating budget.

Major Initiatives

The City of El Dorado, USD #490, and Butler Community College continued discussions in 2010 concerning the need for either improvements at the existing football stadium or construction of a new facility. A committee made up of representatives of each of the three entities was formed in 2007, and a consultant was hired early in 2008 to assist in determining the overall needs for the stadium. Many sites were considered. Three sites were intensely scrutinized, including renovation of Blackmore Stadium, the existing facility. An architectural firm was also hired in 2008 to evaluate the proposed sites and determine costs related to each. A temporary office was established by the committee members to give citizens in the community an opportunity to ask questions and provide input. In early 2009, the committee recommended acquisition of land located on the southeast corner of Haverhill Road and Central Avenue for construction of a new stadium. The property was owned by the American Legion and utilized as a public golf course. In November 2009, the City entered into a 99-year lease with the American Legion to secure the property for the proposed new facility, residential and commercial development, and stormwater control. A topographical survey was then performed, and preparation of a

preliminary site plan began. March 1, 2010 the City of El Dorado, USD #490, and Butler Community College signed an agreement to establish the Educational Facilities Authority of Butler County (EFABC). The EFABC was developed to facilitate the construction of improvements for a football stadium/track and field complex and the future acquisition, development, improvement, renovation and repair and operation of the facility.

With the potential closing of both golf courses, the City Commission expressed a desire to preserve golf in El Dorado. Once options were researched it became apparent that the least inexpensive way to insure golf in El Dorado was to purchase Prairie Trails. The cost of building new would be between 10 to 15 million dollars. Purchasing Prairie Trails would be 2 million. The Commission subsequently authorized the purchase of the Prairie Trails Country Club. The City closed on the purchase of the property on December 31, 2009. The facility changed from a private golf and dining club to a public municipal golf course and restaurant. The Commission also wanted City staff to focus on core municipal operations and not try to run a restaurant and golf course. Driven by that policy, the City solicited proposals for private management. In March of 2010, Kemper Sports Management, Inc. was hired to operate and manage the facility which became known as the Prairie Trails Golf and Dining. In October of 2011, the City took over operations. The cost to run a restaurant was making private management cost prohibitive. Since El Dorado purchased the facility, staff has made several improvements. Several kitchen appliances and ice makers have been replaced. Several air conditioners have been replaced. We built a cart building to charge and store 55 new golf carts. A new beverage cart was purchased and a bathroom was rebuilt for pool users. Staff is also building cart paths, with the plan to path the entire course. A plan to replace worn out course equipment has also been implemented. So far, two greens mowers, two fairway mowers and two utility vehicles have been purchased.

In July of 2011, the Commission created an advisory board to look at Prairie Trails issues. The group has recommended several changes, many of which have been implemented. They developed a mission statement, a values statement, reviewed and recommended several rate changes. They also recommended re-foresting the course after the devastation of pine trees on the course. Almost two hundred pines were lost during the last two years.

An update of the Airport Master Plan was completed in 2008. The Plan prioritizes infrastructure improvements and also addresses economic development at the municipal airport. An Airport Business Plan was also adopted by the City Commission in 2008. The consultant provided many recommendations, including constructing additional T-hangars for multi-engine aircraft, changing the name of the airport to make it easier to locate through internet searches, and splitting the combined position of airport manager and fixed base operator (FBO) into two separate full-time positions. The name of the airport was changed in 2009, and a full-time airport manager was hired. Progress began in 2009 on some of the infrastructure improvements outlined in the Airport Master Plan. Design work was initiated in the summer of 2009 on an apron rehabilitation project. This project includes improvements to the apron, as well as resolution of flooding issues that occur in the infield area between the apron and one of the runways during intense rainfalls. The City received a grant from the Federal Aviation Administration (FAA) for 95% of the entire project including the design phase. The rebuilding the apron was completed early in 2011. The City was awarded another FAA grant for 2011 that included the reconstruction of Taxiway B and a joint sealing project for Taxiway A. Both of these projects were completed in the fall of 2011. KDOT awarded the City a 50% grant for an Automated Weather Observation System (AWOS) in 2012. The project is currently in the construction phase and should be finished before the fall of 2012.

The City submitted an application to the Kansas Housing Resources Corporation in August 2009 for a \$315,000 HOME Investment Partnerships Program grant. In April 2010, the City was awarded a \$225,000 with a 5% administrative cost of \$11,250 totaling \$236,250 HOME housing grant from the Department of Housing and Urban Development. The grant requires a 25% local match by the City which amounted to \$56,250. The combining dollars of \$292,500 will be used to perform comprehensive rehabilitation on several single-family owner-occupied homes in El Dorado. The program provides significant improvements at no cost to the homeowners and rehabilitates approximately twelve homes. This program shall be completed March 1, 2013.

The City began looking into the feasibility of wind power early in 2010. A consultant was hired to assist in determining the feasibility and the City met with our electrical provider, Westar Energy, to determine whether they were amenable to an interconnect and net metering for a wind turbine. Westar indicated their support for the project and the City proceeded with the feasibility study. The study indicated a very favorable ROI for a 1 MW wind turbine. The Department of Energy volunteered to pay for the next step in the process, an Environmental Assessment, at a cost of about \$52,000. A \$250,000 Department of Energy (DOE) grant was discovered and further investigation found the City was eligible for this assistance. The Kansas Department of Health & Environment also agreed to provide funding and 40 percent principal forgiveness through the State's Revolving Loan Fund Program. This amounted to another \$780,000 in grant money towards the project. Due to federal grant requirements, the City was required to purchase a wind turbine manufactured in the United States. Our design engineer sized the turbine at 1 MW to match our total electrical load and address some of Westar's concerns with distribution of power. It was therefore determined the only 1 MW wind turbine manufactured in the United States was made by Nordic Wind power. An interconnect and Purchase Power Agreement (PPA) was signed with Westar by the end of 2011 and design was to start in 2012, with completion of the project in June 2012.

The City of El Dorado Water Treatment Plant does not have a backup or stand-by power supply. In the event of a power disruption in the summer, the City only has 4 to 8 hours of elevated storage before running out of water. In 2010 the City began negotiating with Frontier Refinery to pay for a portion of the cost of a new generator at the Water Treatment Plant in exchange for providing stand-by power for their water supply pumps located adjacent to the Water Treatment Plant. Frontier agreed to pay for approximately \$200,000 of the project. During the design process our consulting engineer identified several weak points and voltage incompatibilities that could be remedied during the installation of the new generator. All but one of the pumps and switchgear in the water plant were nearly 40 years old, dangerous and most repair parts are no longer available. Replacing would also eliminate the need for one of the transformers needed for the generator due to incompatible voltages. The project was designed, bid, with the low bid awarded to A&H Electric for \$1,163,969. Project construction began in March of 2011 and was completed in March of 2012. The project brought our high service pump station, at the Water Plant, up to current standards and dramatically increased the reliability of water treatment and water pumping infrastructure.

The City of El Dorado has been making significant investments in maintaining and rehabilitating our water distribution and sewer collection infrastructure. Water Distribution crews replaced nearly 6,000 feet of undersized 2-inch pipe in 2011. Our goal is to replace all 2-inch and smaller pipe in the water distribution system in the next 5 years. It is estimated there is about 20,000 feet of 2-inch or smaller pipe remaining in the water distribution system. Crews also replaced 314 water meters and 29 fire hydrants. Another important goal is to completely eliminate all less than 500 gpm fire hydrants, commonly identified as "red" fire hydrants. Looping lines in the system and replacing undersized lines

will help us accomplish this goal. In meeting this goal, it will also help the City accomplish the goal of lowering our ISO insurance rating from a 5 to a 3, which should in turn lower property insurance rates for everyone in El Dorado.

Sewer system improvements in 2011 consisted of “vapor rooting”, a chemical treatment that kills roots that have intruded into sewer lines causing cracked sewer pipe and failures. Prior to 2011, we performed manhole rehabilitation on nearly half of the 1,600 manholes in El Dorado’s sewer system. This relining process completely restores old manholes to “like new” condition and eliminates infiltration and inflow from ground water. We chose to not spend the \$250,000 in the 2011 CIP for sewer improvements in order to accumulate \$500,000 to be used in a CDBG matching grant. If successful, \$1,000,000 will be spent on “cured in place” pipe rehabilitation and manhole rehabilitation in 2013.

The City approved renewal of the Neighborhood Revitalization Program near the end of 2008 for an additional three-year period. This plan was first implemented in 1996 with the intent to offer an incentive to property owners to revitalize certain areas of the community. The legislation is aimed at encouraging the elimination of abandoned houses and properties, rehabilitation of existing structures, or construction of new structures through a tax rebatement incentive based on the increased valuation of the improvements to the property. The year of 2011 was the fifteenth full year of this successful program. Nearly 215 properties have participated, increasing appraised values \$17,420,630 during this 15-year period.

At year-end, the City had \$173,490 of uncommitted sales tax. The ordinance states that these monies must be used for street rehabilitation, property tax reduction, capital improvements, and economic development. The City Commission received a recommendation from the Sales Tax Advisory Committee not to spend the money in the Uncommitted Sales Tax Fund due to the decline in the collection of sales tax in 2010. This source of revenue continues to be a viable and important source of funding and enhances the quality of life within the community.

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement

The Certificate of Achievement for Excellence in Financial Reporting has been awarded to the City of El Dorado by the Government Finance Officers Association of the United States and Canada (GFOA) for its comprehensive annual financial report (CAFR). The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

An award of Financial Reporting Achievement has been awarded to the individual department designated by the government as primarily responsible for preparing the award-winning CAFR. This has been presented to: Tammy Schaffer, Finance Director.

The CAFR has been judged by an impartial panel to meet the high standards of the program including demonstrating a constructive “spirit of full disclosure” to clearly communicate its financial story and motivate potential users and user groups to read the CAFR.

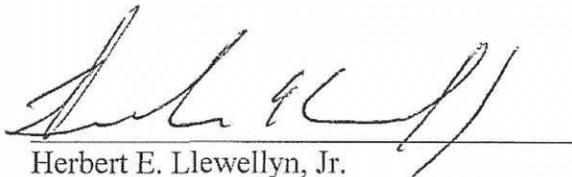
GFOA is a nonprofit professional association serving approximately 17,500 government finance professionals with offices in Chicago, IL, and Washington, D.C.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate. A Certificate of Achievement has been awarded to the City of El Dorado for its reports each year since the year ended December 31, 1977.

Acknowledgements

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire Finance Department staff. We express our appreciation to the City Commission for their support that has made possible the implementation of innovative concepts in accounting and fiscal management.

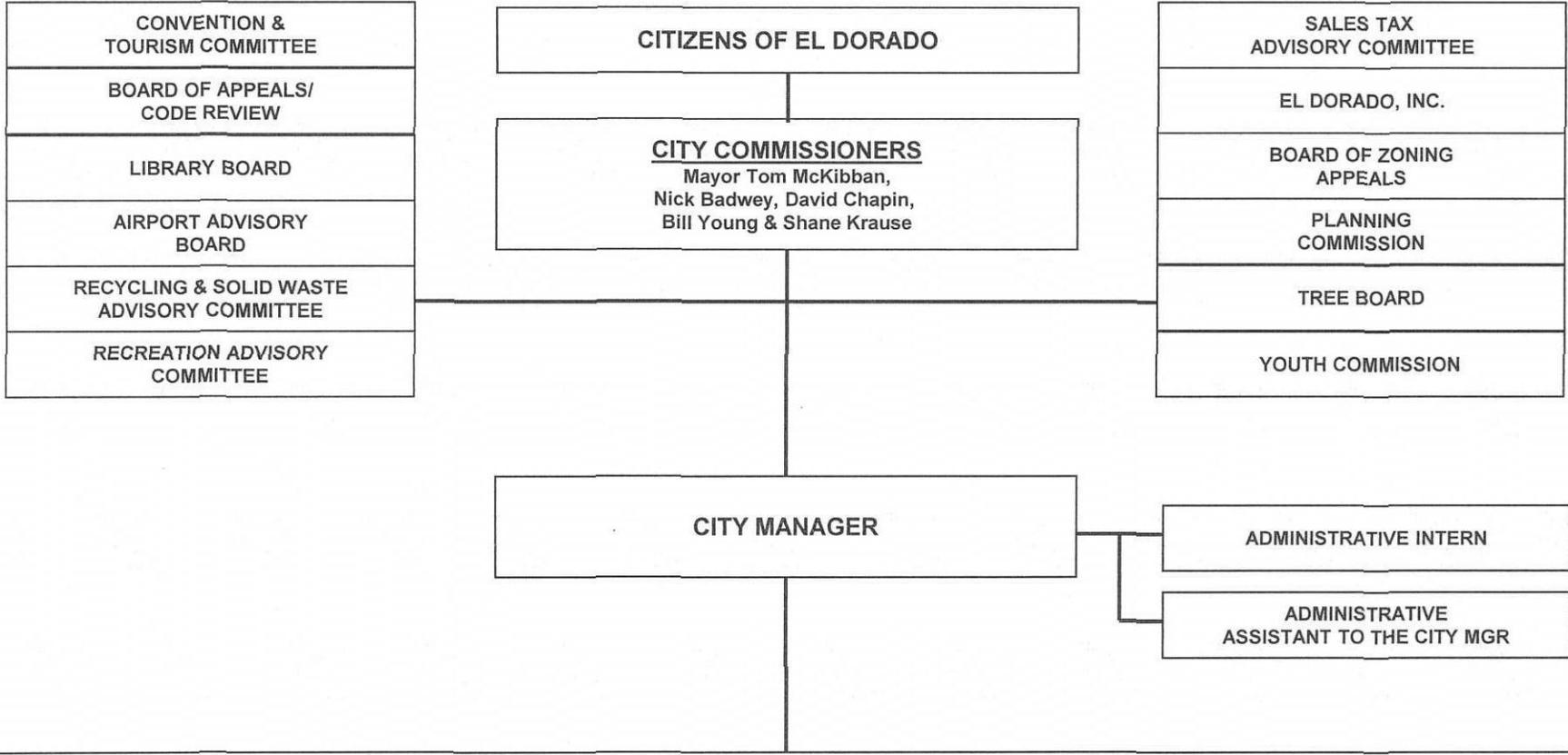
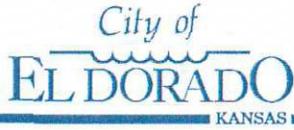
Respectfully submitted,



Herbert E. Llewellyn, Jr.
City Manager



Tammy Schaffer
Finance Director



IIX

<u>RECREATION</u> RECREATION SWIMMING POOLS	<u>GOLF COURSE</u> PRAIRIE TRAILS	<u>FINANCE DIRECTOR</u> FINANCE CITY CLERK RECORDS PURCHASING	<u>LEGAL</u> MUNICIPAL COURT CITY ATTORNEY/ PROSECUTOR	<u>HUMAN RESOURCE</u> PAYROLL	<u>POLICE</u> LAW ENFORCEMENT POLICE RECORDS	<u>FIRE</u> HAZMAT EMERGENCY MANAGEMENT	<u>PUBLIC WORKS</u> STREETS AIRPORT REFUSE/RECYCLE ANIMAL CONTROL IT NUISANCES/CODE ENFORCEMENT BUILDING MAINTENANCE FORESTRY CEMETERIES	<u>PUBLIC UTILITIES</u> WATER WASTEWATER	<u>ENGINEERING</u> STREET LIGHTS STREET DESIGN CONSTRUCTION PROJECTS GPS/MAPPING BUILDING INSPECTION PLANNING & ZONING
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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of El Dorado
Kansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2010

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



Linda C. Davison

President

Jeffrey R. Emswiler

Executive Director

CITY OF



EL DORADO
KANSAS

THE FINE ART OF LIVING WELL

**FINANCIAL
SECTION**



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

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
City Commissioners
El Dorado, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of El Dorado, Kansas (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and applicable provisions of the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of El Dorado, Kansas, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, on January 1, 2011, the City changed its method of accounting to adopt Government Accounting Standards Board Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BERBERICH TRAHAN & CO., P.A. 3630 SW Burlingame Rd., Topeka, KS 66611-2050
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btandctcpa.com

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11 and the Schedule of Funding Progress on page 69 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.

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 nonmajor fund financial statements and schedules, and single audit compliance schedules, including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.

Berberich Trahan & Co., P.A.

June 19, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the report contains an overview and analysis of the City of El Dorado's financial statements and activities for the fiscal year ended December 31, 2011. The information contained here, as well as the information contained in the letter of transmittal, are intended to provide the reader of the financial statements with an overall picture of the City's financial condition.

OVERVIEW OF THE FINANCIAL STATEMENTS

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. This report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide postemployment benefits to its employees. Other supplementary information is also included at the end of this report to provide additional information for the reader.

Users of the report have an opportunity to compare the net assets of the City of El Dorado to other entities using the government-wide financial statements. Those users can address relevant issues and broaden the basis of comparison (year-to-year or government-to-government) to enhance the City's accountability.

Government-Wide Financial Statements

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

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

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets (current year's revenues and expenses) are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in the Statement of Activities for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued vacation leave).

The City of El Dorado's Statement of Net Assets and Statement of Activities summarize all the Primary Government funds into either governmental activities or business-type activities. Governmental activities include the operations of the City that are generally supported by taxes, such as police, fire, public works, parks, cultural activities, general administration, recreation, cemetery, and industrial development. Business-type activities include water, sewer, and refuse utilities, which are self-supporting funds.

The Bradford Memorial Library component unit is also reflected in these statements. Additional information on the component unit may be found in the notes to the financial statements and the financial statements included in the supplementary information.

Fund Financial Statements

A fund is a fiscal entity with a set of self-balancing accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of El Dorado, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide more information about the City's most significant funds – not the City as a whole. All of the funds of the City of El Dorado can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The City implemented Governmental Accounting Standards Board (GASB) statement number 54 for fiscal year ending December 31, 2011. GASB 54 changes the way fund balances are presented in the governmental fund financial statements.

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.

Proprietary funds fall into two categories: enterprise funds and internal service funds. All proprietary funds are prepared on the accrual basis of accounting. Enterprise funds are used to account for business-type activities. Enterprise fund statements present the same information that is in the government-wide statements for business activities, only in greater detail. The City's water, sewer, and refuse services are accounted for as enterprise funds. Internal service funds are used to account for the cost of operations shared by various functions of the City. The City uses one internal service fund to account for its data processing activities. In the government-wide statements, the information for the internal service fund is predominantly presented as part of the governmental activities information.

Fiduciary funds are used by the City to account for resources held by the City for the benefit of a third party. Because the resources of these funds are not available for the City's operation, they are not presented in the government-wide financial statements. The City's fiduciary funds include the Sales Tax Agency Fund, Revolving Loan Fund, Neighborhood Revitalization Rebate Program Fund, and the Payroll Withholding Fund. The fiduciary funds are combined into one column on the fiduciary fund statement. A combining statement can be found in the supplementary information following the notes to the financial statements.

FINANCIAL ANALYSIS OF THE CITY

Net Assets

In accordance with GASB Statement No. 34, following are the combined net assets of the City of El Dorado as of December 31:

City of El Dorado, Kansas
 Net Assets
 As of December 31, 2011
 (with comparative totals for December 31, 2010)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 18,792,090	\$ 15,806,588	\$ 9,458,521	\$ 10,962,445	\$ 28,250,611	\$ 26,769,033
Capital assets	45,122,919	44,353,028	61,271,069	59,818,809	106,393,988	104,171,837
Total assets	<u>63,915,009</u>	<u>60,159,616</u>	<u>70,729,590</u>	<u>70,781,254</u>	<u>134,644,599</u>	<u>130,940,870</u>
Long-term liabilities	15,205,021	13,003,552	57,619,996	56,524,256	72,825,017	69,527,808
Other liabilities	4,949,826	5,119,041	1,691,508	1,850,390	6,641,334	6,969,431
Total liabilities	<u>20,154,847</u>	<u>18,122,593</u>	<u>59,311,504</u>	<u>58,374,646</u>	<u>79,466,351</u>	<u>76,497,239</u>
Net assets:						
Invested in capital assets, net of related debt	30,150,968	34,324,735	18,777,765	18,122,626	48,928,733	52,447,361
Restricted	4,889,410	4,952,971	-	-	4,889,410	4,952,971
Unrestricted	8,719,784	2,759,317	(7,359,679)	(5,716,018)	1,360,105	(2,956,701)
Total net assets	<u>\$ 43,760,162</u>	<u>\$ 42,037,023</u>	<u>\$ 11,418,086</u>	<u>\$ 12,406,608</u>	<u>\$ 55,178,248</u>	<u>\$ 54,443,631</u>

The City's overall financial position has improved, with an increase in net assets of \$734,617. That amount is the net difference of an increase in the governmental activities and a decrease in the business-type activities. The governmental activities increased approximately \$1.72 million due to the net effect of several items. Current and other assets increased \$2,985,502 mainly due to a bond issued in 2011 for the Fire Sub-Station project estimated to cost 3,358,547 that was to be constructed in 2012. Long-term liabilities increased \$2.2 million. General obligation bonds in the amount of \$5,715,000 were issued in 2011, paying off a temporary note totaling \$2,001,467 and funding several projects. The projects include: Boyer Road Paving, Fire Sub-Station, Sidewalk Improvements, and Paving Improvements. A bond issued in 2001 matured in 2011 decreasing non-current liabilities by \$509,600.

The net assets of business-type activities decreased \$988,522. A decrease in current and other assets resulted from the Water Backup Generator project paid out of the Water Fund of \$1,163,969. Capital assets not being depreciated consist of Land, Water Storage Space, and Construction in Progress. Construction in progress had a net increase of \$1,601,767. The major projects contributing to the increase are: Widening Intersection at Vine & Central \$340,820, Fire Sub-Station \$350,435, Airport Apron Rehabilitation \$286,508, Industrial Park Improvements \$114,956, Spray Park at North Main Park \$148,147, and Airport Taxiways \$272,152. Capital assets being depreciated ended with a net increase of \$105,694 consisting of Buildings, Improvements, and Machinery and Equipment. The Sewer department implemented the Prison Lift Station Rehabilitation project which increased buildings. Other Improvements consisted of water meter and fire hydrant exchanges, new water meters, and pipe. Machinery and Equipment included a 2004 Volks Wagon Touareg, three 2011 GMC Sierras, GMC Truck and a Directional Drill & Trailer.

Governmental Activities

The table below shows the condensed revenues, expenses and change in net assets for 2011 and 2010.

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,180,183	\$ 2,973,710
Operating grants and contributions	654,761	717,788
Capital grants and contributions	2,032,024	3,245,441
General revenues:		
Property taxes	3,983,853	3,857,069
Sales taxes	2,266,633	2,149,953
Franchise taxes	1,075,331	1,090,324
Tourism taxes	151,814	141,187
Investment earnings	19,829	28,447
Total revenues	<u>12,364,428</u>	<u>14,203,919</u>
Expenses:		
General government	1,880,860	1,671,142
Public safety	3,644,530	3,742,666
Public works	4,283,125	3,201,411
Health and sanitation	371,126	415,808
Culture and recreation	1,542,864	2,018,666
Economic development	201,947	173,649
Interest on long-term debt	366,675	397,343
Total expenses	<u>12,291,127</u>	<u>11,620,685</u>
Change in net assets before transfers	73,301	2,583,234
Transfers in	1,649,838	39,401
Change in net assets	<u>1,723,139</u>	<u>2,622,635</u>
Net assets, beginning of year	<u>42,037,023</u>	<u>39,414,388</u>
Net assets, end of year	<u>\$ 43,760,162</u>	<u>\$ 42,037,023</u>

The net increase from 2010 to 2011 is approximately \$1.7 million. There were several revenue sources that increased in 2011 which included Property Taxes, Sales Taxes, and Tourism Tax. The mill levy was increased by 1.993 mills in 2011, therefore the collections for property tax increased. The economy improved slightly during 2011 and consequently the increased sales in El Dorado affected our sales tax revenue. There were a couple of expenditure sources that decreased significantly in 2011 which included Public Safety and Culture & Recreation. The departments included in Public Safety are Police, Hazmat, Fire, Building/Zoning, and Building Demolition. The workers compensation rate per \$100 had a net decrease of 1.49 for these departments which caused a decrease in workers compensation. The Police department had more part-time expense in 2010 due to an officer out on sick leave and two part-time positions were created to cover the work load of the officer. The part-time employees were not needed in 2011. In relation to the previous statement, the sick time increased in 2010 due to the length of time the officer was on leave. In the Hazmat department, every few years they purchase "Hazmat Level A" suits and in 2010 they purchased five new suits and none in 2011. In Building Demolition there were two properties purchased and demolished in 2010. The properties were 125 E. 8th and 714 N. Topeka and there were none purchased in 2011. The major decrease in Culture & Recreation was due to the City's Prairie Trails Restaurant/Golf facility. In December of 2009, the City purchased the Country Club facility and began operations through the City. In April of 2010, the City hired Kemper Sports to manage the facility. The City spent \$1,224,397 in 2010 and \$727,772 in 2011.

Business-Type Activities

The table below shows the condensed revenues, expenses and changes in net assets for 2011 and 2010.

	<u>Business-Type Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 8,133,781	\$ 7,600,830
Capital grants and contributions	301,494	-
Investment earnings (loss)	571,651	318,628
Total revenues	<u>9,006,926</u>	<u>7,919,458</u>
Expenses:		
Waterworks system	4,629,494	4,371,604
Sewage system	2,313,956	2,076,189
Refuse	1,402,160	1,367,679
Total expenses	<u>8,345,610</u>	<u>7,815,472</u>
Changes in net assets before transfers	661,316	103,986
Transfers out	<u>(1,649,838)</u>	<u>(39,401)</u>
Changes in net assets	(988,522)	64,585
Net assets, beginning of year	12,406,608	12,342,023
Net assets, end of year	<u>\$ 11,418,086</u>	<u>\$ 12,406,608</u>

The water, sewer, and refuse utilities are the business-type activities of the City of El Dorado. The increase in charges for services is a combination of a staff that uses the ability of our shut off system to enhance customers to pay their bills in a more timely fashion, and a utility billing department that accurately bills customers that were not being billed correctly in 2010. 2011 was also to the hottest summer without precipitation since 1981 which caused citizens to use more water to keep their landscaping efforts alive. The difference in Capital Grants and contributions is due to the Prison Life Station project loan principal forgiveness for "green" infrastructure. There was an increase in investment earnings due to the ability to find an investment option with an interest rate of 5.25% versus the certificate of deposit rate of .057%. The increase in the Waterworks System expenses relates to the hottest summer without precipitation since 1981 which increased the number of water maintenance projects. The transfers out increased due to the Water Treatment Backup Generator project. The Water Treatment Backup Generator project consisted of a new 1250KW diesel generator, replacement of the five pumps, motors, and switch gears in the high service pump station at the water treatment plant. It also included the replacement of the switch gear for the refinery pump station.

FUND ANALYSIS

There was a net change in fund balance of approximately \$2.7 million in the City's governmental funds as a result of 2011 operations. There were several revenue sources in the General Fund that increased during the year. The general mill levy was increased by 2.439 mills in 2011, therefore the collections for property tax increased. The economy improved slightly during 2011 and consequently the increased sales in El Dorado affected the sales tax revenue. A major cause in the increase in the general fund balance is the result of the City Commission requesting that the Prairie Trails Restaurant/Golf be ran like a business and be self supportive. The city restricted the amount to be given to the entity which decreased the expenses.

Net assets in the debt service fund decreased by \$60,118. There were several revenue sources that decreased such as property tax, special assessments, and investment earnings. The main purpose of this decrease is due to the decrease in the Bond & Interest mill levy of .458 which caused a decrease in property tax of \$65,470. The only expenses affected in the Debt Service fund were principal and interest. Principal increased slightly and interest decreased due to normal principal and interest payments.

The net change in the Construction fund is an increase of \$3,191,246. Expenditures were over revenues by \$4,607,155 due to the completion of several major infrastructure projects. The major projects consisted of project 315 Industrial Park Improvements – Rail Spur, project 341 Airport Apron Rehabilitation, and project 342 Industrial Park Improvements – Water, Sewer, Pave. One temporary note of \$2,000,000 for the Boyer Road Paving project was paid off with the issuance of a \$5,715,000 bond.

Net assets in the business-type activities decreased \$967,644. Rents and royalties decreased for a couple of reasons. The city rented two properties in 2010. The City demolished one house and sold the other house therefore reducing rent revenue. Also, the City had land lease contracts that expired and the leaser did not renew the lease for 2011. Bad debt expense may be recognized only in connection with loans receivable and therefore is not shown on the 2011 Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds and is therefore a decrease of \$155,077. The transfers to other funds increased due to the Water Backup Generator project receiving a transfer of \$990,786 from the water fund. Capital contributions increase mainly due to the Prison Life Station projects loan principal forgiveness for "green" infrastructure of \$301,494.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund budget was not amended. The budgeted amount of revenue exceeded the actual amount of the budget by \$554,601. Several tax revenues reported lower than budgeted (Ad Valorem and Motor Vehicle tax, Sales tax, and Gas tax). Charges for services reflect a negative variance as a result of Engineering Refunds & Admin. Fees were vastly overstated due to the projects that were scheduled to be done were canceled. Additionally, there were several revenue sources that were above the expectations of the budget such as Merchants Transit License, Mechanical and Sign Permits, Gas Tax Refund (Non-Highway), Recreation Concessions and Swimming Pool Rentals and Swimming Lessons.

Expenditures were \$3,429,767 less than budgeted. Administration expenditures reflect a positive variance due to a part-time position was vacant for a good portion of the year. Legal and judicial expenditures were less than expected mainly due to reduced personnel costs in the court department. A large portion of the positive variance is due to the contingency reserve that is budgeted in Special Projects to finance unforeseen expenditures or an unanticipated decline in revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The total amount invested in capital assets during 2011, net of current year depreciation, was \$3,289,000. The additions to Governmental Activities include Buildings, Improvements other than buildings, Infrastructure, and Machinery and Equipment. Additions to Buildings include; HVAC Replacement-Administration Building \$87,635, Engineering Building Remodel \$169,309, Griffith-PD Shop \$44,603, Public Works Green House \$11,118, McDonald Stadium Press Box \$52,306, Sunset Lawns Cemetery Office \$60,885, Wall/Fence at Mac Stadium \$10,336, and Addition to the Civic Center for New Carpet \$36,954. The additions to Machinery and Equipment include Sidewalk Replacement \$185,899, Downtown Lighting \$10,100, and New Carpet at the Depot Building \$10,581. Additions to infrastructure include a Digital Copier System for Engineering \$9,540, a K-9 Dog (Wodan) \$10,409, two 2011 Impala Patrol Cars \$58,836, Buick Lacrosse \$28,800, 2012 Black Sierra Truck \$25,869 for the Police Department, two Warning Sirens for the Fire Department \$35,506, 2011 GMC Sierra \$27,175, Transmission Fluid Recycler for Public Works \$6,312, three Mowers for Parks \$41,600, and Major Streets additions of \$21,189. Additions for Infrastructure include Paving of Streets \$309,152. The additions to Business-Type Activities include Buildings which consist of the Prison Lift Station \$547,754. Improvements other than buildings include water and fire hydrant exchanges, new water meters, fire hydrants, and pipe \$66,713. Machinery and Equipment include a 2004 Volks Wagon Touareg \$11,900, a Directional Drill and Trailer \$44,000, three 2011 GMC Sierras \$64,739, and a GMC Truck \$24,000.

Additional information about the City's capital assets can be found in Note 5 of the Notes to the Financial Statements.

Debt Administration

The City issued General Obligation bonds in the amount of \$5,715,000 in 2011. These bonds were assigned an "A+" rating by Standard & Poor's. The capacity of the City to issue additional general obligation debt decreased in 2011 from \$18,329,269 to \$18,104,574. The ratio of net bonded debt to estimated actual value and the net bonded debt per capita are useful indicators of the City's debt position. The ratio of net bonded debt to estimated actual value increased from 1.96% in 2010 to 2.72% in 2011, and the net bonded debt per capita increased from \$823 in 2010 to \$1,120 in 2011.

Additional information about the City's long-term debt can be found in Note 7 of the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In 2012 (2013 budget), the mill levy is anticipated to increase by two mills from 2011. The City Commission and City staff are very cognizant of the impact the nation's economy has on the citizens of El Dorado and are working very diligently to keep the expenditures at a low level.

The City will maintain the same level of services and fund the same outside agencies in 2012. Sales tax will continue to be a significant revenue source for the City. The property tax would currently be approximately 28 mills higher to fund the City's operations without the local sales tax. The City continues to improve its infrastructure through the street maintenance program, funded by sales tax monies.

OTHER POTENTIALLY SIGNIFICANT MATTERS

The following significant facts were known by management as of the date of the independent auditor's report:

- The federal fund exchange program is a voluntary program that allows local public agencies to trade all or a portion of its federal fund allocations in a specific federal fiscal year with KDOT in exchange for state transportation dollars. This funding which amounts to \$55,458 will aid in the resurfacing of Central Ave. (K-254) from Jones St. to Haverhill Rd. The project will be completed in 2012.
- In November 2011, the City issued a building permit for \$30,000,000 for the construction of a 168,000 square foot manufacturing plant which is slated to be completed in late 2012. It is anticipated the proposed facility will include sufficient equipment to produce the majority of the product line currently produced in Wichita and a million gallon tank farm. Employment for this phase is estimated at 60.
- The City of El Dorado is constructing a wind turbine at the wastewater treatment plant located south of the city. The City commission approved the funding mechanism through the Kansas Department of Health and Environment Revolving Loan (KDHE) Fund. The entire project qualifies for ARRA stimulus money for "Green" improvements. These improvements are eligible for 40% loan forgiveness under the provision that the project is categorically "green". This equates to about \$800,000 in grant money towards this project. Additionally, the City has secured a \$250,000 grant from the Department of Energy (DOE) to assist in funding this project. The project is in the process of being constructed.
- With the proposed construction of a new Middle School near the Intersection of 30th Street and N. Main the City of El Dorado will need to extend infrastructure to serve the facility. This will include paving 30th St., and extending water and sewer mains. The City will bear the entire cost for the waterlines, and Special Assessments will pay for the Paving and Sewer Mains. U.S.D. 490 recently purchased a 40 acre parcel of land North of El Dorado, the land has since been annexed into the City Limits. The cost for extension of services are \$2,333,087 with \$1,177,554 being funded by Water Revenue and the remaining is to be funded by Special Assessments thru General Obligation Bonds.

- In 2010, city staff met with the Kansas Water Office and former Governor, Mike Hayden to discuss the concept of selling additional water from El Dorado Lake. The Kansas Water Office (KWO) directed staff hydrologist, Andy Entz to conduct a reservoir modeling called “Oasis”, to determine the yield of El Dorado Lake. The model was completed in the Fall of 2010, but remained in the draft phase while the KWO waited for the most recent 2010 bathymetric survey of El Dorado Lake. However, the preliminary results from the KWO’s study indicated a significant quantity of water was not currently being utilized from El Dorado Lake. The City commission first met and discussed a feasibility study for additional water sales in July of 2011. The proposed study would be conducted in two phases. The first phase (not to exceed \$75,000) would determine the yield of the lake to insure we have plenty of water to sell in a responsible manner. The second phase (not to exceed \$184,700) would look at the cost of water treatment and delivery options in order to establish a final estimate of cost per thousand gallons. Knowledge of the quantity that can be reliably delivered and the cost of that water will be critical information needed in order to approach neighbors to the west of El Dorado who are interested in purchasing water from El Dorado. Our consulting engineers have completed phase I of the study to determine the availability of selling additional water from El Dorado Lake. The results were very good and confirmed the water model already completed by the Kansas Water Office. Work on phase II of this project continues to progress.

REQUESTS FOR INFORMATION

The financial report is intended to give the reader a general overview of the City’s finances. Questions about information contained in this report or requests for additional information should be directed to the Director of Finance, City of El Dorado, 220 East First, El Dorado, KS, 67042.

BASIC FINANCIAL STATEMENTS

CITY OF EL DORADO, KANSAS

STATEMENT OF NET ASSETS

December 31, 2011

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Library
Assets:				
Cash and investments	\$ 10,956,050	\$ 7,415,819	\$ 18,371,869	\$ 281,199
Receivables, net of allowance for uncollectibles:				
Taxes	7,199,453	-	7,199,453	393,663
Accounts	328,313	808,358	1,136,671	71
Accrued interest	19,557	-	19,557	-
Due from other governments	126,432	1,089,533	1,215,965	-
Internal balances	57,708	(57,708)	-	-
Inventories	104,577	202,519	307,096	-
Restricted investments	-	-	-	235,193
Capital assets, net of accumulated depreciation (where applicable):				
Land	5,415,757	751,376	6,167,133	-
Buildings	6,009,113	12,208,126	18,217,239	469,611
Improvements other than buildings	5,647,070	14,303,821	19,950,891	-
Infrastructure	19,602,052	-	19,602,052	-
Water storage space	-	28,951,577	28,951,577	-
Machinery and equipment	2,856,758	2,271,814	5,128,572	71,376
Construction in progress	5,592,169	2,784,355	8,376,524	-
Total assets	<u>63,915,009</u>	<u>70,729,590</u>	<u>134,644,599</u>	<u>1,451,113</u>
Liabilities:				
Accounts payable and other current liabilities	1,234,603	332,879	1,567,482	17,183
Accrued interest payable	66,726	98,629	165,355	-
Temporary notes payable	-	1,260,000	1,260,000	-
Unearned revenue	3,648,497	-	3,648,497	393,663
Noncurrent liabilities:				
Due within one year	2,138,405	955,051	3,093,456	14,880
Due in more than one year	13,066,616	56,664,945	69,731,561	8,673
Total liabilities	<u>20,154,847</u>	<u>59,311,504</u>	<u>79,466,351</u>	<u>434,399</u>
Net assets:				
Invested in capital assets, net of related debt	30,150,968	18,777,765	48,928,733	540,987
Restricted for:				
Debt service	3,896,344	-	3,896,344	-
Public safety	1,534	-	1,534	-
Economic development	305,254	-	305,254	-
Culture and recreation	51,820	-	51,820	-
Public works	286,524	-	286,524	-
Other purposes	347,934	-	347,934	342,740
Unrestricted	8,719,784	(7,359,679)	1,360,105	132,987
Total net assets	<u>\$ 43,760,162</u>	<u>\$ 11,418,086</u>	<u>\$ 55,178,248</u>	<u>\$ 1,016,714</u>

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2011

Functions/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Library
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Government activities:								
General government	\$ 1,880,860	\$ 649,247	\$ 136,373	\$ 482,619	\$ (612,621)	\$ -	\$ (612,621)	\$ -
Public safety	3,644,530	642,715	16,000	109,328	(2,876,487)	-	(2,876,487)	-
Public works	4,283,125	131,947	465,998	1,110,758	(2,574,422)	-	(2,574,422)	-
Health and sanitation	371,126	128,012	626	329,319	86,831	-	86,831	-
Culture and recreation	1,542,864	628,262	35,764	-	(878,838)	-	(878,838)	-
Economic development	201,947	-	-	-	(201,947)	-	(201,947)	-
Interest on long-term debt	366,675	-	-	-	(366,675)	-	(366,675)	-
Total governmental activities	12,291,127	2,180,183	654,761	2,032,024	(7,424,159)	-	(7,424,159)	-
Business-type activities:								
Waterworks System	4,629,494	4,378,079	-	-	-	(251,415)	(251,415)	-
Sewer System	2,313,956	2,303,103	-	301,494	-	290,641	290,641	-
Refuse	1,402,160	1,452,599	-	-	-	50,439	50,439	-
Total business-type activities	8,345,610	8,133,781	-	301,494	-	89,665	89,665	-
Total primary government	\$ 20,636,737	\$ 10,313,964	\$ 654,761	\$ 2,333,518	(7,424,159)	89,665	(7,334,494)	-
Component unit:								
Bradford Memorial Library	\$ 482,678	\$ 14,989	\$ 59,690	\$ -	-	-	-	(407,999)
General revenues:								
Property taxes					3,983,853	-	3,983,853	437,977
Sales taxes					2,266,633	-	2,266,633	-
Franchise taxes					1,075,331	-	1,075,331	-
Tourism taxes					151,814	-	151,814	-
Unrestricted investment earnings					19,829	571,651	591,480	10,170
Transfers					1,649,838	(1,649,838)	-	-
Total general revenues and transfers					9,147,298	(1,078,187)	8,069,111	448,147
Change in net assets					1,723,139	(988,522)	734,617	40,148
Net assets, beginning of year					42,037,023	12,406,608	54,443,631	976,566
Net assets, end of year					\$ 43,760,162	\$ 11,418,086	\$ 55,178,248	\$ 1,016,714

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2011

	General	Debt Service	Construction	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and investments	\$ 3,179,707	\$ 796,642	\$ 5,409,188	\$ 1,570,513	\$ 10,956,050
Receivables (net of allowance for uncollectibles):					
Property tax	2,409,797	1,099,107	-	139,593	3,648,497
Special assessment tax	-	2,847,199	-	319,229	3,166,428
Sales tax	384,528	-	-	-	384,528
Accounts	167,249	-	-	161,064	328,313
Interest	19,557	-	-	-	19,557
Due from other governments	2,535	-	123,897	-	126,432
Due from other funds	916,016	-	-	-	916,016
Inventories	104,577	-	-	-	104,577
Total assets	<u>\$ 7,183,966</u>	<u>\$ 4,742,948</u>	<u>\$ 5,533,085</u>	<u>\$ 2,190,399</u>	<u>\$ 19,650,398</u>
Liabilities and fund balances:					
Liabilities:					
Accounts payable	\$ 281,111	\$ -	\$ 851,813	\$ 11,722	\$ 1,144,646
Accrued payroll	76,413	-	-	13,544	89,957
Due to other funds	-	-	916,016	-	916,016
Deferred revenue	2,409,797	3,946,306	-	458,822	6,814,925
Total liabilities	<u>2,767,321</u>	<u>3,946,306</u>	<u>1,767,829</u>	<u>484,088</u>	<u>8,965,544</u>
Fund balances:					
Nonspendable:					
Not in spendable form	104,577	-	-	-	104,577
Restricted:					
Public safety	-	-	-	1,534	1,534
Economic development	-	-	-	305,254	305,254
Culture and recreation	-	-	-	51,820	51,820
Public works	-	-	-	286,524	286,524
Debt service	-	796,642	-	-	796,642
Committed:					
Public safety	-	-	-	290,226	290,226
Assigned	787,183	-	3,765,256	770,953	5,323,392
Unassigned	3,524,885	-	-	-	3,524,885
Total fund balances	<u>4,416,645</u>	<u>796,642</u>	<u>3,765,256</u>	<u>1,706,311</u>	<u>10,684,854</u>
Total liabilities and fund balances	<u>\$ 7,183,966</u>	<u>\$ 4,742,948</u>	<u>\$ 5,533,085</u>	<u>\$ 2,190,399</u>	<u>\$ 19,650,398</u>

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

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

December 31, 2011

Total fund balance in Governmental Fund Balance Sheet	\$ 10,684,854
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	45,122,919
Other assets are not available to pay for current period expenditures and therefore are deferred in the funds.	3,166,428
Internal service funds are used by management to charge the costs of information technology to individual funds. Certain assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets.	57,708
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(15,271,747)
Net assets of governmental activities	<u>\$ 43,760,162</u>

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

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

Year Ended December 31, 2011

	General	Debt Service	Construction	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property	\$ 2,606,247	\$ 1,219,619	\$ -	\$ 157,987	\$ 3,983,853
Sales	2,216,633	-	-	50,000	2,266,633
Franchise	1,075,331	-	-	-	1,075,331
Tourism	-	-	-	151,814	151,814
Intergovernmental	81,574	-	438,503	612,186	1,132,263
Licenses and permits	118,393	-	-	10,537	128,930
Charges for services	1,266,572	-	-	123,446	1,390,018
Fines and forfeitures	248,445	-	-	-	248,445
Special assessments	-	476,188	107,328	308,374	891,890
Investment earnings	14,405	3,799	25	1,600	19,829
Miscellaneous	222,873	-	240,531	111,062	574,466
Total revenues	7,850,473	1,699,606	786,387	1,527,006	11,863,472
Expenditures:					
Current:					
General government	1,110,080	-	-	354,878	1,464,958
Public safety	3,433,538	-	-	-	3,433,538
Highways and streets	898,941	-	-	903,500	1,802,441
Health and sanitation	301,670	-	-	52,031	353,701
Culture and recreation	1,341,070	-	-	106,930	1,448,000
Economic development	-	-	-	201,758	201,758
Debt service:					
Principal	-	1,511,342	2,000,000	-	3,511,342
Interest	-	340,348	13,322	-	353,670
Capital outlay	550,946	-	3,380,220	53,830	3,984,996
Total expenditures	7,636,245	1,851,690	5,393,542	1,672,927	16,554,404
Excess (deficiency) of revenues over (under) expenditures	214,228	(152,084)	(4,607,155)	(145,921)	(4,690,932)
Other financing sources (uses):					
General obligation bonds issued	-	-	5,715,000	-	5,715,000
Transfers in	531,065	248,013	2,964,395	475,849	4,219,322
Transfers out	(1,601,065)	(35,811)	(880,994)	(58,753)	(2,576,623)
Total other financing sources (uses)	(1,070,000)	212,202	7,798,401	417,096	7,357,699
Net change in fund balances	(855,772)	60,118	3,191,246	271,175	2,666,767
Fund balances, beginning of year, as previously stated	4,804,183	736,524	574,010	1,903,370	8,018,087
Change in accounting principle	468,234	-	-	(468,234)	-
Fund balances, beginning of year, as restated	5,272,417	736,524	574,010	1,435,136	8,018,087
Fund balances, end of year	\$ 4,416,645	\$ 796,642	\$ 3,765,256	\$ 1,706,311	\$ 10,684,854

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

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

Year Ended December 31, 2011

Net change in fund balances - total governmental funds	\$ 2,666,767
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.	769,892
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	477,679
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(2,203,658)
Internal service funds are used by management to charge the cost of information technology to individual funds. The net revenue (expense) of certain activities of the internal service fund is reported with governmental activities.	23,276
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.	<u>(10,817)</u>
Change in net assets of governmental activities	<u><u>\$ 1,723,139</u></u>

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

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

GENERAL FUND

Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 5,897,072	\$ 5,897,072	\$ 5,713,830	\$ (183,242)
Intergovernmental	62,426	62,426	54,319	(8,107)
Licenses, fees and permits	158,380	158,380	118,393	(39,987)
Charges for services	1,035,410	1,035,410	679,036	(356,374)
Fines and forfeitures	318,290	318,290	248,445	(69,845)
Interest	60,000	60,000	11,605	(48,395)
Miscellaneous	28,000	28,000	219,349	191,349
Reimbursements	40,000	40,000	-	(40,000)
Total revenues	7,599,578	7,599,578	7,044,977	(554,601)
Expenditures:				
General government:				
Administration	666,769	666,769	644,063	22,706
Engineering	255,234	255,234	270,058	(14,824)
Civic Center	99,700	99,700	107,971	(8,271)
Legal and judicial	173,189	173,189	151,571	21,618
Special projects	3,324,190	3,324,190	-	3,324,190
Total general government	4,519,082	4,519,082	1,173,663	3,345,419
Public safety:				
Police division	2,128,839	2,128,839	2,145,112	(16,273)
Fire division	1,364,881	1,364,881	1,296,373	68,508
Building and zoning	192,806	192,806	165,715	27,091
Building demolition	16,000	16,000	16,947	(947)
Hazardous materials	21,425	21,425	12,816	8,609
Total public safety	3,723,951	3,723,951	3,636,963	86,988
Public works:				
Public works	444,105	444,105	489,188	(45,083)
Street lights	169,000	169,000	172,246	(3,246)
Total public works	613,105	613,105	661,434	(48,329)
Health and sanitation:				
Animal control	\$ 128,173	\$ 128,173	\$ 125,890	\$ 2,283

(Continued)

CITY OF EL DORADO, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
(Continued)

GENERAL FUND

Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Culture and recreation:				
Park maintenance	\$ 305,284	\$ 305,284	\$ 299,409	\$ 5,875
Recreation	442,538	442,538	415,956	26,582
Swimming pool	139,470	139,470	133,790	5,680
Band	6,925	6,925	7,000	(75)
Recreation concessions	57,063	57,063	56,550	513
Total culture and recreation	951,280	951,280	912,705	38,575
Conservation of natural resources:				
Forestry	20,400	20,400	15,569	4,831
Total expenditures	9,955,991	9,955,991	6,526,224	3,429,767
Excess of revenues over (under) expenditures	(2,356,413)	(2,356,413)	518,753	2,875,166
Other financing sources (uses):				
Transfers in	492,000	492,000	531,065	39,065
Transfers out	(1,738,680)	(1,738,680)	(1,877,183)	(138,503)
Total other financing sources (uses)	(1,246,680)	(1,246,680)	(1,346,118)	(99,438)
Net change in fund balances	(3,603,093)	(3,603,093)	(827,365)	2,775,728
Fund balance, beginning of year	3,603,093	3,603,093	3,959,497	356,404
Fund balance, end of year	\$ -	\$ -	3,132,132	\$ 3,132,132
<u>Reconciliation to GAAP</u>				
Less encumbrances, beginning of year			(4,707)	
Change in receivables			184,380	
Fund balances on the basis of GAAP - General Fund only			3,311,805	
Fund balances for separately budgeted funds included with the General Fund on GAAP basis financials:				
Cemetery			4,529	
External Stores			20,848	
Prairie Trails Restaurant/Golf			75,431	
Fund balances for non-budgeted funds included with the General Fund on GAAP basis financials:				
Equipment Reserve			216,849	
Self Insurance Reserve			787,183	
			<u>\$ 4,416,645</u>	

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

December 31, 2011

	Business-Type Activities - Enterprise Funds				Business-Type Activities
	Waterworks System	Sewer System	Refuse	Total Enterprise Funds	Internal
					Service Fund (Data Processing Fund)
Assets:					
Current assets:					
Cash and investments	\$ 6,652,129	\$ 425,302	\$ 182,839	\$ 7,260,270	\$ 155,549
Accounts receivable (net of allowance for uncollectibles)	238,261	426,258	137,934	802,453	5,903
Intergovernmental receivable	-	1,089,533	-	1,089,533	-
Inventories	189,196	9,083	4,240	202,519	-
Total current assets	7,079,586	1,950,176	325,013	9,354,775	161,452
Capital assets:					
Land	33,733	717,643	-	751,376	-
Water storage space	28,951,577	-	-	28,951,577	-
Buildings	1,950,379	14,012,584	991,467	16,954,430	-
Improvements other than buildings	11,847,959	10,853,466	55,860	22,757,285	-
Machinery and equipment	1,488,669	2,305,057	854,582	4,648,308	21,949
Construction in process	1,383,828	1,400,527	-	2,784,355	-
Total capital assets	45,656,145	29,289,277	1,901,909	76,847,331	21,949
Less accumulated depreciation	(6,122,336)	(8,463,880)	(992,007)	(15,578,223)	(19,988)
Capital assets, net	39,533,809	20,825,397	909,902	61,269,108	1,961
Total assets	\$ 46,613,395	\$ 22,775,573	\$ 1,234,915	\$ 70,623,883	\$ 163,413

See accompanying notes to basic financial statements.

	Business-Type Activities - Enterprise Funds				Business-Type Activities
	Waterworks System	Sewer System	Refuse	Total Enterprise Funds	Internal Service Fund (Data Processing Fund)
Liabilities:					
Current liabilities:					
Accounts payable	\$ 100,239	\$ 149,785	\$ 26,511	\$ 276,535	\$ 6,467
Accrued payroll	17,293	9,308	13,567	40,168	9,708
Current portion of compensated absences payable	42,812	27,416	32,843	103,071	30,899
Current portion of general obligation bonds payable	79,641	110,024	-	189,665	-
Current portion of revolving loan note payable	-	509,709	-	509,709	-
Temporary notes payable	1,260,000	-	-	1,260,000	-
Accrued interest payable	4,312	94,317	-	98,629	-
Water storage space payable	121,707	-	-	121,707	-
Total current liabilities	1,626,004	900,559	72,921	2,599,484	47,074
Noncurrent liabilities:					
Long-term portion of compensated absences payable	646	-	3,752	4,398	-
Long-term portion of general obligation bonds payable	365,452	682,932	-	1,048,384	-
Long-term portion of revolving loan note payable	-	9,780,992	-	9,780,992	-
Long-term portion of water storage space payable	45,831,171	-	-	45,831,171	-
Total noncurrent liabilities	46,197,269	10,463,924	3,752	56,664,945	-
Total liabilities	47,823,273	11,364,483	76,673	59,264,429	47,074
Net assets:					
Invested in capital assets, net of related debt	8,124,162	9,741,740	909,902	18,775,804	1,961
Unrestricted	(9,334,040)	1,669,350	248,340	(7,416,350)	114,378
Total net assets	\$ (1,209,878)	\$ 11,411,090	\$ 1,158,242	11,359,454	\$ 116,339

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

58,632

Net assets of business-type activities

\$ 11,418,086

CITY OF EL DORADO, KANSAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS

December 31, 2011

	Business-Type Activities - Enterprise Funds				Business-Type Activities
	Waterworks System	Sewer System	Refuse	Total Enterprise Funds	Internal Service Fund (Data Processing Fund)
Operating revenues:					
Charges for services	\$ 4,024,268	\$ 2,040,480	\$ 1,184,794	\$ 7,249,542	\$ 771,200
Miscellaneous	342,395	254,223	267,805	864,423	1,047
Rents and royalties	11,416	8,400	-	19,816	-
Total operating revenues	<u>4,378,079</u>	<u>2,303,103</u>	<u>1,452,599</u>	<u>8,133,781</u>	<u>772,247</u>
Operating expenses:					
Costs of sales and services	2,348,645	653,695	673,188	3,675,528	702,452
Administration	356,793	530,019	658,078	1,544,890	-
Depreciation	311,893	696,229	77,069	1,085,191	114
Total operating expenses	<u>3,017,331</u>	<u>1,879,943</u>	<u>1,408,335</u>	<u>6,305,609</u>	<u>702,566</u>
Operating income	<u>1,360,748</u>	<u>423,160</u>	<u>44,264</u>	<u>1,828,172</u>	<u>69,681</u>
Nonoperating revenues (expense):					
Investment income	566,651	4,600	400	571,651	-
Interest expense	(1,609,178)	(254,879)	(2,596)	(1,866,653)	-
Loss on disposal of assets	(30,884)	(188,387)	(482)	(219,753)	-
Total nonoperating revenue (expense)	<u>(1,073,411)</u>	<u>(438,666)</u>	<u>(2,678)</u>	<u>(1,514,755)</u>	<u>-</u>
Income (loss) before capital contributions and transfers	287,337	(15,506)	41,586	313,417	69,681
Capital contributions	3,666	301,494	-	305,160	-
Transfers from other funds	739,549	11,609	11,609	762,767	20,000
Transfers to other funds	(1,676,818)	(602,170)	(70,000)	(2,348,988)	(87,284)
Change in net assets	(646,266)	(304,573)	(16,805)	(967,644)	2,397
Net assets, beginning of year	(563,612)	11,715,663	1,175,047	12,327,098	113,942
Net assets, end of year	<u>\$ (1,209,878)</u>	<u>\$ 11,411,090</u>	<u>\$ 1,158,242</u>	<u>\$ 11,359,454</u>	<u>\$ 116,339</u>
Change in net assets per fund statements				\$ (967,644)	
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain activities of the internal service fund is reported with business-type activities				(20,878)	
Change in net assets of business-type activities				<u>\$ (988,522)</u>	

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS

December 31, 2011

	Business-Type Activities - Enterprise Funds			Business-Type Activities
	Waterworks System	Sewer System	Refuse	Internal
				Total Enterprise Funds
Cash flows from operating activities:				
Receipts from customers and users	\$ 4,419,066	\$ 1,466,435	\$ 1,441,186	\$ 773,991
Payments to suppliers	(2,523,153)	(643,187)	(690,047)	(710,662)
Payments to employees	(351,505)	(537,426)	(662,547)	-
Net cash provided by operating activities	1,544,408	285,822	88,592	63,329
Cash flows from capital and related financing activities:				
Proceeds from revolving loan note	-	1,124,178	-	-
Principal paid on general obligation bonds	(76,553)	(107,105)	-	-
Principal paid on revolving loan note	-	(592,807)	-	-
Principal paid on capital leases	-	-	(74,764)	-
Principal paid on water storage space payable	(117,590)	-	-	-
Interest paid on debt	(363,188)	(254,931)	(2,596)	-
Acquisition and construction of capital assets	(1,331,139)	(1,422,514)	-	-
Net cash used in capital and related financing activities	(1,888,470)	(1,253,179)	(77,360)	-
Cash flows from noncapital financing activities:				
Transfers (to) from other funds	(937,269)	(590,561)	(58,391)	(67,284)
Cash flows from investing activities:				
Investment income	566,651	4,600	400	-
Net decrease in cash and investments	(714,680)	(1,553,318)	(46,759)	(3,955)
Cash and investments, beginning of year	7,366,809	1,978,620	229,598	159,504
Cash and investments, end of year	\$ 6,652,129	\$ 425,302	\$ 182,839	\$ 155,549

(Continued)

CITY OF EL DORADO, KANSAS

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUNDS
 (Continued)

December 31, 2011

	Business-Type Activities - Enterprise Funds				Business-Type Activities
	Waterworks System	Sewer System	Refuse	Total Enterprise Funds	Internal
					Service Fund (Data Processing Fund)
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 1,360,748	\$ 423,160	\$ 44,264	\$ 1,828,172	\$ 69,681
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	311,893	696,229	77,069	1,085,191	114
Decrease (increase) in accounts receivable	40,987	(836,669)	(11,412)	(807,094)	1,744
Decrease (increase) in inventories	(32,583)	(3,121)	2,992	(32,712)	-
Increase (decrease) in salaries and wages payable	(259)	(1,652)	1,028	(883)	(1,471)
Increase (decrease) in accounts payable	(141,925)	13,630	(19,851)	(148,146)	(8,330)
Increase (decrease) in compensated absences payable	5,547	(5,755)	(5,498)	(5,706)	1,591
Net cash provided by operating activities	<u>\$ 1,544,408</u>	<u>\$ 285,822</u>	<u>\$ 88,592</u>	<u>\$ 1,918,822</u>	<u>\$ 63,329</u>
Noncash investing, capital and financing activities:					
Loan forgiveness on construction loan payable	<u>\$ -</u>	<u>\$ 301,494</u>	<u>\$ -</u>	<u>\$ 301,494</u>	<u>\$ -</u>
Capital assets acquired through contributions from governmental funds	<u>\$ 3,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,666</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS

December 31, 2011

	Retiree Health Care Benefit Plan Trust Fund	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and investments:		
Cash	\$ -	\$ 11,206
Common stocks	41,269	-
Fixed income securities	104,913	-
Accounts receivable	-	3,478
	<u> </u>	<u> </u>
Total assets	146,182	14,684
Liabilities:		
Accounts payable	-	14,684
	<u> </u>	<u> </u>
Net assets held in trust for other post employment benefits	<u>\$ 146,182</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
OTHER POSTEMPLOYMENT BENEFITS PLAN TRUST FUND

Year Ended December 31, 2011

	Retiree Health Care Benefit Plan Trust Fund
	<u> </u>
Additions:	
Employer contributions	\$ 78,192
Investment loss	<u>(34,632)</u>
Total additions	43,560
Deductions:	
Benefits	<u>-</u>
Change in net assets held in trust for other post employment benefits	43,560
Net assets held in trust for other post employment benefits, beginning of year	<u>102,622</u>
Net assets held in trust for other post employment benefits, end of year	<u><u>\$ 146,182</u></u>

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS
NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1 - Summary of Significant Accounting Policies

Reporting Entity

The City of El Dorado, Kansas (the City) is a municipal corporation governed under a Mayor-Commission form of government consisting of an elected mayor and four-member board. The City provides a full range of municipal services to its citizens in the areas of police and fire protection, sanitation, health, recreation, library, public improvements, building and zoning, general administrative services, water, wastewater and solid waste collection and cemetery operations. As required by generally accepted accounting principles, these financial statements present the City (primary government) and its component unit, an entity for which the City is considered to be financially accountable. The component unit discussed in the following paragraph is included in the City's reporting entity because of the significance of its operational or financial relationship to the City.

Discretely Presented Component Unit

The component unit column in the financial statements includes the financial data of the City's component unit, the Bradford Memorial Library (the Library). It is reported in a separate column to emphasize that it is legally separate from the City; however, the City Commission appoints the Library's governing body. The Library component unit is accounted for using the same principles as the governmental fund types of the City. The Library does not issue separate financial statements.

The Bradford Memorial Library operates the public library in the City. The Library may not purchase or lease a site or erect a building for use of the Library without the approval of the City Commission. The Library taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. The Library also receives funding through state assistance programs, charges for services and donations from the public. Also included in the Library's financial data are the operations of the Bradford Memorial Library Endowment (Endowment), a component unit of the Bradford Memorial Library. The Endowment is a legally separate, tax-exempt organization and is comprised of gifts and bequests that are subject to a requirement that the principal be maintained intact and invested to create a source of income for the Library to supplement the resources that are available to the Library in support of its programs.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Government-Wide Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. A 60-day availability period is used for revenue recognition for all governmental funds revenues. 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 receivable are shown on the balance sheet as current assets of the City, they are not recognized as revenue at year end because statutory provisions prohibit their use until the year for which they were raised and budgeted. Instead, they are offset by deferred revenue accounts.

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus. Agency funds do, however, use the accrual basis of accounting.

CITY OF EL DORADO, KANSAS
NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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

The City reports the following major governmental funds:

General Fund – The general fund is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – The debt service fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Construction Fund – The construction fund is used to account for the resources accumulated and payments made for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

The City reports the following major proprietary funds:

Waterworks System Fund – The waterworks system fund is used to account for the operation of the municipal water utility including water supply, treatment and distribution.

Sewer System Fund – The sewer system fund is used to account for the operation of the municipal sewer utility including the collection and treatment of wastewater.

Refuse Fund – The refuse fund is used to account for the operation of the refuse utility including the collection and disposal of solid waste and the City's recycling program.

The City also reports the following fund types:

Internal Service Funds – The internal service fund is 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. This fund accounts for the City's information technology activities.

CITY OF EL DORADO, KANSAS
NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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

Fiduciary Funds – The Retiree Health Care Benefit Plan trust fund is used to accumulate the resources for post-employment health care benefits to qualified employees. The agency funds are used to report resources held by the City in a custodial capacity for remittance of fiduciary resources to individuals, private organizations or other governments. The City utilizes separate agency funds for the following purposes – sales tax collection and remittance; revolving loan collection and remittance; and payroll withholding and remittances.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water, sewer and refuse functions 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 Waterworks System Fund, the Sewer System Fund and the Refuse Fund are charges to customers for sales and services. Operating expenses for the Waterworks System Fund, Sewer System Fund and Refuse Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF EL DORADO, KANSAS
NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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

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

Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds. The pool has the general characteristics of demand deposit accounts, in that each fund may deposit additional cash at any time and also may withdraw cash at any time without prior notice or penalty. The pooled cash is invested to the extent available in authorized investments. These pooled investments consist of operating accounts and nonnegotiable certificates of deposit that are recorded at cost because they are not affected by market rate changes. Earnings from investments are allocated to the funds on the basis of the average monthly balance and in accordance with the adopted budget. For the fiscal year ended December 31, 2011, interest earnings allocated to various funds were \$ 38,471. Deposits are reported at their carrying amount which approximates fair value.

The Library's investments consist of mutual funds, exchange traded funds and closed-end funds which are recorded at fair value.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables (Continued)

All trade accounts receivable are shown net of an allowance for uncollectibles. Management records an allowance for all account balances not collected within four months.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the governmental funds had no unearned revenue. Deferred revenue is reported as follows:

General fund property taxes receivable	\$ 2,409,797
Debt service fund property taxes receivable	1,099,107
Debt service fund special assessments receivable	2,847,199
Nonmajor funds property taxes receivable	139,593
Nonmajor funds special assessment receivable	319,229
	<hr/>
	\$ 6,814,925
	<hr/> <hr/>

Property Taxes

The City's property taxes are 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 Butler County. The assessed value upon which the 2011 levy was based was \$ 82,506,642.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Property Taxes (Continued)

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. Property owners have the option of paying one-half or 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 ensuing 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 2011 tax levy per \$ 1,000 of assessed valuation was as follows:

General Fund	\$	29.207
Debt Service Fund		13.321
Nonmajor funds		1.691
Component unit:		
Library		4.771
		<hr/>
	\$	48.990
		<hr/> <hr/>

Special Assessments Receivable

As required by State statutes, projects financed in part by special assessments are financed through the issuance of general obligation bonds which are secured by the full faith and credit of the City and are retired from the City's debt service fund. Further, State statutes permit levying additional general ad valorem property taxes in the City's debt service fund to finance delinquent special assessments receivable. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate construction project. Special assessments received after the issuance of bonds are recorded as revenue in the debt service fund. Special assessment taxes are levied over a ten or twenty-year period and the annual installments are due and payable with annual ad valorem property taxes. The City may foreclose liens against property benefited by special assessments when delinquent assessments are two years in arrears. At December 31, the special assessment taxes levied are a lien on the property and are recorded as special assessments receivable in the debt service fund and accrued as revenues in the statement of activities. Since they are not considered available spendable resources for the governmental funds, the special assessments receivable are reported as deferred revenue in the fund financial statements.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Special Assessments Receivable (Continued)

Beginning in November 2008, the City levied special assessments to property owners within the City for stormwater maintenance and improvements. At December 31, the stormwater special assessment taxes levied are a lien on the property and are recorded as special assessments receivable in the stormwater utility special revenue fund and accrued as revenues in the statement of activities. Since they are not considered available spendable resources for the governmental funds, the stormwater special assessments receivable are reported as deferred revenue in the fund financial statements.

Inventories

Inventories are valued at cost as determined by the first-in, first-out method. The purchase method is used to account for these inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of the respective fund. Inventories in the general fund consist of expendable supplies held for consumption.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, sidewalks and similar items) and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$ 5,000. Capital assets are valued at historical cost, or estimated historical cost (if actual historical cost is not available). The historical cost, or estimates of historical cost, for the City's infrastructure assets include all assets acquired or constructed subsequent to January 1, 1980. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. For proprietary funds, interest costs incurred to bring certain assets to the condition and location necessary for their intended use are capitalized as part of the historical cost of acquiring the assets. Additionally, in situations involving the acquisition of certain assets financed with the proceeds of tax-exempt borrowing, any interest earned on related interest-bearing investments from such proceeds is offset against the related interest costs in determining either capitalization rates or limitations on the amount of interest costs to be capitalized.

Property, plant and equipment of the primary government and its component unit is depreciated using the straight-line method over the following estimated useful lives:

Buildings and structures	40 to 50 years
Improvements other than buildings	20 to 60 years
Infrastructure (streets)	18 years
Machinery and equipment	5 to 20 years
Office equipment	10 years
Water treatment plants	40 years
Water and sewer mains	75 years

Amortization of assets acquired under capital leases is included in depreciation.

The City acquired water storage space in 1972 for \$ 28,951,577 which is reported in the water fund and business-type activities column in the government-wide financial statements as a capital asset. The water storage space acquired is considered to have an indefinite life. As a result, no amortization will be taken on the space rights.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences

The City's policies regarding personal and sick leave permit employees to accumulate a maximum of 200 hours of personal leave (260 hours for employees with over ten years of continuous service) and a maximum accumulation of 90 days of sick leave. Policies prohibit payment for personal leave in lieu of time off and require cancellation of accumulated sick leave on the date of employment termination. The liability for accrued personal leave is accrued when incurred in the government-wide and proprietary fund financial statements. The liability is classified as current or long-term based on previous history of usage by employees. A liability for these amounts is reported in governmental funds only if it has matured, for example, as a result of employee terminations or retirement.

Long-Term Obligations

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

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

Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of December 31, 2011, fund balances for governmental funds are made up of the following:

CITY OF EL DORADO, KANSAS
NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

Nonspendable fund balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained 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 Commission. Commitments may be changed or lifted only by the City Commission taking the same formal action that imposed the constraint originally.

Assigned fund balance – includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the City Commission or (2) a body or official to which the City Commission has delegated the authority to assign amounts to be used for specific purposes.

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.

Change in Accounting Principle

In previous years, the Cemetery and Equipment Reserve Funds were classified as special revenue funds. With the implementation of GASB Statement No. 54 in 2011, it was determined that these funds no longer qualify as special revenue funds, and these funds were combined with the General Fund. The beginning balances of Other Governmental Funds and the General Fund have been adjusted on the Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds.

CITY OF EL DORADO, KANSAS
NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Restricted Net Assets

The government-wide statement of net assets reports \$ 4,889,410 of restricted net assets, of which \$ 173,490 is restricted by enabling legislation. This enabling legislation authorized the collection of a sales tax from which the collection of these sales taxes is to be used for the explicit purpose of street rehab, property tax reduction and economic development.

Concentrations of Credit Risk

Loans are extended, on a fully secured basis, to local industries under the revolving 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 water, sewer and refuse fees and charges for services.

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

Use of Estimates

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

Pending Governmental Accounting Standards Board Statements

At December 31, 2011, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements that might impact the City are as follows:

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, was issued in November 2010. The objective of this statement is to improve financial reporting by modifying certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria and guidance for reporting component units as if they were part of the primary government (that is, blending). Additionally, this statement requires a primary government to report its equity interest in a component unit as an asset. The provisions of this statement are effective for periods beginning after June 15, 2012.

GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position was issued in June of 2011. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued in March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflow of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. In addition, debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. Accounting changes adopted to conform to the provisions of the Statement should be applied retroactively by restating financial statements, if practical, for all periods presented.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$ (15,271,747) difference are as follows:

Bonds payable	\$ (14,231,951)
Temporary notes payable	(740,000)
Accrued interest payable	(66,726)
Compensated absences	<u>(233,070)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net assets of governmental activities	<u>\$ (15,271,747)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$ 769,892 difference are as follows:

Capital outlay	\$ 2,681,096
Depreciation expense	<u>(1,911,204)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ 769,892</u>

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$ (2,203,658) difference are as follows:

Debt issued or incurred:	
Issuance of bonds	\$ (5,715,000)
Principal repayments:	
Bonds	1,511,342
Temporary notes	<u>2,000,000</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ (2,203,658)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$ (10,817) difference are as follows:

Compensated absences	\$ 2,188
Accrued interest	<u>(13,005)</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ (10,817)</u>

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - Stewardship, Compliance and Accountability

Budgetary Information

The City is required by State statute to legally adopt annual operating budgets for the general fund, special revenue funds (unless exempted by specific statute), and the debt service fund. The Equipment Reserve, Family Life Center, Youth Activity Donations, Insurance Proceeds, Self-Insurance Reserve and Law Enforcement Trust special revenue funds and the Construction fund are exempted from preparing a legally adopted budget. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the proposed budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. This process requires a notice of public hearing to amend the budget to be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. During 2011, the governing body amended the originally adopted budget of expenditures for the following fund: Prairie Trails Restaurant/Golf fund, which is combined with the General Fund.

Kansas statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Management has the authority to revise departmental budgets within a fund; however, the City Commission must approve changes to the appropriations at the fund level.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

3 - Stewardship, Compliance and Accountability (Continued)

Budgetary Information (Continued)

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. For budgetary purposes, encumbrances of the budgeted governmental fund types, representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations (legal budget expenditure authority) lapse at the end of the year, except for capital project fund appropriations which are carried forward until such time as the project is completed or terminated. Encumbered appropriations are not reappropriated in the ensuing year's budget but are carried forward until liquidated or canceled.

Controls over spending in funds which are not subject to legal budgets are maintained by other statutes or by the use of internal spending limits established by management.

Deficit Fund Balances

The waterworks system fund had deficit net assets of \$ 1,209,878 at December 31, 2011 due to the recording of the water storage space payable.

Excess of Expenditures Over Appropriations

Expenditures and transfers out exceeded appropriations in the Prairie Trails Restaurant/Golf Fund by \$ 412,536.

4 - Deposits and Investments

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. 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.

CITY OF EL DORADO, KANSAS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

4 - Deposits and Investments (Continued)

Deposits (Continued)

Custodial Credit Risk (Continued)

The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is included in cash and investments on the balance sheet. At December 31, 2011, the City's carrying amount of deposits, including certificates of deposit, was not exposed to custodial credit risk.

The carrying amount of deposits for the Library, a discretely presented component unit, was not exposed to custodial credit risk.

Investments

As of December 31, 2011, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Federal National Mortgage Corporation	\$ 1,189,623	\$ 1,189,623	\$ -	\$ -	\$ -
Federal Home Loan Mortgage Corporation	659,797	659,797	-	-	-
Fixed income securities	104,913	104,913	-	-	-
	<u>\$ 1,954,333</u>	<u>\$ 1,954,333</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market 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 rising interest rates, but state statutes do establish a two-year limitation on investment maturities. In practice, the City does not exceed a one year maturity when investing idle funds. The City is not exposed to significant interest rate risk.

CITY OF EL DORADO, KANSAS
NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - Deposits and Investments

Investments (Continued)

Credit Risk

Kansas statutes authorize the City and the Library, 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 municipal investment pool, or to make direct investments. The City has no investment policy that would further limit its investment choices.

The City's Federal Home Loan Mortgage Corporation investments are rated AAA by Moody's and AA+ by Standard & Poor's and the Federal National Mortgage Corporation investments are rated AA2 by Moody's and A by Standard & Poor's.

Concentrations of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

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 or collateral securities that are in the possession of an outside party. At December 31, 2011, the City's investments were not exposed to custodial credit risk.

CITY OF EL DORADO, KANSAS
NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

Primary Government

	Balance January 1, 2011	Increase	Decrease	Transfers	Balance December 31, 2011
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 5,415,757	\$ -	\$ -	\$ -	\$ 5,415,757
Construction in progress	3,990,402	1,764,736	(162,969)	-	5,592,169
Total capital assets not being depreciated	9,406,159	1,764,736	(162,969)	-	11,007,926
Capital assets being depreciated:					
Buildings	8,903,112	462,809	(168,706)	-	9,197,215
Improvements other than buildings	7,858,347	206,580	(4,133)	-	8,060,794
Infrastructure	30,125,763	309,152	-	-	30,434,915
Machinery and equipment	4,395,656	265,235	(122,071)	25,352	4,564,172
Total capital assets being depreciated	51,282,878	1,243,776	(294,910)	25,352	52,257,096
Less accumulated depreciation for:					
Buildings	3,030,551	166,769	(9,218)	-	3,188,102
Improvements other than buildings	2,202,280	214,468	(3,024)	-	2,413,724
Infrastructure	9,606,428	1,226,435	-	-	10,832,863
Machinery and equipment	1,496,750	303,532	(111,081)	18,213	1,707,414
Total accumulated depreciation	16,336,009	1,911,204	(123,323)	18,213	18,142,103
Total capital assets being depreciated, net	34,946,869	(667,428)	(171,587)	7,139	34,114,993
Governmental activities capital assets, net	\$ 44,353,028	\$ 1,097,308	\$ (334,556)	\$ 7,139	\$ 45,122,919

CITY OF EL DORADO, KANSAS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

5 - Capital Assets (Continued)

	Balance January 1, 2011	Increase	Decrease	Transfers	Balance December 31, 2011
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 751,376	\$ -	\$ -	\$ -	\$ 751,376
Water storage space	28,951,577	-	-	-	28,951,577
Construction in progress	778,939	2,517,891	(512,475)	-	2,784,355
Total capital assets not being depreciated	30,481,892	2,517,891	(512,475)	-	32,487,308
Capital assets being depreciated:					
Buildings	16,420,836	547,754	(14,160)	-	16,954,430
Improvements other than buildings	23,262,402	66,713	(571,830)	-	22,757,285
Machinery and equipment	4,593,040	144,639	(42,070)	(25,352)	4,670,257
Total capital assets being depreciated	44,276,278	759,106	(628,060)	(25,352)	44,381,972
Less accumulated depreciation for:					
Buildings	4,381,524	375,400	(10,620)	-	4,746,304
Improvements other than buildings	8,463,918	345,906	(356,360)	-	8,453,464
Machinery and equipment	2,093,919	363,999	(41,262)	(18,213)	2,398,443
Total accumulated depreciation	14,939,361	1,085,305	(408,242)	(18,213)	15,598,211
Total capital assets being depreciated, net	29,336,917	(326,199)	(219,818)	(7,139)	28,783,761
Business-type activities capital assets, net	\$ 59,818,809	\$ 2,191,692	\$ (732,293)	\$ (7,139)	\$ 61,271,069

CITY OF EL DORADO, KANSAS
NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 140,728
Public safety	193,942
Public works (including depreciation of infrastructure assets)	1,464,057
Health and sanitation	17,425
Culture and recreation	94,863
Economic development	189
Total depreciation expense - governmental activities	<u>\$ 1,911,204</u>
Business-type activities:	
Waterworks utility	\$ 311,893
Sewer utility	696,229
Refuse	77,069
Capital assets held by the City's internal service fund is charged to the various functions based on their usage	114
Total depreciation expense - business-type activities	<u>\$ 1,085,305</u>

Capital asset activity for the Library component unit for the year ended December 31, 2011 was as follows:

	Balance January 1, 2011	Increase	Decrease	Transfers	Balance December 31, 2011
Discretely presented component unit:					
Capital assets being depreciated:					
Buildings	\$ 758,545	\$ -	\$ -	\$ -	\$ 758,545
Machinery and equipment	244,434	8,656	(3,688)	-	249,402
Total capital assets being depreciated	<u>1,002,979</u>	<u>8,656</u>	<u>(3,688)</u>	<u>-</u>	<u>1,007,947</u>
Less accumulated depreciation for:					
Buildings	281,521	7,413	-	-	288,934
Machinery and equipment	175,645	6,069	(3,688)	-	178,026
Total accumulated depreciation	<u>457,166</u>	<u>13,482</u>	<u>(3,688)</u>	<u>-</u>	<u>466,960</u>
Total capital assets being depreciated, net	<u>545,813</u>	<u>(4,826)</u>	<u>-</u>	<u>-</u>	<u>540,987</u>
Discretely presented component unit capital assets, net	<u>\$ 545,813</u>	<u>\$ (4,826)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 540,987</u>

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - Capital Projects

The City is currently working on paving projects and performing various improvements. These projects are being funded primarily with federal grant monies and by the issuance of bonds.

Following is a summary of costs to December 31, 2011 for capital projects compared to the amount authorized:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitments</u>
Street improvements	\$ 253,998	\$ 10,439
Industrial park improvements	<u>1,524,984</u>	<u>132,948</u>
	<u>\$ 1,778,982</u>	<u>\$ 143,387</u>

7 - Long-Term Debt

General Obligation Bonds

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

CITY OF EL DORADO, KANSAS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

7 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

General obligation bonds payable at December 31, 2011 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2011	Outstanding December 31, 2011
General Obligation Bonds:					
Governmental activities:					
Series 2001	4.00%	\$ 4,040,000	11/1/2011	\$ 490,000	\$ -
Series 2004	3.10 - 3.40%	3,742,628	11/1/2014	392,873	1,269,598
Series 2006	3.60 - 4.25%	3,932,239	11/1/2021	241,136	3,031,424
Series 2008	2.60 - 4.25%	3,310,000	11/1/2023	180,000	2,775,000
Series 2010	1.00 - 3.35%	1,648,262	11/1/2025	207,333	1,440,929
Series 2011	2.00 - 3.45%	5,715,000	11/1/2032	-	5,715,000
				<u>1,511,342</u>	<u>14,231,951</u>
Business-type activities:					
Series 2004	3.10 - 3.40%	782,372	11/1/2014	82,128	265,402
Series 2006	3.60 - 4.25%	633,761	11/1/2021	38,863	488,576
Series 2010	1.00 - 3.35%	546,738	11/1/2025	62,667	484,071
				<u>183,658</u>	<u>1,238,049</u>
				<u>\$ 1,695,000</u>	<u>\$ 15,470,000</u>

Call provisions at the option of the City included in the above bonds are as follows:

- Series 2004: Callable November 1, 2012 at par plus accrued interest
- Series 2006: Callable November 1, 2014 at par plus accrued interest
- Series 2008: Callable November 1, 2016 at par plus accrued interest
- Series 2010: Callable November 1, 2018 at par plus accrued interest
- Series 2011: Callable November 1, 2021 at par plus accrued interest

CITY OF EL DORADO, KANSAS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

7 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

The installment ranges for the general obligation bonds are the following:

	Installment Range	
	Low	High
General Obligation Bonds:		
Governmental activities:		
Series 2004	\$ 409,414	\$ 438,363
Series 2006	249,748	361,704
Series 2008	185,000	290,000
Series 2010	119,025	211,172
Series 2011	110,000	360,000
Business-type activities:		
Series 2004	85,585	91,637
Series 2006	40,252	58,296
Series 2010	35,976	63,827

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

The future annual requirements for general obligation bonds outstanding as of December 31, 2011 are as follows:

Governmental activities	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,165,335	\$ 427,097	\$ 1,592,432
2013	1,228,511	412,944	1,641,455
2014	1,280,184	377,927	1,658,111
2015	869,739	340,220	1,209,959
2016	896,496	315,863	1,212,359
2017-2021	4,605,286	1,147,916	5,753,202
2022-2026	2,271,400	505,403	2,776,803
2027-2031	1,690,000	213,250	1,903,250
2032-2036	225,000	7,763	232,763
	<u>\$ 14,231,951</u>	<u>\$ 3,748,383</u>	<u>\$ 17,980,334</u>
Business-type activities	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 189,665	\$ 36,221	\$ 225,886
2013	166,489	31,174	197,663
2014	174,816	26,380	201,196
2015	85,261	21,215	106,476
2016	88,503	19,007	107,510
2017-2021	399,715	54,482	454,197
2022-2026	133,600	6,994	140,594
	<u>\$ 1,238,049</u>	<u>\$ 195,473</u>	<u>\$ 1,433,522</u>

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - Long-Term Debt (Continued)

Construction Loans Payable

During 1999, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$ 1,182,869 to finance improvements to the wastewater treatment plant. The loan is being repaid over fourteen years at an interest rate of 3.00%. The outstanding balance of \$ 24,938 is shown as a liability in the sewer fund. The future annual debt service requirements for the construction loan payable as of December 31, 2011 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest and Service Fees</u>	<u>Total</u>
2012	<u>\$ 24,938</u>	<u>\$ 374</u>	<u>\$ 25,312</u>

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - Long-Term Debt (Continued)

Construction Loans Payable (Continued)

During 2005, the City entered into a second loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$ 11,606,958 to finance the construction of a new activated sludge wastewater treatment plant and modification to the existing facility. The loan is being repaid over sixteen years at an interest rate of 2.68%. The outstanding balance of \$ 9,176,230 is shown as a liability in the sewer fund. The future annual debt service requirements for the construction loan payable as of December 31, 2011 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest and Service Fees</u>	<u>Total</u>
2012	\$ 484,771	\$ 242,588	\$ 727,359
2013	497,740	229,618	727,358
2014	511,169	216,190	727,359
2015	524,960	202,399	727,359
2016	539,123	188,235	727,358
2017-2021	2,921,803	714,988	3,636,791
2022-2026	3,337,797	298,994	3,636,791
2027-2031	358,867	4,809	363,676
	<u>\$ 9,176,230</u>	<u>\$ 2,097,821</u>	<u>\$ 11,274,051</u>

During 2011, the City entered into a third loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$ 2,106,252 to finance the construction of a new one megawatt wind turbine generator at the City's wastewater treatment facility. The loan is being repaid over twenty years at an interest rate of 2.43%. As of December 31, 2011, the City has incurred expenses of \$ 1,089,533 on this loan, which is shown as a liability in the sewer system fund. The debt service requirements to the maturity date will not be determined until the final draw has been made.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

7 - Long-Term Debt (Continued)

Liability for Water Storage Space

In 1972, the City entered into a contract with the United States Army Corps of Engineers (the Corps) whereby the City provided land and waterworks system assets and the Corps provided personnel and equipment to construct and expand a reservoir. The project was completed in 1983. The contract required the City to reimburse the Corps for construction costs of \$ 26,435,400, plus interest compounded annually at 3.502% commencing July 1, 1992, with a final maturity date of July 1, 2081. Payments accelerate if water usage exceeds certain minimum quantities. There have been two instances where the City's water usage exceeded the minimum quantities and accelerated payment schedules have been set up for each in 1992 and 2003. The remaining principal balance of the construction costs associated with future water storage space that is accruing interest compounded annually at 3.502% until the final maturity date of July 1, 2081, is \$ 18,500,024. The payable increased during 2011 by \$ 1,245,990 representing accrued interest. At December 31, 2011 the liability including accrued interest is \$ 36,825,371. The amount to be paid in 2081, including accrued interest if the City does not accelerate additional payments for exceeding the minimum quantities for water usage, will be approximately \$ 410,000,000. As of December 31, 2011, the City has cash and investments of \$ 6,459,391 set aside to pay for the water storage space payable on July 1, 2081.

During 1992, water usage exceeded the minimum quantity causing the City to purchase additional storage space at a cost of \$ 3,046,527 with annual payments of \$ 125,535 due beginning July 15, 1993 and ending July 15, 2041 at an interest rate of 3.502%. The outstanding balance of \$ 2,308,283 is shown as a liability in the waterworks system fund.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - Long-Term Debt (Continued)

Liability for Water Storage Space (Continued)

The future annual debt service requirements for this water storage space payable as of December 31, 2011 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 44,699	\$ 80,836	\$ 125,535
2013	46,264	79,271	125,535
2014	47,884	77,651	125,535
2015	49,561	75,974	125,535
2016	51,297	74,238	125,535
2017-2021	284,723	342,952	627,675
2022-2026	338,194	289,481	627,675
2027-2031	401,708	225,967	627,675
2032-2036	477,149	150,526	627,675
2037-2041	566,804	60,917	627,721
	<u>\$ 2,308,283</u>	<u>\$ 1,457,813</u>	<u>\$ 3,766,096</u>

During 2003, the water usage again exceeded the minimum quantity causing the City to purchase additional storage space at a cost of \$ 7,405,026 with annual payments of \$ 315,818 due on this portion of the excess usage beginning July 15, 2003 and ending June 15, 2052 at an interest rate of 3.502%. The outstanding balance of \$ 6,819,224 is shown as a liability in the waterworks system fund.

CITY OF EL DORADO, KANSAS
NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - Long-Term Debt (Continued)

Liability for Water Storage Space (Continued)

The future annual debt service requirements for this water storage space payable as of December 31, 2011 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 77,008	\$ 238,810	\$ 315,818
2013	79,705	236,113	315,818
2014	82,496	233,322	315,818
2015	85,386	230,432	315,818
2016	88,376	227,442	315,818
2017-2021	490,528	1,088,560	1,579,088
2022-2026	582,650	996,439	1,579,089
2027-2031	692,071	887,017	1,579,088
2032-2036	822,043	757,044	1,579,087
2037-2041	976,424	602,664	1,579,088
2042-2046	1,159,797	419,290	1,579,087
2047-2051	1,377,608	201,479	1,579,087
2052-2056	305,132	10,686	315,818
	<u>\$ 6,819,224</u>	<u>\$ 6,129,298</u>	<u>\$ 12,948,522</u>

CITY OF EL DORADO, KANSAS
NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011 was as follows:

	Outstanding January 1, 2011	Additions	Reductions	Outstanding December 31, 2011	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 10,028,293	\$ 5,715,000	\$ 1,511,342	\$ 14,231,951	\$ 1,165,335
Temporary notes payable	2,740,000	-	2,000,000	740,000	740,000
Compensated absences	235,259	271,093	273,282	233,070	233,070
Total long-term liabilities - governmental activities	<u>\$ 13,003,552</u>	<u>\$ 5,986,093</u>	<u>\$ 3,784,624</u>	<u>\$ 15,205,021</u>	<u>\$ 2,138,405</u>
Business-type activities:					
General obligation bonds	\$ 1,421,707	-	\$ 183,658	\$ 1,238,049	\$ 189,665
Construction loans payable	10,060,824	1,124,178	894,301	10,290,701	509,709
Capital lease obligations	74,764	-	74,764	-	-
Water storage space payable	44,824,478	1,245,990	117,590	45,952,878	121,707
Compensated absences	142,483	142,132	146,247	138,368	133,970
Total long-term liabilities - business-type activities	<u>\$ 56,524,256</u>	<u>\$ 2,512,300</u>	<u>\$ 1,416,560</u>	<u>\$ 57,619,996</u>	<u>\$ 955,051</u>
Component unit:					
Compensated absences	<u>\$ 18,120</u>	<u>\$ 18,904</u>	<u>\$ 13,471</u>	<u>\$ 23,553</u>	<u>\$ 14,880</u>

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

Conduit Debt Obligations

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance.

CITY OF EL DORADO, KANSAS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

7 - Long-Term Debt (Continued)

Conduit Debt Obligations (Continued)

Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2011, Industrial Revenue Bonds outstanding had an aggregate principal amount payable of approximately \$ 3,300,000.

8 - Temporary Notes Payable

From time to time, the City issues temporary notes to finance various City improvements and capital assets.

Temporary note activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Temporary notes	\$ 2,740,000	\$ -	\$ (2,000,000)	\$ 740,000
Business-type activities:				
Temporary notes	\$ 1,260,000	\$ -	\$ -	\$ 1,260,000

Issue	Amount	Interest Rate	Maturity
1881	\$ 1,260,000	1.64%	2/26/2014
1883	740,000	0.41%	12/13/2012

The temporary note issued by the City in governmental funds has an initial maturity of at least one year beyond the balance sheet date of the period issued. Therefore, the note is considered long-term debt and has been included in long-term liabilities on the statement of net assets.

CITY OF EL DORADO, KANSAS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

9 - Interfund Transfers

Interfund transfers reflect the flow of resources from one fund to another fund, generally from the fund in which the resources are received or reside to the fund in which the resources will be expended. Interfund transfers for the year ended December 31, 2011, consisted of the following:

	Transfers In	Transfers Out
Major governmental funds:		
General	\$ 531,065	\$ 1,601,065
Debt Service	248,013	35,811
Construction	2,964,395	880,994
Nonmajor governmental funds	475,849	58,753
Major proprietary funds:		
Waterworks System	739,549	1,676,818
Sewer System	11,609	602,170
Refuse	11,609	70,000
Internal Service Fund:		
Data Processing	20,000	87,284
Total Transfers	\$ 5,002,089	\$ 5,012,895

Transfers are used to (1) move revenues from the fund that statutes or the budget requires to collect them to the fund that statutes or the 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.

Capital assets were transferred between governmental and business-type activities and are reported at net book value within transfers on the statement of activities.

Transfers in and out do not balance at the fund level. During the year, the water and sewer funds transferred a capital asset with a net book value of \$ 5,706 and \$ 5,100, respectively, to the general government. The water and sewer funds reported transfers out but no transfer in was reported because there is nothing to report in the governmental funds.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

10 - Pension Plan

Plan Description

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

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for all employees hired prior to July 1, 2009. K.S.A. 74-49,210 establishes the KPERS member-employee contribution rate at 6% of covered salary for all employees hired after July 1, 2009. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute from January through December 2011 was 7.74%. Included in this rate is the contribution for Group Death and Disability Insurance of 1.0%. There was a moratorium on the collection of Group Death and Disability Insurance premium from April 1, 2011 through June 30, 2011. The employer contributions to KPERS for the years ended December 31, 2011, 2010 and 2009 were \$ 313,270, \$ 303,485, and \$ 327,095, respectively, equal to the statutory required contributions for each year. The City's KP&F uniform participating employer rate established for fiscal years beginning in 2011 is 14.57%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The contributions to KP&F for the years ending December 31, 2011, 2010, and 2009 were \$ 272,793, \$ 239,942, and \$ 0, respectively, equal to the statutory required contributions for each year. The City did not participate in KP&F prior to January 1, 2010. As of January 1, 2010, the police and fire employees that were enrolled in KPERS were converted over to KP&F.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

11 - Other Post-Employment Benefits

The City of El Dorado's other post-employment benefits (OPEB) are accounted for through the Retiree Health Care Benefit Plan Trust (Plan). The Plan is a single-employer defined benefit health care plan administered by the City to provide medical care insurance benefits to eligible retirees and their spouses. For employees with 20 years of service retiring with full KPERS benefits the City provides 50% of the single or family medical and dental premium for benefits to age 62. After attaining age 62, the City continues to offer group health coverage to the retired employee at their own expense until age 65. For employees with 10 years of service or more, the City offers continued health and dental benefits to the retiree; however, the retiree is responsible for 125% of the premium cost for other similarly situated employees. The City continues offering the group health insurance coverage to the retired employee until age 65. During 2011, one retiree met those eligibility requirements. The Plan is considered part of the City's reporting entity and is presented solely in the accompanying basic financial statements as a post-employment benefit trust fund in the fiduciary fund type. The plan does not issue a stand-alone report.

The annual required contribution (ARC) is the basic annual expense recognized under Governmental Accounting Standards Board Statement No. 45, though there is no requirement to fund the ARC. The ARC is calculated under the actuarial cost method that was chosen and is comprised of the normal cost plus amortization of the unfunded actuarial accrued liability (excess of the past service liability over the actuarial value of the assets). The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually. For 2011, the City contributed \$ 78,192 to the Plan. Plan members receiving benefits contributed \$ 3,233, or less than 1% of the total premiums.

CITY OF EL DORADO, KANSAS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

11 - Other Post-Employment Benefits (Continued)

Other post-employment benefit cost expense is computed based on the ARC of the City. If funded on a regular basis, the ARC is an amount of funding that is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components that comprise the City of El Dorado's net OPEB obligation for 2011:

Annual required contribution	\$	<u>78,192</u>
Annual OPEB cost (expense)	\$	78,192
Contributions made		<u>78,192</u>
Increase in net OPEB obligation (asset)		-
Net OPEB obligation, beginning of year		<u>-</u>
Net OPEB obligation, end of year	\$	<u>-</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation (asset) for 2011 are as follows:

Year	Annual OPEB Costs	Net Employer Contributions	Percentage Contributed	End of Year OPEB Obligation
2009	\$ 78,192	\$ 78,192	100%	\$ -
2010	78,192	78,192	100%	-
2011	78,192	78,192	100%	-

As of January 1, 2011, the most recent actuarial date, the Plan was 25% funded. The actuarial accrued liability for benefits was \$ 579,008 and the actuarial value of assets was \$ 146,182, resulting in an unfunded actuarial accrued liability of \$ 432,826. The covered payroll (annual payroll of active employees covered by the Plan) was \$ 4,835,566, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.0%.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

11 - Other Post-Employment Benefits (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the Plan and the ARC of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents only the initial year trend information.

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

At December 31, 2011, the projected unit credit cost method was used to determine the annual required contribution. The actuarial assumptions included a 6 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on Plan assets and on the City's own investment calculated based on the funded level of the Plan at the valuation date, the annual health care cost trend rates for medical claims of 8 to 6 percent in the first five years and an ultimate averaging rate of 5 percent after 5 years, projected salary increases of 5 percent per year and an inflation rate of 3 percent. The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over a period of 30 years. The remaining amortization period at December 31, 2011 was 30 years.

12 - Commitments and Contingencies

The City is a defendant in various legal actions pending or in process for miscellaneous claims. The ultimate liability that might result from the final resolution of these matters is not presently determinable. It is the opinion of the City's management that the outcome of this litigation will not result in a material loss to the City in excess of applicable insurance coverage.

CITY OF EL DORADO, KANSAS
NOTES TO FINANCIAL STATEMENTS
(Continued)

13 - Commitments and Contingencies – 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, 2011, the City's recorded encumbrances in governmental funds were as follows:

Construction	\$ 166,552
Other nonmajor governmental funds	<u>26,605</u>
	<u>\$ 193,157</u>

14 - Risk Management

The City is exposed to various risks of loss related to torts; that is, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to employee health benefits. 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.

CITY OF EL DORADO, KANSAS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

14 - Risk Management (Continued)

Group Hospitalization

The City maintains a partially self-funded health insurance plan covering substantially all full-time employees. A monthly premium is paid to an insurance company for individual and aggregate stop-loss coverage and includes an amount for administrative costs. The maximum liability of the City for each individual covered is \$ 50,000 per plan year. Any claims paid in excess of this amount will be reimbursed to the City by the insurance company at the end of the plan year. The City's health plan includes Specific and Aggregate Stop Loss insurance. Specific Stop-Loss is the form of excess risk coverage that provides protection for the employer against a high claim on any one individual. This is protection against abnormal severity of a single claim rather than abnormal frequency of claims in total. Specific stop-loss is also known as individual stop-loss. Aggregate Stop-Loss provides a ceiling on the dollar amount of eligible expenses that an employer would pay, in total, during a contract period. The carrier reimburses the employer after the end of the contract period for aggregate claims. All City funds incurring payroll expenditures participate in the program and make payments to the program (which includes employee and employer contributions) based on actuarial estimates of the amounts needed to pay prior and current year claims. The claims liability of \$ 59,576 reported at December 31, 2011 is based on the requirements of Governmental Accounting Standard Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statement and the amount of the loss can be reasonably estimated.

At December 31, 2011, the City had approximately \$ 787,000 assigned in the General Fund for payment of health claims. The changes in health care claims payable for the years ended December 31, 2011 and 2010 are as follows:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Year End
2009	\$ 178,004	\$ 1,112,210	\$ 1,007,903	\$ 282,311
2010	282,311	898,115	1,021,488	158,938
2011	158,938	727,636	826,998	59,576

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EL DORADO, KANSAS

SCHEDULE OF FUNDING PROGRESS

RETIREE HEALTH CARE BENEFIT PLAN TRUST

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
12/31/08	\$ -	\$ 699,820	\$ 699,820	0.0%	\$ 4,344,648	16.1%
12/31/11	146,182	579,008	432,826	25.2%	4,835,566	9.0%

OTHER SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS
AND
INDIVIDUAL FUND SCHEDULES

GOVERNMENTAL FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

The primary purpose of the Special Revenue Funds is to account for and report the proceeds of specific sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The following nonmajor Special Revenue Funds are reported:

Airport Fund – to account for the operations of the municipal airport.

Major Street Improvement Fund – to account for the state shared tax for the construction, reconstruction or maintenance of streets.

Industrial Development Fund – to account for the promotion of industrial development funded by a special ad valorem tax.

Special Parks and Recreation Fund – to account for state shared tax and park land development fees for parks and recreation.

Tourism Tax Fund – to account for the promotion of conventions and tourism. Financing is provided through a tax on motel rooms.

Economic Development Sales Tax Fund – to account for the accumulation and expenditure of sales tax revenues committed by City Commission ordinance for economic development purposes.

Stormwater Utility Fund – to account for resources made available for repair and improvement to the City's stormwater system. Financing is provided through property owner special assessments.

Family Life Center Fund – to account for the Federal grant moneys received for improvement and repair of the local shelter for battered women.

Youth Activity Donations Fund – to account for public donations and grant programs to sponsor specified youth activities and other community activities conducted by the City.

Insurance Proceeds Fund – to account for resources through private-sector insurance proceeds and other City resources utilized in the cleanup operations of fire damages.

Law Enforcement Fund – to account for the proceeds from the sale of property seized through law enforcement proceedings.

CITY OF EL DORADO, KANSAS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

December 31, 2011

	<u>Airport</u>	<u>Major Street Improve- ment</u>	<u>Industrial Develop- ment</u>	<u>Special Parks and Recreation</u>	<u>Tourism Tax</u>
<u>ASSETS</u>					
Cash and investments	\$ 74,701	\$ 13,471	\$ 588,476	\$ 55,708	\$ 207,475
Receivables (net of allowance for uncollectibles):					
Property tax	53,584	-	86,009	-	-
Special assessment tax	-	-	-	-	-
Accounts	6,439	105,338	-	-	37,326
Total assets	<u>\$ 134,724</u>	<u>\$ 118,809</u>	<u>\$ 674,485</u>	<u>\$ 55,708</u>	<u>\$ 244,801</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 1,653	\$ 2,220	\$ -	\$ -	\$ -
Accrued payroll	1,038	8,855	-	-	-
Deferred revenue	53,584	-	86,009	-	-
Total liabilities	<u>56,275</u>	<u>11,075</u>	<u>86,009</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted:					
Public safety	-	-	-	-	-
Economic development	-	-	110,254	-	-
Culture and recreation	-	-	-	51,820	-
Public works	-	-	-	-	-
Committed:					
Public safety	-	-	-	-	243,601
Assigned	78,449	107,734	478,222	3,888	1,200
Total fund balances	<u>78,449</u>	<u>107,734</u>	<u>588,476</u>	<u>55,708</u>	<u>244,801</u>
Total liabilities and fund balances	<u>\$ 134,724</u>	<u>\$ 118,809</u>	<u>\$ 674,485</u>	<u>\$ 55,708</u>	<u>\$ 244,801</u>

(Continued)

CITY OF EL DORADO, KANSAS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

(Continued)

December 31, 2011

	Economic Develop- ment Sales Tax	Stormwater Utility	Family Life Center	Youth Activity Donations	Insurance Proceeds	Law Enforcement Trust	Total Nonmajor Special Revenue Funds
<u>ASSETS</u>							
Cash and investments	\$ 195,000	\$ 334,394	\$ 1,775	\$ 51,354	\$ 46,625	\$ 1,534	\$ 1,570,513
Receivables (net of allowance for uncollectibles):							
Property tax	-	-	-	-	-	-	139,593
Special assessment tax	-	319,229	-	-	-	-	319,229
Accounts	-	262	-	11,699	-	-	161,064
Total assets	<u>\$ 195,000</u>	<u>\$ 653,885</u>	<u>\$ 1,775</u>	<u>\$ 63,053</u>	<u>\$ 46,625</u>	<u>\$ 1,534</u>	<u>\$ 2,190,399</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ -	\$ 1,471	\$ 1,775	\$ 4,603	\$ -	\$ -	11,722
Accrued payroll	-	2,453	-	1,198	-	-	13,544
Deferred revenue	-	319,229	-	-	-	-	458,822
Total liabilities	<u>-</u>	<u>323,153</u>	<u>1,775</u>	<u>5,801</u>	<u>-</u>	<u>-</u>	<u>484,088</u>
Fund balances:							
Restricted:							
Public safety	-	-	-	-	-	1,534	1,534
Economic development	195,000	-	-	-	-	-	305,254
Culture and recreation	-	-	-	-	-	-	51,820
Public works	-	286,524	-	-	-	-	286,524
Committed:							
Public safety	-	-	-	-	46,625	-	290,226
Assigned	-	44,208	-	57,252	-	-	770,953
Total fund balances	<u>195,000</u>	<u>330,732</u>	<u>-</u>	<u>57,252</u>	<u>46,625</u>	<u>1,534</u>	<u>1,706,311</u>
Total liabilities and fund balances	<u>\$ 195,000</u>	<u>\$ 653,885</u>	<u>\$ 1,775</u>	<u>\$ 63,053</u>	<u>\$ 46,625</u>	<u>\$ 1,534</u>	<u>\$ 2,190,399</u>

CITY OF EL DORADO, KANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 NONMAJOR GOVERNMENTAL FUNDS

December 31, 2011

	Airport	Major Street Improve- ment	Industrial Develop- ment	Special Parks and Recreation	Tourism Tax	Economic Develop- ment Sales Tax	Cemetery
Revenues:							
Taxes:							
Property	\$ 64,163	\$ -	\$ 93,824	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-	-	50,000	-
Tourism	-	-	-	-	151,814	-	-
Intergovernmental	-	465,998	-	35,764	-	-	-
Licenses and permits	-	9,637	-	900	-	-	-
Charges for services	122,231	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Investment earnings	200	-	-	-	500	-	-
Miscellaneous	187	7,094	38,264	-	-	-	-
Total revenues	<u>186,781</u>	<u>482,729</u>	<u>132,088</u>	<u>36,664</u>	<u>152,314</u>	<u>50,000</u>	<u>-</u>
Expenditures:							
General government	189,630	-	-	-	-	-	-
Highways and streets	-	903,500	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	-	24,368	-	-	-
Economic development	-	-	43,365	-	148,373	10,000	-
Capital outlay	-	52,483	-	-	-	-	-
Total expenditures	<u>189,630</u>	<u>955,983</u>	<u>43,365</u>	<u>24,368</u>	<u>148,373</u>	<u>10,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,849)</u>	<u>(473,254)</u>	<u>88,723</u>	<u>12,296</u>	<u>3,941</u>	<u>40,000</u>	<u>-</u>
Other financing sources (uses):							
Transfers in	2,696	455,000	-	-	-	-	-
Transfers out	(8,714)	-	(18,153)	(7,306)	-	-	-
Total other financing sources (uses)	<u>(6,018)</u>	<u>455,000</u>	<u>(18,153)</u>	<u>(7,306)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(8,867)</u>	<u>(18,254)</u>	<u>70,570</u>	<u>4,990</u>	<u>3,941</u>	<u>40,000</u>	<u>-</u>
Fund balances, beginning of year, as previously stated	87,316	125,988	517,906	50,718	240,860	155,000	111,851
Change in accounting principle	-	-	-	-	-	-	(111,851)
Fund balances, beginning of year, as restated	<u>87,316</u>	<u>125,988</u>	<u>517,906</u>	<u>50,718</u>	<u>240,860</u>	<u>155,000</u>	<u>-</u>
Fund balances, end of year	<u>\$ 78,449</u>	<u>\$ 107,734</u>	<u>\$ 588,476</u>	<u>\$ 55,708</u>	<u>\$ 244,801</u>	<u>\$ 195,000</u>	<u>\$ -</u>

(Continued)

CITY OF EL DORADO, KANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 NONMAJOR GOVERNMENTAL FUNDS
 (Continued)

December 31, 2011

	Equipment Reserve	Stormwater Utility	Family Life Center	Youth Activity Donations	Insurance Proceeds	Law Enforcement Trust	Total Nonmajor Special Revenue Funds
Revenues:							
Taxes:							
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 157,987
Sales	-	-	-	-	-	-	50,000
Tourism	-	-	-	-	-	-	151,814
Intergovernmental	-	-	33,459	76,965	-	-	612,186
Licenses and permits	-	-	-	-	-	-	10,537
Charges for services	-	-	-	1,215	-	-	123,446
Special assessments	-	308,374	-	-	-	-	308,374
Investment earnings	-	900	-	-	-	-	1,600
Miscellaneous	-	264	-	2,581	62,672	-	111,062
Total revenues	-	309,538	33,459	80,761	62,672	-	1,527,006
Expenditures:							
General government	-	165,248	-	-	-	-	354,878
Highways and streets	-	-	-	-	-	-	903,500
Health and sanitation	-	-	33,459	-	18,572	-	52,031
Culture and recreation	-	-	-	82,562	-	-	106,930
Economic development	-	-	-	20	-	-	201,758
Capital outlay	-	1,347	-	-	-	-	53,830
Total expenditures	-	166,595	33,459	82,582	18,572	-	1,672,927
Excess (deficiency) of revenues over (under) expenditures	-	142,943	-	(1,821)	44,100	-	(145,921)
Other financing sources (uses):							
Transfers in	-	-	-	18,153	-	-	475,849
Transfers out	-	(24,580)	-	-	-	-	(58,753)
Total other financing sources (uses)	-	(24,580)	-	18,153	-	-	417,096
Net change in fund balances	-	118,363	-	16,332	44,100	-	271,175
Fund balances, beginning of year, as previously stated	356,383	212,369	-	40,920	2,525	1,534	1,903,370
Change in accounting principle	(356,383)	-	-	-	-	-	(468,234)
Fund balances, beginning of year, as restated	-	212,369	-	40,920	2,525	1,534	1,435,136
Fund balances, end of year	\$ -	\$ 330,732	\$ -	\$ 57,252	\$ 46,625	\$ 1,534	\$ 1,706,311

CITY OF EL DORADO, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - FUNDS INCLUDED IN GENERAL FUND - BUDGETARY BASIS

CEMETERY

Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 626	\$ 626
Charges for services	81,500	81,500	74,384	(7,116)
Miscellaneous	1,000	1,000	1,863	863
Total revenues	<u>82,500</u>	<u>82,500</u>	<u>76,873</u>	<u>(5,627)</u>
Expenditures:				
Personal services	135,889	135,889	126,495	9,394
Contractual services	17,400	17,400	22,974	(5,574)
Commodities	30,750	30,750	26,310	4,440
Capital outlay	27,500	27,500	3,532	23,968
Total expenditures	<u>211,539</u>	<u>211,539</u>	<u>179,311</u>	<u>32,228</u>
Excess of revenues over (under) expenditures	<u>(129,039)</u>	<u>(129,039)</u>	<u>(102,438)</u>	<u>26,601</u>
Other financing sources:				
Transfers in	80,000	80,000	20,000	(60,000)
Transfers out	-	-	(24,885)	(24,885)
Total other financing sources (uses)	<u>80,000</u>	<u>80,000</u>	<u>(4,885)</u>	<u>(84,885)</u>
Net change in fund balances	<u>(49,039)</u>	<u>(49,039)</u>	<u>(107,323)</u>	<u>(58,284)</u>
Fund balance, beginning of year	<u>82,454</u>	<u>82,454</u>	<u>111,852</u>	<u>29,398</u>
Fund balance, end of year	<u>\$ 33,415</u>	<u>\$ 33,415</u>	<u>\$ 4,529</u>	<u>\$ (28,886)</u>

CITY OF EL DORADO, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - FUNDS INCLUDED IN GENERAL FUND - BUDGETARY BASIS

EXTERNAL STORES

Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ 80,000	\$ 80,000	\$ 23,879	\$ (56,121)
Expenditures:				
Commodities	80,000	80,000	18,592	61,408
Net change in fund balances	-	-	5,287	5,287
Fund balance, beginning of year	-	-	15,561	15,561
Fund balance, end of year	\$ -	\$ -	\$ 20,848	\$ 20,848

CITY OF EL DORADO, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - FUNDS INCLUDED IN GENERAL FUND - BUDGETARY BASIS

PRAIRIE TRAILS RESTAURANT/GOLF

Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ -	\$ 50,500	\$ 513,153	\$ 462,653
Miscellaneous	-	-	371	371
	-	50,500	513,524	463,024
Expenditures:				
Personal services	-	42,712	339,927	(297,215)
Contractual services	115,623	241,578	274,541	(32,963)
Commodities	-	35,495	114,605	(79,110)
Capital outlay	154,467	-	3,248	(3,248)
Total expenditures	270,090	319,785	732,321	(412,536)
Excess of revenues over (under) expenditures	(270,090)	(269,285)	(218,797)	50,488
Other financing sources:				
Transfers in	-	263,716	281,004	17,288
Net change in fund balances	(270,090)	(5,569)	62,207	67,776
Fund balance, beginning of year	270,090	5,569	13,224	7,655
Fund balance, end of year	\$ -	\$ -	\$ 75,431	\$ 75,431

CITY OF EL DORADO, KANSAS

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

AIRPORT FUND

Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 63,571	\$ 63,571	\$ 64,163	\$ 592
Charges for services	115,000	115,000	122,231	7,231
Investment earnings	1,500	1,500	200	(1,300)
Miscellaneous	2,000	2,000	187	(1,813)
Total revenues	182,071	182,071	186,781	4,710
Expenditures:				
Personal services	68,964	68,964	68,282	682
Contractual services	33,000	33,000	30,638	2,362
Commodities	80,150	80,150	90,375	(10,225)
Capital outlay	27,317	27,317	-	27,317
Total expenditures	209,431	209,431	189,295	20,136
Excess of revenues over (under) expenditures	(27,360)	(27,360)	(2,514)	24,846
Other financing sources (uses):				
Transfers in	-	-	2,696	2,696
Transfers out	(41,371)	(41,371)	(8,714)	32,657
Total other financing sources (uses)	(41,371)	(41,371)	(6,018)	35,353
Net change in fund balances	(68,731)	(68,731)	(8,532)	60,199
Fund balance, beginning of year	68,731	68,731	86,981	18,250
Fund balance, end of year	\$ -	\$ -	\$ 78,449	\$ 78,449

CITY OF EL DORADO, KANSAS

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

MAJOR STREET IMPROVEMENT FUND

Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 469,733	\$ 469,733	\$ 465,998	\$ (3,735)
Licenses and permits	-	-	9,637	9,637
Reimbursements	15,000	15,000	7,094	(7,906)
Total revenues	<u>484,733</u>	<u>484,733</u>	<u>482,729</u>	<u>(2,004)</u>
Expenditures:				
Personal services	612,433	612,433	522,389	90,044
Contractual services	153,750	153,750	143,602	10,148
Commodities	197,300	197,300	224,105	(26,805)
Capital outlay	65,000	65,000	52,483	12,517
Total expenditures	<u>1,028,483</u>	<u>1,028,483</u>	<u>942,579</u>	<u>85,904</u>
Excess of revenues over (under) expenditures	(543,750)	(543,750)	(459,850)	83,900
Other financing sources:				
Transfers in	540,000	540,000	455,000	(85,000)
Net change in fund balances	<u>(3,750)</u>	<u>(3,750)</u>	<u>(4,850)</u>	<u>(1,100)</u>
Fund balance, beginning of year	<u>29,864</u>	<u>29,864</u>	<u>112,584</u>	<u>82,720</u>
Fund balance, end of year	<u>\$ 26,114</u>	<u>\$ 26,114</u>	<u>\$ 107,734</u>	<u>\$ 81,620</u>

CITY OF EL DORADO, KANSAS

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

INDUSTRIAL DEVELOPMENT FUND

Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 92,103	\$ 92,103	\$ 93,824	\$ 1,721
Miscellaneous	25,000	25,000	38,264	13,264
Total revenues	<u>117,103</u>	<u>117,103</u>	<u>132,088</u>	<u>14,985</u>
Expenditures:				
Contractual services	89,040	89,040	43,365	45,675
Commodities	150	150	-	150
Capital outlay	411,602	411,602	-	411,602
Total expenditures	<u>500,792</u>	<u>500,792</u>	<u>43,365</u>	<u>457,427</u>
Excess of revenues over (under) expenditures	(383,689)	(383,689)	88,723	472,412
Other financing uses:				
Transfers out	-	-	(18,153)	(18,153)
Net change in fund balances	<u>(383,689)</u>	<u>(383,689)</u>	<u>70,570</u>	<u>454,259</u>
Fund balance, beginning of year	<u>383,689</u>	<u>383,689</u>	<u>491,301</u>	<u>107,612</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 561,871</u>	<u>\$ 561,871</u>

CITY OF EL DORADO, KANSAS

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

SPECIAL PARKS AND RECREATION FUND

Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 30,000	\$ 30,000	\$ 35,764	\$ 5,764
Fees	4,750	4,750	900	(3,850)
Total revenues	<u>34,750</u>	<u>34,750</u>	<u>36,664</u>	<u>1,914</u>
Expenditures:				
Contractual services	-	-	19,000	(19,000)
Commodities	8,500	8,500	761	7,739
Capital outlay	84,836	84,836	4,607	80,229
Total expenditures	<u>93,336</u>	<u>93,336</u>	<u>24,368</u>	<u>68,968</u>
Excess of revenues over (under) expenditures	(58,586)	(58,586)	12,296	70,882
Other financing uses:				
Transfers out	-	-	(7,306)	(7,306)
Net change in fund balances	<u>(58,586)</u>	<u>(58,586)</u>	<u>4,990</u>	<u>63,576</u>
Fund balance, beginning of year	<u>58,586</u>	<u>58,586</u>	<u>50,718</u>	<u>(7,868)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,708</u>	<u>\$ 55,708</u>

CITY OF EL DORADO, KANSAS

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

TOURISM TAX FUND

Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 160,000	\$ 160,000	\$ 151,814	\$ (8,186)
Investment earnings	2,101	2,101	500	(1,601)
Total revenues	<u>162,101</u>	<u>162,101</u>	<u>152,314</u>	<u>(9,787)</u>
Expenditures:				
Contractual services	266,893	266,893	148,373	118,520
Commodities	6,000	6,000	-	6,000
Total expenditures	<u>272,893</u>	<u>272,893</u>	<u>148,373</u>	<u>124,520</u>
Excess of revenues over (under) expenditures	(110,792)	(110,792)	3,941	114,733
Fund balance, beginning of year	<u>110,792</u>	<u>110,792</u>	<u>240,860</u>	<u>130,068</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 244,801</u>	<u>\$ 244,801</u>

CITY OF EL DORADO, KANSAS

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

ECONOMIC DEVELOPMENT SALES TAX FUND

Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ 50,000	\$ 50,000
Expenditures:				
Contractual services	220,000	220,000	10,000	210,000
Excess of revenues over (under) expenditures	(220,000)	(220,000)	40,000	260,000
Other financing sources:				
Transfers in	50,000	50,000	-	(50,000)
Net change in fund balances	(170,000)	(170,000)	40,000	210,000
Fund balance, beginning of year	170,000	170,000	155,000	(15,000)
Fund balance, end of year	\$ -	\$ -	\$ 195,000	\$ 195,000

CITY OF EL DORADO, KANSAS

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

STORMWATER UTILITY FUND

Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special assessment taxes	\$ 304,175	\$ 304,175	\$ 308,374	\$ 4,199
Charges for services	33,000	33,000	-	(33,000)
Investment earnings	-	-	900	900
Miscellaneous	-	-	264	264
Total revenues	<u>337,175</u>	<u>337,175</u>	<u>309,538</u>	<u>(27,637)</u>
Expenditures:				
Personal services	205,979	205,979	129,545	76,434
Contractual services	12,700	12,700	15,475	(2,775)
Commodities	35,700	35,700	20,228	15,472
Capital outlay	200,514	200,514	1,347	199,167
Total expenditures	<u>454,893</u>	<u>454,893</u>	<u>166,595</u>	<u>288,298</u>
Excess of revenues over (under) expenditures	(117,718)	(117,718)	142,943	260,661
Other financing uses:				
Transfers out	<u>(17,000)</u>	<u>(17,000)</u>	<u>(24,580)</u>	<u>(7,580)</u>
Net change in fund balances	(134,718)	(134,718)	118,363	253,081
Fund balance, beginning of year	<u>134,718</u>	<u>134,718</u>	<u>212,369</u>	<u>77,651</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 330,732</u>	<u>\$ 330,732</u>

CITY OF EL DORADO, KANSAS

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

DEBT SERVICE FUND

Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,189,413	\$ 1,189,413	\$ 1,219,619	\$ 30,206
Special assessments	565,911	565,911	476,188	(89,723)
Investment earnings	5,150	5,150	3,799	(1,351)
Total revenues	1,760,474	1,760,474	1,699,606	(60,868)
Expenditures:				
Debt redemption	2,059,903	2,059,903	1,851,690	208,213
Cash basis reserve	510,982	510,982	-	510,982
Total expenditures	2,570,885	2,570,885	1,851,690	719,195
Excess of revenues over (under) expenditures	(810,411)	(810,411)	(152,084)	658,327
Other financing sources (uses):				
Transfers in	75,000	75,000	248,013	173,013
Transfers out	-	-	(35,811)	(35,811)
Total other financing sources (uses)	75,000	75,000	212,202	137,202
Net change in fund balances	(735,411)	(735,411)	60,118	795,529
Fund balance, beginning of year	735,411	735,411	736,524	1,113
Fund balance, end of year	\$ -	\$ -	\$ 796,642	\$ 796,642

FIDUCIARY FUNDS

Fiduciary Funds are used to report assets held in a trustee or agent capacity for others and, therefore, are not used to support the government's own programs.

AGENCY FUNDS

Sales Tax Agency Fund – to account for the collection of State and local sales tax on water sales and other miscellaneous sales.

Revolving Loan Fund – to account for the collection of principal and interest from Community Development Block Grant loans and remittances to the State of Kansas.

Payroll Withholding Fund – to account for payroll tax and other withholdings from employee wages due to other governmental agencies or others.

CITY OF EL DORADO, KANSAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
ALL AGENCY FUNDS

Year Ended December 31, 2011

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
<u>SALES TAX FUND</u>				
Assets:				
Cash and investments	\$ 1,501	\$ 17,898	\$ 16,276	\$ 3,123
Accounts receivable	3,008	3,478	3,008	3,478
Total assets	<u>\$ 4,509</u>	<u>\$ 21,376</u>	<u>\$ 19,284</u>	<u>\$ 6,601</u>
Liabilities:				
Accounts payable	<u>\$ 4,509</u>	<u>\$ 21,376</u>	<u>\$ 19,284</u>	<u>\$ 6,601</u>
 <u>REVOLVING LOAN FUND</u>				
Assets:				
Cash and investments	<u>\$ -</u>	<u>\$ 159,021</u>	<u>\$ 159,021</u>	<u>\$ -</u>
Liabilities:				
Accounts payable	<u>\$ -</u>	<u>\$ 159,021</u>	<u>\$ 159,021</u>	<u>\$ -</u>

(Continued)

CITY OF EL DORADO, KANSAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
ALL AGENCY FUNDS
(Continued)

Year Ended December 31, 2011

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
<u>PAYROLL WITHHOLDING FUND</u>				
Assets:				
Cash and investments	\$ 3,532	\$ 4,551	\$ -	\$ 8,083
Liabilities:				
Accounts payable	\$ 3,532	\$ 4,551	\$ -	\$ 8,083
 <u>TOTALS - ALL AGENCY FUNDS</u>				
Assets:				
Cash and investments	\$ 5,033	\$ 181,470	\$ 175,297	\$ 11,206
Accounts receivable	3,008	3,478	3,008	3,478
Total assets	\$ 8,041	\$ 184,948	\$ 178,305	\$ 14,684
Liabilities:				
Accounts payable	\$ 8,041	\$ 184,948	\$ 178,305	\$ 14,684

COMPONENT UNIT

The Bradford Memorial Library is reported as a discretely presented component unit within the financial statements of the City of El Dorado (the reporting entity) to emphasize its separate legal status. The Bradford Memorial Library Board is appointed by the City Commission and operates the public library of the City. The Library Board taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. The Library Board also receives funding through state assistance programs, charges for services and donations from the public.

CITY OF EL DORADO, KANSAS
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT

BRADFORD MEMORIAL LIBRARY

December 31, 2011

ASSETS

Cash and investments	\$ 281,199
Endowment investment	235,193
Property tax receivable	393,663
Accounts receivable	71
	<hr/>
Total assets	<u>\$ 910,126</u>

LIABILITIES AND
FUND BALANCES

Liabilities:	
Accounts payable	\$ 10,992
Accrued payroll	6,191
Deferred revenue	393,663
	<hr/>
Total liabilities	<u>410,846</u>
Fund balances:	
Restricted:	
Specific library programs	342,740
Assigned	156,540
	<hr/>
Total fund balances	<u>499,280</u>
	<hr/>
Total liabilities and fund balances	<u>\$ 910,126</u>

CITY OF EL DORADO, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT

BRADFORD MEMORIAL LIBRARY

Year Ended December 31, 2011

Revenues:	
Property taxes	\$ 437,977
Intergovernmental	31,908
Charges for services	3,381
Fines and forfeitures	11,608
Investment earnings	10,170
Miscellaneous	27,782
	<hr/>
Total revenues	522,826
	<hr/>
Expenditures:	
Personal services	310,469
Contractual services	61,502
Commodities	100,448
	<hr/>
Total expenditures	472,419
	<hr/>
Net change in fund balance	50,407
Fund balances, beginning of year	448,873
	<hr/>
Fund balances, end of year	\$ 499,280
	<hr/> <hr/>

CITY OF



EL DORADO
KANSAS

THE FINE ART OF LIVING WELL

**STATISTICAL
SECTION**

STATISTICAL SECTION

This part of the City'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

	<u>Page</u>
Financial Trends	89 - 95
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	96 - 99
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its most significant local revenue source, the property tax.	
Debt Capacity	100 - 104
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	105 - 106
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	107 - 109
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. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

City of El Dorado
Capital Asset Statistics by Function/Program
Last Nine Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011
Square Miles of the City	7.70	7.70	7.70	7.70	8.00	8.10	8.10	8.1	8.1
Fire									
Stations	1	1	1	1	1	1	1	1	1
Paid Firefighters	13	13	17	17	17	17	17	17	17
Police									
Stations	1	1	1	1	1	1	1	1	1
Police Officers	28	28	28	28	28	28	28	28	28
Street Operations									
Miles of Paved City Streets	77.86	77.91	79.80	79.80	79.86	79.98	79.98	82.2	82.2
Miles of Unpaved City Streets	2.44	2.39	2.89	2.89	2.89	2.89	2.89	2.89	2.89
Traffic Operations									
Traffic Signals	12	13	13	13	13	13	13	13	13
Parks and Recreation									
Swimming Pools	1	1	1	1	1	1	1	2	2
Activity Center	1	1	1	1	1	1	1	1	1
Ball Diamonds	9	9	9	9	9	9	9	9	9
Soccer Fields	6	6	6	6	6	6	6	6	6
Water									
Water Mains (miles)	101.084	101.689	103.643	103.643	103.993	104.340	104.629	106.849	106.849
Elevated Storage Capacity (millions of gallons)	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Underground Storage Capacity (millions of gallons)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Water Storage Space -El Dorado Reservoir (MGD)	22.20	22.20	22.20	22.20	22.20	22.20	22.20	22.20	22.20
Sewer									
Sanitary Sewers (miles)	51.821	52.428	52.880	52.930	53.100	53.360	53.414	53.944	53.944

Source: Various City Departments

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

Indicators are not available for the general government & administration functions.

City of El Dorado
Operating Indicators by Function/Program
Last Nine Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011
Municipal Court									
Citations Issued	4,532	4,655	3,067	3,271	3,230	3,687	3,616	3,870	3,612
Warrants Issued	308	411	322	332	230	292	170	301	150
Warrants Served	195	185	146	159	139	198	127	227	202
Airport									
Fuel Sales (gallons)	30,568	34,130	26,146	23,691	18,869	17,101	24,380	18,523	18,461
Fire									
Total Number of Incidents	798	781	969	1,154	1,267	1,285	1,380	1,238	1,263
Fire Calls	165	156	183	227	144	129	158	122	187
Rescue & Emergency Medical Calls	218	247	321	517	665	752	768	719	662
Hazardous Materials Calls	94	83	167	48	73	65	107	77	69
Inspections	1,101	1,353	1,049	1,165	1,079	1,145	1,104	1,156	1,218
Hydrants Tested	214	276	291	648	0	406	567	705	695
Police									
Criminal Violations Reported	1,755	1,785	1,902	1,636	1,578	1,668	1,516	1,383	1,350
Traffic Accidents	540	527	486	634	490	481	387	307	275
DUI Arrests	81	79	69	54	57	94	89	80	72
Building & Zoning									
New Residential Construction Permits	18	24	22	30	29	22	15	17	5
New Commercial Construction Permits	8	11	5	7	5	4	6	14	8
Street Operations									
Streets Swept (Curb Miles)	5,762	3,968	2,246	2,925	3,673	4,406	3,744	4,619	3,747
Animal Control									
Animal Licenses	1,695	1,617	1,628	1,436	1,543	1,480	1,500	1,477	1,432
Animal Control Calls	876	727	916	843	1,051	984	979	1,575	987
Animal Citations	178	121	98	130	188	196	163	162	125
Cemetery									
Burials	166	143	154	147	151	138	135	162	138
Parks and Recreation									
Youth Soccer Participants	259	237	297	312	276	259	218	170	202
Swimming Pool Attendance	16,265	17,464	17,877	17,052	12,223	15,567	18,569	20,179	21,299
Youth Baseball/Softball Participants	721	735	715	628	595	369	324	385	407
Youth Basketball Participants	373	282	248	150	138	145	114	114	172
Youth Volleyball Participants	108	144	148	170	196	222	295	311	305
Adult Softball Teams	50	46	41	39	33	27	21	24	25
Adult Flag Football Teams	7	8	6	5	8	5	8	9	9
Adult Basketball Teams	18	9	10	7	5	7	5	8	8
Adult Volleyball Teams	0	0	55	44	35	29	26	33	32
Water									
New Meters	62	38	46	41	54	32	19	26	11
Treated Water Pumped (millions of gallons)	1303	1295	1236	1286	1,194	1,159	1,153	1,200	1,329
Water Distribution Service Calls	461	503	530	307	326	303	289	256	275
Water Leaks Repaired	141	133	137	108	92	100	33	70	93
Sewer									
Sewer Maintenance Service Calls	460	492	315	341	420	506	326	203	263
Refuse									
Refuse Collected (tons)	7085	6720	6722	6717	6,896	6,852	6,478	6,392	6,255
Recycling Material (tons)	1358	1275	1295	1288	1,303	1,553	1,286	1,469	1,637
Yardwaste Collected (tons)	3700	4500	4000	4000	4,200	4,500	4,600	4,500	4,500

Source: Various City Departments

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

City of El Dorado
Full-Time City Government Employees by Function/Program
Last Nine Years

Function/Program	Full-Time Employees as of December 31								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government									
Administration	5	2	3	1	1	1	1	1	1
Airport	0	0	0	0	0	1	1	1	1
Engineering	6	4	5	4	4	4	4	4	4
Legal/Judicial	3	3	3	2	4	3	3	3	3
Public Safety									
Police	29	27	28	25	26	28	28	28	29
Fire	13	14	12	16	14	17	17	17	16
Building/Zoning	1	1	1	2	3	2	2	2	2
Public Works									
Public Works	3	5	4	4	3	6	7	7	7
Major Street Improvements	11	11	8	8	9	10	9	10	10
Culture/Recreation									
Park Maintenance	3	2	3	2	2	1	2	3	3
Recreation	2	3	2	3	3	4	6	3	6
Health & Sanitation									
Health & Sanitation	2	2	2	2	2	2	2	2	2
Cemetery	2	1	1	2	2	2	2	2	2
Water	15	15	16	15	15	18	18	19	18
Sewer	7	6	5	6	7	5	5	6	6
Refuse	11	14	14	12	20	17	16	16	16
Stormwater	0	0	0	0	0	0	2	2	2
Data Processing	8	7	6	11	10	11	12	12	12
Total	121	117	113	115	125	132	137	138	140

Source: City Budget Office

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

Grant funds were received in 2006, enabling the City to hire additional firemen. Several employees were reclassified to Data Processing in 2006 to more accurately reflect internal service costs. A Code Enforcement officer was also hired in Building/Zoning in 2006. Several vacant positions were not rehired in the Major Street department in 2005 and 2006 due to inadequate funding.

In 2007, numerous part-time recycle laborer positions in the Refuse Department were replaced with full-time positions with benefits in order to reduce turnover at the Recycling Center. At the end of 2006, the position of City Attorney, which also included the duties of a prosecutor, was vacant. Due to difficulties in filling the dual-role position, separate City Attorney and City Prosecutor positions were created and filled in 2007. A new Planning Director position was also hired in the Building/Zoning Department in 2007 in order to eliminate the more costly contract labor previously used.

In 2008, the Code Enforcement Officer was moved from the Building/Zoning Department to the Public Works Department. Upon the vacancy of the City Attorney position, the duties were again combined with the City Prosecutor, reinstating the former dual role. A new Finance Assistant position was hired in Data Processing. The Airport Manager and the Senior Center positions, formerly contract laborers, were rehired as employees.

In 2009, a Refuse position moved to Public Works which increased Public Works and decreased Refuse by one position. A new Stormwater department was formed with two positions. One of those positions was filled with a Major Street Improvements employee which decreased Major Street Improvements by one position. In Park Maintenance, a vacant position was filled. In Recreation, two positions were added when the City purchased the American Legion Golf Course. Data Processing increased by one when a new Human Resource position was created.

In 2010, Refuse reallocated a position to Major Street Improvements increasing Major Street Improvements by one. The City hired Kemper Management to manage the American Legion Golf Course purchased in 2009. Two of the employees hired in 2009 in Recreation went to work for Kemper decreasing Recreation by two. A Recreation position moved to Park Maintenance which increased Park Maintenance and decreased Recreation by one position. Both Water and Sewer added an employee.

In 2011, the Police Department had three officers retire and only replaced one. Two firefighter positions were vacant at the end of the year, however, were planned to be filled in early 2012. Two positions in Major Street Improvements became vacant and only one was filled. A new Recreation Leader position was created, and Kemper Management returned the operation of Prairie Trails in November, which increased Recreation by three positions. The Water Department had one vacant position at the end of the year, decreasing the staffing to 18.

**City of El Dorado
Principal Employers
Current Year and Nine Years Ago**

<u>Employer</u>	<u>2011</u>			<u>2002</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
USD #490	1039	1	17.80%	755	1	12.36%
HollyFrontier Corporation ²	430	2	7.37%	400	4	6.55%
El Dorado Correctional Facility	427	3	7.32%	457	3	7.48%
Butler Community College	410	4	7.03%	655	2	10.72%
Butler County Government	356	5	6.10%	363	6	5.94%
Wal-Mart	311	6	5.33%	159	8	2.60%
Susan B. Allen Memorial Hospital	273	7	4.68%	375	5	6.14%
Pioneer Balloon	206	8	3.53%	208	7	3.40%
City of El Dorado	141	9	2.42%	---	---	---
C-Tech ³	117	10	2.00%	114	9	1.87%
Banks Construction	---	---	---	110	10	1.80%
Total	<u>3,710</u>		<u>63.57%</u>	<u>3,596</u>		<u>58.85%</u>
 Total Employment ¹	 5,836			 6,110		

Source: City of El Dorado Survey of Employers

Notes:

¹ Estimated using Butler County's percentage of the population in the labor force and percentage of the labor force employed, based on data obtained from the Bureau of Labor Statistics.

² Formerly Texaco Refining & Marketing, Equilon Enterprises, and El Dorado Frontier Refinery.

³ Formerly Blackburn Construction.

City of El Dorado
Demographic and Economic Statistics
Last Ten Years

<u>Fiscal Year</u>	<u>Population ¹</u>	<u>Personal Income</u>	<u>Per Capita Personal Income ²</u>	<u>Unemployment Rate % ³</u>
2002	12,684	\$ 241,186,260	\$ 19,015	5.9 %
2003	12,707	\$ 245,816,915	\$ 19,345	5.4
2004	12,689	\$ 249,744,898	\$ 19,682	5.2
2005	12,659	\$ 253,483,816	\$ 20,024	4.8
2006	12,718	\$ 258,633,248	\$ 20,336	4.7
2007	12,596	\$ 244,488,360	\$ 19,410	3.9
2008	12,591	\$ 254,048,607	\$ 20,177	4.1
2009	12,643	\$ 261,785,958	\$ 20,706	7.2
2010	13,021	\$ 280,250,983	\$ 21,523	8.3
2011	13,096	\$ 284,937,902	\$ 21,758	7.7

Sources:

¹ Population estimates, with the exception of 2011, are taken from the Kansas Division of the Budget. The most recent year was estimated based on the average growth rate of the previous 5 years.

² Estimate based on Claritas software information obtained through Wichita State University's Economics Department. The software utilizes census data and estimates rates of change in median household income, first for large areas, then for progressively smaller areas. Per capita personal income is derived from the resulting income distributions.

³ Bureau of Labor Statistics. Rate is for Butler county, as unemployment rate information is not available for El Dorado.

City of El Dorado
Revenue Bond Coverage
Waterworks System Revenue Bonds
Last Ten Years

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Operating Expenses¹</u>	<u>Net Revenue Available for Debt Service</u>	<u>Principal² Requirements</u>	<u>Interest² Requirements</u>	<u>Total</u>	<u>Coverage</u>
2002	\$ 2,815,405	\$ 1,875,022	\$ 940,383	\$ 315,000	\$ 81,705	\$ 396,705	2.37
2003	2,553,269	1,981,585	571,684	325,000	67,688	392,688	1.46
2004	2,699,797	2,045,171	654,626	350,000	52,900	402,900	1.62
2005	3,350,268	1,918,348	1,431,920	375,000	36,625	411,625	3.48
2006	3,881,436	2,011,828	1,869,608	400,000	19,000	419,000	4.46
2007	4,121,758	1,999,237	2,122,521	-	-	-	N/A
2008	3,988,284	2,271,883	1,716,401	-	-	-	N/A
2009	3,615,955	2,648,132	967,823	-	-	-	N/A
2010	4,064,826	2,418,809	1,646,017	-	-	-	N/A
2011	4,590,919	2,705,438	1,885,481	-	-	-	N/A

Notes:

¹ Excludes depreciation.

² Bond ordinance provides that computation is for the succeeding year's debt service requirements. All bonds were fully retired prior to December 31, 2007.

**City of El Dorado
Legal Debt Margin
Last Ten Years**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assessed Valuation	\$ 59,715,866	\$ 60,488,211	\$ 65,556,530	\$ 71,312,468	\$ 76,547,651	\$ 80,394,926	\$ 81,922,304	\$ 82,504,452	\$ 82,506,642	\$ 80,892,544
Assessed Valuation on Motor Vehicles	7,920,865	12,276,663	12,592,448	12,687,701	12,811,634	13,124,330	13,404,428	13,020,077	12,106,043	11,807,736
Total Assessed Valuation ¹	<u>67,636,731</u>	<u>\$ 72,764,874</u>	<u>\$ 78,148,978</u>	<u>\$ 84,000,169</u>	<u>\$ 89,359,285</u>	<u>\$ 93,519,256</u>	<u>\$ 95,326,732</u>	<u>\$ 95,524,529</u>	<u>\$ 94,612,685</u>	<u>\$ 92,700,280</u>
Legal Debt Limit ²	<u>\$ 20,291,019</u>	<u>\$ 21,829,462</u>	<u>\$ 23,444,693</u>	<u>\$ 25,200,051</u>	<u>\$ 26,807,786</u>	<u>\$ 28,055,777</u>	<u>\$ 28,598,020</u>	<u>\$ 28,657,359</u>	<u>\$ 28,383,806</u>	<u>\$ 27,810,084</u>
Bonded Indebtedness	\$ 15,315,000	\$ 13,475,000	\$ 16,080,000	\$ 13,900,000	\$ 16,176,000	\$ 14,191,000	\$ 15,620,000	\$ 11,555,000	\$ 11,450,000	\$ 15,470,000
Temporary Notes	1,200,000	3,484,000	-	4,789,228	395,305	2,511,305	95,000	655,000	4,000,000	2,000,000
Total Debt	<u>16,515,000</u>	<u>16,959,000</u>	<u>16,080,000</u>	<u>18,689,228</u>	<u>16,571,305</u>	<u>16,702,305</u>	<u>15,715,000</u>	<u>12,210,000</u>	<u>15,450,000</u>	<u>17,470,000</u>
Less:										
Assets in Debt Service Fund	\$ 1,092,304	\$ 863,472	\$ 712,706	\$ 261,816	\$ 117,689	\$ 503,723	\$ 592,941	\$ 599,126	\$ 736,524	\$ 796,642
Exempted Debt (KSA 10-309)-G.O. Bonds	1,983,045	1,675,473	3,499,721	3,053,370	4,830,905	4,408,652	3,853,726	4,034,440	4,658,939	5,256,448
Exempted Debt (KSA 10-309)-Temporary Notes	-	1,107,180	-	1,979,124	-	56,945	-	-	-	1,711,400
Waterworks Revenue Bonds	1,765,000	1,450,000	1,125,000	775,000	400,000	-	-	-	-	-
Sewer System Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Total Deductions	<u>4,840,349</u>	<u>5,096,125</u>	<u>5,337,427</u>	<u>6,069,310</u>	<u>5,348,594</u>	<u>4,969,320</u>	<u>4,446,667</u>	<u>4,633,566</u>	<u>5,395,463</u>	<u>7,764,490</u>
Total Amount Applicable to Debt Limit	<u>11,674,651</u>	<u>11,862,875</u>	<u>10,742,573</u>	<u>12,619,918</u>	<u>11,222,711</u>	<u>11,732,985</u>	<u>11,268,333</u>	<u>7,576,434</u>	<u>10,054,537</u>	<u>9,705,510</u>
Legal Debt Margin	<u>\$ 8,616,368</u>	<u>\$ 9,966,587</u>	<u>\$ 12,702,120</u>	<u>\$ 12,580,133</u>	<u>\$ 15,585,075</u>	<u>\$ 16,322,792</u>	<u>\$ 17,329,687</u>	<u>\$ 21,080,925</u>	<u>\$ 18,329,269</u>	<u>\$ 18,104,574</u>
Legal Debt Margin as a percentage of the Debt Limit	42.46%	45.66%	54.18%	49.92%	58.14%	58.18%	60.60%	73.56%	64.58%	65.10%

Notes:

¹ Computed in accordance with KSA 10-310.

² 30% of Assessed Valuation (KSA 10-308).

City of El Dorado
Direct and Overlapping Debt
December 31, 2011

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ¹</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt:			
Butler County ²	\$ 1,301,000	14.08%	\$ 183,181
Unified School District No. 490	54,805,000	31.71%	17,378,666
Unified School District No. 375	<u>31,060,000</u>	18.05%	<u>5,606,330</u>
	\$ 87,166,000		\$ 23,168,177
 Direct Debt:			
Net Bonded Debt			<u>14,231,951</u>
Total direct and overlapping debt			<u><u>\$ 37,400,128</u></u>

Source: The debt outstanding was provided by each entity.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property owners of El Dorado. USD 205's tax rates apply to only two businesses, and therefore the estimated share of overlapping debt is not significant and has not been included above.

¹

The percentage of overlapping debt applicable is estimated using assessed valuations. The City of El Dorado's assessed valuation was multiplied by the percentage of property owners in each taxing entity's jurisdiction, and the resulting amount was divided by each entity's assessed valuation.

² Butler County has \$19,640,000 outstanding in Public Building Commission revenue bonds that is not included in this debt outstanding figure.

City of El Dorado
Ratios of General Bonded Debt Outstanding
Last Ten Years

<u>Fiscal Year</u>	<u>General Obligation Debt</u>	<u>Less Debt Service Funds</u>	<u>Net Bonded Debt</u>	<u>Net Bonded Debt Per Capita</u>	<u>Net Bonded Debt to Estimated Actual Value</u>
2002	\$ 13,550,000	\$ 1,092,304	\$ 12,457,696	\$ 982.16	3.24 %
2003	12,025,000	863,472	11,161,528	878	2.71
2004	14,955,000 ¹	712,706	14,242,294	1,122	3.22
2005	13,125,000 ¹	261,816	12,863,184	1,016	2.72
2006	15,776,000 ¹	117,689	15,658,311	1,231	3.12
2007	14,191,000 ¹	503,723	13,687,277	1,087	2.60
2008	15,620,000 ¹	592,941	15,027,059	1,193	2.76
2009	11,555,000 ^{1,2}	599,126	10,955,874	867	1.99
2010	11,450,000	736,524	10,713,476	823	1.96
2011	15,470,000	796,642	14,673,358	1,120	2.72

Notes: Population and estimated actual value data can be found on the Demographics and Economic Statistics schedule and the Assessed Value and Estimated Actual Value of Taxable Property schedule, respectively.

¹ Includes the portion of 1991, 2004 and 2006 General Obligation Bonds funded from water and sewer funds.

² The reduction in the General Obligation Debt is due to the City paying off two general obligation bonds from proceeds of the sale of the building for which the bonds were issued.

City of El Dorado
Ratios of Outstanding Debt by Type
Last Nine Years

Fiscal Year	Governmental Activities					Business-Type Activities						Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	Temporary Notes	Capital Leases	KS Dept of Commerce & Housing Note Payable	Interlocal Agreement with USD 490	General Obligation Bonds	Temporary Notes	Revenue Bonds	US Corps of Engineering Contract	KS Dept of Health & Environment Loans	Capital Leases			
2003	\$ 12,025,000	\$ 3,484,000	\$ 48,555	\$ 47,479	\$ 35,400	\$ -	\$ -	\$ 1,450,000	\$ 4,821,037	\$ 803,936	\$ 170,475	\$ 22,885,882	9.31 %	\$ 1,801
2004	14,172,627	-	35,467	37,288	-	782,373	-	1,125,000	4,855,381	716,403	108,707	21,833,246	8.74	1,721
2005	12,406,600	4,789,228	21,803	26,892	-	718,400	-	775,000	4,893,090	3,585,696	55,068	27,271,777	10.76	2,154
2006	14,493,000	395,305	-	16,286	-	1,283,000	-	400,000	4,934,495	10,407,629	111,717	32,041,432	12.39	2,519
2007	12,979,753	2,511,305	-	5,468	-	1,211,247	-	-	4,979,957	11,318,899	88,348	33,094,977	13.41	2,627
2008	14,515,687	95,000	-	-	-	1,104,313	-	-	5,029,875	10,762,309	52,098	31,559,282	12.43	2,506
2009	10,563,021	655,000	55,210	-	-	991,979	-	-	43,734,257	10,190,382	171,698	66,361,547	25.35	5,249
2010	10,028,293	2,740,000	-	-	-	1,421,707	1,260,000	-	44,824,478	10,060,824	74,764	70,410,066	25.89	5,573
2011	14,231,951	740,000	-	-	-	1,238,049	1,260,000	-	45,952,878	10,290,701	-	73,713,579	25.43	5,629

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

Personal income and population information can be found on the Demographics and Economic Statistics schedule.

Prior year adjustment was made to the US Army Corps of Engineering Contract in 2010 due to recording loan to actual balance. This changed the Percentage of Personal Income and Debt Per Capita for both 2009 and 2010.

City of El Dorado
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2011			2002		
	Assessed Value	Rank	Percentage of Total Assessed Value	Assessed Value	Rank	Percentage of Total Assessed Value
Wal-Mart Real Estate	\$2,758,680	1	2.98%	---		---
Kansas Gas & Electric	1,326,679	2	1.43%	\$1,346,186	1	1.99%
Kansas Gas Service ¹	1,121,185	3	1.21%	511,569	5	0.76%
Vlamis Enterprises	1,014,920	4	1.09%	---		---
BG Real Estate Inc	779,396	5	0.84%	---		---
Pioneer Balloon Co	556,453	6	0.60%	---		---
Southwestern Bell Telephone	523,214	7	0.56%	1,260,992	2	1.86%
Butler Rural Electric Coop Assn	506,701	8	0.55%	277,261	9	0.41%
El Dorado Group II LLC	475,626	9	0.51%	323,248	6	0.48%
J. Larry Fugate	399,075	10	---	---		---
Wal-Mart Stores, Inc.	---		---	802,718	3	1.19%
Edmund & Barbara Terry	---		---	310,993	7	0.46%
Kansas Dev. Corp	---		---	287,413	8	0.42%
Ted Vlamis	---		---	579,800	4	0.86%
B & P Financing L.P.	---		---	274,419	10	0.41%
Total	<u>\$9,461,929</u>		<u>9.77%</u>	<u>\$5,974,599</u>		<u>8.84%</u>
Total Assessed Value ²	\$92,700,280			\$67,636,731		

Source: Butler County 2011 tax roll

Notes:

¹ Formerly Western Resources - Gas Division

² Includes motor vehicle valuation

City of El Dorado
Direct and Overlapping Property Tax Rates
(Per \$1,000 of Assessed Value)
Last Ten Years

Year ¹	City of El Dorado							Other Overlapping Governments ²					
	General	Library	Employee Benefits	Industrial Mill Levy	Debt Service	Airport	Total City	Butler County	Butler Community College	State of Kansas	Unified School District No. 490	Unified School District No. 375	Unified School District No. 205
2002	15.492	3.997	4.997	0.999	17.440	0.298	43.223	35.701	16.088	1.500	44.449	50.327	53.602
2003	14.242	4.205	6.008	1.001	17.023	0.300	42.779	35.700	16.907	1.500	41.203	50.757	49.672
2004	13.847	4.118	5.851	0.974	16.578	0.292	41.660	35.481	16.802	1.500	43.528	50.293	50.812
2005	11.805	3.934	5.827	0.498	16.510	0.289	38.863	35.932	17.478	1.500	46.762	53.207	50.970
2006 ³	19.643	4.745	0.000	1.002	19.872	0.289	45.551	35.723	17.363	1.500	48.177	52.209	49.169
2007 ⁴	23.312	4.554	0.000	0.999	16.358	0.289	45.512	35.440	17.225	1.500	46.936	52.430	50.767
2008 ⁵	24.784	4.675	0.000	1.012	16.298	0.292	47.061	36.434	18.195	1.500	49.865	53.001	51.181
2009 ⁶	26.768	4.322	0.000	0.999	13.779	1.129	46.997	36.522	18.194	1.500	50.745	53.019	58.947
2010 ⁷	29.207	4.771	0.000	1.042	13.321	0.649	48.990	35.822	18.002	1.500	51.443	55.790	61.609
2011 ⁸	27.841	4.613	0.000	0.730	10.902	0.676	44.762	35.775	18.005	1.500	60.404	58.165	60.327

Source: Butler County Clerk

Notes:

- ¹ The year shown is the year in which taxes are levied for collection in the following fiscal year.
- ² Overlapping rates are those of local and county governments that apply to property owners within the city limits of El Dorado. Not all overlapping rates apply to all property owners. The rates for Unified School District No. 490 and Unified School District No. 375 only apply to approximately 82.1% and 17.9%, respectively, of the property in El Dorado. The rates for Unified School District No. 205 only apply to two businesses located at the El Dorado municipal airport.
- ³ In 2006 the Employee Benefits fund was eliminated, which resulted in increases in the City of El Dorado's General and Library mill levies. The increase in the total City mill levy was due to several factors. In an effort to delay a mill levy increase, cash reserves in the Debt Service fund were decreased over the previous several years; however, an increase in the mill levy was necessary in 2006 to restore cash balance in the fund to an adequate level to fund the City's debt and maintain a prudent fund balance. Additionally, due to inadequate gas tax revenues to properly maintain the City's streets, the City had to begin supplementing the Major Street fund through transfers from the General fund. Due to increased activity in the recruitment of new businesses to El Dorado, the Industrial Mill Levy fund was also increased 1/2 mill.
- ⁴ In 2007 the one-year increase in the Debt Service mill levy that was necessary in 2006 to restore fund balance was no longer needed, so the fund's mill levy was returned to approximately the same level as 2005. The General mill levy was increased to provide a substantially larger transfer to the Major Street fund to allow the City's streets to be maintained at a higher level.
- ⁵ The General mill levy was increased to accumulate funds for implementation of a new retirement plan for City employees in 2010.
- ⁶ A portion of the proceeds from the sale of a building was used to pay off two bonds previously issued to construct that facility; this allowed elimination of bond reserve accounts and a decrease in the Debt Service mill levy. This decreased allowed a mill increase in the Airport fund to build funds for the local match of future FAA grant projects and a General mill increase to provide funds to offset a possible decrease in revenues due to the current economic environment.
- ⁷ The mill increase in the Airport fund to build funds for the local match of future FAA grant projects was no longer needed, so the fund's mill levy was returned to approximately the same level as 2008. The General mill levy was increased due to several businesses were taken off the tax rolls, but the City was not notified of this change. This resulted in an increase in the General which will be reversed in 2011.
- ⁸ In 2010 several large properties were exempted after the City formally approved the budget, which caused the total levy to increase by 1.993 mills. The City Commission elected to refund taxpayers for this unanticipated increase by decreasing the levy by 4 mills.

City of El Dorado
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Years

<u>Levy Year</u>	<u>Real Property</u>	<u>Personal Property ¹</u>	<u>Utilities ²</u>	<u>Oil & Gas ²</u>	<u>Total Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
2002	\$ 51,299,878	\$ 8,415,988			\$ 59,715,866	43.223	\$ 384,617,537	15.53 %
2003	51,542,226	5,101,950	\$ 3,813,332	\$ 30,703	60,488,211	42.779	412,016,273	14.68
2004	54,825,872	6,875,466	3,832,969	22,223	65,556,530	41.660	442,708,893	14.81
2005	59,942,605	7,657,836	3,671,307	40,720	71,312,468	38.863	473,630,300	15.06
2006	63,532,483	9,180,146	3,753,209	81,813	76,547,651	45.551	502,246,861	15.24
2007	69,465,387	7,118,214	3,716,185	95,140	80,394,926	45.512	526,474,246	15.27
2008	72,305,376	5,575,066	3,894,863	146,999	81,922,304	47.061	543,546,896	15.07
2009	73,854,674	4,737,185	3,881,799	30,794	82,504,452	46.997	549,408,643	15.02
2010	74,505,823	3,939,697	4,043,772	17,350	82,506,642	48.990	547,503,613	15.07
2011	73,009,479	3,708,714	4,171,358	2,993	80,892,544	44.762	539,390,248	15.30

Source: Butler County Clerk

Notes: The assessed value of each class is calculated by varying percentages of appraised or market value. Residential real property is assessed at 11.5% of fair market value, commercial property at 25%, and all other property rates ranging from 12% to 33%.

¹ Assessed values for Personal Property do not include motor vehicle valuation.

² Assessed values for Utilities and Oil & Gas were included in the Real Property amount in 2002.

City of El Dorado
Property Tax Levies and Collections
Last Ten Years

<u>Fiscal Year</u> ²	<u>Total Tax Levy</u> ¹	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>
2002	\$ 2,412,536	\$ 2,243,536	92.99 %	\$ 98,116	\$ 2,341,651	97.06 %
2003	2,581,099	2,360,525	91.45	184,407	2,544,932	98.60
2004	2,587,625	2,448,475	94.62	130,128	2,578,603	99.65
2005 ³	2,731,085	2,492,472	91.26	110,936	2,603,408	95.33
2006	2,771,416	2,590,007	93.45	112,216	2,702,223	97.50
2007 ^{3,4}	3,486,822	3,095,084	88.77	124,518	3,219,602	92.34
2008	3,658,934	3,357,533	91.76	148,580	3,506,113	95.82
2009	3,855,346	3,568,745	92.57	124,669	3,693,414	95.80
2010	3,877,462	3,329,764	85.87	177,149	3,506,913	90.44
2011	4,042,000	3,799,242	93.99	184,611	3,983,853	98.56

Notes:

¹ As computed and certified by Butler County Clerk on November 1 of levy year.

² The year in which the tax was collected.

³ The percentage of collections were low as a result of exemption of real & personal property taxes on a large manufacturing company after taxes had been levied on the property.

⁴ The percentage of collections were low due to additional factors. Taxes levied were considerably higher than in previous years; however, since delinquency collections were for prior years with lower levies, the delinquency collections did not increase at the same rate as the levy. Additionally, the City increases the amount levied each year to offset collections that are rebated to property owners under the Neighborhood Revitalization Program (NRP). In 2007, an incorrect valuation on the NRP properties was certified to the City, thus rebates were higher (i.e. collections lower) than anticipated.

City of El Dorado
Tax Revenues by Source, Governmental Funds
Last Nine Years
(modified accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Motor Vehicle Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Transient Guest Tax</u>	<u>Total</u>
2003	\$ 2,544,932	\$ 503,778	\$ 1,744,446	\$ 1,041,240	\$ 95,760	\$ 5,930,156
2004	2,578,603	537,483	1,955,602	1,120,969	93,698	6,286,355
2005	2,603,408	537,966	2,076,768	1,174,076	101,192	6,493,410
2006	2,702,223	531,307	2,186,737	1,248,377	111,064	6,779,708
2007 ¹	3,219,602	511,030	2,318,150	1,258,919	96,864	7,404,565
2008 ²	3,506,113	563,862	2,544,465	1,320,150	189,497	8,124,087
2009	3,693,414	560,635	2,295,901	1,496,324	154,538	8,200,812
2010 ³	3,377,300	479,769	2,149,953	1,090,324	141,187	7,238,533
2011	3,515,651	468,202	2,266,633	1,075,331	151,814	7,477,631

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

¹ An explanation for the increase in Property Tax Revenues can be found on the Direct & Overlapping Property Tax Rates schedule.

² The increase in Transient Guest Tax Revenues is due to the combination of a new Holiday Inn Express opening in El Dorado and many additional laborers in town seeking lodging while working on capital projects for Frontier Oil Corporation.

³ A prior period adjustment was made to record taxes that were not recorded in prior year.

City of El Dorado
Changes in Fund Balances, Governmental Funds
Last Nine Years
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues									
Taxes	\$ 5,930,156	\$ 6,286,355	\$ 6,493,410	\$ 6,779,708	\$ 7,404,565	\$ 8,124,087	\$ 8,200,812	\$ 7,238,533	\$ 7,477,631
Intergovernmental	943,410	1,627,618	1,709,223	2,420,539	982,750	923,801	1,228,511	2,779,121	1,132,263
Licenses and permits	88,121	100,353	90,126	119,693	130,329	112,214	140,719	128,612	128,930
Charges for services	584,684	736,373	788,675	636,989	659,960	953,987	864,245	1,631,740	1,390,018
Fines and forfeitures	196,218	189,051	151,686	161,239	209,248	261,838	266,283	331,678	248,445
Special assessment taxes	626,819	648,510	611,458	839,838	637,305	677,581	862,849	865,168	891,890
Use of money and property	592,733	575,374	581,624	995,840	1,085,384	807,482	5,360,556	28,447	19,829
Employee/Employer contributions	989,385	745,256	723,893	832,258	883,226	919,210	1,047,063	-	-
Miscellaneous	396,512	554,268	426,960	337,053	296,427	342,936	1,210,595	674,181	574,466
Total revenues	10,348,038	11,463,158	11,577,055	13,123,157	12,289,194	13,123,136	19,181,633	13,677,480	11,863,472
Expenditures									
Current:									
General government	2,051,469	2,373,098	2,517,709	2,319,665	2,078,510	1,996,520	2,273,971	1,464,215	1,464,958
Public Safety	2,282,461	2,341,794	2,287,461	2,588,050	2,883,542	3,336,240	3,424,203	3,370,681	3,433,538
Highways and streets	851,546	943,755	1,051,181	1,001,635	1,313,579	1,375,937	1,834,963	1,743,191	1,802,441
Health and sanitation	398,494	301,475	259,284	295,704	385,370	338,867	376,353	398,288	353,701
Culture and recreation	867,053	832,514	903,834	925,308	1,029,816	1,143,942	3,995,766	1,919,208	1,448,000
Environmental protection	10,639	12,797	10,188	10,179	10,804	11,188	28,515	-	-
Economic development	119,214	124,365	190,213	393,230	447,454	514,590	245,674	173,459	201,758
Capital improvements	5,303,937	4,246,506	5,892,138	2,900,782	2,218,074	2,447,695	1,560,545	6,414,857	3,984,996
Debt service									
Principal	1,582,927	1,618,279	1,790,086	1,878,140	1,524,065	1,779,535	3,952,666	1,483,200	3,511,342
Interest	620,424	559,774	650,422	643,326	649,188	623,882	600,199	403,659	353,670
Total expenditures	14,088,164	13,354,357	15,552,516	12,956,019	12,540,402	13,568,396	18,292,855	17,370,758	16,554,404
Excess of revenues over (under) expenditures	(3,740,126)	(1,891,199)	(3,975,461)	167,138	(251,208)	(445,260)	888,778	(3,693,278)	(4,690,932)
Other financing sources (uses)									
General obligation bonds issued	-	4,525,000	-	3,932,239	-	3,310,000	-	890,641	5,715,000
Proceeds from capital lease obligations	-	-	-	-	-	-	55,210	-	-
Refunding bonds issued	-	-	-	-	-	-	-	757,621	-
Temporary notes issued	-	-	-	-	-	-	-	2,740,000	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	(755,000)	-
Transfers in	1,206,690	1,256,504	1,541,769	1,792,942	1,608,575	1,640,980	1,687,190	2,731,795	4,219,322
Transfers out	(1,126,573)	(1,225,450)	(1,533,409)	(1,070,536)	(1,592,794)	(1,640,980)	(1,509,580)	(2,692,394)	(2,576,623)
Total other financing sources (uses)	80,117	4,556,054	8,360	4,654,645	15,781	3,310,000	232,820	3,672,663	7,357,699
Net change in Fund Balances	\$ (3,660,009)	\$ 2,664,855	\$ (3,967,101)	\$ 4,821,783	\$ (235,427)	\$ 2,864,740	\$ 1,121,598	\$ (20,615)	\$ 2,666,767
Debt service as a percentage of noncapital expenditures	19.6%	20.4%	23.3%	24.8%	22.3%	24.3%	42.9%	16.4%	27.9%

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

City of El Dorado
Fund Balances, Governmental Funds
Last Nine Years
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund									
Reserved	\$ 134,750	\$ 127,753	\$ 130,564	\$ 128,925	\$ 170,740	\$ 246,990	\$ 178,895	\$ 968,076	\$ -
Unreserved	1,590,899	1,737,620	1,856,435	2,408,863	3,115,517	3,947,109	4,161,390	3,836,107	-
Nonspendable ¹	-	-	-	-	-	-	-	-	104,577
Restricted ¹	-	-	-	-	-	-	-	-	-
Committed ¹	-	-	-	-	-	-	-	-	-
Assigned ¹	-	-	-	-	-	-	-	-	787,183
Unassigned ¹	-	-	-	-	-	-	-	-	3,524,885
Total General Fund	<u>\$ 1,725,649</u>	<u>\$ 1,865,373</u>	<u>\$ 1,986,999</u>	<u>\$ 2,537,788</u>	<u>\$ 3,286,257</u>	<u>\$ 4,194,099</u>	<u>\$ 4,340,285</u>	<u>\$ 4,804,183</u>	<u>\$ 4,416,645</u>
All Other Governmental Funds									
Reserved	\$ 1,112,532	\$ 657,341	\$ 1,771,014	\$ 417,518	\$ 457,670	\$ 365,704	\$ 1,434,580	\$ 1,716,685	\$ -
Unreserved, reported in:									
Special revenue funds	421,429	508,834	598,722	813,310	1,048,345	1,013,486	2,110,369	1,862,969	-
Construction fund	(3,591,400)	(547,717)	(5,389,115)	164,914	(1,480,203)	514,302	(682,230)	(1,102,274)	-
Debt service fund	863,472	712,706	261,816	117,689	503,723	592,941	599,126	736,524	-
Nonspendable ¹	-	-	-	-	-	-	-	-	-
Restricted ¹	-	-	-	-	-	-	-	-	1,441,774
Committed ¹	-	-	-	-	-	-	-	-	290,226
Assigned ¹	-	-	-	-	-	-	-	-	4,536,209
Unassigned ¹	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ (1,193,967)</u>	<u>\$ 1,331,164</u>	<u>\$ (2,757,563)</u>	<u>\$ 1,513,431</u>	<u>\$ 529,535</u>	<u>\$ 2,486,433</u>	<u>\$ 3,461,845</u>	<u>\$ 3,213,904</u>	<u>\$ 6,268,209</u>

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

Bonds are generally issued for the City's construction projects every two years. Bond issues in 2004, 2006, 2008, and 2010, reduced or eliminated the deficit in the Construction Fund.

¹ New categories associated with implementation of GASB 54 for year ending December 31, 2011.

City of El Dorado
Changes in Net Assets
Last Nine Years
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Change In Net Assets									
Governmental activities	\$ 2,624,179	\$ 2,676,867	\$ 1,894,782	\$ 4,698,026	\$ 2,664,323	\$ 2,744,635	\$ 9,272,525	\$ 2,622,635	\$ 1,723,139
Business-type activities	360,818	421,312	1,690,020	776,666	2,127,056	1,459,900	(943,502)	64,585	(988,522)
Total Primary Government	<u>\$ 2,984,997</u>	<u>\$ 3,098,179</u>	<u>\$ 3,584,802</u>	<u>\$ 5,474,692</u>	<u>\$ 4,791,379</u>	<u>\$ 4,204,535</u>	<u>\$ 8,329,023</u>	<u>\$ 2,687,220</u>	<u>\$ 734,617</u>

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

¹ In 2004 and 2009, the decrease in fair value of investments for the water fund created a negative revenue.

² In 2006, a \$1.4 million bike path was constructed, of which \$1,088,000 was funded by a federal grant and \$40,000 by a Kansas Wildlife and Parks grant. In 2009, a building in the industrial park was sold, and grants were received for the North Main bridge project and the West Central Avenue paving project.

City of El Dorado
Changes in Net Assets
Last Nine Years
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Program Revenues (Continued)									
Business-type activities									
Charges for services:									
Waterworks system	2,535,347	2,678,536	3,039,313	3,820,574	3,647,786	3,594,276	3,584,921	3,753,098	4,378,079
Sewer system	1,296,924	1,415,645	1,316,540	1,935,273	1,986,491	2,065,669	2,059,584	2,401,345	2,303,103
Refuse	1,171,255	1,279,935	1,294,777	1,291,569	1,638,905	1,539,636	1,496,583	1,446,387	1,452,599
Operating grants & contributions	3,363	36,881	9,040	-	-	-	-	-	-
Capital grants & contributions	405,222	254,284	747,639	35,021	103,092	213,306	329,981	-	301,494
Total business-type activities program revenues	5,412,111	5,665,281	6,407,309	7,082,437	7,376,274	7,412,887	7,471,069	7,600,830	8,435,275
Total Primary Government Program Revenues	<u>\$ 9,738,818</u>	<u>\$ 11,127,655</u>	<u>\$ 11,296,040</u>	<u>\$ 13,563,219</u>	<u>\$ 12,432,345</u>	<u>\$ 11,601,267</u>	<u>\$ 18,831,333</u>	<u>\$ 14,537,769</u>	<u>\$ 13,302,243</u>
Net (Expense) Revenue									
Governmental activities	\$ (3,607,379)	\$ (3,672,968)	\$ (4,751,528)	\$ (3,088,846)	\$ (5,060,244)	\$ (5,562,448)	\$ 852,655	\$ (4,683,746)	\$ (7,424,159)
Business-type activities	415,586	519,877	1,347,425	1,335,576	1,541,865	944,870	(239,157)	(214,642)	89,665
Total Primary Government Net Expense	<u>\$ (3,191,793)</u>	<u>\$ (3,153,091)</u>	<u>\$ (3,404,103)</u>	<u>\$ (1,753,270)</u>	<u>\$ (3,518,379)</u>	<u>\$ (4,617,578)</u>	<u>\$ 613,498</u>	<u>\$ (4,898,388)</u>	<u>\$ (7,334,494)</u>
General Revenues:									
Governmental activities:									
Taxes									
Property taxes	\$ 3,178,820	\$ 3,116,087	\$ 3,141,373	\$ 3,233,530	\$ 3,730,632	\$ 4,069,974	\$ 4,254,049	\$ 3,857,069	\$ 3,983,853
Sales taxes	1,744,446	1,955,601	2,076,769	2,186,737	2,318,150	2,544,465	2,295,901	2,149,953	2,266,633
Franchise taxes	1,041,240	1,120,969	1,174,076	1,248,377	1,258,919	1,320,151	1,496,324	1,090,324	1,075,331
Tourism taxes	95,760	93,698	101,192	111,064	96,864	189,497	154,538	141,187	151,814
Investment earnings	91,175	32,426	144,540	284,758	304,221	182,996	41,448	28,447	19,829
Transfers in (out)	80,117	31,054	8,360	722,406	15,781	-	177,610	39,401	1,649,838
Total Governmental Activities	<u>6,231,558</u>	<u>6,349,835</u>	<u>6,646,310</u>	<u>7,786,872</u>	<u>7,724,567</u>	<u>8,307,083</u>	<u>8,419,870</u>	<u>7,306,381</u>	<u>9,147,298</u>
Business-type activities									
Investment earnings ¹	25,349	(67,511)	350,955	163,496	600,972	515,030	(526,735)	318,628	571,651
Transfer in (out)	(80,117)	(31,054)	(8,360)	(722,406)	(15,781)	-	(177,610)	(39,401)	(1,649,838)
Total business-type activities	<u>(54,768)</u>	<u>(98,565)</u>	<u>342,595</u>	<u>(558,910)</u>	<u>585,191</u>	<u>515,030</u>	<u>(704,345)</u>	<u>279,227</u>	<u>(1,078,187)</u>
Total Primary Government	<u>\$ 6,176,790</u>	<u>\$ 6,251,270</u>	<u>\$ 6,988,905</u>	<u>\$ 7,227,962</u>	<u>\$ 8,309,758</u>	<u>\$ 8,822,113</u>	<u>\$ 7,715,525</u>	<u>\$ 7,585,608</u>	<u>\$ 8,069,111</u>

City of El Dorado
Changes in Net Assets
Last Nine Years
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities									
General government	\$ 2,276,284	\$ 3,272,598	\$ 2,864,170	\$ 2,503,587	\$ 2,291,764	\$ 1,864,451	\$ 2,043,993	\$ 1,671,142	\$ 1,880,860
Public safety	2,246,628	2,373,977	2,359,756	2,681,827	3,041,945	3,249,257	3,434,979	3,742,666	3,644,530
Public works	1,201,826	1,360,794	2,213,625	2,013,623	2,164,449	1,868,543	2,444,611	3,201,411	4,283,125
Health and sanitation	399,288	344,901	379,600	297,420	348,902	325,911	380,489	415,808	371,126
Culture and recreation	949,575	903,661	868,159	1,014,813	1,174,828	1,118,413	1,391,219	2,018,666	1,542,864
Economic development	241,841	238,402	341,995	393,419	447,454	696,186	245,863	173,649	201,947
Environmental protection	10,865	19,492	10,388	11,309	10,804	11,188	28,515	-	-
Interest on long-term debt	607,779	621,517	602,566	653,630	636,169	616,879	537,940	397,343	366,675
Total Governmental Activities Expenses	<u>7,934,086</u>	<u>9,135,342</u>	<u>9,640,259</u>	<u>9,569,628</u>	<u>10,116,315</u>	<u>9,750,828</u>	<u>10,507,609</u>	<u>11,620,685</u>	<u>12,291,127</u>
Business-type activities									
Waterworks system	2,745,444	2,821,683	2,598,856	3,145,188	2,797,316	3,103,040	3,496,339	4,371,604	4,629,494
Sewer system	1,000,684	1,015,858	1,075,197	1,207,985	1,501,977	1,922,659	2,354,435	2,076,189	2,313,956
Refuse	1,250,397	1,307,863	1,385,831	1,393,688	1,535,116	1,442,318	1,859,452	1,367,679	1,402,160
Total business-type activities expenses	<u>4,996,525</u>	<u>5,145,404</u>	<u>5,059,884</u>	<u>5,746,861</u>	<u>5,834,409</u>	<u>6,468,017</u>	<u>7,710,226</u>	<u>7,815,472</u>	<u>8,345,610</u>
Total Primary Government Expenses	<u>\$ 12,930,611</u>	<u>\$ 14,280,746</u>	<u>\$ 14,700,143</u>	<u>\$ 15,316,489</u>	<u>\$ 15,950,724</u>	<u>\$ 16,218,845</u>	<u>\$ 18,217,835</u>	<u>\$ 19,436,157</u>	<u>\$ 20,636,737</u>
Program Revenues									
Governmental activities									
Charges for services:									
General government	\$ 424,680	\$ 731,152	\$ 842,000	\$ 663,635	\$ 567,263	\$ 751,574	\$ 345,158	\$ 598,148	\$ 649,247
Public safety	373,853	417,104	372,886	462,950	605,032	823,297	843,559	654,256	642,715
Public works	104,738	7,953	113,563	23,692	21,300	36,072	313,580	582,910	131,947
Health and sanitation	86,135	239,418	21,417	-	105,241	87,016	125,911	426,229	128,012
Culture and recreation	112,018	128,368	137,379	114,152	115,002	114,374	139,964	712,167	628,262
Economic development	-	13,302	8,736	2,316	1,250	3,606	67,046	-	-
Environmental protection	1,468	-	-	938	-	-	-	-	-
Interest on long-term debt	954,555	1,326,150	800,713	1,341,171	1,458,237	363,259	677,018	-	-
Operating grants and contributions	1,835,732	1,499,321	1,590,548	1,695,157	1,604,427	1,672,026	2,830,120	717,788	654,761
Capital grants and contributions ²	433,528	1,099,606	1,001,489	2,176,771	578,319	337,156	6,017,908	3,245,441	2,032,024
Total Governmental Activities Program Revenues	<u>4,326,707</u>	<u>5,462,374</u>	<u>4,888,731</u>	<u>6,480,782</u>	<u>5,056,071</u>	<u>4,188,380</u>	<u>11,360,264</u>	<u>6,936,939</u>	<u>4,866,968</u>

City of El Dorado
Net Assets by Component
Last Nine Years
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental Activities									
Invested in capital assets, net of related debt	\$ 9,553,609	\$ 12,676,234	\$ 18,522,555	\$ 17,729,832	\$ 18,139,230	\$ 17,783,134	\$ 28,633,981	\$ 34,324,735	\$ 30,150,968
Restricted	3,357,088	3,524,319	3,023,055	3,301,019	5,514,073	7,734,827	4,194,764	4,952,971	4,889,410
Unrestricted	<u>2,941,503</u>	<u>2,328,514</u>	<u>(1,121,761)</u>	<u>4,091,024</u>	<u>4,132,895</u>	<u>5,012,872</u>	<u>6,974,613</u>	<u>2,759,317</u>	<u>8,719,784</u>
Total Governmental Activities Net Assets	<u>\$ 15,852,200</u>	<u>\$ 18,529,067</u>	<u>\$ 20,423,849</u>	<u>\$ 25,121,875</u>	<u>\$ 27,786,198</u>	<u>\$ 30,530,833</u>	<u>\$ 39,803,358</u>	<u>\$ 42,037,023</u>	<u>\$ 43,760,162</u>
Business-Type Activities									
Invested in capital assets, net of related debt	\$ 16,275,696	\$ 17,079,534	\$ 17,443,893	\$ 16,531,797	\$ 18,344,423	\$ 18,506,653	\$ 18,932,616	\$ 18,122,626	\$ 18,777,765
Restricted	3,895,333	3,888,639	4,184,789	3,707,081	4,232,536	5,275,462	4,291,580	-	-
Unrestricted	<u>2,009,542</u>	<u>1,633,710</u>	<u>2,663,221</u>	<u>4,829,691</u>	<u>4,618,666</u>	<u>4,873,410</u>	<u>4,487,827</u>	<u>(5,716,018)</u>	<u>(7,359,679)</u>
Total Business-type Activities Net Assets	<u>\$ 22,180,571</u>	<u>\$ 22,601,883</u>	<u>\$ 24,291,903</u>	<u>\$ 25,068,569</u>	<u>\$ 27,195,625</u>	<u>\$ 28,655,525</u>	<u>\$ 27,712,023</u>	<u>\$ 12,406,608</u>	<u>\$ 11,418,086</u>
Primary Government									
Invested in capital assets, net of related debt	\$ 25,829,305	\$ 29,755,768	\$ 35,966,448	\$ 34,261,629	\$ 36,483,653	\$ 36,289,787	\$ 47,566,597	\$ 52,447,361	\$ 48,928,733
Restricted	7,252,421	7,412,958	7,207,844	7,008,100	9,746,609	13,010,289	8,486,344	4,952,971	4,889,410
Unrestricted	<u>4,951,045</u>	<u>3,962,224</u>	<u>1,541,460</u>	<u>8,920,715</u>	<u>8,751,561</u>	<u>9,886,282</u>	<u>11,462,440</u>	<u>(2,956,701)</u>	<u>1,360,105</u>
Total Primary Government Net Assets	<u>\$ 38,032,771</u>	<u>\$ 41,130,950</u>	<u>\$ 44,715,752</u>	<u>\$ 50,190,444</u>	<u>\$ 54,981,823</u>	<u>\$ 59,186,358</u>	<u>\$ 67,515,381</u>	<u>\$ 54,443,631</u>	<u>\$ 55,178,248</u>

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

SINGLE AUDIT SECTION

CITY OF EL DORADO, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development:		
Passed through Kansas Department of Commerce:		
Emergency Shelter Grants Program	14.231	\$ 33,459
Passed through Kansas Housing Resource Corporation:		
HOME Investment Partnerships Program	14.239	<u>144,688</u>
Total U.S. Department of Housing and Urban Development		<u>178,147</u>
U.S. Department of Transportation:		
Airport Improvement Program	20.106	394,471
Passed through Kansas Department of Transportation:		
State and Community Highway Safety	20.600	<u>3,747</u>
Total U.S. Department of Transportation		<u>398,218</u>
Environmental Protection Agency:		
Passed through the Kansas Department of Health and Environment:		
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458	<u>34,646</u>
U.S. Department of Energy:		
Passed through Kansas Corporation Commission:		
ARRA - Renewable Energy Grant	81.128	245,623
ARRA - Energy Management Grant	81.128	<u>77,099</u>
Total U.S. Department of Energy		<u>322,722</u>
U.S. Department of Homeland Security:		
Passed through Kansas Adjutant General:		
Hazard Mitigation Grant	97.039	<u>26,629</u>
Total expenditures of federal awards		<u><u>\$ 960,362</u></u>

See accompanying notes to schedule of
expenditures of federal awards.

CITY OF EL DORADO, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2011

1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the City of El Dorado, Kansas (the City). The City's reporting entity is defined in Note 1 to the City's basic financial statements. All federal awards passed through other government agencies are included on the schedule.

2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting which is described in Note 1 to the City's basic financial statements.

CITY OF EL DORADO, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2011

Section I – Summary of Independent Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified:	2011-1
Significant deficiencies identified that are not considered to be material weaknesses:	2011-2, 2010-2
Noncompliance material to financial statements:	None

Federal Awards

Internal control over major programs:	
Material weaknesses identified:	None
Significant deficiencies identified that are not considered to be material weaknesses:	None reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with Section 510(a) of Circular A-133:	None

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.106	Airport Improvement Program
81.128	ARRA – Renewable Energy Grant
81.128	ARRA – Energy Management Grant

CITY OF EL DORADO, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Auditee qualified as a low-risk auditee:	No

Section II – Financial Statement Findings

Finding 2011-1 – Material Weakness

Condition – In the capital asset function, the City has not performed a complete reconciliation between the capital asset software and the general ledger.

Criteria – Management of the City is responsible for establishing and maintaining a system of internal controls. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Cause – There is a limited number of employees to perform the financial duties of the City.

Effect – The lack of a proper reconciliation leaves the City exposed to the risk of potential misstatement due to either error or fraud.

Recommendation – The City should review ways to incorporate proper levels of reconciliation into the functions and operations of the City.

Management’s Response/Corrective Action Plan (Unaudited) – City staff will continue to work on reconciling the existing variance between the fixed asset software and general ledger. The Assistant Finance Director will reconcile the new activity to the general ledger on a quarterly basis.

CITY OF EL DORADO, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding 2011-2 – Significant Deficiency

Condition – In the utility billing function, there is not a reconciliation being performed between the customer account balances to the accounts receivable balance on the general ledger.

Criteria – Management of the City is responsible for establishing and maintaining a system of internal controls. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Cause – There is a limited number of employees to perform the financial duties of the City.

Effect – The lack of a proper reconciliation leaves the City exposed to the risk of potential misstatement due to either error or fraud.

Recommendation – The City should review ways to incorporate proper levels of reconciliation into the functions and operations of the City.

Management's Response/Corrective Action Plan (Unaudited) – Since the audit was performed the utility billing accounts have been reconciled to the accounts receivable balance on the general ledger. The Utility Cashier now reconciles the customer account balances to the accounts receivable balance daily.

Finding 2010-2 – Significant Deficiency

Condition – During the course of our audit, we identified significant adjustments to the trial balance that were not initially identified by the City's internal control structure.

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

Cause – Inappropriate application of generally accepted accounting principles.

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

Recommendation – We recommend that the City review its trial balance at year-end to ensure that all adjustments have been made.

CITY OF EL DORADO, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Management's Response/Corrective Action Plan (Unaudited) – City staff will review the trial balance at year end to ensure that all adjustments have been made in accordance with generally accepted accounting principles.

Section III – Federal Award Findings and Questioned Costs

None

CITY OF EI DORADO, KANSAS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2011

Finding 2010-1 – Material Weakness

Criteria – Management of the City is responsible for establishing and maintaining a system of internal controls. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Condition – There is not a formal review of the bank reconciliations, no indication of when bank reconciliations are performed and multiple adjustments made to cash to reconcile the bank statements monthly. In the utility billing function, there is not a reconciliation being performed between the customer account balances to the accounts receivable balance on the general ledger and there were three instances discovered during testwork where customers were billed the incorrect amount or customer balances were not correctly adjusted. In the capital asset function, the City is not performing a reconciliation between the capital asset software and the general ledger.

Cause – There is a limited number of employees to perform the financial duties of the City.

Effect – A lack of segregation of duties within certain transactions cycles, the lack of sufficient review and the lack of proper reconciliations leaves the City exposed to the risk of potential misstatement due to either error or fraud.

Recommendation – The City should review ways to incorporate proper levels of review and reconciliation into the functions and operations of the City.

Management’s Response/Corrective Action Plan (Unaudited) – City staff will generate a written policy for the bank reconciliation process that will incorporate proper levels of review. The City will write a policy to reconcile the utility billing accounts receivable to the general ledger and also reconcile the capital asset software to the general ledger.

Follow-Up – The City has implemented policies and procedures for the bank reconciliation process including the review and documentation of review. The City has taken steps during 2011 to reconcile the utility billing function and this comment will continue as a significant deficiency in the current year. The City is still in process of performing a reconciliation between the capital asset software and the general ledger and this comment will continue as a material weakness in the current year.

CITY OF EL DORADO, KANSAS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)

Finding 2010-2 – Significant Deficiency

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

Condition – During the course of our audit, we identified significant adjustments to the trial balance that were not initially identified by the City's internal control structure.

Cause – Inappropriate application of generally accepted accounting principles.

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

Recommendation – We recommend that the City review its trial balance at year-end to ensure that all adjustments have been made.

Management's Response/Corrective Action Plan (Unaudited) – City staff will review the trial balance at year end to ensure that all adjustments have been made in accordance with generally accepted accounting principles.

Follow-Up – Although there were fewer adjustments in 2011, significant adjustments were still made. As such, this finding is repeated.

Finding 2010-3 – Significant Deficiency

Criteria – An important aspect of control in any accounting system is segregation of duties. Segregating certain routine tasks, particularly in receipts and expenditure cycles can significantly improve controls.

Condition – The City has various cash collection points that do not have adequate segregation of duties between the receipt of cash, recording of cash and reporting of cash. There is also not an adequate reconciliation of cash receipt activity to cash receipt postings performed by all departments. Not all City customers receive receipts for cash payments, and not all receipts are written on prenumbered forms that are reconciled and tracked. The City also has cash receipts for summer or recreational activities that are subject to even less oversight, segregation and documentation.

Cause – Inadequate segregation of duties and reconciling within the cash collection processes.

Effect – There is the potential that fraud or errors could occur in the cash collection process.

CITY OF EL DORADO, KANSAS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)

Finding 2010-3 – Significant Deficiency (Continued)

Recommendation – We recommend that the City review its cash collection processes and implement procedures to alleviate the above comment.

Management's Response/Corrective Action Plan (Unaudited) – City Staff will review and implement procedures at its various cash collection points to alleviate the potential of fraud and errors.

Follow-Up – The City has implemented procedures to alleviate this deficiency. This finding is resolved.

Finding 2010-4 – Significant Deficiency

Condition – The City was not able to provide an unaudited schedule of expenditures of federal awards (SEFA).

Criteria – In order to properly track the existence and progress of federal monies awarded to the City, the City must be able to compile a list of all federal awards and related expenditures on at least an annual basis.

Cause – The City does not have a system in place to centrally track all federal funding related to the City. The City does not have an individual or a department in charge of administering and tracking the expenditures for each federal program.

Effect – Without a central tracking mechanism, there is an increased risk that grants and their related compliance requirements are not identified by the City, especially in the event of turnover.

Questioned Costs – None.

Recommendation – We recommend that all federal grants be tracked by one individual or department which would be able to oversee grant compliance, including preparing the SEFA.

Management's Response/Corrective Action Plan (Unaudited) – City staff will implement a system to centrally track all federal funding related to the City. They will also oversee grant compliance and prepare the SEFA.

Follow-Up – The City implemented a system to track federal funding and prepared a preliminary SEFA. This finding is resolved.



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

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

Honorable Mayor, City Manager and City Commissioners
City of El Dorado, Kansas:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of El Dorado, Kansas (the City) as of and for the year ended December 31, 2011, and have issued our report thereon date June 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2011-1 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2011-2 and 2010-2 to be significant deficiencies.

Compliance and Other Matters

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

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

This report is intended solely for the information and use of management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Berberich Trahan & Co., P.A.

June 19, 2012



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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor, City Manager and City Commissioners
City of El Dorado, Kansas:

Compliance

We have audited the City of El Dorado, Kansas' (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

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Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Berberich Trahan & Co., P.A.

June 19, 2012