

CITY OF



EL DORADO
KANSAS

THE FINE ART OF LIVING WELL

2012

YEAR ENDED DECEMBER 31, 2012

COMPREHENSIVE
ANNUAL FINANCIAL
REPORT

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

for the
Year Ended December 31, 2012

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, 2012

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CITY OF



EL DORADO
KANSAS

THE FINE ART OF LIVING WELL

INTRODUCTION SECTION



EL DORADO

THE FINE ART OF LIVING WELL

June 11, 2013

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, 2012, 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, 2012, 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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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 13,093. 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.

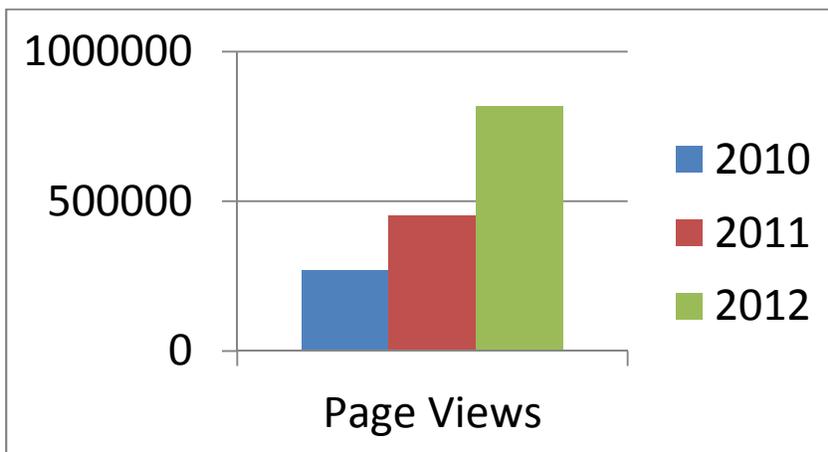
ECONOMIC CONDITION AND OUTLOOK

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 2012. 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 & 2013 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. One of the key marketing efforts during 2010-2012 includes 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”. Utilization of the web information continues to grow as seen in the chart below.



There were many positive results of economic development efforts during the 2012 year as reflected in the issuance of over \$22,000,000 in commercial building permits. In 2012 we saw the completion of some of the \$59,000,000 in permits issued in 2011 as well as many new efforts. The normal average for commercial permits is \$5,000,000 over the 12 years prior to 2011. To follow are the highlights of the 2012 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 that will serve 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 2011, Barton Solvents, a stocking wholesale distributor of industrial chemicals, oils, surfactants, and plasticizers, completed construction of an office building, warehouse facility and tank farm in the El Dorado Industrial Park. The company reports their total project investment is in excess of \$9,000,000. The El Dorado location is used as their distribution branch serving Kansas and Oklahoma. The project brought 25 new jobs to El Dorado. Rail service on the Union Pacific branch line from Wichita began 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 December 2006, the company purchased a 50,000 sq. ft. spec building to be used as a distribution center. Upon completion, this project brought 15 new employees to El Dorado. In June 2008, BG purchased a 49-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. In 2009, BG moved their tool and equipment division to a 40,000 sq ft building they had previously purchased. 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 was completed in late 2012 with equipment testing to begin in early 2013 and production slated to begin sometime in 2013 depending on completion of the equipment and process testing phase of the project. The facility includes 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 2005, citizens of the community approved a \$19,140,000 bond issue for improvements at the El Dorado High School. Construction began in 2006 and was completed in 2009. In November 2010, USD 490 voters passed a \$36 million bond issue to build; a new grade school and a new middle school. The new Pre-K through 5th grade school has a 360 student capacity and began construction in 2011 on the site of the existing Skelly Grade School with an anticipated cost of \$12,700,000. The school was completed and attendance at the center began in August 2012. The site for a new middle school with a 500 student capacity was selected at 30th street and North Main in late 2011. Construction began in early 2012 with a December 2013 completion date anticipated. These projects provide both short-term and long-term economic benefits. The contract workers bring additional sales in such items as materials, tools, food and lodging, and the community 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 educational authority with the intent to build common use facilities. The first project undertaken was 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. The BCC football program has established a strong winning tradition as the only program in the nation to be ranked in the top 10 in each of the last 14 seasons since 1998 and enjoyed playing their 2012 home games in the new \$11,000,000+, 4,000 seat complex built 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 committed to fund \$3 million of the project with the balance of funding for the project from USD 490 and private donations. The stadium is also used by USD 490 football and track and for various community events. The project was completed in the fall of 2012 just in time for football season.

Started in 2011 with construction continuing through 2012, is a new fire sub-station on West 6th street. The facility is a partnership project between the City of El Dorado and Butler Community College at a cost of \$3,247,304. The building will provide a west sub-station for the City of El Dorado fire department and will house the BCC Fire Science program. The building construction is expected to be complete in early 2013.

Several projects began in 2011 and continued into 2012 such as the McCollum Construction project known as 220 Central in the 200 block of West Central in a space previously gutted by fire. The \$550,000 building will house Kansas Secured Title on the first floor and offer additional upper floor office space. The building was completed in 2012. The City of El Dorado was the recipient of a HUD \$500,000 HOPEVI grant in late 2011 to be used to develop downtown housing. The grant provided funding for two downtown structures with renovations beginning in 2012. The anticipated investment in both projects is over \$1.8 million. The Gish Building located in the 300 block of south Main features an open concept first floor for a commercial tenant with 5 housing units on the second level. The Gish Building is expected to be complete by mid 2013. The second building is located in the 100 block of west Central and the second floor was originally used as an Opera House. The condition of the building required the immediate replacement of the roof and the project continued in the planning phase for most of 2012. The Opera House project will also feature first floor commercial space with multiple housing units on the second floor and is expected to be complete in early 2014.

For many years, BCC has been challenged by a lack of sufficient student housing on campus. Their waiting list for dorm rooms had exceeded 100+ students year after year. In 2012, the college solicited the assistance of a commercial real estate broker to encourage the private sector development of student housing in close proximity to the BCC El Dorado campus. The efforts were successful and Oxbow moved forward with a 196 unit facility at the corner of Haverhill and Towanda directly south east of the BCC main campus. The facility was completed by August 2012. The facility enjoyed 100% occupancy for the 2012/2013 school year.

Another economic driver in 2012 and always is the presence of HollyFrontier El Dorado refinery. With a merger in July 2011, HollyFrontier Corporation became one of the largest independent refiners in the U.S. and their El Dorado facility is the largest of their refinery assets. Although the refinery is located just outside the city limits of El Dorado their employment base and large number of construction contractors has a significant impact on the El Dorado economy. In 2012, HollyFrontier El Dorado completed a \$25,000,000 coker/heater capital improvement project. The use of temporary housing, lodging, and purchase of food, goods and services by the construction contractors during capital improvement projects or scheduled maintenance (turnaround) projects make a significant impact on El Dorado sales and bed tax collections.

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.

Another asset near HollyFrontier is the Savage Rail Port Facility completed in 2011. The facility is located just outside the El Dorado city limits and 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 has excess capacity and the ability to expand. This project continues to be a catalyst for interested companies looking for rail served parcels to consider El Dorado.

In 2012, Intrust Bank began the complete renovation of their historic two story facility at the corner of Main and Central. The total project cost is expected to be \$1,000,000+ and demonstrates the ongoing commitment by El Dorado businesses to invest in downtown El Dorado thus allowing the area to remain vibrant and active. The project is expected to be completed in 2013.

The recent economic downturn has had a profound effect on new housing starts in El Dorado. Prior to 2009, the average number of new housing starts exceeded 20 new homes each year. Only five new homes were started in 2012 and so far in 2013 there have been none.

The City of El Dorado and El Dorado, Inc. continue to work together to evaluate the housing needs of the El Dorado community. Simply stated there is a need for new housing in the community as well as the challenge to revitalize the existing neighborhoods to provide affordable housing for citizens of all ages, family sizes and income levels. One of the ways the City has continued to invest in new and existing housing has been creation of a Neighborhood Revitalization Program (NRP). New housing is eligible to receive a 95% tax rebate on the increase in assessed valuation up to \$175,000 for 5 years and some existing neighborhoods and target areas have the opportunity to receive a 95% tax rebate for 10 years on the increase assessed valuation on new infill homes and rehabilitation of existing housing. Another initiative that is underway is the creation of a spec housing incentive program to encourage builders and developers to build spec homes. The program provides for a reimbursement of interest and special assessments if the spec home has not been sold within 6 months after receiving a certificate of occupancy.

With the exception of new housing starts the economic drivers within the El Dorado community are strong. 2012 was a historic year for El Dorado when it comes to commercial investment in real estate. The public sector investment in new schools and the BG Veteran Sports Complex demonstrate the pride and willingness of the community to invest in assets that will serve the community for many years to come and make it more attractive to new and existing residents and businesses. The new fire sub-station not only increased access to fire services it helped to lower the ISO rating for the community and ultimately will lower insurance rates for businesses and individuals within the community.

The capital investment by new industries such as BG Products and Barton Solvents help to increase the real property tax base. The new jobs they will create compliment the job base expansion of existing companies such as Valmont/Newmark to provide more core jobs in the El Dorado community and help to create an environment of growth and prosperity.

El Dorado Main Street continued with its very aggressive and successful purpose of enhancing the downtown identity and heritage. They have been a part of over 146 façade improvement projects, and

over 40 million dollars reinvested in our downtown. 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 2012 at a level of \$30,000.

While the state doesn't keep unemployment records for El Dorado, a four-year trend in decreasing unemployment rates from 5.4% in 2003 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 as a result of the downturn were laid off. 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 impart through economic development efforts. In 2011 and 2012, the economy improved slightly and the decrease in unemployment for 2011 was 7.7% and 2012 6.6%. This resulted from the aircraft industry recalling employees after being laid off for over two years. Also, in El Dorado, there have been several industries that have increased their production and therefore have increased employment status.

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 2012. Property tax collections, the City's biggest source of revenue, were on target. Sales tax collections increased 9.03% from 2011 to 2012.

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. HollyFrontier, 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

An update of the Airport Master Plan was completed in 2008 by Burns and McDonald and city staff. The Plan prioritizes infrastructure improvements and also addresses economic development at the airport. An Airport Business Plan was also completed and adopted by the City Commission in 2008. The business plan contained 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, establish a position for an airport manager and begin the search for a fixed base operator (FBO). The name of the airport was changed in 2009, and a full-time airport manager was hired. The process began in 2009 on the infrastructure improvements outlined in the Airport Master Plan. Design work was initiated in the summer of 2009 on an apron reconstruction project. This project included improvements to the apron, as well as resolution of flooding issues that occurred 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 apron reconstruction project 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 and the project was completed in the fall.

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 was 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 principle 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. The design started in 2012 and the project was completed in the fall. Shortly after startup, a blade tip failed during a storm event. Repairs were completed in early March of 2013 and the turbine performed well until a lightning strike in late April. Repairs were made and the turbine was back running in June. Power production was excellent during the time period the turbine has been running.

The City of El Dorado completed the Stand-by Generator project in March of 2012. Prior to this project, the water plant did not have a 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. A partnership was formed with Frontier Refinery and they agreed to pay \$194,750 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 678 feet of undersized 2-inch pipe and 2,649 feet of 4-inch pipe in 2012. 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 19,000 feet of 2-inch or smaller pipe remaining in the water distribution system. The crews also replaced 515 water meters, 25 fire hydrants and installed 8,584 feet of new water mains. Another important goal met in 2012 was to reduce the number of less than 500 gpm fire hydrants, commonly identified as “red” fire hydrants. In 2012, the Water Distribution team made great strides in meeting this goal and eliminated many of the red, low flow hydrants in our system. Looping lines in the system and replacing undersized lines helped us accomplish this goal. In meeting this goal, it also helped the City lower our ISO insurance rating from a 5 to a 3, which should in turn lower property insurance rates for everyone in El Dorado.

The City of El Dorado Sewer system improvements in 2012 consisted of “vapor rooting”, a chemical treatment that kills roots that have intruded into sewer lines causing cracked sewer pipe and failures. The Sewer Maintenance crew chemical treated 31,979 feet and flushed 134,514 feet of sewer lines. Prior to 2012, we performed manhole rehabilitation on nearly half of the 1,862 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 were unsuccessful in our CDBG grant application in 2012, but will reapply as soon as the City’s current “open” grant is closed. The CDBG matching grant is a great funding mechanism for sewer improvements and allows the money for these projects to go further.

At year-end, the City had \$177,290 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 on funding certain projects. The items approved included \$100,000 for Sixth Avenue Sidewalks and property tax reduction of 3.49 mills. 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.

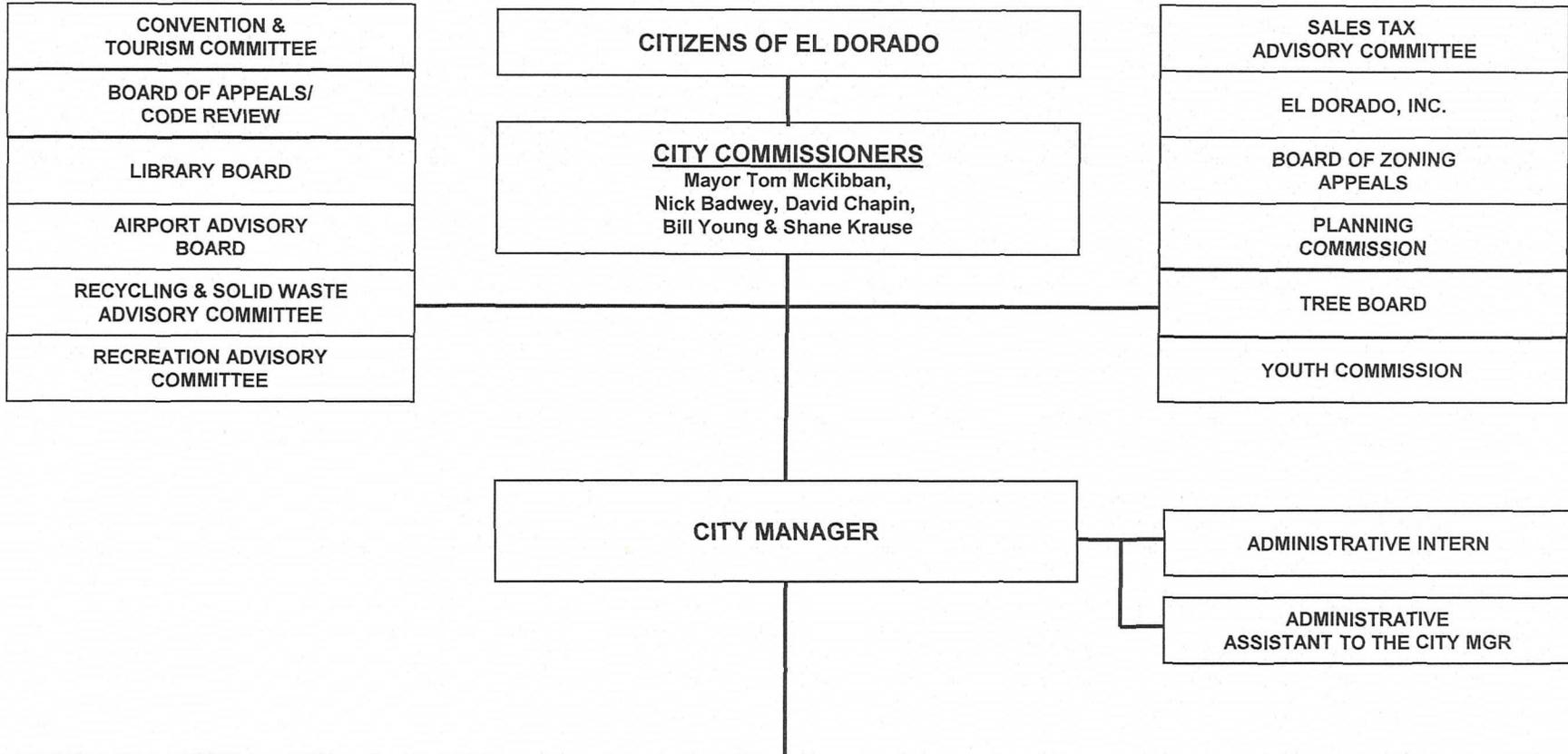
Respectfully submitted,



Herbert E. Llewellyn, Jr.
City Manager



Tammy Schaffer
Finance Director



IX

<p>RECREATION</p> <p>RECREATION SWIMMING POOLS</p>	<p>GOLF COURSE</p> <p>PRAIRIE TRAILS</p>	<p>FINANCE DIRECTOR</p> <p>FINANCE CITY CLERK RECORDS PURCHASING</p>	<p>LEGAL</p> <p>MUNICIPAL COURT CITY ATTORNEY/ PROSECUTOR</p>	<p>HUMAN RESOURCE</p> <p>PAYROLL</p>	<p>POLICE</p> <p>LAW ENFORCEMENT POLICE RECORDS</p>	<p>FIRE</p> <p>HAZMAT EMERGENCY MANAGEMENT</p>	<p>PUBLIC WORKS</p> <p>STREETS AIRPORT REFUSE/RECYCLE ANIMAL CONTROL IT NUISANCES/CODE ENFORCEMENT BUILDING MAINTENANCE FORESTRY CEMETERIES</p>	<p>PUBLIC UTILITIES</p> <p>WATER WASTEWATER</p>	<p>ENGINEERING</p> <p>STREET LIGHTS STREET DESIGN CONSTRUCTION PROJECTS GPS/MAPPING BUILDING INSPECTION PLANNING & ZONING</p>
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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, 2011

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.



Christopher P. Moirrell

President

Jeffrey R. Emer

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
City of El Dorado, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 1 to the financial statements, the 2011 financial statements and, therefore the January 1, 2012 net position, have been restated to reflect the changes as described in Note 1 to the financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12 and the Schedule of Funding Progress on page 72 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and schedules, budgetary comparisons, 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*, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2013, 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* in considering City's internal control over financial reporting and compliance.

Berberich Trahan & Co., P.A.

June 11, 2013
Topeka, Kansas

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, 2012. 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. 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 Position reports all the City's assets and liabilities. Net position, the difference between assets and liabilities, is an important measure of the City's overall financial health. Over time, the increases and decreases in net position can be monitored to determine whether the City's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position (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 Position 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, 2012. 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 Position

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

City of El Dorado, Kansas
 Net Position
 As of December 31, 2012
 (with comparative totals for December 31, 2011)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 13,746,334	\$ 18,792,090	\$ 8,834,913	\$ 9,458,521	\$ 22,581,247	\$ 28,250,611
Capital assets	44,033,811	45,122,919	60,137,180	61,271,069	104,170,991	106,393,988
Total assets	<u>57,780,145</u>	<u>63,915,009</u>	<u>68,972,093</u>	<u>70,729,590</u>	<u>126,752,238</u>	<u>134,644,599</u>
Long-term liabilities	13,304,612	15,205,021	58,250,769	57,619,996	71,555,381	72,825,017
Other liabilities	4,106,316	4,949,826	1,803,818	1,691,508	5,910,134	6,641,334
Total liabilities	<u>17,410,928</u>	<u>20,154,847</u>	<u>60,054,587</u>	<u>59,311,504</u>	<u>77,465,515</u>	<u>79,466,351</u>
Net position:						
Net investment in capital assets	30,967,195	30,150,968	20,367,761	18,777,765	51,334,956	48,928,733
Restricted	3,792,344	4,889,410	-	-	3,792,344	4,889,410
Unrestricted	5,609,678	8,719,784	(11,450,255)	(7,359,679)	(5,840,577)	1,360,105
Total net position	<u>\$ 40,369,217</u>	<u>\$ 43,760,162</u>	<u>\$ 8,917,506</u>	<u>\$ 11,418,086</u>	<u>\$ 49,286,723</u>	<u>\$ 55,178,248</u>

The City's overall financial position has diminished, with a decrease in net position of \$5,891,525. The amount is the combination of a decrease in the governmental activities and a decrease in the business-type activities. The governmental activities decreased approximately \$3.39 million due to the net effect of several items. Current and other assets, which include cash and short-term investments, accounts receivable, due from other governments, and inventories decreased \$5,045,756. The decrease is due to the net effect of several areas: in the Self Insurance fund, cash decreased \$373,802 mainly because of the Health Reform Act. A large portion was caused by an increase of dependents (34) between the ages of 23-26 and the prescription cap of \$3,000 was removed, therefore, more prescriptions dollars were spent. Project 360 (El Dorado Sports Complex) was completed in 2012 decreasing cash by \$296,895. In 2012, several projects continued and several were started which decreased cash approximately \$3,886,947. The select few are projects 342 (Industrial Park Improvements-Rail Spur), project 356 (Paving 3rd Boyer to Village), and project 289 (Paving School Road Central to 6th). Accounts receivable decreased by \$564,869. Due from other governments increased by \$853,468 mainly due to projects 342 (Industrial Park Improvements-Rail Spur), project 371 (2012 KLINK Resurfacing Central-Haverhill to Jones), and project 381 (HOPE VI Grant). Long-term liabilities decreased by \$1,900,409 mainly due to the payoff of temp-note #1883 for \$740,000 and the payoff of G.O. Bond 2001 for \$490,000. The remaining difference is the net of the decrease of yearly payments and the addition of G.O. Bond 2011.

The net position of business-type activities decreased \$2,500,580. Current and other assets which include cash and short-term investments, accounts receivable, due from other governments, internal balance, and inventories decreased \$623,608 and capital assets decreased \$1,133,889 for a total decrease in assets of \$1,757,497. The net decrease resulted in due from other governments from the recording of a Kansas Department of Health and Environment revolving loan payable for the expenses incurred on Project 355 (Wind Turbine-Waste Water Treatment Plant) as of 12/31/2011 and the increase in advances from other funds, Industrial Mill Levy fund and Tourism fund, for the inter-fund debt created for the participation of the El Dorado Sports Complex built in 2012. Also, the fund balance had a net decrease of \$4,363,397 mainly due to the joint venture of the El Dorado Sports Complex. Capital assets not being depreciated consist of Land, Water Storage Space, and Construction in Progress. Construction in progress had a net increase of \$475,001. The major projects contributing to the increase are; Water Capacity Improvements \$157,805, Regional Water Study \$145,181, Waterline Extension/College Acres & Boyer Road \$124,158, and Waterline Replacement-Star \$120. Capital assets being depreciated ended with a net increase of \$6,105 consisting of Buildings, Improvements, and Machinery and Equipment. The Sewer department had improvements which consisted of water meter and fire hydrant exchanges, new water meters, and pipe. Machinery and Equipment included a Turf Gator and a Water Backup Generator.

Governmental Activities

The table below shows the condensed revenues, expenses and change in net position for 2012 and 2011.

	Governmental Activities	
	2012	2011
Revenues:		
Program revenues:		
Charges for services	\$ 1,788,456	\$ 2,180,183
Operating grants and contributions	602,199	654,761
Capital grants and contributions	2,305,996	2,032,024
General revenues:		
Property taxes	3,651,884	3,983,853
Sales taxes	2,377,070	2,266,633
Franchise gaxes	1,050,082	1,075,331
Tourism taxes	166,878	151,814
Investment earnings	6,731	19,829
Total revenues	<u>11,949,296</u>	<u>12,364,428</u>
Expenses:		
General government	2,202,906	1,880,860
Public safety	3,799,331	3,644,530
Public works	3,254,173	4,283,125
Health & sanitation	411,502	371,126
Culture & recreation	1,389,464	1,542,864
Economic development	178,197	201,947
Interest on long-term debt	432,603	366,675
Total expenses	<u>11,668,176</u>	<u>12,291,127</u>
Excess before transfers	281,120	73,301
Transfers in	1,906,934	1,649,838
Change in net position	<u>2,188,054</u>	<u>1,723,139</u>
Net position January 1	43,760,162	42,037,023
Prior period adjustment	(5,578,999)	-
Net position, beginning of year, as restated	<u>38,181,163</u>	<u>42,037,023</u>
Net position December 31	<u>\$ 40,369,217</u>	<u>\$ 43,760,162</u>

The net decrease from 2011 to 2012 is approximately 3.4 million. There were several revenue sources that decreased in 2012 which included Charges for Services, Property Taxes, Franchise Taxes, and Investment Earnings. The mill levy was decreased by 4.228 mills in 2012, therefore the collections for property tax decreased. The economy improved slightly during 2012 and consequently the increased sales in El Dorado affected our sales tax revenue. An expenditure sources that decreased significantly in 2012 was Public Works which is made up of Public Works and Street Lights. Public Works decreased significantly due to the entity wide entry to record depreciation expense. In Public Safety, the Hazmat department, every few years purchase "Hazmat Level A" suits and in 2012 they purchased five new suits and none in 2011. Also, Building Demolition transferred to project 400 (1611 Finney) and project 401 (921 Osage) money to be used for demolition at a later date. There continues to be a decrease in Culture & Recreation due to the City's Prairie Trails Restaurant/Golf facility. This decrease continues to be driven by the City Commission requesting that the Prairie Trails Restaurant/Golf be run like a business and be self supportive.

Business-Type Activities

The table below shows the condensed revenues, expenses and changes in net position for 2012 and 2011.

	Business-Type Activities	
	2012	2011
Revenues:		
Program revenues:		
Charges for services	\$ 7,785,250	\$ 8,133,781
Capital grants and contributions	842,501	301,494
Investment earnings (loss)	160,775	571,651
Total revenues	<u>8,788,526</u>	<u>9,006,926</u>
Expenses:		
Waterworks system	4,469,711	4,629,494
Sewage system	2,069,672	2,313,956
Refuse	1,448,504	1,402,160
Total expenses	<u>7,987,887</u>	<u>8,345,610</u>
Excess before transfers	800,639	661,316
Transfers out	<u>(1,906,934)</u>	<u>(1,649,838)</u>
Changes in net position	<u>(1,106,295)</u>	<u>(988,522)</u>
Net position January 1	11,418,086	12,406,608
Prior period adjustment	<u>(1,394,285)</u>	<u>-</u>
Net position, beginning of year, as restated	<u>10,023,801</u>	<u>12,406,608</u>
Net position December 31	<u>\$ 8,917,506</u>	<u>\$ 11,418,086</u>

The water, sewer, and refuse utilities are the business-type activities of the City of El Dorado. Due to 2011 being the hottest summer without precipitation since 1981, citizens used more water to keep their landscaping efforts alive. Although we continue to be in a drought situation, citizens used less water in 2012 and many citizens gave up on keeping their landscaping efforts alive. The difference in Capital Grants and contributions is due to the Wind Turbine project loan principal forgiveness for “green” infrastructure. There was a decrease in investment earnings due to the fact that investment rates are low and the ability to find an investment option with an interest rate of 5.25% is not available. The City maintains a higher balance in the checking account and takes advantage of the Repurchase Agreement and makes almost enough in interest to balance out the bank fees. The decrease in the Waterworks System expenses relates to the number of water maintenance projects and there were less in 2012. The transfers out increased due to the \$225,000 that is transfer from the Water fund to the Lake Debt Reserve fund. In prior years, the Lake Debt Reserve Fund was included in the water fund balance and there was no need for a transfer. In 2012, the new money set aside each year to pay off the lake debt had to be transferred to fund 12 – Lake Debt Reserve.

FUND ANALYSIS

There was a net change in fund balance of approximately \$6.8 million in the City’s governmental funds as a result of 2012 operations. The economy improved slightly during 2012 and consequently the increased sales in El Dorado increased 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. City staff worked diligently on ways to improve the operations of Prairie Tails Restaurant/Golf to adhere to the City Commissions request.

A net decrease of \$47,288 occurred in the debt service fund. This resulted from a couple of revenue sources that decreased such as property taxes, and investment earnings. The main purpose of this decrease is due to the decrease in the Bond & Interest mill levy of 2.419 which caused a decrease in property tax of \$205,030. The expenses affected in the Debt Service fund were principal, interest and general government. Principal decreased slightly due to normal principal payments and Series 2001 bond paid off in 2011. Interest increased due to the Series 2011 bond payments beginning in 2012. General government increased due to project 310 – Boyer Road Paving's final cost paid to the Kansas Department of Transportation of \$71,246.

The net change in the Construction fund is a decrease of \$4,883,008. Expenditures were over revenues by \$8,296,771 due to the completion of several major infrastructure projects. The major projects consisted of project 285 Widening of Intersection at 6th and Main, project 289 Paving School Road, project 315 Industrial Park Improvements – Rail Spur, project 356 Paving 3rd, and project 381 HOPE VI.

The change in net position in the business-type activities decreased \$1,106,295. Concessions and leases increased \$32,305 because the corn crop in 2011 did not produce enough to cover cost due to the drought conditions therefore there was no revenue from the sale of crops. Miscellaneous decreased for a couple of reasons. In 2011, the City invoiced the City of Augusta for operating and maintenance (O&M) of the lake for the years 2009 and 2010 for \$80,953. In 2012, the city invoiced for O&M for \$41,358 for 2011. Also, in 2011 Frontier Refinery paid the City for a water study costing \$73,900. The main increase in expenses is the recording of the advances from other funds related to the joint venture of the El Dorado Sports Complex.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund budget was not amended. The budgeted amount of revenue exceeded the actual amount of the budget by \$638,514. Several tax revenues reported lower than budgeted; Ad Valorem, Motor Vehicle tax, and Gas tax. The budgeted amount of Franchise fees exceeded the actual amount of the budget amount by \$47,984 mainly due to the gas service franchise fees. Charges for services reflect a negative variance as a result of Engineering Refunds & Administration 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, Recreation Concessions and Swimming Pool Rentals and Swimming Lessons.

The Prairie Trails Restaurant/Golf fund budget, which is included in the financials of the general fund, was amended from \$238,569 to \$650,790 for the revenue received due to the City resuming ownership of Prairie Trails Restaurant/Golf.

Expenditures were \$3,841,900 less than budgeted. Administration expenditures reflect a positive variance due to a part-time position and the intern position was vacant for a good portion of the year. Public Safety expenditures were less than expected mainly due to reduced personnel costs in the police 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 2012, net of current year depreciation, was \$10,386,932. The additions to Governmental Activities include Buildings, Improvements other than buildings, Infrastructure, and Machinery and Equipment. Additions to Buildings include; Prairie Trail Pro Shop Remodel \$6,778. The additions to Improvements other than buildings include the Marin Playground \$52,969, Airport Apron Rehabilitation \$1,028,099 and Airport Taxiways \$295,003, North Main Sidewalk Post to McCollum \$59,999, Golf Course Cart Path \$4,516 for Prairie Trails Restaurant/Golf, and Industrial Park Improvements – Water, Sewer, and Paving \$1,600,464. The additions to Machinery and Equipment include 2012 GMC Sierra \$22,638 for Engineering, a GMC Sierra \$16,072 for Building and Zoning, four Chevy Impala Police Vehicles totaling \$94,609, Hazardous Response Unit \$199,560 for HAZMAT, Quick Attack Brush Squad \$77,232 for fire, Vavair Viper Gas Compressor \$12,264 and JD Gas Turf Gator \$5,000 for Public Works, Easy Stair-Aquatic Lift \$9,778 for the swimming pool, JD Gas Turf Gator \$5,000 and a Pavement Grinder \$5,937 for Major Street, Caterpillar Backhoe Loader for Stormwater \$77,910, two Greens Mowers and two Turf Gators \$53,330 for Prairie Trails Restaurant/Golf, and a Tree Shear-Hydra Snip \$7,100. Additions to Infrastructure include Resurface Haverhill (Central-6th), \$275,318, Repaving Southwest Trafficway (Haverhill-Douglas) \$34,833, Widening of Intersection of Vine and Central \$341,414, Extending Walnut Valley Drive \$80,626, Paving 3rd (Boyer-Village) \$820,664, Paving School Road (Central -6th) \$858,539, Resurface Central (Haverhill-Jones) \$286,033, and Business Park Street Lights \$34,462.

The additions to Business-Type Activities include Buildings, Improvements other than buildings, and Machinery and equipment. Buildings include Kiosk/Gazebo Wetland Education \$7,020. Improvements other than buildings include Raw Water Mag Meter \$6,053, Waterline Improvements (300 S. Main) \$76,514, Extend Sewer Main to 516 W. Carr \$8,840, Extend Sewer Main (501 S Haverhill) \$6,150, Sewer Line (100 Block North Summit) \$32,955. Machinery and Equipment include a Water Backup Generator \$1,334,281, Turf Gator \$5,500, JD 310-SJ Loader/Backhoe \$76,095, Bobcat Breaker Assembly \$6,778, and Raw Water Pump Station \$6,196.

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 did not issue bonds in 2012. The capacity of the City to issue additional general obligation debt increased in 2012 from \$18,104,574 to \$19,614,804. 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 decreased from 2.72% in 2011 to 2.48% in 2012, and the net bonded debt per capita increased from \$1,120 in 2011 to \$1,027 in 2012.

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 2013 (2014 budget), the mill levy is anticipated to remain the same level as 2012. 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 2013. Sales tax will continue to be a significant revenue source for the City. The property tax would currently be approximately 29 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:

- 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 with equipment testing to begin in early 2013 and production slated to begin sometime in 2013 depending on completion of the equipment and process testing phase of the project. 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.
- 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 is \$2,333,087 with \$117,755 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. Subsequent to that meeting, the Kansas Water Office (KWO) directed staff hydrologist, Andy Entz to conduct reservoir modeling to determine the yield of El Dorado Lake. 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. Black & Veatch Consulting Engineers were hired to conduct a two phase study. The first phase not to exceed \$75,000, was completed in January of 2012. Phase I of the study determined 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, ongoing, but nearly complete, looks at the cost of water treatment and delivery options in order to establish a final estimate of cost per thousand gallons. The study determined, under normal climatic conditions (94% of the last 32 years), El Dorado could sell an additional allocation of 30 million gallons per day (mgd). During a drought of record, the lake could supply the City's current customer demand of 10 mgd, as well as an additional 10 mgd of drought aid, without running out of water. We now have two consecutive years of drought with about 24 inches of precipitation for both 2011 and 2012, though El Dorado Lake is in relatively good shape, only 4.5 feet down from conservation pool. In April of 2013, the City of Wichita asked about purchasing water and the City Commission is currently considering options as outlined in the Black & Veatch report. El Dorado Lake continues to be an important regional water supply that is currently underutilized. The drought has prompted increased activity in regional water supply planning and we expect this planning to continue independent of drought conditions.

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 POSITION

December 31, 2012

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Library
Assets:				
Cash and investments	\$ 3,706,411	\$ 7,067,077	\$ 10,773,488	\$ 278,370
Receivables, net of allowance for uncollectibles:				
Taxes	6,634,584	-	6,634,584	388,750
Accounts	328,738	525,568	854,306	214
Accrued interest	19,557	-	19,557	-
Due from other governments	979,900	668	980,568	-
Internal balances	(1,038,374)	1,038,374	-	-
Inventories	115,518	203,226	318,744	-
Restricted investments	-	-	-	266,387
Investment in joint venture	3,000,000	-	3,000,000	-
Capital assets, net of accumulated depreciation (where applicable):				
Land	4,765,211	751,376	5,516,587	-
Buildings	4,984,080	11,957,813	16,941,893	568,954
Improvements other than buildings	7,028,402	12,200,777	19,229,179	-
Infrastructure	19,606,764	-	19,606,764	-
Water storage space	-	28,951,577	28,951,577	-
Machinery and equipment	1,868,716	3,016,282	4,884,998	73,076
Construction in progress	5,780,638	3,259,355	9,039,993	-
Total assets	<u>57,780,145</u>	<u>68,972,093</u>	<u>126,752,238</u>	<u>1,575,751</u>
Liabilities:				
Accounts payable and other current liabilities	544,929	445,189	990,118	11,841
Accrued interest payable	69,176	98,629	167,805	-
Temporary notes payable	-	1,260,000	1,260,000	-
Unearned revenue	3,492,211	-	3,492,211	388,750
Noncurrent liabilities:				
Due within one year	1,464,044	936,325	2,400,369	24,743
Due in more than one year	11,840,568	57,314,444	69,155,012	1,189
Total liabilities	<u>17,410,928</u>	<u>60,054,587</u>	<u>77,465,515</u>	<u>426,523</u>
Net position:				
Net investment in capital assets	30,967,195	20,367,761	51,334,956	642,030
Restricted for:				
Debt service	3,401,994	-	3,401,994	-
Public safety	1,534	-	1,534	-
Economic development	245,000	-	245,000	-
Culture and recreation	74,536	-	74,536	-
Other purposes	69,280	-	69,280	302,338
Unrestricted	5,609,678	(11,450,255)	(5,840,577)	204,860
Total net position	<u>\$ 40,369,217</u>	<u>\$ 8,917,506</u>	<u>\$ 49,286,723</u>	<u>\$ 1,149,228</u>

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2012

Functions/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			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	\$ 2,202,906	\$ 189,402	\$ 72,880	\$ 15,974	\$ (1,924,650)	\$ -	\$ (1,924,650)	\$ -
Public safety	3,799,331	635,027	16,000	42,460	(3,105,844)	-	(3,105,844)	-
Public works	3,254,173	194,528	476,492	1,924,354	(658,799)	-	(658,799)	-
Health and sanitation	411,502	117,179	822	323,208	29,707	-	29,707	-
Culture and recreation	1,389,464	652,320	36,005	-	(701,139)	-	(701,139)	-
Economic development	178,197	-	-	-	(178,197)	-	(178,197)	-
Interest on long-term debt	432,603	-	-	-	(432,603)	-	(432,603)	-
Total governmental activities	<u>11,668,176</u>	<u>1,788,456</u>	<u>602,199</u>	<u>2,305,996</u>	<u>(6,971,525)</u>	<u>-</u>	<u>(6,971,525)</u>	<u>-</u>
Business-type activities:								
Waterworks System	4,469,711	4,204,657	-	-	-	(265,054)	(265,054)	-
Sewer System	2,069,672	2,146,207	-	842,501	-	919,036	919,036	-
Refuse	1,448,504	1,434,386	-	-	-	(14,118)	(14,118)	-
Total business-type activities	<u>7,987,887</u>	<u>7,785,250</u>	<u>-</u>	<u>842,501</u>	<u>-</u>	<u>639,864</u>	<u>639,864</u>	<u>-</u>
Total primary government	<u>\$ 19,656,063</u>	<u>\$ 9,573,706</u>	<u>\$ 602,199</u>	<u>\$ 3,148,497</u>	<u>(6,971,525)</u>	<u>639,864</u>	<u>(6,331,661)</u>	<u>-</u>
Component unit:								
Bradford Memorial Library	\$ 526,863	\$ 19,726	\$ 120,872	\$ -	-	-	-	(386,265)
General revenues:								
Property taxes					3,651,884	-	3,651,884	426,211
Sales taxes					2,377,070	-	2,377,070	-
Franchise taxes					1,050,082	-	1,050,082	-
Tourism taxes					166,878	-	166,878	-
Unrestricted investment earnings					6,731	160,775	167,506	31,333
Transfers					1,906,934	(1,906,934)	-	-
Total general revenues and transfers					<u>9,159,579</u>	<u>(1,746,159)</u>	<u>7,413,420</u>	<u>457,544</u>
Change in net position					<u>2,188,054</u>	<u>(1,106,295)</u>	<u>1,081,759</u>	<u>71,279</u>
Net position, beginning of year as previously stated					43,760,162	11,418,086	55,178,248	1,016,714
Prior period adjustments					(5,578,999)	(1,394,285)	(6,973,284)	61,235
Net position, beginning of year as restated					<u>38,181,163</u>	<u>10,023,801</u>	<u>48,204,964</u>	<u>1,077,949</u>
Net position, end of year					<u>\$ 40,369,217</u>	<u>\$ 8,917,506</u>	<u>\$ 49,286,723</u>	<u>\$ 1,149,228</u>

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2012

	General	Debt Service	Construction	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and investments	\$ 1,369,870	\$ 747,753	\$ -	\$ 1,588,788	\$ 3,706,411
Receivables (net of allowance for uncollectibles):					
Property tax	2,580,047	737,147	-	175,017	3,492,211
Special assessment tax	-	2,401,831	-	319,985	2,721,816
Sales tax	420,557	-	-	-	420,557
Accounts	168,617	1,601	-	158,520	328,738
Interest	19,557	-	-	-	19,557
Due from other governments	72	-	977,744	2,084	979,900
Due from other funds	1,862,413	-	-	-	1,862,413
Inventories	115,518	-	-	-	115,518
Total assets	\$ 6,536,651	\$ 3,888,332	\$ 977,744	\$ 2,244,394	\$ 13,647,121
Liabilities and fund balances:					
Liabilities:					
Accounts payable	\$ 183,490	\$ -	\$ 233,083	\$ 10,990	\$ 427,563
Accrued payroll	103,369	-	-	13,997	117,366
Due to other funds	-	-	1,862,413	-	1,862,413
Advances from other funds	-	-	-	1,095,400	1,095,400
Deferred revenue	2,580,047	3,138,978	-	495,002	6,214,027
Total liabilities	2,866,906	3,138,978	2,095,496	1,615,389	9,716,769
Fund balances:					
Nonspendable:					
Not in spendable form	115,518	-	-	-	115,518
Restricted:					
Public safety	-	-	-	1,534	1,534
Economic development	-	-	-	245,000	245,000
Culture and recreation	-	-	-	74,536	74,536
Public works	-	-	-	279,718	279,718
Debt service	-	749,354	-	-	749,354
Committed:					
Public safety	-	-	-	12,254	12,254
Assigned	399,687	-	-	280,604	680,291
Unassigned	3,154,540	-	(1,117,752)	(264,641)	1,772,147
Total fund balances	3,669,745	749,354	(1,117,752)	629,005	3,930,352
Total liabilities and fund balances	\$ 6,536,651	\$ 3,888,332	\$ 977,744	\$ 2,244,394	\$ 13,647,121

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 POSITION

December 31, 2012

Total fund balance in Governmental Fund Balance Sheet	\$ 3,930,352
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	44,033,811
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred revenue in the funds.	2,721,816
Other assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,000,000
Internal service funds are used by management to charge the costs of information technology to individual funds. This adjustment reflects the consolidation of internal service fund activities related to governmental activities.	57,026
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(13,373,788)
Net position of governmental activities	<u>\$ 40,369,217</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, 2012

	General	Debt Service	Construction	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property	\$ 2,506,694	\$ 1,014,589	\$ -	\$ 130,601	\$ 3,651,884
Sales	2,327,070	-	-	50,000	2,377,070
Franchise	1,050,082	-	-	-	1,050,082
Tourism	-	-	-	166,878	166,878
Intergovernmental	53,985	-	1,356,476	620,677	2,031,138
Licenses and permits	144,533	-	-	4,358	148,891
Charges for services	1,291,977	-	49,912	185,422	1,527,311
Fines and forfeitures	295,843	-	-	-	295,843
Special assessments	-	524,188	10,595	310,803	845,586
Investment earnings	4,024	1,157	934	616	6,731
Miscellaneous	201,809	2,402	7,445	81,517	293,173
Total revenues	7,876,017	1,542,336	1,425,362	1,550,872	12,394,587
Expenditures:					
Current:					
General government	1,479,475	72,192	5,738	444,036	2,001,441
Public safety	3,561,539	-	-	-	3,561,539
Highways and streets	906,098	-	-	834,218	1,740,316
Health and sanitation	295,431	-	-	98,301	393,732
Culture and recreation	1,172,619	-	-	99,006	1,271,625
Economic development	-	-	-	176,039	176,039
Debt service:					
Principal	-	1,165,335	740,000	-	1,905,335
Interest	-	427,097	3,055	-	430,152
Capital outlay	421,240	-	8,973,340	167,143	9,561,723
Total expenditures	7,836,402	1,664,624	9,722,133	1,818,743	21,041,902
Excess (deficiency) of revenues over (under) expenditures	39,615	(122,288)	(8,296,771)	(267,871)	(8,647,315)
Other financing sources (uses):					
Transfers in	781,506	75,000	3,697,693	394,464	4,948,663
Transfers out	(1,568,021)	-	(283,930)	(1,203,899)	(3,055,850)
Total other financing sources (uses)	(786,515)	75,000	3,413,763	(809,435)	1,892,813
Net change in fund balances	(746,900)	(47,288)	(4,883,008)	(1,077,306)	(6,754,502)
Fund balances, beginning of year	4,416,645	796,642	3,765,256	1,706,311	10,684,854
Fund balances (deficit), end of year	\$ 3,669,745	\$ 749,354	\$ (1,117,752)	\$ 629,005	\$ 3,930,352

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, 2012

Net change in fund balances - total governmental funds	\$ (6,754,502)
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.	4,489,891
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(444,612)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of 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.	1,905,335
Some expenditures reported in the governmental funds are reported as an investment in joint venture and are not reported as expenses in the statement of activities.	3,000,000
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.	(682)
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>(7,376)</u>
Change in net position of governmental activities	<u>\$ 2,188,054</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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 6,014,050	\$ 6,014,050	\$ 5,677,567	\$ (336,483)
Intergovernmental	78,421	78,421	55,626	(22,795)
Licenses, fees and permits	156,411	156,411	144,533	(11,878)
Charges for services	955,227	955,227	756,774	(198,453)
Fines and forfeitures	359,149	359,149	295,697	(63,452)
Interest	17,802	17,802	3,356	(14,446)
Miscellaneous	35,250	35,250	194,243	158,993
Reimbursements	150,000	150,000	-	(150,000)
Total revenues	7,766,310	7,766,310	7,127,796	(638,514)
Expenditures:				
General government:				
Administration	584,859	584,859	570,685	14,174
Engineering	315,569	315,569	240,456	75,113
Civic Center	98,780	98,780	93,688	5,092
Legal and judicial	186,437	186,437	178,713	7,724
Special projects	3,394,373	3,394,373	-	3,394,373
Total general government	4,580,018	4,580,018	1,083,542	3,496,476
Public safety:				
Police division	2,200,199	2,200,199	2,103,572	96,627
Fire division	1,436,313	1,436,313	1,311,117	125,196
Building and zoning	206,485	206,485	177,139	29,346
Building demolition	16,000	16,000	6,834	9,166
Civil defense	-	-	4,230	(4,230)
Hazardous materials	23,725	23,725	20,895	2,830
Total public safety	3,882,722	3,882,722	3,623,787	258,935
Public works:				
Public works	462,792	462,792	472,166	(9,374)
Street lights	170,000	170,000	170,485	(485)
Total public works	632,792	632,792	642,651	(9,859)
Health and sanitation:				
Animal control	\$ 130,211	\$ 130,211	\$ 114,820	\$ 15,391

(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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Culture and recreation:				
Park maintenance	\$ 316,520	\$ 316,520	\$ 242,989	\$ 73,531
Recreation	389,293	389,293	421,046	(31,753)
Swimming pool	155,054	155,054	147,951	7,103
Band	7,000	7,000	6,845	155
Recreation concessions	57,031	57,031	47,998	9,033
Total culture and recreation	924,898	924,898	866,829	58,069
Conservation of natural resources:				
Forestry	62,392	62,392	39,504	22,888
Miscellaneous:				
Neighborhood Revitalization Rebate	54,280	54,280	-	54,280
Total expenditures	10,267,313	10,267,313	6,371,133	3,841,900
Excess of revenues over (under) expenditures	(2,501,003)	(2,501,003)	756,663	3,203,386
Other financing sources (uses):				
Transfers in	781,063	781,063	781,506	443
Transfers out	(1,930,509)	(1,930,509)	(1,568,021)	362,488
Total other financing sources (uses)	(1,149,446)	(1,149,446)	(786,515)	362,931
Net change in fund balances	(3,650,449)	(3,650,449)	(29,852)	3,566,317
Fund balance, beginning of year	3,650,449	3,650,449	2,926,969	(723,480)
Fund balance, end of year	\$ -	\$ -	2,897,117	\$ 2,842,837
<u>Reconciliation to GAAP</u>				
Change in receivables			(203,962)	
Change in payables			(74,380)	
Fund balances on the basis of GAAP - General Fund only			2,618,775	
Fund balances for separately budgeted funds included with the General Fund on GAAP basis financials:				
Cemetery			6,518	
External Stores			8,553	
Prairie Trails Restaurant/Golf			153,327	
Fund balances for non-budgeted funds included with the General Fund on GAAP basis financials:				
Equipment Reserve			482,885	
Self-Insurance Reserve			399,687	
			<u>\$ 3,669,745</u>	

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

December 31, 2012

	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	\$ 5,004,929	\$ 1,700,486	\$ 204,649	\$ 6,910,064	\$ 157,013
Accounts receivable (net of allowance for uncollectibles)	228,098	170,967	118,721	517,786	7,782
Intergovernmental receivable	270	-	398	668	-
Advances to other funds	2,256,200	-	-	2,256,200	-
Inventories	173,144	16,179	13,903	203,226	-
Total current assets	7,662,641	1,887,632	337,671	9,887,944	164,795
Capital assets:					
Land	33,733	717,643	-	751,376	-
Water storage space	28,951,577	-	-	28,951,577	-
Buildings	2,022,876	14,265,150	991,467	17,279,493	-
Improvements other than buildings	9,655,423	10,760,576	55,860	20,471,859	-
Machinery and equipment	2,608,664	2,170,304	821,512	5,600,480	31,947
Construction in process	802,388	2,456,967	-	3,259,355	-
Total capital assets	44,074,661	30,370,640	1,868,839	76,314,140	31,947
Less accumulated depreciation	(6,002,011)	(9,142,412)	(1,044,320)	(16,188,743)	(20,164)
Capital assets, net	38,072,650	21,228,228	824,519	60,125,397	11,783
Total assets	\$ 45,735,291	\$ 23,115,860	\$ 1,162,190	\$ 70,013,341	\$ 176,578

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	\$ 139,782	\$ 189,895	\$ 47,471	\$ 377,148	\$ 9,127
Accrued payroll	23,007	11,358	12,253	46,618	12,296
Current portion of compensated absences payable	47,025	23,658	31,497	102,180	19,223
Current portion of general obligation bonds payable	82,524	83,965	-	166,489	-
Current portion of revolving loan note payable	-	522,464	-	522,464	-
Temporary notes payable	1,260,000	-	-	1,260,000	-
Accrued interest payable	4,312	94,317	-	98,629	-
Current portion of water storage space payable	125,969	-	-	125,969	-
Total current liabilities	1,682,619	925,657	91,221	2,699,497	40,646
Noncurrent liabilities:					
Long-term portion of compensated absences payable	874	2,268	201	3,343	1,633
Long-term portion of general obligation bonds payable	282,928	598,967	-	881,895	-
Long-term portion of revolving loan note payable	-	9,432,747	-	9,432,747	-
Long-term portion of water storage space payable	46,994,826	-	-	46,994,826	-
Advances from other funds	-	873,800	287,000	1,160,800	-
Total noncurrent liabilities	47,278,628	10,907,782	287,201	58,473,611	1,633
Total liabilities	48,961,247	11,833,439	378,422	61,173,108	42,279
Net position:					
Net investment in capital assets	8,941,374	10,590,085	824,519	20,355,978	11,783
Unrestricted	(12,167,330)	692,336	(40,751)	(11,515,745)	122,516
Total net position	\$ (3,225,956)	\$ 11,282,421	\$ 783,768	8,840,233	\$ 134,299

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

	<u>77,273</u>
Net position of business-type activities	<u>\$ 8,917,506</u>

CITY OF EL DORADO, KANSAS

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

December 31, 2012

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds	Business-Type Activities
	Waterworks System	Sewer System	Refuse		Internal Service Fund (Data Processing Fund)
Operating revenues:					
Charges for services	\$ 4,110,661	\$ 1,897,546	\$ 1,253,737	\$ 7,261,944	\$ 702,707
Miscellaneous	83,680	207,956	180,649	472,285	2,927
Rents and royalties	10,316	40,705	-	51,021	-
Total operating revenues	4,204,657	2,146,207	1,434,386	7,785,250	705,634
Operating expenses:					
Costs of sales and services	2,092,532	590,894	739,871	3,423,297	707,498
Administration	377,425	512,706	631,470	1,521,601	-
Depreciation	330,289	707,882	76,892	1,115,063	176
Total operating expenses	2,800,246	1,811,482	1,448,233	6,059,961	707,674
Operating income (loss)	1,404,411	334,725	(13,847)	1,725,289	(2,040)
Nonoperating revenues (expense):					
Investment income	159,257	1,375	143	160,775	-
Interest expense	(1,646,050)	(251,399)	-	(1,897,449)	-
Loss on disposal of assets	(32,009)	(9,460)	(1,770)	(43,239)	-
Total nonoperating revenue (expense)	(1,518,802)	(259,484)	(1,627)	(1,779,913)	-
Income (loss) before capital contributions and transfers	(114,391)	75,241	(15,474)	(54,624)	(2,040)
Capital contributions	-	842,501	-	842,501	-
Transfers from other funds	2,358,518	1,747	-	2,360,265	20,000
Transfers to other funds	(2,865,920)	(1,048,158)	(359,000)	(4,273,078)	-
Change in net position	(621,793)	(128,669)	(374,474)	(1,124,936)	17,960
Net position, beginning of year, as previously stated	(1,209,878)	11,411,090	1,158,242	11,359,454	116,339
Prior period adjustments	(1,394,285)	-	-	(1,394,285)	-
Net position, beginning of year, as restated	(2,604,163)	11,411,090	1,158,242	9,965,169	116,339
Net position, end of year	\$ (3,225,956)	\$ 11,282,421	\$ 783,768	\$ 8,840,233	\$ 134,299
Change in net position per fund statements				\$ (1,124,936)	
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 are reported with business-type activities				18,641	
Change in net position of business-type activities				\$ (1,106,295)	

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS

December 31, 2012

	Business-Type Activities - Enterprise Funds				Business-Type Activities
	Waterworks System	Sewer System	Refuse	Total Enterprise Funds	Internal
					Service Fund (Data Processing Fund)
Cash flows from operating activities:					
Receipts from customers and users	\$ 4,214,550	\$ 2,404,969	\$ 1,453,201	\$ 8,072,720	\$ 703,755
Payments to suppliers	(2,036,937)	(561,351)	(721,853)	(3,320,141)	(712,293)
Payments to employees	(367,270)	(512,146)	(637,681)	(1,517,097)	-
Net cash provided by (used in) operating activities	1,810,343	1,331,472	93,667	3,235,482	(8,538)
Cash flows from capital and related financing activities:					
Proceeds from revolving loan notes	-	2,106,252	-	2,106,252	-
Principal paid on general obligation bonds	(79,641)	(110,024)	-	(189,665)	-
Principal paid on revolving loan note	-	(509,708)	-	(509,708)	-
Principal paid on water storage space payable	(121,707)	-	-	(121,707)	-
Interest paid on debt	(356,426)	(251,399)	-	(607,825)	-
Acquisition and construction of capital assets	(921,663)	(1,120,173)	-	(2,041,836)	(9,998)
Net cash provided by (used in) capital and related financing activities	(1,479,437)	114,948	-	(1,364,489)	(9,998)
Cash flows from noncapital financing activities:					
Transfers (to) from other funds	(507,402)	(1,046,411)	(359,000)	(1,912,813)	20,000
Advances (to) from other funds	(2,256,200)	873,800	287,000	(1,095,400)	-
Net cash provided by (used in) noncapital financing activities	(2,763,602)	(172,611)	(72,000)	(3,008,213)	20,000
Cash flows from investing activities:					
Investment income	159,257	1,375	143	160,775	-
Net increase (decrease) in cash and investments	(2,273,439)	1,275,184	21,810	(976,445)	1,464
Cash and investments, beginning of year	7,278,368	425,302	182,839	7,886,509	155,549
Cash and investments, end of year	\$ 5,004,929	\$ 1,700,486	\$ 204,649	\$ 6,910,064	\$ 157,013

(Continued)

CITY OF EL DORADO, KANSAS

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUNDS
 (Continued)

December 31, 2012

	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 (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 1,404,411	\$ 334,725	\$ (13,847)	\$ 1,725,289	\$ (2,040)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	330,289	707,882	76,892	1,115,063	176
Decrease (increase) in accounts receivable	9,893	255,291	18,815	283,999	(1,879)
Decrease (increase) in inventories	16,052	(7,096)	(9,663)	(707)	-
Increase (decrease) in salaries and accrued payroll	5,714	2,050	(1,314)	6,450	2,588
Increase (decrease) in accounts payable	39,543	40,110	27,681	107,334	2,660
Increase (decrease) in compensated absences payable	4,441	(1,490)	(4,897)	(1,946)	(10,043)
Net cash provided by (used in) operating activities	<u>\$ 1,810,343</u>	<u>\$ 1,331,472</u>	<u>\$ 93,667</u>	<u>\$ 3,235,482</u>	<u>\$ (8,538)</u>
Noncash investing, capital and financing activities:					
Loan forgiveness on construction loan payable	<u>\$ -</u>	<u>\$ 842,501</u>	<u>\$ -</u>	<u>\$ 842,501</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

STATEMENT OF NET POSITION -
FIDUCIARY FUNDS

December 31, 2012

	Retiree Health Care Benefit Plan Trust Fund	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and investments:		
Cash	\$ -	\$ 49,881
Common stocks	55,186	-
Fixed income securities	125,809	-
Accounts receivable	-	821
	<u> </u>	<u> </u>
Total assets	180,995	50,702
Liabilities:		
Accounts payable	-	50,702
	<u> </u>	<u> </u>
Net position held in trust for other post employment benefits	<u>\$ 180,995</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

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

Year Ended December 31, 2012

	<u>Retiree Health Care Benefit Plan Trust Fund</u>
Additions:	
Employer contributions	\$ 31,678
Investment income	<u>3,135</u>
Total additions	34,813
Deductions:	
Benefits	<u>-</u>
Change in net position held in trust for other post employment benefits	34,813
Net position held in trust for other post employment benefits, beginning of year	<u>146,182</u>
Net position held in trust for other post employment benefits, end of year	<u><u>\$ 180,995</u></u>

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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 presented as a governmental fund type and 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)

Joint Venture

During fiscal year 2011, the City announced a collaborative project with the Butler County Community College (the College) and the El Dorado Unified School District No. 490 (the District) to create the Educational Facilities Authority of Butler County (the Authority). The Authority's board is comprised of seven members, with two appointed from each participant, and the seventh appointed by the other six members. Upon dissolution of the Authority, property owned by the Authority will be transferred to the City, College and District, or sold with the proceeds thereof paid to the City, College and District.

The Authority is the official governing body of the BG Products Veterans Sports Complex, which was constructed and located in City limits. The bowl-design stadium accommodates 3,000 home fans and 1,000 visitors, with a future capacity to seat 4,500 and 2,000, respectively. In addition to the commitment to help fund construction of the Sports Complex, the City has an ongoing financial obligation for certain operating costs of the stadium, described below.

During fiscal 2012, the City donated \$ 3,000,000 to fund its portion of construction. In addition to funds paid for construction, the agreement requires the City to pay its portion of utilities, insurance and maintenance costs associated with the stadium, along with the College and the District. The City's equity interest in the Authority as of December 31, 2012 was \$ 3,000,000.

Separate audited financial statements are not prepared by the Authority.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position 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.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Government-Wide Financial Statements (Continued)

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.

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.

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)

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.

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.

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 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.

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; neighborhood revitalization program; and payroll withholding and remittances.

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.

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)

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.

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, 2012, interest earnings allocated to various funds were \$ 26,680. 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.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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.”

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	\$ 2,580,047
Debt service fund property taxes receivable	737,147
Debt service fund special assessments receivable	2,401,831
Nonmajor funds property taxes receivable	175,017
Nonmajor funds special assessment receivable	319,985
	<hr/>
	\$ 6,214,027
	<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 2012 levy was based was \$ 80,892,544.

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 2012 tax levy per \$ 1,000 of assessed valuation was as follows:

General Fund	\$	27.841
Debt Service Fund		10.902
Nonmajor funds		1.406
Component unit:		
Library		4.613
		<hr/>
	\$	<u>44.762</u>

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.

Capital assets of the primary government and its component unit are 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 position. 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, 2012, 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, an ordinance, 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, an ordinance, 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. The City Commission has by resolution authorized certain City personnel to assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of the assignment.

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.

Restricted Net Position

The government-wide statement of net position reports \$ 3,792,344 of restricted net position, of which \$ 127,346 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.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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, 2012, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements that might impact the City are as follows:

GASB Statement No. 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.

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.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, was issued in June 2012. The objective of this statement is to improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and to enhance its value for assessing accountability and interperiod measure of pension expense. This statement enhances decision-usefulness and accountability through new note disclosures and required supplementary information. This statement also improves the consistency and transparency of the information reported by employers and governmental nonemployer contributing entities about pension transactions. Additionally, this statement improves the comparability of reported pension information through changes related to the attribution method used to determine service cost and the total pension liability, requirements for immediate recognition in pension expense of certain items, and the establishment of standardized expense recognition periods for amounts reported as deferred outflows of resources and deferred inflows of resources related pensions. The provisions of this statement are effective for periods beginning after June 15, 2014.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Prior Period Adjustments

Beginning net position for governmental activities on the statement of net position was restated to properly state capital assets. The effect of this restatement on the beginning balance was a decrease of \$ 5,578,999 in the governmental activities on the statement of net position which resulted from net capital assets being decreased by \$ 5,578,999. There was no effect on current year revenue or expenses as a result of this adjustment.

Beginning net position for the waterworks system major proprietary fund on the statement of net position and for business-type activities on the statement of net position were restated to properly state capital assets. The effect of this restatement on the beginning balance was a decrease of \$ 2,020,524 in the business-type activities on the statement of net position which resulted from net capital assets being decreased by \$ 2,020,524. There was no effect on current year revenue or expenses as a result of this adjustment.

Beginning net position for the waterworks system major proprietary fund on the statement of net position and for business-type activities on the statement of net position were restated to properly state investments. The effect of this restatement on the beginning balance was an increase of \$ 626,239 in the business-type activities on the statement of net position which resulted from investments being increased by \$ 626,239. There was no effect on current year revenue or expenses as a result of this adjustment.

Beginning net position for the discretely presented component unit on the statement of net position was restated to properly state capital assets. The effect of this restatement on the beginning balance was an increase of \$ 61,235 in the component unit activities on the statement of net position which resulted from net capital assets being increased by \$ 61,235. There was no effect on current year revenue or expenditures as a result of this adjustment.

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 Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. 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 \$ (13,373,788) difference are as follows:

Bonds payable	\$ (13,066,616)
Accrued interest payable	(69,176)
Compensated absences	<u>(237,996)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position of governmental activities	<u><u>\$ (13,373,788)</u></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 position 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 \$ 4,489,891 difference are as follows:

Capital outlay	\$ 6,501,508
Depreciation expense	<u>(2,011,617)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u><u>\$ 4,489,891</u></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 position. 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 \$ 1,905,335 difference are as follows:

Principal repayments:	
Bonds	\$ 1,165,335
Temporary notes	<u>740,000</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u><u>\$ 1,905,335</u></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 \$ (7,376) difference are as follows:

Compensated absences	\$ (4,926)
Accrued interest	<u>(2,450)</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u><u>\$ (7,376)</u></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, Expendable Trust, Customer Deposit, 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 2012, the governing body amended the originally adopted budget of expenditures for the following fund: Prairie Trails Restaurant/Golf 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 budgets are prepared utilizing the cash basis further modified by the encumbrance method of accounting – that is, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures. 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 position of \$ 3,225,956 at December 31, 2012 due to the recording of the water storage space payable. The construction fund had a deficit net fund balance of \$ 1,117,752 at December 31, 2012 due to the number and amount of capital projects during the year. The tourism tax fund had a deficit net fund balance of \$ 264,641 at December 31, 2012 due to transfers out related to the investment in the joint venture.

Excess of Expenditures Over Appropriations

Expenditures and transfers out exceeded appropriations in the Tourism Tax Fund by \$ 263,939.

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, 2012, 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, 2012, 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	\$ 1,302,177	\$ 1,302,177	\$ -	\$ -	\$ -
Federal Home Loan Mortgage Corporation	688,209	688,209	-	-	-
Fixed income securities	125,809	125,809	-	-	-
Equities	55,186	55,186	-	-	-
	<u>\$ 2,171,381</u>	<u>\$ 2,171,381</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, 2012, 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, 2012 was as follows:

Primary Government

	Balance January 1, 2012	Increase	Decrease	Transfers/ Reclassifications	Balance December 31, 2012
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 4,742,964	\$ 22,046	\$ -	\$ 201	\$ 4,765,211
Construction in progress	5,592,169	3,883,774	(3,695,305)	-	5,780,638
Total capital assets not being depreciated	10,335,133	3,905,820	(3,695,305)	201	10,545,849
Capital assets being depreciated:					
Buildings	7,839,885	6,778	(15,000)	(189,827)	7,641,836
Improvements other than buildings	6,032,218	3,041,050	-	1,262	9,074,530
Infrastructure	28,961,379	2,731,889	-	-	31,693,268
Machinery and equipment	4,504,839	586,327	(120,425)	59,574	5,030,315
Total capital assets being depreciated	47,338,321	6,366,044	(135,425)	(128,991)	53,439,949
Less accumulated depreciation for:					
Buildings	2,613,803	178,601	(15,000)	(119,648)	2,657,756
Improvements other than buildings	1,819,605	226,523	-	-	2,046,128
Infrastructure	10,835,205	1,251,299	-	-	12,086,504
Machinery and equipment	2,860,921	355,194	(101,883)	47,367	3,161,599
Total accumulated depreciation	18,129,534	2,011,617	(116,883)	(72,281)	19,951,987
Total capital assets being depreciated, net	29,208,787	4,354,427	(18,542)	(56,710)	33,487,962
Governmental activities capital assets, net	\$ 39,543,920	\$ 8,260,247	\$ (3,713,847)	\$ (56,509)	\$ 44,033,811

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

5 - Capital Assets (Continued)

	Balance January 1, 2012	Increase	Decrease	Transfers/ Reclassifications	Balance December 31, 2012
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	2,784,355	1,665,542	(1,190,542)	-	3,259,355
Total capital assets not being depreciated	32,487,308	1,665,542	(1,190,542)	-	32,962,308
Capital assets being depreciated:					
Buildings	17,272,473	7,020	-	-	17,279,493
Improvements other than buildings	20,419,825	130,513	(78,479)	-	20,471,859
Machinery and equipment	4,362,198	1,438,849	(116,954)	(51,666)	5,632,427
Total capital assets being depreciated	42,054,496	1,576,382	(195,433)	(51,666)	43,383,779
Less accumulated depreciation for:					
Buildings	4,927,237	394,443	-	-	5,321,680
Improvements other than buildings	7,987,987	341,742	(58,647)	-	8,271,082
Machinery and equipment	2,376,035	379,054	(92,339)	(46,605)	2,616,145
Total accumulated depreciation	15,291,259	1,115,239	(150,986)	(46,605)	16,208,907
Total capital assets being depreciated, net	26,763,237	461,143	(44,447)	(5,061)	27,174,872
Business-type activities capital assets, net	\$ 59,250,545	\$ 2,126,685	\$ (1,234,989)	\$ (5,061)	\$ 60,137,180

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		\$	163,109
Public safety			223,420
Public works (including depreciation of infrastructure assets)			1,501,662
Health and sanitation			17,770
Culture and recreation			103,498
Economic development			2,158
Total depreciation expense - governmental activities		\$	<u>2,011,617</u>
Business-type activities:			
Waterworks utility		\$	330,289
Sewer utility			707,882
Refuse			76,892
Capital assets held by the City's internal service fund is charged to the various functions based on their usage			176
Total depreciation expense - business-type activities		\$	<u>1,115,239</u>

Capital asset activity for the Library component unit for the year ended December 31, 2012 was as follows:

	Balance January 1, 2012	Increase	Decrease	Transfers	Balance December 31, 2012
Discretely presented component unit:					
Capital assets being depreciated:					
Buildings	\$ 800,292	\$ -	\$ -	\$ 189,827	\$ 990,119
Machinery and equipment	209,345	4,950	-	-	214,295
Total capital assets being depreciated	<u>1,009,637</u>	<u>4,950</u>	<u>-</u>	<u>189,827</u>	<u>1,204,414</u>
Less accumulated depreciation for:					
Buildings	269,148	32,369	-	119,648	421,165
Machinery and equipment	138,267	2,952	-	-	141,219
Total accumulated depreciation	<u>407,415</u>	<u>35,321</u>	<u>-</u>	<u>119,648</u>	<u>562,384</u>
Total capital assets being depreciated, net	<u>602,222</u>	<u>(30,371)</u>	<u>-</u>	<u>70,179</u>	<u>642,030</u>
Discretely presented component unit capital assets, net	<u>\$ 602,222</u>	<u>\$ (30,371)</u>	<u>\$ -</u>	<u>\$ 70,179</u>	<u>\$ 642,030</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, 2012 for capital projects compared to the amount authorized:

Project	Spent-to-date	Remaining Commitments
Sewer improvements	\$ 7,546	\$ 18,454
Water improvements	35,717	40,283
Street improvements	11,941	232,830
Industrial park improvements	104,648	17,352
Building improvements	-	159,096
	\$ 159,852	\$ 468,015

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, 2012 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2012	Outstanding December 31, 2012
General Obligation Bonds:					
Governmental activities:					
Series 2004	3.30 - 3.40%	\$ 3,742,628	11/1/2014	\$ 409,415	\$ 860,184
Series 2006	3.60 - 4.25%	3,932,239	11/1/2021	249,748	2,781,676
Series 2008	3.00 - 4.25%	3,310,000	11/1/2023	185,000	2,590,000
Series 2010	1.00 - 3.35%	1,648,262	11/1/2025	211,172	1,229,756
Series 2011	2.00 - 3.50%	5,715,000	11/1/2032	110,000	5,605,000
				1,165,335	13,066,616
Business-type activities:					
Series 2004	3.30 - 3.40%	782,372	11/1/2014	85,586	179,816
Series 2006	3.60 - 4.25%	633,761	11/1/2021	40,252	448,324
Series 2010	1.00 - 3.35%	546,738	11/1/2025	63,827	420,244
				189,665	1,048,384
				\$ 1,355,000	\$ 14,115,000

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	\$ 421,821	\$ 438,363
Series 2006	262,666	361,704
Series 2008	195,000	290,000
Series 2010	72,951	134,382
Series 2011	225,000	360,000
Business-type activities:		
Series 2004	88,179	91,637
Series 2006	42,334	58,296
Series 2010	22,049	40,618

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, 2012 are as follows:

Governmental activities	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	901,269	289,831	1,191,100
2018-2022	4,325,807	996,002	5,321,809
2023-2027	1,969,610	431,511	2,401,121
2028-2032	1,595,000	156,988	1,751,988
	<u>\$ 13,066,616</u>	<u>\$ 3,321,286</u>	<u>\$ 16,387,902</u>

Business-type activities	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	88,731	16,562	105,293
2018-2022	334,194	40,948	375,142
2023-2027	110,390	3,967	114,357
	<u>\$ 1,048,384</u>	<u>\$ 159,253</u>	<u>\$ 1,207,637</u>

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - Long-Term Debt (Continued)

Construction Loans Payable

During 2005, 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 \$ 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 \$ 8,691,460 is shown as a liability in the sewer fund. The future annual debt service requirements for the construction loan payable as of December 31, 2012 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest and Service Fees</u>	<u>Total</u>
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	553,668	173,690	727,358
2018-2022	3,000,632	636,160	3,636,792
2023-2027	3,064,168	208,942	3,273,110
	<u>\$ 8,691,460</u>	<u>\$ 1,855,234</u>	<u>\$ 10,546,694</u>

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - Long-Term Debt (Continued)

Construction Loans Payable (Continued)

During 2011, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$ 2,106,252 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%. The outstanding balance of \$ 1,263,751 is shown as a liability in the sewer fund. The future annual debt service requirements for the construction loan payable as of December 31, 2012 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest and Service Fees</u>	<u>Total</u>
2013	\$ 24,724	\$ 15,355	\$ 40,079
2014	50,352	29,804	80,156
2015	51,583	28,573	80,156
2016	52,844	27,312	80,156
2017	54,136	26,020	80,156
2018-2022	291,194	109,590	400,784
2023-2027	328,572	72,211	400,783
2028-2032	370,748	30,035	400,783
2033-2037	39,598	481	40,079
	<u>\$ 1,263,751</u>	<u>\$ 339,381</u>	<u>\$ 1,603,132</u>

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 2012 by \$ 1,289,624 representing accrued interest. At December 31, 2012 the liability including accrued interest is \$ 38,114,995. 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, 2012, the City has cash and investments of \$ 4,338,631 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 \$ 2,263,584 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, 2012 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	53,093	72,442	125,535
2018-2022	294,694	332,981	627,675
2023-2027	350,038	277,637	627,675
2028-2032	415,775	211,900	627,675
2033-2037	493,858	133,817	627,675
2038-2042	461,120	41,068	502,188
	<u>\$ 2,263,584</u>	<u>\$ 1,376,979</u>	<u>\$ 3,640,563</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 \$ 6,742,216 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, 2012 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	91,471	224,347	315,818
2018-2022	507,706	1,071,382	1,579,088
2023-2027	603,054	976,034	1,579,088
2028-2032	716,308	862,780	1,579,088
2033-2037	850,831	728,257	1,579,088
2038-2042	1,010,618	568,470	1,579,088
2043-2047	1,200,413	378,675	1,579,088
2047-2052	1,425,852	153,236	1,579,088
	<u>\$ 6,742,216</u>	<u>\$ 5,890,490</u>	<u>\$ 12,632,706</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, 2012 was as follows:

	Outstanding January 1, 2012	Additions	Reductions	Outstanding December 31, 2012	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 14,231,951	\$ -	\$ 1,165,335	\$ 13,066,616	\$ 1,228,511
Temporary notes payable	740,000	-	740,000	-	-
Compensated absences	233,070	283,261	278,335	237,996	235,533
Total long-term liabilities - governmental activities	<u>\$ 15,205,021</u>	<u>\$ 283,261</u>	<u>\$ 2,183,670</u>	<u>\$ 13,304,612</u>	<u>\$ 1,464,044</u>
Business-type activities:					
General obligation bonds	\$ 1,238,049	\$ -	\$ 189,665	\$ 1,048,384	\$ 166,489
Construction loans payable	10,290,701	1,016,719	1,352,209	9,955,211	522,464
Water storage space payable	45,952,878	1,289,624	121,707	47,120,795	125,969
Temporary notes payable	1,260,000	-	-	1,260,000	1,260,000
Compensated absences	138,368	142,296	154,285	126,379	121,403
Total long-term liabilities - business-type activities	<u>\$ 58,879,996</u>	<u>\$ 2,448,639</u>	<u>\$ 1,817,866</u>	<u>\$ 59,510,769</u>	<u>\$ 2,196,325</u>
Component unit:					
Compensated absences	<u>\$ 23,553</u>	<u>\$ 15,990</u>	<u>\$ 13,611</u>	<u>\$ 25,932</u>	<u>\$ 24,743</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, 2012, Industrial Revenue Bonds outstanding had an aggregate principal amount payable of approximately \$ 3,270,000.

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, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Temporary notes	\$ 740,000	\$ -	\$ (740,000)	\$ -
Business-type activities:				
Temporary notes	\$ 1,260,000	\$ -	\$ -	\$ 1,260,000
<u>Issue</u>		<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
1881		\$ 1,260,000	1.64%	2/26/2014

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

9 - Interfund Receivables and Payables

Advances from/to other funds

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Waterworks system	\$ 2,256,200	Sewer system	\$ 873,800
		Refuse	287,000
		Other governmental	1,095,400
			<u>\$ 2,256,200</u>

The amounts payable to the waterworks system fund are a result of funds paid to the Authority as described in Note 1. Approximately \$ 76,000 of the balance is schedule to be collected in the subsequent year.

10 - 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, 2012, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major governmental funds:		
General	\$ 781,506	\$ 1,568,021
Debt Service	75,000	-
Construction	3,697,693	283,930
Nonmajor governmental funds	394,464	1,203,899
Major proprietary funds:		
Waterworks System	2,358,518	2,865,920
Sewer System	1,747	1,048,158
Refuse	-	359,000
Internal Service Fund:		
Data Processing	20,000	-
Total transfers	<u>\$ 7,328,928</u>	<u>\$ 7,328,928</u>

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

10 - Interfund Transfers (Continued)

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.

11 - 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.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

11 - Pension Plan (Continued)

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 2012 was 8.34%. 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, 2012 through June 30, 2012. The employer contributions to KPERS for the years ended December 31, 2012, 2011 and 2010 were \$ 353,219, \$ 313,270, and \$ 303,485, 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 2012 is 16.54%. 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, 2012, 2011, and 2010 were \$ 324,386, \$ 272,793, and \$ 239,942, respectively, equal to the statutory required contributions for each year.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

12 - 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 2012, three retirees 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 2012, the City contributed \$ 31,678 to the Plan. Plan members receiving benefits contributed \$ 10,167, or less than 1% of the total premiums.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

12 - 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 2012:

Annual required contribution	\$ 31,678
Annual OPEB cost (expense)	\$ 31,678
Contributions made	<u>31,678</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 2012 are as follows:

<u>Year</u>	<u>Annual OPEB Costs</u>	<u>Net Employer Contributions</u>	<u>Percentage Contributed</u>	<u>End of Year OPEB Obligation</u>
2010	\$ 78,192	\$ 78,192	100%	\$ -
2011	78,192	78,192	100%	-
2012	31,678	31,678	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)

12 - 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, 2012, 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, 2012 was 29 years.

13 - 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)

14 - 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, 2012, the City's recorded encumbrances in governmental funds were as follows:

Construction	\$ 532,120
Other nonmajor governmental funds	<u>26,605</u>
	<u>\$ 558,725</u>

15 - 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)

15 - 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 \$ 79,644 reported at December 31, 2012 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, 2012, the City had approximately \$ 400,000 assigned in the General Fund for payment of health claims. The changes in health care claims payable for the years ended December 31, 2012 and the prior two years are as follows:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Year End
2010	\$ 282,311	\$ 898,115	\$ 1,021,488	\$ 158,938
2011	158,938	727,636	826,998	59,576
2012	59,576	1,156,645	1,136,577	79,644

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

16 - Subsequent Events

Subsequent to year end, the City authorized \$ 6,645,000 in General Obligation Refunding and Improvement Bonds, Series 2013A to conduct a crossover refunding for General Obligation Bonds Series 2006 and 2010-01 in the amounts of \$ 2,685,000 and \$ 1,310,000, respectively, and to finance various improvement projects within the City in the amount of \$ 2,650,000. The Official Statement is dated May 20, 2013 and the bonds will be dated June 27, 2013 with interest rates ranging between 1.0% and 2.75% and maturities ranging from \$ 215,000 through \$ 660,000.

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.

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

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

Law Enforcement Trust 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, 2012

	Airport	Major Street Improve- ment	Industrial Develop- ment	Special Parks and Recreation	Tourism Tax	Economic Develop- ment Sales Tax
<u>ASSETS</u>						
Cash and investments	\$ 53,343	\$ 24,262	\$ 569,513	\$ 77,433	\$ 244,465	\$ 245,000
Receivables (net of allowance for uncollectibles):						
Property tax	92,755	-	82,262	-	-	-
Special assessment tax	-	-	-	-	-	-
Accounts	6,810	107,922	-	-	38,594	-
Due from other governments	-	-	-	-	-	-
Total assets	<u>\$ 152,908</u>	<u>\$ 132,184</u>	<u>\$ 651,775</u>	<u>\$ 77,433</u>	<u>\$ 283,059</u>	<u>\$ 245,000</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 1,072	\$ 7,617	\$ -	\$ 2,098	\$ -	\$ -
Accrued payroll	1,411	9,646	-	-	-	-
Deferred revenue	92,755	-	82,262	-	-	-
Advances from other funds	-	-	547,700	-	547,700	-
Total liabilities	<u>95,238</u>	<u>17,263</u>	<u>629,962</u>	<u>2,098</u>	<u>547,700</u>	<u>-</u>
Fund balances:						
Restricted:						
Public safety	-	-	-	-	-	-
Economic development	-	-	-	-	-	245,000
Culture and recreation	-	-	-	70,056	-	-
Public works	-	-	-	-	-	-
Committed:						
Public safety	-	-	-	-	-	-
Assigned	57,670	114,921	21,813	5,279	-	-
Unassigned	-	-	-	-	(264,641)	-
Total fund balances	<u>57,670</u>	<u>114,921</u>	<u>21,813</u>	<u>75,335</u>	<u>(264,641)</u>	<u>245,000</u>
Total liabilities and fund balances	<u>\$ 152,908</u>	<u>\$ 132,184</u>	<u>\$ 651,775</u>	<u>\$ 77,433</u>	<u>\$ 283,059</u>	<u>\$ 245,000</u>

(Continued)

CITY OF EL DORADO, KANSAS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

(Continued)

December 31, 2012

	Stormwater Utility	Family Life Center	Expendable Trust	Customer Deposit	Law Enforcement Trust	Total Nonmajor Special Revenue Funds
<u>ASSETS</u>						
Cash and investments	\$ 327,430	\$ 2,396	\$ 31,158	\$ 12,254	\$ 1,534	\$ 1,588,788
Receivables (net of allowance for uncollectibles):						
Property tax	-	-	-	-	-	175,017
Special assessment tax	319,985	-	-	-	-	319,985
Accounts	1,062	-	4,132	-	-	158,520
Due from other governments	-	2,084	-	-	-	2,084
Total assets	<u>\$ 648,477</u>	<u>\$ 4,480</u>	<u>\$ 35,290</u>	<u>\$ 12,254</u>	<u>\$ 1,534</u>	<u>\$ 2,244,394</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 203	\$ -	\$ -	\$ -	\$ -	\$ 10,990
Accrued payroll	2,940	-	-	-	-	13,997
Deferred revenue	319,985	-	-	-	-	495,002
Advances from other funds	-	-	-	-	-	1,095,400
Total liabilities	<u>323,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,615,389</u>
Fund balances:						
Restricted:						
Public safety	-	-	-	-	1,534	1,534
Economic development	-	-	-	-	-	245,000
Culture and recreation	-	4,480	-	-	-	74,536
Public works	279,718	-	-	-	-	279,718
Committed:						
Public safety	-	-	-	12,254	-	12,254
Assigned	45,631	-	35,290	-	-	280,604
Unassigned	-	-	-	-	-	(264,641)
Total fund balances	<u>325,349</u>	<u>4,480</u>	<u>35,290</u>	<u>12,254</u>	<u>1,534</u>	<u>629,005</u>
Total liabilities and fund balances	<u>\$ 648,477</u>	<u>\$ 4,480</u>	<u>\$ 35,290</u>	<u>\$ 12,254</u>	<u>\$ 1,534</u>	<u>\$ 2,244,394</u>

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

December 31, 2012

	Airport	Major Street Improve- ment	Industrial Develop- ment	Special Parks and Recreation	Tourism Tax	Economic Develop- ment Sales Tax
Revenues:						
Taxes:						
Property	\$ 60,762	\$ -	\$ 69,839	\$ -	\$ -	\$ -
Sales	-	-	-	-	-	50,000
Tourism	-	-	-	-	166,878	-
Intergovernmental	-	476,492	-	36,004	-	-
Licenses and permits	-	3,398	-	960	-	-
Charges for services	184,622	800	-	-	-	-
Special assessments	-	-	-	-	-	-
Investment earnings	76	-	-	-	179	-
Miscellaneous	6,042	2,919	-	-	-	-
Total revenues	251,502	483,609	69,839	36,964	167,057	50,000
Expenditures:						
General government	219,298	3,040	-	-	-	-
Highways and streets	-	834,218	-	-	-	-
Health and sanitation	-	-	-	-	-	-
Culture and recreation	-	-	-	17,768	-	-
Economic development	-	-	47,240	-	128,799	-
Capital outlay	-	29,164	7,100	-	-	-
Total expenditures	219,298	866,422	54,340	17,768	128,799	-
Excess (deficiency) of revenues over (under) expenditures	32,204	(382,813)	15,499	19,196	38,258	50,000
Other financing sources (uses):						
Transfers in	3,054	390,000	-	431	-	-
Transfers out	(56,037)	-	(582,162)	-	(547,700)	-
Total other financing sources (uses)	(52,983)	390,000	(582,162)	431	(547,700)	-
Net change in fund balances	(20,779)	7,187	(566,663)	19,627	(509,442)	50,000
Fund balances, beginning of year	78,449	107,734	588,476	55,708	244,801	195,000
Fund balances, end of year	\$ 57,670	\$ 114,921	\$ 21,813	\$ 75,335	\$ (264,641)	\$ 245,000

(Continued)

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

December 31, 2012

	Stormwater Utility	Family Life Center	Expendable Trust	Customer Deposit	Law Enforcement Trust	Total Nonmajor Special Revenue Funds
Revenues:						
Taxes:						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130,601
Sales	-	-	-	-	-	50,000
Tourism	-	-	-	-	-	166,878
Intergovernmental	-	28,878	79,303	-	-	620,677
Licenses and permits	-	-	-	-	-	4,358
Charges for services	-	-	-	-	-	185,422
Special assessments	310,803	-	-	-	-	310,803
Investment earnings	361	-	-	-	-	616
Miscellaneous	1,061	-	31,963	39,532	-	81,517
Total revenues	<u>312,225</u>	<u>28,878</u>	<u>111,266</u>	<u>39,532</u>	<u>-</u>	<u>1,550,872</u>
Expenditures:						
General government	221,698	-	-	-	-	444,036
Highways and streets	-	-	-	-	-	834,218
Health and sanitation	-	24,398	-	73,903	-	98,301
Culture and recreation	-	-	81,238	-	-	99,006
Economic development	-	-	-	-	-	176,039
Capital outlay	77,910	-	52,969	-	-	167,143
Total expenditures	<u>299,608</u>	<u>24,398</u>	<u>134,207</u>	<u>73,903</u>	<u>-</u>	<u>1,818,743</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,617</u>	<u>4,480</u>	<u>(22,941)</u>	<u>(34,371)</u>	<u>-</u>	<u>(267,871)</u>
Other financing sources (uses):						
Transfers in	-	-	979	-	-	394,464
Transfers out	(18,000)	-	-	-	-	(1,203,899)
Total other financing sources (uses)	<u>(18,000)</u>	<u>-</u>	<u>979</u>	<u>-</u>	<u>-</u>	<u>(809,435)</u>
Net change in fund balances	<u>(5,383)</u>	<u>4,480</u>	<u>(21,962)</u>	<u>(34,371)</u>	<u>-</u>	<u>(1,077,306)</u>
Fund balances, beginning of year	<u>330,732</u>	<u>-</u>	<u>57,252</u>	<u>46,625</u>	<u>1,534</u>	<u>1,706,311</u>
Fund balances, end of year	<u>\$ 325,349</u>	<u>\$ 4,480</u>	<u>\$ 35,290</u>	<u>\$ 12,254</u>	<u>\$ 1,534</u>	<u>\$ 629,005</u>

CITY OF EL DORADO, KANSAS

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

CEMETERY

Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 650	\$ 650	\$ 750	\$ 100
Charges for services	81,500	81,500	59,770	(21,730)
Miscellaneous	-	-	797	797
Total revenues	82,150	82,150	61,317	(20,833)
Expenditures:				
Personal services	129,943	129,943	123,989	5,954
Contractual services	19,400	19,400	22,750	(3,350)
Commodities	30,250	30,250	32,046	(1,796)
Capital outlay	-	-	107	(107)
Total expenditures	179,593	179,593	178,892	701
Excess of revenues over (under) expenditures	(97,443)	(97,443)	(117,575)	(20,132)
Other financing sources:				
Transfers in	94,174	94,174	120,000	25,826
Net change in fund balances	(3,269)	(3,269)	2,425	5,694
Fund balance, beginning of year	30,208	30,208	4,633	(25,575)
Fund balance, end of year	\$ 26,939	\$ 26,939	7,058	\$ (19,881)
Reconciliation to GAAP				
Change in receivables			(52)	
Change in payables			(488)	
Fund balances on the basis of GAAP			\$ 6,518	

CITY OF EL DORADO, KANSAS

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

EXTERNAL STORES

Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ 80,000	\$ 80,000	\$ 18,173	\$ (61,827)
Expenditures:				
Commodities	80,000	80,000	5,879	74,121
Net change in fund balances	-	-	12,294	12,294
Fund balance, beginning of year	-	-	6,832	6,832
Fund balance, end of year	\$ -	\$ -	19,126	\$ 19,126
<u>Reconciliation to GAAP</u>				
Change in payables			(10,573)	
Fund balances on the basis of GAAP			\$ 8,553	

CITY OF EL DORADO, KANSAS

SCHEDULE 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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ -	\$ 447,266	\$ 474,348	\$ 27,082
Reimbursements	-	5,665	6,769	1,104
Miscellaneous	-	7,538	-	(7,538)
	-	460,469	481,117	20,648
Expenditures:				
Personal services	-	274,015	275,233	(1,218)
Contractual services	180,000	144,427	122,493	21,934
Commodities	-	149,776	177,558	(27,782)
Capital outlay	58,569	82,572	53,330	29,242
Total expenditures	238,569	650,790	628,614	22,176
Excess of revenues over (under) expenditures	(238,569)	(190,321)	(147,497)	42,824
Other financing sources (uses):				
Transfers in	233,000	190,321	233,000	42,679
Transfers out	-	-	(11,294)	(11,294)
Total other financing sources (uses)	233,000	190,321	221,706	31,385
Net change in fund balances	(5,569)	-	74,209	74,209
Fund balance, beginning of year	5,569	75,431	77,640	2,209
Fund balance, end of year	\$ -	\$ 75,431	151,849	\$ 76,418
<u>Reconciliation to GAAP</u>				
Change in receivables			(1,104)	
Change in payables			2,582	
Fund balances on the basis of GAAP			\$ 153,327	

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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 62,091	\$ 62,091	\$ 60,762	\$ (1,329)
Intergovernmental	50,000	50,000	-	(50,000)
Charges for services	136,000	136,000	184,251	48,251
Investment earnings	-	-	76	76
Miscellaneous	2,750	2,750	6,042	3,292
Total revenues	250,841	250,841	251,131	290
Expenditures:				
Personal services	74,673	74,673	73,644	1,029
Contractual services	42,050	42,050	27,512	14,538
Commodities	82,800	82,800	117,934	(35,134)
Capital outlay	33,361	33,361	-	33,361
Miscellaneous	1,318	1,318	-	1,318
Total expenditures	234,202	234,202	219,090	15,112
Excess of revenues over (under) expenditures	16,639	16,639	32,041	15,402
Other financing sources (uses):				
Transfers in	-	-	3,054	3,054
Transfers out	(50,000)	(50,000)	(56,037)	(6,037)
Total other financing sources (uses)	(50,000)	(50,000)	(52,983)	(2,983)
Net change in fund balances	(33,361)	(33,361)	(20,942)	12,419
Fund balance, beginning of year	33,361	33,361	79,191	45,830
Fund balance, end of year	\$ -	\$ -	58,249	\$ 58,249
Reconciliation to GAAP				
Change in receivables			(371)	
Change in payables			(208)	
Fund balances on the basis of GAAP			\$ 57,670	

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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 469,733	\$ 469,733	\$ 473,908	\$ 4,175
Licenses and permits	-	-	4,198	4,198
Reimbursements	15,000	15,000	2,919	(12,081)
Total revenues	484,733	484,733	481,025	(3,708)
Expenditures:				
Personal services	580,511	580,511	513,878	66,633
Contractual services	193,750	193,750	151,830	41,920
Commodities	217,350	217,350	177,738	39,612
Capital outlay	12,500	12,500	29,164	(16,664)
Total expenditures	1,004,111	1,004,111	872,610	131,501
Excess of revenues over (under) expenditures	(519,378)	(519,378)	(391,585)	127,793
Other financing sources:				
Transfers in	520,000	520,000	390,000	(130,000)
Net change in fund balances	622	622	(1,585)	(2,207)
Fund balance, beginning of year	2,073	2,073	112,902	110,829
Fund balance, end of year	\$ 2,695	\$ 2,695	111,317	\$ 108,622
<u>Reconciliation to GAAP</u>				
Change in receivables			(2,584)	
Change in payables			6,188	
Fund balances on the basis of GAAP			\$ 114,921	

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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 70,949	\$ 70,949	\$ 69,839	\$ (1,110)
Total revenues	70,949	70,949	69,839	(1,110)
Expenditures:				
Contractual services	69,350	69,350	43,140	26,210
Commodities	175	175	4,100	(3,925)
Capital outlay	642,835	642,835	7,100	635,735
Miscellaneous	1,424	1,424	-	1,424
Total expenditures	713,784	713,784	54,340	659,444
Excess of revenues over (under) expenditures	(642,835)	(642,835)	15,499	658,334
Other financing uses:				
Transfers out	-	-	(582,162)	(582,162)
Net change in fund balances	(642,835)	(642,835)	(566,663)	76,172
Fund balance, beginning of year	642,835	642,835	588,476	(54,359)
Fund balance, end of year	\$ -	\$ -	\$ 21,813	\$ 21,813

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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 33,159	\$ 33,159	\$ 36,004	\$ 2,845
Fees	2,400	2,400	960	(1,440)
Total revenues	35,559	35,559	36,964	1,405
Expenditures:				
Contractual services	11,053	11,053	6,098	4,955
Commodities	8,500	8,500	13,768	(5,268)
Capital outlay	63,428	63,428	-	63,428
Total expenditures	82,981	82,981	19,866	63,115
Excess of revenues over (under) expenditures	(47,422)	(47,422)	17,098	64,520
Other financing sources:				
Transfers in	-	-	431	431
Net change in fund balances	(47,422)	(47,422)	17,529	64,951
Fund balance, beginning of year	47,422	47,422	55,708	8,286
Fund balance, end of year	\$ -	\$ -	73,237	\$ 73,237
<u>Reconciliation to GAAP</u>				
Change in payables			2,098	
Fund balances on the basis of GAAP			\$ 75,335	

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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 160,000	\$ 160,000	\$ 167,610	\$ 7,610
Investment earnings	1,000	1,000	179	(821)
Total revenues	161,000	161,000	167,789	6,789
Expenditures:				
Contractual services	412,560	412,560	128,799	283,761
Excess of revenues over (under) expenditures	(251,560)	(251,560)	38,990	290,550
Other financing uses:				
Transfers out	-	-	(547,700)	(547,700)
Net change in fund balances	(251,560)	(251,560)	(508,710)	(257,150)
Fund balance, beginning of year	251,560	251,560	245,337	(6,223)
Fund balance, end of year	\$ -	\$ -	(263,373)	\$ (263,373)
<u>Reconciliation to GAAP</u>				
Change in receivables			(1,268)	
Fund balances on the basis of GAAP			\$ (264,641)	

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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ 50,000	\$ 50,000
Expenditures:				
Contractual services	245,000	245,000	-	245,000
Excess of revenues over (under) expenditures	(245,000)	(245,000)	50,000	295,000
Other financing sources:				
Transfers in	50,000	50,000	-	(50,000)
Net change in fund balances	(195,000)	(195,000)	50,000	245,000
Fund balance, beginning of year	195,000	195,000	195,000	-
Fund balance, end of year	\$ -	\$ -	\$ 245,000	\$ 245,000

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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special assessment taxes	\$ 303,036	\$ 303,036	\$ 310,803	\$ 7,767
Charges for services	33,000	33,000	-	(33,000)
Reimbursements	1,000	1,000	262	(738)
Investment earnings	-	-	361	361
Total revenues	337,036	337,036	311,426	(25,610)
Expenditures:				
Personal services	212,585	212,585	183,194	29,391
Contractual services	12,900	12,900	11,317	1,583
Commodities	37,000	37,000	26,406	10,594
Capital outlay	391,074	391,074	77,910	313,164
Total expenditures	653,559	653,559	298,827	354,732
Excess of revenues over (under) expenditures	(316,523)	(316,523)	12,599	329,122
Other financing uses:				
Transfers out	(18,000)	(18,000)	(18,000)	-
Net change in fund balances	(334,523)	(334,523)	(5,401)	329,122
Fund balance, beginning of year	334,523	334,523	330,769	(3,754)
Fund balance, end of year	\$ -	\$ -	325,368	\$ 325,368
Reconciliation to GAAP				
Change in receivables			(800)	
Change in payables			781	
Fund balances on the basis of GAAP			\$ 325,349	

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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,033,516	\$ 1,033,516	\$ 1,014,589	\$ (18,927)
Special assessments	520,482	520,482	524,188	3,706
Investment earnings	2,750	2,750	1,157	(1,593)
Miscellaneous	-	-	801	801
Total revenues	1,556,748	1,556,748	1,540,735	(16,013)
Expenditures:				
Contractual services	782,335	782,335	72,192	710,143
Debt redemption	1,510,138	1,510,138	1,592,432	(82,294)
Miscellaneous	21,256	21,256	-	21,256
Total expenditures	2,313,729	2,313,729	1,664,624	649,105
Excess of revenues over (under) expenditures	(756,981)	(756,981)	(123,889)	633,092
Other financing sources:				
Transfers in	75,000	75,000	75,000	-
Net change in fund balances	(681,981)	(681,981)	(48,889)	633,092
Fund balance, beginning of year	681,981	681,981	799,844	117,863
Fund balance, end of year	\$ -	\$ -	750,955	\$ 750,955
<u>Reconciliation to GAAP</u>				
Change in receivables			(1,601)	
Fund balances on the basis of GAAP			\$ 749,354	

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.

Neighborhood Revitalization Rebate Fund – to account for the rebate of local property taxes related to improvements to real property authorized by State statute under the Neighborhood Revitalization Program.

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, 2012

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
<u>SALES TAX FUND</u>				
Assets:				
Cash and investments	\$ 3,123	\$ 15,374	\$ 15,641	\$ 2,856
Accounts receivable	3,478	821	3,478	821
Total assets	<u>\$ 6,601</u>	<u>\$ 16,195</u>	<u>\$ 19,119</u>	<u>\$ 3,677</u>
Liabilities:				
Accounts payable	<u>\$ 6,601</u>	<u>\$ 16,195</u>	<u>\$ 19,119</u>	<u>\$ 3,677</u>
<u>REVOLVING LOAN FUND</u>				
Assets:				
Cash and investments	<u>\$ -</u>	<u>\$ 41,580</u>	<u>\$ -</u>	<u>\$ 41,580</u>
Liabilities:				
Accounts payable	<u>\$ -</u>	<u>\$ 41,580</u>	<u>\$ -</u>	<u>\$ 41,580</u>
<u>NEIGHBORHOOD REVITALIZATION REBATE FUND</u>				
Assets:				
Cash and investments	<u>\$ -</u>	<u>\$ 37,346</u>	<u>\$ 37,346</u>	<u>\$ -</u>
Liabilities:				
Accounts payable	<u>\$ -</u>	<u>\$ 37,346</u>	<u>\$ 37,346</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, 2012

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
<u>PAYROLL WITHHOLDING FUND</u>				
Assets:				
Cash and investments	\$ 8,083	\$ -	\$ 2,638	\$ 5,445
Liabilities:				
Accounts payable	\$ 8,083	\$ -	\$ 2,638	\$ 5,445
 <u>TOTALS - ALL AGENCY FUNDS</u>				
Assets:				
Cash and investments	\$ 11,206	\$ 94,300	\$ 55,625	\$ 49,881
Accounts receivable	3,478	821	3,478	821
Total assets	\$ 14,684	\$ 95,121	\$ 59,103	\$ 50,702
Liabilities:				
Accounts payable	\$ 14,684	\$ 95,121	\$ 59,103	\$ 50,702

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, 2012

ASSETS

Cash and investments	\$ 278,370
Endowment investment	266,387
Property tax receivable	388,750
Accounts receivable	214
	214
Total assets	\$ 933,721

LIABILITIES AND
 FUND BALANCES

Liabilities:	
Accounts payable	\$ 4,659
Accrued payroll	7,182
Deferred revenue	388,750
	388,750
Total liabilities	400,591
Fund balances:	
Restricted:	
Specific library programs	302,338
Assigned	230,792
	230,792
Total fund balances	533,130
Total liabilities and fund balances	\$ 933,721

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, 2012

Revenues:	
Property taxes	\$ 426,211
Intergovernmental	27,500
Charges for services	3,254
Fines and forfeitures	16,472
Investment earnings	31,333
Miscellaneous	<u>23,193</u>
Total revenues	<u>527,963</u>
Expenditures:	
Personal services	325,140
Contractual services	63,907
Commodities	<u>105,066</u>
Total expenditures	<u>494,113</u>
Net change in fund balance	33,850
Fund balances, beginning of year	<u>499,280</u>
Fund balances, end of year	<u><u>\$ 533,130</u></u>

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	92 - 97
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	98 - 102
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	103 - 107
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	108 - 109
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	110 - 112
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
Net Position by Component
Last Ten Years
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Net investment in capital assets	\$ 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	\$ 30,967,195
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	3,792,344
Unrestricted	2,941,503	2,328,514	(1,121,761)	4,091,024	4,132,895	5,012,872	6,974,613	2,759,317	8,719,784	5,609,678
Total Governmental Activities										
Net Position	<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>	<u>\$ 40,369,217</u>
Business-Type Activities										
Net investment in capital assets	\$ 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	\$ 20,367,761
Restricted	3,895,333	3,888,639	4,184,789	3,707,081	4,232,536	5,275,462	4,291,580	-	-	-
Unrestricted	2,009,542	1,633,710	2,663,221	4,829,691	4,618,666	4,873,410	4,487,827	(5,716,018)	(7,359,679)	(11,450,255)
Total Business-type Activities										
Net Position	<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>	<u>\$ 8,917,506</u>
Primary Government										
Net investment in capital assets	\$ 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	\$ 51,334,956
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	3,792,344
Unrestricted	4,951,045	3,962,224	1,541,460	8,920,715	8,751,561	9,886,282	11,462,440	(2,956,701)	1,360,105	(5,840,577)
Total Primary Government										
Net Position	<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>	<u>\$ 49,286,723</u>

City of El Dorado
Changes in Net Position
Last Ten Years
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 2,202,906
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	3,799,331
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	3,254,173
Health and sanitation	399,288	344,901	379,600	297,420	348,902	325,911	380,489	415,808	371,126	411,502
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	1,389,464
Economic development	241,841	238,402	341,995	393,419	447,454	696,186	245,863	173,649	201,947	178,197
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	432,603
Total Governmental Activities Expenses	7,934,086	9,135,342	9,640,259	9,569,628	10,116,315	9,750,828	10,507,609	11,620,685	12,291,127	11,668,176
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	4,469,711
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	2,069,672
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	1,448,504
Total business-type activities expenses	4,996,525	5,145,404	5,059,884	5,746,861	5,834,409	6,468,017	7,710,226	7,815,472	8,345,610	7,987,887
Total Primary Government Expenses	\$ 12,930,611	\$ 14,280,746	\$ 14,700,143	\$ 15,316,489	\$ 15,950,724	\$ 16,218,845	\$ 18,217,835	\$ 19,436,157	\$ 20,636,737	\$ 19,656,063
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	\$ 189,402
Public safety	373,853	417,104	372,886	462,950	605,032	823,297	843,559	654,256	642,715	635,027
Public works	104,738	7,953	113,563	23,692	21,300	36,072	313,580	582,910	131,947	194,528
Health and sanitation	86,135	239,418	21,417	-	105,241	87,016	125,911	426,229	128,012	117,179
Culture and recreation	112,018	128,368	137,379	114,152	115,002	114,374	139,964	712,167	628,262	652,320
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	602,199
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	2,305,996
Total Governmental Activities Program Revenues	4,326,707	5,462,374	4,888,731	6,480,782	5,056,071	4,188,380	11,360,264	6,936,939	4,866,968	4,696,651

City of El Dorado
Changes in Net Position
Last Ten Years (Continued)
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	4,204,657
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	2,146,207
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	1,434,386
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	842,501
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	8,627,751
Total Primary Government Program Revenues	\$ 9,738,818	\$ 11,127,655	\$ 11,296,040	\$ 13,563,219	\$ 12,432,345	\$ 11,601,267	\$ 18,831,333	\$ 14,537,769	\$ 13,302,243	\$ 13,324,402
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)	\$ (6,971,525)
Business-type activities	415,586	519,877	1,347,425	1,335,576	1,541,865	944,870	(239,157)	(214,642)	89,665	639,864
Total Primary Government Net Expense	\$ (3,191,793)	\$ (3,153,091)	\$ (3,404,103)	\$ (1,753,270)	\$ (3,518,379)	\$ (4,617,578)	\$ 613,498	\$ (4,898,388)	\$ (7,334,494)	\$ (6,331,661)
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	\$ 3,651,884
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	2,377,070
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	1,050,082
Tourism taxes	95,760	93,698	101,192	111,064	96,864	189,497	154,538	141,187	151,814	166,878
Investment earnings	91,175	32,426	144,540	284,758	304,221	182,996	41,448	28,447	19,829	6,731
Transfers in (out)	80,117	31,054	8,360	722,406	15,781	-	177,610	39,401	1,649,838	1,906,934
Total Governmental Activities	6,231,558	6,349,835	6,646,310	7,786,872	7,724,567	8,307,083	8,419,870	7,306,381	9,147,298	9,159,579
Business-type activities										
Investment earnings ¹	25,349	(67,511)	350,955	163,496	600,972	515,030	(526,735)	318,628	571,651	160,775
Transfer in (out)	(80,117)	(31,054)	(8,360)	(722,406)	(15,781)	-	(177,610)	(39,401)	(1,649,838)	(1,906,934)
Total business-type activities	(54,768)	(98,565)	342,595	(558,910)	585,191	515,030	(704,345)	279,227	(1,078,187)	(1,746,159)
Total Primary Government	\$ 6,176,790	\$ 6,251,270	\$ 6,988,905	\$ 7,227,962	\$ 8,309,758	\$ 8,822,113	\$ 7,715,525	\$ 7,585,608	\$ 8,069,111	\$ 7,413,420

City of El Dorado
Changes in Net Position
Last Ten Years (Continued)
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Change In Net Position										
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	\$ 2,188,054
Business-type activities	360,818	421,312	1,690,020	776,666	2,127,056	1,459,900	(943,502)	64,585	(988,522)	(1,106,295)
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>	<u>\$ 1,081,759</u>

Notes:

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
Fund Balances, Governmental Funds
Last Ten Years
(modified 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>	<u>2012</u>
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	115,518
Restricted ¹	-	-	-	-	-	-	-	-	-	-
Committed ¹	-	-	-	-	-	-	-	-	-	-
Assigned ¹	-	-	-	-	-	-	-	-	787,183	399,687
Unassigned ¹	-	-	-	-	-	-	-	-	3,524,885	3,154,540
Total General Fund	\$ 1,725,649	\$ 1,865,373	\$ 1,986,999	\$ 2,537,788	\$ 3,286,257	\$ 4,194,099	\$ 4,340,285	\$ 4,804,183	\$ 4,416,645	\$ 3,669,745
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)	(3,842,274)	-	-
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	1,350,142
Committed ¹	-	-	-	-	-	-	-	-	290,226	12,254
Assigned ¹	-	-	-	-	-	-	-	-	4,536,209	280,604
Unassigned ¹	-	-	-	-	-	-	-	-	-	(1,382,393)
Total All Other Governmental Funds	\$ (1,193,967)	\$ 1,331,164	\$ (2,757,563)	\$ 1,513,431	\$ 529,535	\$ 2,486,433	\$ 3,461,845	\$ 473,904	\$ 6,268,209	\$ 260,607

Notes:

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

Although a bond was issued in 2010 to reduce the deficit, a liability was created on the Balance Sheet of \$3,842,274. This was partly due to temporary notes issued of \$2,162,134 to help cover excess expenses not included in the bond and part was to currently refund the remaining \$755,000 balance of the Series 2002 General Obligation bonds.

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

City of El Dorado
Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified 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>	<u>2012</u>
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	\$ 7,245,914
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	2,031,138
Licenses and permits	88,121	100,353	90,126	119,693	130,329	112,214	140,719	128,612	128,930	148,891
Charges for services	584,684	736,373	788,675	636,989	659,960	953,987	864,245	1,631,740	1,390,018	1,527,311
Fines and forfeitures	196,218	189,051	151,686	161,239	209,248	261,838	266,283	331,678	248,445	295,843
Special assessment taxes	626,819	648,510	611,458	839,838	637,305	677,581	862,849	865,168	891,890	845,586
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	6,731
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	293,173
Total revenues	<u>\$ 10,348,038</u>	<u>\$ 11,463,158</u>	<u>\$ 11,577,055</u>	<u>\$ 13,123,157</u>	<u>\$ 12,289,194</u>	<u>\$ 13,123,136</u>	<u>\$ 19,181,633</u>	<u>\$ 13,677,480</u>	<u>\$ 11,863,472</u>	<u>\$ 12,394,587</u>
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	\$ 2,001,441
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	3,561,539
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	1,740,316
Health and sanitation	398,494	301,475	259,284	295,704	385,370	338,867	376,353	398,288	353,701	393,732
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	1,271,625
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	176,039
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	9,561,723
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	1,905,335
Interest	620,424	559,774	650,422	643,326	649,188	623,882	600,199	403,659	353,670	430,152
Total expenditures	<u>\$ 14,088,164</u>	<u>\$ 13,354,357</u>	<u>\$ 15,552,516</u>	<u>\$ 12,956,019</u>	<u>\$ 12,540,402</u>	<u>\$ 13,568,396</u>	<u>\$ 18,292,855</u>	<u>\$ 17,370,758</u>	<u>\$ 16,554,404</u>	<u>\$ 21,041,902</u>
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)	\$ (8,647,315)
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	-	-
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	4,948,663
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)	(3,055,850)
Total other financing sources (uses)	<u>\$ 80,117</u>	<u>\$ 4,556,054</u>	<u>\$ 8,360</u>	<u>\$ 4,654,645</u>	<u>\$ 15,781</u>	<u>\$ 3,310,000</u>	<u>\$ 232,820</u>	<u>\$ 932,663</u>	<u>\$ 7,357,699</u>	<u>\$ 1,892,813</u>
Net change in Fund Balances	<u>\$ (3,660,009)</u>	<u>\$ 2,664,855</u>	<u>\$ (3,967,101)</u>	<u>\$ 4,821,783</u>	<u>\$ (235,427)</u>	<u>\$ 2,864,740</u>	<u>\$ 1,121,598</u>	<u>\$ (2,760,615)</u>	<u>\$ 2,666,767</u>	<u>\$ (6,754,502)</u>
Fund balances, beginning of year, as originally stated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,802,130	\$ 8,018,087	\$ 10,684,854
Prior period adjustment	-	-	-	-	-	-	-	236,572	-	-
Fund balances, beginning of year, as restated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,038,702	\$ 8,018,087	\$ 10,684,854
Fund balances, end of year	<u>\$ (3,660,009)</u>	<u>\$ 2,664,855</u>	<u>\$ (3,967,101)</u>	<u>\$ 4,821,783</u>	<u>\$ (235,427)</u>	<u>\$ 2,864,740</u>	<u>\$ 1,121,598</u>	<u>\$ 5,278,087</u>	<u>\$ 10,684,854</u>	<u>\$ 3,930,352</u>
Debt service as a percentage of noncapital expenditures	19.3%	20.4%	23.3%	24.8%	22.3%	24.3%	42.9%	16.7%	27.9%	16.1%

City of El Dorado
Tax Revenues by Source, Governmental Funds
Last Ten 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
2012	3,158,613	493,271	2,377,070	1,050,082	166,878	7,245,914

Notes:

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
Property Tax Levies and Collections
Last Ten Years

<u>Fiscal Year²</u>	<u>Total Tax Levy¹</u>	<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>
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%
2012	3,620,912	3,489,016	96.36%	162,868	3,651,884	100.86%

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
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Years

Levy Year	Real Property	Personal Property ¹	Utilities	Oil & Gas	Total Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
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%
2012	74,272,212	3,650,271	4,360,055	5,130	82,287,668	47.163	386,726,081	21.33%

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.

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
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
2012	31.354	4.724	0.000	1.000	8.958	1.127	47.163	35.273	18.005	1.500	60.371	57.940	64.391

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 decrease 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
Principal Property Taxpayers
Current Year and Ten Years Ago

Taxpayer	2012			2003		
	Assessed Value	Rank	Percentage of Total Assessed Value	Assessed Value	Rank	Percentage of Total Assessed Value
Wal-Mart Real Estate	\$2,689,740	1	2.86%	---		---
Kansas Gas & Electric	1,435,506	2	1.52%	\$1,283,100	1	1.76%
Barton Solvents	1,353,380	3	1.44%	---		---
Kansas Gas Service ¹	1,163,623	4	1.24%	548,533	3	0.75%
Vlomis Enterprises	1,014,920	5	1.08%	---		---
Butler CO Commissioners	563,235	6	0.60%	---		---
Pioneer Balloon Co	558,125	7	0.59%	---		---
Butler Rural Electric Coop Assn	518,353	8	0.55%	250,162	7	0.34%
El Dorado Group II LLC	475,626	9	0.51%	336,850	4	0.46%
Southwestern Bell Telephone	470,300	10	0.50%	1,184,559	2	1.63%
Edmund & Barbara Terry	---		---	321,850	5	0.44%
Larry Fugate	---		---	256,153	6	0.35%
Ted & Barbara Dankert	---		---	202,638	8	0.28%
Vintage Place	---		---	193,094	9	0.27%
Susan B Allen Hospital	---		---	179,743	10	0.25%
Total	<u>\$10,242,808</u>		<u>10.88%</u>	<u>\$4,756,682</u>		<u>6.54%</u>
Total Assessed Value ²	\$94,157,706			\$72,764,874		

Source: Butler County 2012 tax roll

Notes:

¹ Formerly Western Resources - Gas Division

² Includes motor vehicle valuation

City of El Dorado
Ratios of Outstanding Debt by Type
Last Ten 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	4,000,000	-	-	-	1,421,707	1,260,000	-	44,824,478	10,060,824	74,764	71,670,066	25.57%	5,504
2011	14,231,951	740,000	-	-	-	1,238,049	1,260,000	-	45,952,878	10,290,701	-	73,713,579	25.87%	5,629
2012	13,066,616	-	-	-	-	1,048,384	1,260,000	-	47,120,795	9,955,211	-	72,451,006	27.25%	5,570

Notes: 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 new auditor's interpretation of the loan. This changed the Percentage of Personal Income and Debt Per Capita for both 2009 and 2010.

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>
2003	\$ 12,025,000	\$ 863,472	\$ 11,161,528	\$ 878.38	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 ³	736,524	10,713,476	823	1.96%
2011	15,470,000	796,642	14,673,358	1,120	2.72%
2012	14,115,000	749,354	13,365,646	1,027	2.48%

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.

³ The increase in the Less Debt Service Funds is due to a prior period adjustment.

City of El Dorado
Direct and Overlapping Debt
December 31, 2012

	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Overlapping Debt
Overlapping Debt:			
Butler County ²	\$ 1,301,000	12.99%	\$ 169,000
Unified School District No. 490	54,925,000	41.26%	22,662,055
Unified School District No. 375	28,249,703	15.70%	4,435,203
Butler Community College	-	12.99%	-
	\$ 84,475,703		\$ 27,266,258
Direct Debt:			
Net Bonded Debt	13,365,646		13,365,646
Total direct and overlapping debt	\$ 97,841,349		\$ 40,631,904

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
Legal Debt Margin
Last Ten Years**

	<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>	<u>2012</u>
Assessed Valuation	\$ 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	\$ 82,287,668
Assessed Valuation on Motor Vehicles	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	11,870,038
Total Assessed Valuation ¹	<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>	<u>\$ 94,157,706</u>
Legal Debt Limit ²	\$ 21,829,462	\$ 23,444,693	\$ 25,200,051	\$ 26,807,786	\$ 28,055,777	\$ 28,598,020	\$ 28,657,359	\$ 28,383,806	\$ 27,810,084	\$ 28,247,312
Bonded Indebtedness	\$ 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	\$ 14,115,000
Temporary Notes	3,484,000	-	4,789,228	395,305	2,511,305	95,000	655,000	4,000,000	2,000,000	1,260,000
Total Debt	<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>	<u>15,375,000</u>
Less:										
Assets in Debt Service Fund	\$ 863,472	\$ 712,706	\$ 261,816	\$ 117,689	\$ 503,723	\$ 592,941	\$ 599,126	\$ 736,524	\$ 796,642	\$ 749,354
Exempted Debt (KSA 10-309)-G.O. Bonds	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	4,733,138
Exempted Debt (KSA 10-309)-Temporary Notes	1,107,180	-	1,979,124	-	56,945	-	-	-	1,711,400	1,260,000
Waterworks Revenue Bonds	1,450,000	1,125,000	775,000	400,000	-	-	-	-	-	-
Sewer System Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Total Deductions	<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>	<u>6,742,492</u>
Total Amount Applicable to Debt Limit	<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>	<u>8,632,508</u>
Legal Debt Margin	<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>	<u>\$ 19,614,804</u>
Legal Debt Margin as a percentage of the Debt Limit	45.66%	54.18%	49.92%	58.14%	58.18%	60.60%	73.56%	64.58%	65.10%	69.44%

Notes:

¹ Computed in accordance with KSA 10-310.

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

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>
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
2012	4,269,918	2,469,957	1,799,961	-	-	-	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
Demographic and Economic Statistics
Last Ten Years

Fiscal Year	Population ¹	Personal Income	Per Capita Personal Income ²	Unemployment Rate % ³
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%
2012	13,008	\$ 265,866,458	\$ 20,439	6.6%

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
Principal Employers
Current Year and Ten Years Ago**

<u>Employer</u>	<u>2012</u>			<u>2003</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 ¹	1074	1	18.56%	800	1	13.29%
HollyFrontier Corporation ²	439	2	7.59%	396	3	6.58%
El Dorado Correctional Facility	425	3	7.35%	533	2	8.86%
Butler Community College	425	4	7.35%	350	4	5.81%
Butler County Government	400	5	6.91%	328	5	5.45%
Susan B. Allen Memorial Hospital	284	6	4.91%	258	6	4.29%
Walmart	236	7	4.08%	123	8	2.04%
C-Tech ³	195	8	3.37%	114	9	1.89%
Pioneer Balloon	190	9	3.28%	225	7	3.74%
City of El Dorado	136	10	2.35%			0.00%
International Utilities Structures Inc.	---	---	---	75	10	1.25%
Total	<u>3,804</u>		<u>65.74%</u>	<u>3,202</u>		<u>53.20%</u>
 Total Employment ⁴	 5,786			 6,019		

Source: City of El Dorado Survey of Employers

Notes:

¹ USD 490 includes Butler County Special Cooperative Employees

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

³ Formerly Blackburn Construction.

⁴ 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.

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

Function/Program	Full-Time Employees as of December 31									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Administration	5	2	3	1	1	1	1	1	1	1
Airport	0	0	0	0	0	1	1	1	1	1
Engineering	6	4	5	4	4	4	4	4	4	4
Legal/Judicial	3	3	3	2	4	3	3	3	3	4
Public Safety										
Police	29	27	28	25	26	28	28	28	29	29
Fire	13	14	12	16	14	17	17	17	16	17
Building/Zoning	1	1	1	2	3	2	2	2	2	3
Public Works										
Public Works	3	5	4	4	3	6	7	7	7	7
Major Street Improvements	11	11	8	8	9	10	9	10	10	15
Culture/Recreation										
Park Maintenance	3	2	3	2	2	1	2	3	3	4
Recreation	2	3	2	3	3	4	6	3	6	7
Health & Sanitation										
Health & Sanitation	2	2	2	2	2	2	2	2	2	2
Cemetery	2	1	1	2	2	2	2	2	2	2
Water	15	15	16	15	15	18	18	19	18	18
Sewer	7	6	5	6	7	5	5	6	6	6
Refuse	11	14	14	12	20	17	16	16	16	12
Stormwater	0	0	0	0	0	0	2	2	2	2
Data Processing	8	7	6	11	10	11	12	12	12	11
Total	121	117	113	115	125	132	137	138	140	145

Source: City Budget Office

Notes:

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
Operating Indicators by Function/Program
Last Ten Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Municipal Court										
Citations Issued	4,532	4,655	3,067	3,271	3,230	3,687	3,616	3,870	3,612	4,304
Warrants Issued	308	411	322	332	230	292	170	301	150	182
Warrants Served	195	185	146	159	139	198	127	227	202	235
Airport										
Fuel Sales (gallons)	30,568	34,130	26,146	23,691	18,869	17,101	24,380	18,523	18,461	19,210
Fire										
Total Number of Incidents	798	781	969	1,154	1,267	1,285	1,380	1,238	1,263	1,295
Fire Calls	165	156	183	227	144	129	158	122	187	180
Rescue & Emergency Medical Calls	218	247	321	517	665	752	768	719	662	787
Hazardous Materials Calls	94	83	167	48	73	65	107	77	69	40
Inspections	1,101	1,353	1,049	1,165	1,079	1,145	1,104	1,156	1,218	1,094
Hydrants Tested	214	276	291	648	0	406	567	705	695	782
Police										
Criminal Violations Reported	1,755	1,785	1,902	1,636	1,578	1,668	1,516	1,383	1,350	1,532
Traffic Accidents	540	527	486	634	490	481	387	307	275	237
DUI Arrests	81	79	69	54	57	94	89	80	72	77
Building & Zoning										
New Residential Construction Permits	18	24	22	30	29	22	15	17	5	7
New Commercial Construction Permits	8	11	5	7	5	4	6	14	8	5
Street Operations										
Streets Swept (Curb Miles)	5,762	3,968	2,246	2,925	3,673	4,406	3,744	4,619	3,747	4,167
Animal Control										
Animal Licenses	1,695	1,617	1,628	1,436	1,543	1,480	1,500	1,477	1,432	1,579
Animal Control Calls	876	727	916	843	1,051	984	979	1,575	987	1,602
Animal Citations	178	121	98	130	188	196	163	162	125	220
Cemetery										
Burials	166	143	154	147	151	138	135	162	138	128
Parks and Recreation										
Youth Soccer Participants	259	237	297	312	276	259	218	170	202	294
Swimming Pool Attendance	16,265	17,464	17,877	17,052	12,223	15,567	18,569	20,179	21,299	21,174
Youth Baseball/Softball Participants	721	735	715	628	595	369	324	385	407	580
Youth Basketball Participants	373	282	248	150	138	145	114	114	172	172
Youth Volleyball Participants	108	144	148	170	196	222	295	311	305	378
Adult Softball Teams	50	46	41	39	33	27	21	24	25	19
Adult Flag Football Teams	7	8	6	5	8	5	8	9	9	5
Adult Basketball Teams	18	9	10	7	5	7	5	8	8	12
Adult Volleyball Teams	0	0	55	44	35	29	26	33	32	22
Water										
New Meters	62	38	46	41	54	32	19	26	11	19
Treated Water Pumped (millions of gallons)	1,303	1,295	1,236	1,286	1,194	1,159	1,153	1,200	1,329	1,350
Water Distribution Service Calls	461	503	530	307	326	303	289	256	275	336
Water Leaks Repaired	141	133	137	108	92	100	33	70	93	94
Sewer										
Sewer Maintenance Service Calls	460	492	315	341	420	506	326	203	263	230
Refuse										
Refuse Collected (tons)	7,085	6,720	6,722	6,717	6,896	6,852	6,478	6,392	6,255	6,237
Recycling Material (tons)	1,358	1,275	1,295	1,288	1,303	1,553	1,286	1,469	1,637	1,731
Yardwaste Collected (tons)	3,700	4,500	4,000	4,000	4,200	4,500	4,600	4,500	4,500	4,000

Source: Various City Departments

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

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Square Miles of the City	7.70	7.70	7.70	7.70	8.00	8.10	8.10	8.1	8.1	8.1
Fire										
Stations	1	1	1	1	1	1	1	1	1	2
Paid Firefighters	13	13	17	17	17	17	17	17	17	17
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Police Officers	28	28	28	28	28	28	28	28	28	27
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	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	2.89
Traffic Operations										
Traffic Signals	12	13	13	13	13	13	13	13	13	13
Parks and Recreation										
Swimming Pools	1	1	1	1	1	1	1	2	2	2
Activity Center	1	1	1	1	1	1	1	1	1	1
Ball Diamonds	9	9	9	9	9	9	9	9	9	10
Soccer Fields	6	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	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	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	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	22.20
Sewer										
Sanitary Sewers (miles)	51.821	52.428	52.880	52.930	53.100	53.360	53.414	53.944	53.944	53.944

Source: Various City Departments

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

SINGLE AUDIT SECTION

CITY OF EL DORADO, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Commerce:		
Economic Development Administration:		
Investments for Public Works and Economic Development Facilities	11.300	\$ 500,001
U.S. Department of Housing and Urban Development:		
Affordable Housing Development in Main Street Rejuvenation Projects	14.878	303,462
Passed through Kansas Department of Commerce:		
Emergency Shelter Grants Program	14.231	28,878
Passed through Kansas Housing Resource Corporation:		
HOME Investment Partnerships Program	14.239	91,562
Total U.S. Department of Housing and Urban Development		<u>423,902</u>
U.S. Department of Justice:		
Bureau of Justice Assistance	16.607	1,049
U.S. Department of Transportation:		
Airport Improvement Program	20.106	38,166
Passed through Kansas Department of Transportation:		
State and Community Highway Safety	20.600	3,977
Total U.S. Department of Transportation		<u>42,143</u>
Environmental Protection Agency:		
Passed through the Kansas Department of Health and Environment:		
Capitalization Grants for Clean Water State Revolving Funds	66.458	1,263,751
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458	842,501
Total Environmental Protection Agency		<u>2,106,252</u>
U.S. Department of Energy:		
Passed through Kansas Corporation Commission:		
ARRA - Renewable Energy Grant	81.128	199,377
ARRA - Energy Management Grant	81.128	79,253
Total U.S. Department of Energy		<u>278,630</u>
U.S. Department of Homeland Security:		
Passed through Kansas Adjutant General:		
Hazard Mitigation Grant	97.039	95,459
Total expenditures of federal awards		<u>\$ 3,447,436</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, 2012

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, 2012

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: None

Significant deficiencies identified that are not considered to be material weaknesses: 2012-1

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>
14.878	Affordable Housing Development in Main Street Rejuvenation Projects
66.458	Capitalization Grants for Clean Water State Revolving
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds

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 2012-1 – 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.

Management’s Response (Unaudited) – City staff reviewed the trial balance at year end to ensure all adjustments were made. City staff will continue to review the trial balance at year end to ensure proper recording of the financials.

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 EL DORADO, KANSAS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2012

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.

Follow-up – The City has implemented procedures to alleviate this material weakness. This finding is resolved.

CITY OF EL DORADO, KANSAS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT 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.

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

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.

CITY OF EL DORADO, KANSAS

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

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 the City had improvements in this area resulting in fewer adjustments in 2012, significant adjustments were still made. As such, this finding is repeated.



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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 11, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. 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.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of finding and questioned costs as Finding 2012-1 that we consider to be a significant deficiency.

Compliance and Other Matters

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

The City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Berberich Trahan & Co., P.A.

June 11, 2013



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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE**

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

Report on Compliance for Each Major Federal Program

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, 2012. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of 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, 2012.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Berberich Trahan & Co., P.A.

June 11, 2013