

CITY OF



EL DORADO
KANSAS

THE FINE ART OF LIVING WELL

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

2013

YEAR ENDED DECEMBER 31, 2013

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

for the
Year Ended December 31, 2013

Mayor
Michael Fagg

Commissioner David Chapin
Commissioner Bill Young
Commissioner Nick Badwey
Commissioner Chase Locke

City Manager Herbert E. Llewellyn, Jr.

prepared by
Department of Finance
Tammy Schaffer
Finance Director

CITY OF EL DORADO, KANSAS

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FINANCIAL REPORT

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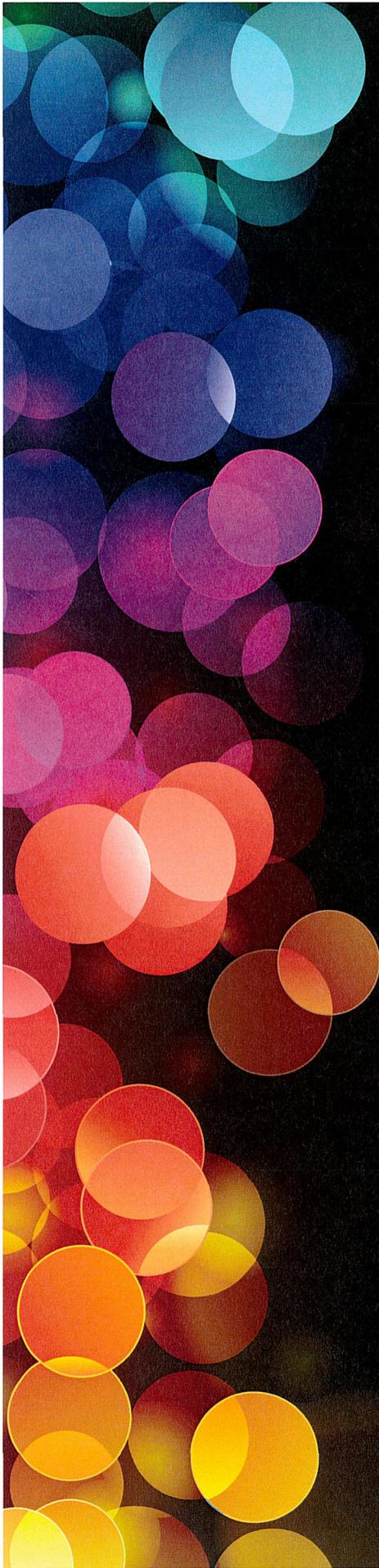
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CITY OF



EL DORADO
KANSAS

THE FINE ART OF LIVING WELL

INTRODUCTION

SECTION



EL DORADO

THE FINE ART OF LIVING WELL

June 24, 2014

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, 2013, 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, 2013, are free of material misstatement. The opinion of Berberich Trahan & Co., P.A. is included in this report.

A CITY OF CHARACTER

220 E. First PO Box 792 El Dorado, KS 67042 Phone 316.321.9100 Fax 316.321.6282
www.360eldorado.com/Government

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 12,900. 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.

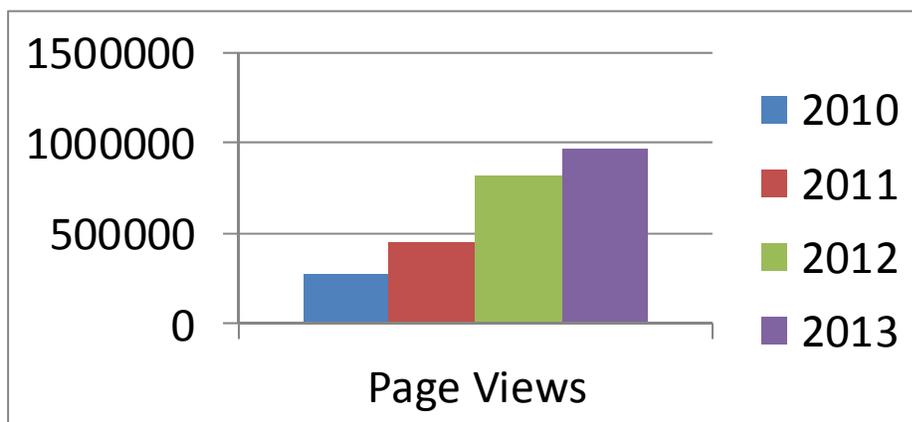
ECONOMIC CONDITION AND OUTLOOK

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 2013. 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 more 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 signed near the end of 2007, allowed the Executive Director of El Dorado Inc. /Convention and Visitors Bureau to focus entirely on economic development and tourism in the community. In the later part of 2013, the City of El Dorado opted under the agreement to assume administration of the Convention and Visitors Bureau allowing El Dorado, Inc. to focus entirely on economic development. Through the end of 2013, one of the key community marketing efforts of El Dorado, Inc. continued to be the maintenance of the www.360eldorado.com web site as the anchor to an ongoing community marketing effort. The site 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. For the City of El Dorado to achieve a more “user friendly” government format, the decision to launch a free standing City of El Dorado government web site was made in 2013. The new site should go live in late summer of 2014.



There were many positive results of economic development efforts during the 2013 year as reflected in the issuance of over \$ 3,188,540 in new commercial building permits and \$2,978,503 in remodel/addition permits and completion of some of the \$22,000,000 in permits issued in 2012. Permits issued in 2013 are comparable to the average permits issued over the past 13 years. To follow are the highlights of the 2013 year:

In 2009, the City of El Dorado funded infrastructure improvements in the El Dorado Industrial Park by special assessments, a \$750,000 CDBG grant from the Kansas Department of Commerce and a \$1,000,000 Economic Development Administration (EDA) grant. The scope of the project completed in 2010 included extension of a rail spur that serves 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. Once construction was completed the only requirement left to close the grants was the proof of projected job creation. Until the BG Products manufacturing facility was staffed the CDBG and EDA grants could not be closed.

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. 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. At the end of 2013 the company reported 30 jobs in the El Dorado community.

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. 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. 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. 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. During 2013, BG installed numerous processing lines and began moving or hiring employees for the El Dorado manufacturing facility with work continuing into 2014. The facility includes sufficient equipment to produce the majority of the product line currently produced in Wichita and a million gallon tank farm. At the end of 2013 the total employment of all BG Products El Dorado facilities was 58 jobs with additional employment expected in 2014.

With a sufficient number of jobs created by BG Products and Barton Solvents by the end of 2013, the final monitoring and closing of the EDA grant was complete in December 2013, with the CDBG grant closing in January, 2014. The footprint created by BG Products and Barton Solvents in this area is visible to the 15,000 + Kansas Turnpike daily travelers, complements the existing Pioneer Balloon facility and has been a catalyst to additional project interest in the El Dorado community.

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 and was completed with attendance at the center beginning 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 and was completed in December 2013 with attendance at the center beginning in January of 2014. These projects provided both short-term and long-term economic benefits. The contract workers brought additional sales in such items as materials, tools, food and lodging, and the community benefit from efficient and modern facilities 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. The 4,000 seat complex on Haverhill Road just east of the BCC main campus was completed in 2012 just in time for football season. In addition to use by BCC football and track, the stadium is used by USD 490 football and track and has the potential to host community and

numerous large regional sporting events. The City will promote use of the facility with the help of their new Activities Sales and Services Manager in charge of the City Convention and Visitors Bureau. With this dedicated staffing the City intends to promote the use of all City owned and community facilities to increase the visitor numbers and visitor spending in the El Dorado community.

Started in 2011 and completed in early 2013, 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 provides a west sub-station for the City of El Dorado fire department and houses the BCC Fire Science program. The facility became operational in mid-2013. The new fire sub-station increases access to fire services, helped to lower the ISO rating for the community and ultimately will lower insurance rates for businesses and individuals.

In 2011, McCollum Construction began construction of a project known as 220 Central in the 200 block of West Central in a space previously gutted by fire. With an initial investment of \$550,000 the first tenant was Kansas Secured Title on the first floor. In 2013, McCollum completed \$125,000 leasehold improvements on the third floor for Power Grid Engineering (PGE). PGE specializes in engineering design and consultation for the power systems industry and projects to bring 14 core jobs to the community within 3 years.

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 an anticipated investment in both projects of 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 and was completed in mid-2013. The second building located in the 100 block of west Central is commonly called the Ellet Opera House. The condition of the building required the immediate replacement of the roof but renovations did not begin until early 2013. The completed facility features a main floor commercial space and 11 one bedroom apartments that were available for rent on February 1, 2014. The residential rentals in both projects rented quickly supporting the need for additional higher quality rental housing in the El Dorado community.

For many years, BCC was 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 in August 2012 with 100% occupancy for the 2012/2013 and 2013/2014 school years.

Another economic driver in 2013 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 on a day to day basis. In 2013, HollyFrontier announced over \$100,000,000 in new capital improvement projects for 2014 and 2015 in addition to their planned turnaround activity. 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.

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.

In 2012, Intrust Bank began the complete renovation of their historic two story facility at the corner of Main and Central with a total project cost of \$1,000,000+. Renovation of their facility demonstrates an ongoing commitment to El Dorado and serves as the anchor to the main/central downtown business district thus allowing the area to remain vibrant and active. The project was completed in 2013 and provides improved function for the business and community.

Some of the new 2013 building projects include: A \$325,000 addition of two carbon steel tanks by Ergon Asphalt & Emulsions, Inc. (Ergon) at their El Dorado facility. Ergon is an asphalt and emulsion producer and marketer specializing in the development of superior engineered paving and preservation products. This addition will expand their capacity to serve customers in this region. A \$250,000 office space for Energy Services at 1464 W. 6th will allow them to expand employment and services. The \$2,100,000 construction of a Casey's General Store at 2627 W. Central located at the corner of Central and Village Road near Walmart and other newer retail/service businesses. Previously the site of a restaurant destroyed by fire the site remained vacant, unattractive and undeveloped. The new construction will vastly improve the appearance of the area. The facility opened in early 2014. October 2013 saw the closing and demolition of Sonic at 1945 W. Central. By early 2014 a new \$356,000 facility was complete on the site. The reopening caused traffic to back up on West Central during peak times for several days indicating how popularity of Sonic in the El Dorado community.

One of three other major renovations projects during 2013 was a remodel of the John K. Fisher GMC/Cadillac/Buick dealership located at Central and Village road in El Dorado. John K. Fisher dealership has served the El Dorado community since 1955 and is the only new car dealer remaining in El Dorado. Pressure from GMC to re-image the facility to their specifications came at price that gave ownership a pause as to whether they wanted to make such a significant investment. The City of El Dorado worked with ownership to create a development agreement allowing rebate of a portion of new sales tax to be generated by the business. With this assistance and inclusion in the Neighborhood Revitalization Program (NRP) the decision was made to make the investment and remain in the community. The project is a win for the business and community.

Dillons at 700 N. Main also began a major upgrade to their entrance and store in 2013. Improvements to the real property of \$1,000,000 with a total overall project of \$4,000,000 reported by the company provide improved access, function and climate control. The project was completed in early 2014.

In 2013, voters in the USD 375 school district approved a \$37.1 million bond issue to build a new high school in Towanda. The bond issue included funding for a \$3,400,000 addition to the Oil Hill Elementary school in El Dorado. Construction on the project began in late November 2013.

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 and new rental property 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.

The 2008 economic downturn continues to have 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 four in 2013. One of the other challenges of new construction is available residential building sites. In 2013, developers started the process to plat two new residential subdivisions in El Dorado. It is anticipated streets, water, sewer and storm water infrastructure will begin in early 2014 on Belmont First Addition with 7 lots in phase I and 8 lots in phase II. Additionally Criss 9th addition plans 21 lots with lots available for new residential construction near the end of 2014.

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 underway is 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 sold within 6 months after receiving a certificate of occupancy. Three applications were approved by the program in 2013. In 2014, two homes are under construction with one home already sold.

With the exception of new housing starts the economic drivers within the El Dorado community remain strong. 2012 was a historic year for El Dorado when it comes to commercial investment in real estate and was followed by better than average commercial investment in 2013. The public sector investment in new schools, BG Veteran Sports Complex and the expansion and investment of existing businesses demonstrate the pride and willingness of the community to continue 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 capital investment by new industries such as BG Products and Barton Solvents help to increase the real property tax base. The new jobs they create complement the job base of existing companies such as Valmont/Newmark and HollyFrontier to provide more core jobs in the El Dorado community and help to create an environment of growth and prosperity. This in turn helps to support and encourage the retail/service base such as John K. Fisher, Dillon's, Sonic and Casey's to invest in new construction and expansion projects.

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 2013 at a level of \$30,000.

Following a three-year trend in decreasing unemployment rates from 5.2% in 2004 to 3.9% in 2007, Butler County's unemployment rate rose from 4.1% in 2008 to 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 commute to Wichita to work at the aircraft plants. During 2011 and 2012 the unemployment rate slowly declined

with the recall of some of the employees affected by the lay-offs. 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 the economy improved slightly and the decrease in unemployment for 2011 was 7.7% and continued to decrease in 2012 to 6.6%. Also, in El Dorado, there have been several industries that have increased their production and therefore have increased employment status. 2013 remains steady as economy continues to be stable.

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 2013. Property tax collections, the City's biggest source of revenue, were on target. Sales tax collections decreased 9.97% from 2012 to 2013.

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. In 2013, the construction of a 10 unit T hangar capable of holding small twin engine airplanes was completed. Also in 2013, The FAA awarded another Airport Improvement Project (AIP) to construct Taxiway C. This is a 90% federally funded project. Design for Taxiway C was completed in 2013 but construction began in the spring of 2014. The project is scheduled for completion in June of 2014.

The City began looking into the feasibility of wind power early in 2010. A consultant, GBA, 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. GBA's 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 was a requirement of Westar to address 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. The turbine ran until February of 2014 when it was discovered that the cone bushings needed replaced. These repairs were completed by May 3, 2014. In addition to the bushing repairs, the technicians also completed some precision alignment. The effect of these repairs seems to have dramatically increased the reliability and output of the turbine and over the next week the turbine produced 87,000 kwh's, over ten times any prior one week total. During a storm event on May 11th, a lightning strike occurred and did some minor damage to a circuit board. The part arrived and the turbine was back up and running by May 23rd. Since May 23rd, the turbine has continued flawless operation.

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 3,893 feet of undersized 2-inch pipe in 2013. 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 12,136 feet of 2-inch or smaller pipe remaining in the water distribution system. The crews also replaced 432 water meters, 31 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 2013, 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 2013 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 108,446 feet and flushed 97,842 feet of sewer lines. Prior to 2013, 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 be reapplying in 2014. 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 \$202,568 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 \$42,465 for Fire Fighter Training Ground Facility, \$50,000 for Community Market, \$30,000 for Summit Park Play Surface, 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 Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of El Dorado for its comprehensive annual financial report for the fiscal year ended December 31, 2012. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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.

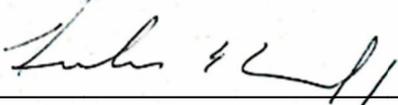
GFOA is a nonprofit professional association serving approximately 17,500 government finance professionals with offices in Chicago, IL, and Washington, D.C.

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 City staff, El Dorado Inc., Local Businesses, and Butler County staff. We express our appreciation to the City Commission for their support that has made possible the implementation of innovative concepts in accounting and fiscal management.

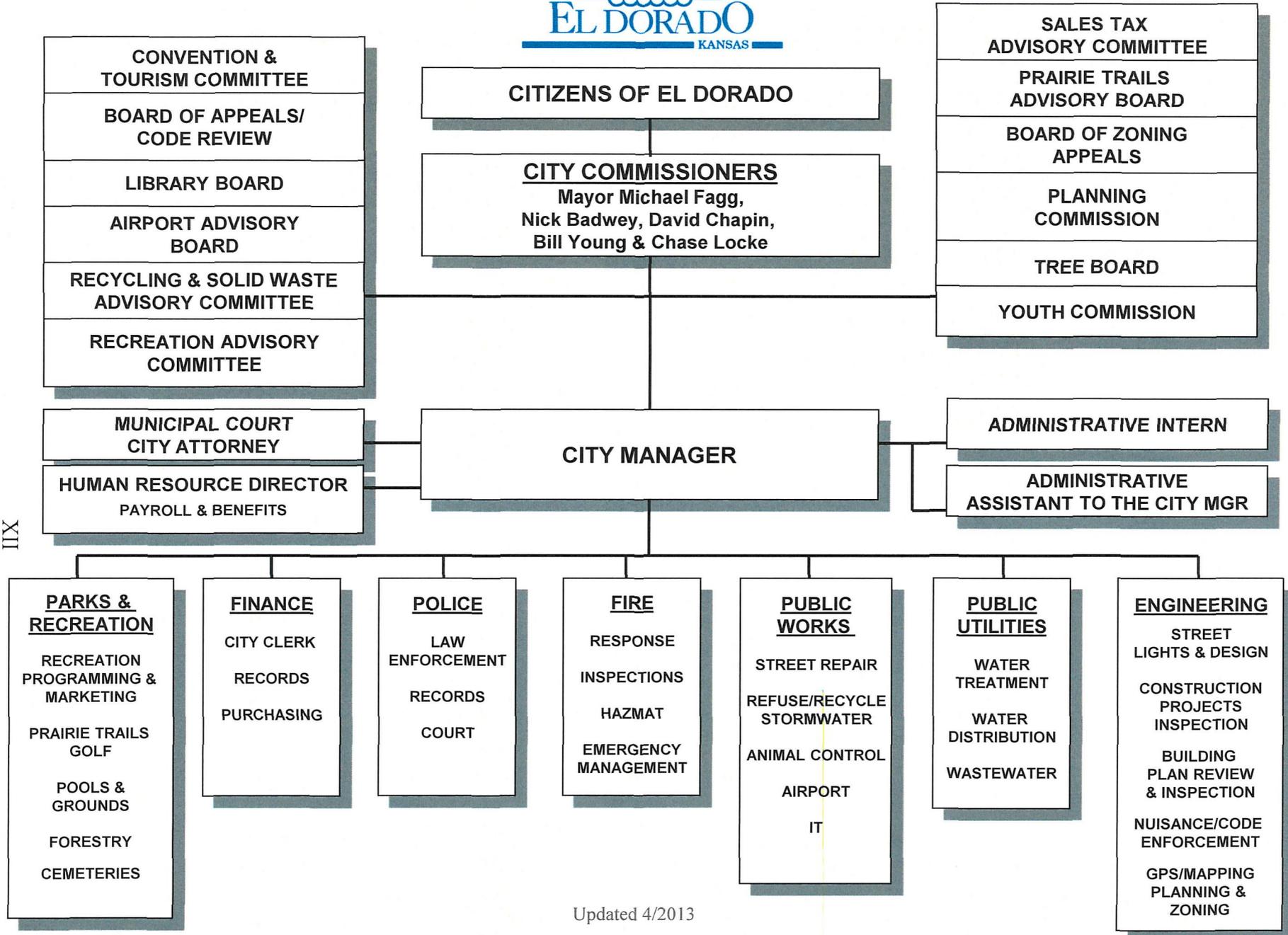
Respectfully submitted,



Herbert E. Llewellyn, Jr.
City Manager



Tammy Schaffer
Finance Director



IIX



Government Finance Officers Association

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

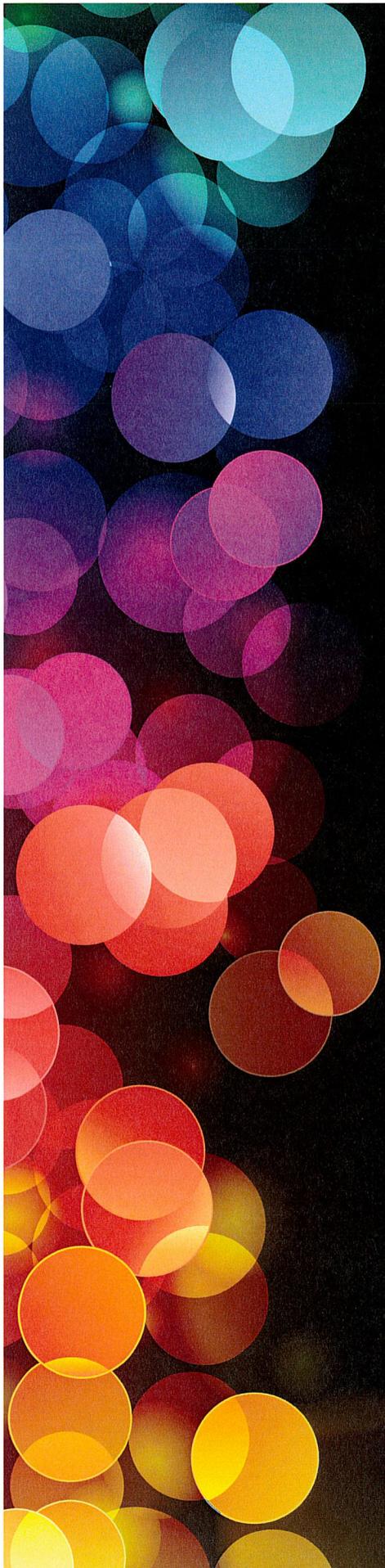
Presented to

**City of El Dorado
Kansas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO



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, 2013, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, on January 1, 2012, the City changed its method of accounting to adopt Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion on the financial statements is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12 and the Schedule of Funding Progress on page 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and schedules, budgetary comparisons, 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 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 24, 2014, 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 24, 2014
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, 2013. 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 position 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, liabilities and deferred inflows/outflows of resources. Net Position, the difference between assets and liabilities and deferred inflows/outflows of resources, 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 Fund, Revolving Loan Fund, Neighborhood Revitalization Rebate 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 is 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, 2013
 (with comparative totals for December 31, 2012)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 17,398,541	\$ 13,746,334	\$ 8,462,882	\$ 8,834,913	\$ 25,861,423	\$ 22,581,247
Capital assets	44,794,589	44,033,811	60,190,279	60,137,180	104,984,868	104,170,991
Total assets	<u>62,193,130</u>	<u>57,780,145</u>	<u>68,653,161</u>	<u>68,972,093</u>	<u>130,846,291</u>	<u>126,752,238</u>
Long-term liabilities	16,720,113	13,304,612	60,770,451	58,250,769	77,490,564	71,555,381
Other liabilities	696,284	4,106,316	356,810	1,803,818	1,053,094	5,910,134
Total liabilities	<u>17,416,397</u>	<u>17,410,928</u>	<u>61,127,261</u>	<u>60,054,587</u>	<u>78,543,658</u>	<u>77,465,515</u>
Deferred inflows of resources	<u>3,454,420</u>	-	-	-	<u>3,454,420</u>	-
Net position:						
Net invested in capital assets	30,188,763	30,967,195	21,303,503	20,367,761	51,492,266	51,334,956
Restricted	4,215,381	3,792,344	-	-	4,215,381	3,792,344
Unrestricted	6,918,169	5,609,678	(13,777,603)	(11,450,255)	(6,859,434)	(5,840,577)
Total net position	<u>\$ 41,322,313</u>	<u>\$ 40,369,217</u>	<u>\$ 7,525,900</u>	<u>\$ 8,917,506</u>	<u>\$ 48,848,213</u>	<u>\$ 49,286,723</u>

The City's overall financial position has diminished, with a decrease in net position of \$438,510. The amount is the combination of an increase in the governmental activities and a decrease in the business-type activities. The governmental activities increased \$953,096, 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, inventories, and equity interest in joint venture increased \$3,652,207. The increase is due to the net effect of several areas: the Self Insurance fund cash increased after a year of dropping significantly due to the Health Reform Act. In the Equipment Reserve fund, cash increased \$98,747 due to a transfer from the General fund to save for a future purchase of an Apparatus – Aerial Platform for the fire department. Also, General Obligation Refunding and Improvement Bonds Series 2013A were issued June 27, 2013 to replenish the cash in the Construction fund. The projects covered by the bonds were as follows: Project 285 for \$700,586 (Widening of Intersection 6th & Main), Project 289 for \$830,346 (Paving School Road – Central to 6th), Project 356 for \$776,271 (Paving 3rd Boyer – Village), Project 383 for \$7,386 (Extend Sanitary Sewer Main – 516 W Carr), Project 388 for \$124,158 (Waterline Extension/College Acres & Boyer Road), Project 389 for \$73,813 (Waterline Replacement – Star), Project 393 for \$32,813 (Boring Sewer Line – 100 Block N. Summit), and Project 395 for \$76,803 (Waterline Improvements – 300 S. Main). Long-term liabilities increased by \$3,415,501 due to the issuance of the General Obligation Refunding and Improvements Bonds Series 2013A.

The net position of business-type activities decreased \$1,391,606. Other liabilities, which are comprised of accounts payable and other current liabilities and accrued interest payable, create the majority of the decrease. The General Obligation Refunding and Improvement Bonds Series 2013A included the refinancing of the 2010 Temporary Note #1881 for \$1,260,000. Capital assets not being depreciated consist of Land, Water Storage Space, and Construction in Progress. Construction in progress had a net decrease of \$1,619,230. The major projects contributing to the decrease are; Water Capacity Improvements \$222,546, Frontier Refinery Water Project \$103,900, Sewer-100 Block N. High \$10,459, Water Plant Lab Remodel \$46,049, Regional Water Study-Black & Veatch \$254,207, Water Lines-Middle School \$545,917, Sanitary Sewer-Middle School \$130,072, Water Line Extension/College Acres & Boyer Road \$124,158, 2012 CDBG Sanitary-Sewer Study \$15,325, Sanitary Sewer-Greens @ Prairie Trail Phase II \$21,778, and Sanitary Sewer Belmont Heights 3rd Addition-Phase 1 \$44,768. Capital assets being depreciated ended with a net increase of \$1,672,329 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 the Wind Turbine at the Wastewater Treatment Plant, ½ Ton Truck, Trailer Mount Vac System, Hustler Mower, and a Flusher/Vac Truck.

Governmental Activities

The table below shows the condensed revenues, expenses and change in net position for 2013 and 2012.

	Governmental Activities	
	2013	2012
Revenues:		
Program revenues:		
Charges for services	\$ 2,980,412	\$ 1,788,456
Operating grants and contributions	592,341	602,199
Capital grants and contributions	1,103,343	2,305,996
General revenues:		
Property taxes	3,806,320	3,651,884
Sales taxes	2,370,532	2,377,070
Franchise taxes	1,174,104	1,050,082
Tourism taxes	173,221	166,878
Investment earnings	5,050	6,731
Total revenues	<u>12,205,323</u>	<u>11,949,296</u>
Expenses:		
General government	2,021,994	2,202,906
Public safety	3,767,376	3,799,331
Public works	3,278,271	3,254,173
Health & sanitation	392,681	411,502
Culture & recreation	1,297,591	1,389,464
Economic development	214,899	178,197
Interest on long-term debt	527,442	432,603
Total expenses	<u>11,500,254</u>	<u>11,668,176</u>
Excess before transfers	705,069	281,120
Transfers in	248,027	1,906,934
Change in net position	<u>953,096</u>	<u>2,188,054</u>
Net position January 1	40,369,217	43,760,162
Prior period adjustment	-	(5,578,999)
Net position beginning of year, as restated	<u>40,369,217</u>	<u>38,181,163</u>
Net position December 31	<u>\$ 41,322,313</u>	<u>\$ 40,369,217</u>

The change in net position was \$953,096. There were several revenue sources that increased in 2013 which included Charges for Services, Property Taxes, Franchise Taxes, and Tourism Taxes. Charges for Services increased significantly due to \$1,128,195 collected in new specials. The mill levy was increased by 2.401 mills in 2013, therefore the collections for property taxes increased. Expenses decreased by \$167,922 and the two major components are health claims and bad debt expense in General Government. During 2012, the health claims increased significantly due to several large claims and the Health Reform Act. The Health Reform Act increased the number of dependents by (34) between the ages 23-26 and the prescription cap of \$3,000 was removed. During 2013, the claims were minimal and therefore the health claims decreased. In 2012 a long-term project was completed and a receivable from Economic Development Administration (EDA) was booked. The City never received the receivable and it was determined to remove it from the books therefore increasing bad debt expense.

Business-Type Activities

The table below shows the condensed revenues, expenses and changes in net position for 2013 and 2012.

	Business-Type Activities	
	2013	2012
Revenues:		
Program revenues:		
Charges for services	\$ 7,183,354	\$ 7,785,250
Capital grants and contributions	100	842,501
Investment earnings (loss)	(120,332)	160,775
Total revenues	<u>7,063,122</u>	<u>8,788,526</u>
Expenses:		
Waterworks system	4,822,852	4,469,711
Sewer system	2,109,889	2,069,672
Refuse	1,273,960	1,448,504
Total expenses	<u>8,206,701</u>	<u>7,987,887</u>
Excess before transfers	(1,143,579)	800,639
Transfers out	(248,027)	(1,906,934)
Changes in net position	<u>(1,391,606)</u>	<u>(1,106,295)</u>
Net position January 1	8,917,506	11,418,086
Prior period adjustment	-	(1,394,285)
Net position beginning of year, as restated	<u>8,917,506</u>	<u>10,023,801</u>
Net position December 31	<u>\$ 7,525,900</u>	<u>\$ 8,917,506</u>

The water, sewer, and refuse utilities are the business-type activities of the City of El Dorado. Charges for Services, which includes domestic sales, decreased as the area received much needed rain during the spring of 2013. The difference in Capital Grants and contributions is due to the completion of the Wind Turbine project and there were no new grant related projects in water, sewer or refuse. Due to the swings in the bond market in 2013, the interest rates created an unrealized loss in the Lake Debt Reserve investments that were made creating a decrease in Investment Earnings. The increase in the Waterworks System and Sewer System expenses relate to the number of water and sewer maintenance projects done during a year and in 2013 there were more projects worked on than in the previous year. Transfers Out decreased \$1,658,907 due to a combination of several transfers pertaining to the joint venture between the City of El Dorado, USD 490, and Butler Community College to build a new football stadium. The City formed an inter-fund loan between the Lake Debt Reserve fund and five other funds; Water, Sewer, Refuse, Tourism, and Industrial Mill. An entry to record advances from the other funds in 2012 relating to the joint venture consisted of Water and Sewer owing \$873,800 each and \$287,000 from Refuse. The transfer was done to set up the liability. Another effect on the transfers out is the net transfer for the Lake Debt Reserve Fund in 2012. These transfers consisted of a revenue transfer to record the receivable of the inter-fund loan of \$3,130,000 and an expense transfer of \$2,504,174 for the El Dorado Stadium project.

FUND ANALYSIS

There was a net change in fund balance of approximately \$2.9 million in the City's governmental funds as a result of 2013 operations. In the General fund, the mill levy increased which increased the amount of Property Tax and Deferred revenue which consist of Property Taxes. The economy continued to improve in El Dorado which increased sales allowing the Sales Tax to increase slightly.

A decrease of \$163,119 occurred in the debt service fund. This resulted mainly from a decrease in Deferred Property Tax revenue. There was a significant increase in Special Assessment Taxes due to the amount of specials that were placed on the tax rolls due to several projects that were completed and funded by special assessments.

The net change in the Construction fund is an increase of \$2,787,181. General Obligation Refunding Bonds were issued in 2013 for \$6,645,000 to cover cost of projects in the amount of \$4,644,322. Expenditures were over revenues by \$2,621,113 due to the completion of several major infrastructure projects. The major projects consisted of project 371 2012-KLINK Resurfacing Central (Haverhill-Jones), project 285 Widening of Intersection at 6th and Main, project 289 Paving School Road (Central to 6th), project 315 Industrial Park Improvements – Rail Spur, and project 356 Paving 3rd (Boyer to Village).

The change in net position in the business-type activities decreased \$1,391,606. During 2012 and into 2013 the area was witnessing drought conditions. The City of Augusta, who purchases raw water from the City of El Dorado, implemented water use restrictions there by reducing the amount of water they purchased. The area also started receiving much needed rain fall and filled up the lake that the City of Augusta uses for their water source. HollyFrontier, another large raw water purchaser, also used less raw water for their operations during 2013. During the drought conditions, many of the citizens of El Dorado gave up on keeping their landscaping efforts alive and used less water so domestic sales decreased also. Cost of sales and services increased in water, sewer, and refuse due to the rising cost of salaries and utilities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund budget was not amended. The budgeted amount of revenue exceeded the actual amount of the budget by \$63,818. Several tax revenues reported lower than budgeted - Ad Valorem, and Recreational Vehicle tax. The budgeted amount of Franchise fees exceeded the actual amount of the budget amount by \$41,792 mainly due to the Gas Service Franchise fees. Charges for services reflect a positive variance as a result of Engineering Refunds & Administration Fees was vastly understated due to projects that were done that were not scheduled. Additionally, there were several revenue sources that were above the expectations of the budget such as Fire Protection El Dorado Township, Recreation Fees, Swimming Pool Rentals, and Activity Center Rentals.

The Prairie Trails Restaurant/Golf fund, which is included in the financials of the general fund, decreased the Transfer in by \$128,392. This is in compliance to the City Commission requesting that Prairie Trails Restaurant/Golf be ran as a business and rely less on the general fund for operational needs.

Expenditures were \$3,323,857 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 2013, net of current year depreciation, was \$7,428,787. The additions to Governmental Activities include Buildings, Improvements other than buildings, Infrastructure, and Machinery and Equipment. Additions to Buildings include the Fire Sub Station \$3,585,491. The additions to Improvements other than buildings include McDonald Stadium Dugouts \$35,793. Additions to Infrastructure include; Widening of Intersection at 6th and Main \$1,134,385, and Resurfacing Taylor and Lawndale for \$206,668 and \$234,645 respectively. The additions to Machinery and Equipment include; a Turf Greens Roller \$12,875 and Utility Mower \$18,890 for Prairie Trails Golf, Screen Machine \$52,000, Heat & A/C Unit for the Civic Center \$6,664, 2008 Curb Fox 5000 for \$72,745, 2012 Ford F-350 Chassis \$25,595, a Track Loader for Stormwater \$55,030, Bytespeed Server/Backup for Data Processing \$8,528, and (2) 2013 Chevy Impala's for the Police Department one for \$23,129 and the other for \$23,392, and a Fire Truck Pumper E8 for the Fire Department \$9,014.

The additions to Business-Type Activities include Buildings, Improvements other than buildings, and Machinery and equipment. There were no additions to Buildings for 2013. Improvements other than buildings include Waterline Extension (College Acres & Boyer) \$124,158. Machinery and Equipment include a Wind Turbine for the wastewater treatment plant \$2,616,884, a 2013 GMC Sierra \$18,194 for the Sewer Department, and a 2013 Trailer Mount Vacuum \$38,022 for the Water Department.

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

Debt Administration

The City issued General Obligation bonds in the amount of \$6,645,000 in 2013. These bonds were assigned an "A+" rating by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. The capacity of the City to issue additional general obligation debt decreased in 2013 from \$19,614,804 to \$19,235,083. The ratio of net bonded debt to estimated actual value and the net bonded debt per capita are useful indicators of the City's debt position. The ratio of net bonded debt to estimated actual value increased from 2.48% in 2012 to 3.48% in 2013, and the net bonded debt per capita increased from \$1,027 in 2012 to \$1,456 in 2013.

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 2014 (2015 budget), the mill levy is anticipated to remain the same level as 2013. 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 2014. 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 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, based on 57 years of climate data, El Dorado could sell an additional allocation of 20 million gallons per day (mgd) 83% of the time without significantly impacting lake levels. 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. In the most recent drought that lasted about 2 ½ years, with about 24 inches of precipitation for both 2011 and 2012, El Dorado Lake remained within 4.5 feet of conservation pool. In April of 2013, the City of Wichita asked about purchasing water and the City Commission is currently considering options as discussions continue with the City of Wichita. 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.
- The City of El Dorado is looking into housing needs within our community along with El Dorado Inc. An Ad Hoc committee was formed and has sent recommendations to the City Commission. As a result the City has seen two recent subdivisions platted and infrastructure is currently being installed. This will add an additional 50 buildable lots to the City of El Dorado. Along with single family residential the City has worked with a number of multiple family developers and we see some large scale multifamily developments on the horizon.

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, 2013

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Library
Assets:				
Cash and investments	\$ 5,727,583	\$ 5,808,775	\$ 11,536,358	\$ 303,766
Receivables, net of allowance for uncollectibles:				
Taxes	7,287,064	-	7,287,064	404,460
Accounts	332,042	634,357	966,399	257
Accrued interest	19,557	-	19,557	-
Due from other governments	27,832	940	28,772	-
Internal balances	(1,013,693)	1,013,693	-	-
Inventories	141,556	196,717	338,273	-
Restricted cash and investments	1,876,600	808,400	2,685,000	295,914
Investment in joint venture	3,000,000	-	3,000,000	-
Capital assets, net of accumulated depreciation (where applicable):				
Land	4,760,864	751,376	5,512,240	-
Buildings	8,384,017	11,577,965	19,961,982	545,255
Improvements other than buildings	6,890,895	11,980,065	18,870,960	-
Infrastructure	19,793,493	-	19,793,493	-
Water storage space	-	28,951,577	28,951,577	-
Machinery and equipment	1,679,962	5,289,171	6,969,133	71,369
Construction in progress	3,285,358	1,640,125	4,925,483	43,516
Total assets	62,193,130	68,653,161	130,846,291	1,664,537
Liabilities:				
Accounts payable and other current liabilities	603,172	248,496	851,668	19,930
Accrued interest payable	93,112	108,314	201,426	-
Noncurrent liabilities:				
Due within one year	1,641,937	1,073,252	2,715,189	32,210
Due in more than one year	15,078,176	59,697,199	74,775,375	6,278
Total liabilities	17,416,397	61,127,261	78,543,658	58,418
Deferred inflows of resources:				
Unavailable revenue - property taxes	3,454,420	-	3,454,420	404,460
Net position:				
Net investment in capital assets	30,188,763	21,303,503	51,492,266	660,140
Restricted for:				
Debt service	3,903,993	-	3,903,993	-
Public safety	6,599	-	6,599	-
Economic development	280,867	-	280,867	-
Culture and recreation	20,513	-	20,513	-
Other purposes	3,409	-	3,409	277,445
Unrestricted	6,918,169	(13,777,603)	(6,859,434)	264,074
Total net position	\$ 41,322,313	\$ 7,525,900	\$ 48,848,213	\$ 1,201,659

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2013

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	\$ 2,021,994	\$ 1,307,835	\$ 54,235	\$ 4,560	\$ (655,364)	\$ -	\$ (655,364)	\$ -
Public safety	3,767,376	701,270	16,000	81,129	(2,968,977)	-	(2,968,977)	-
Public works	3,278,271	199,621	486,207	674,433	(1,918,010)	-	(1,918,010)	-
Health and sanitation	392,681	112,466	580	343,221	63,586	-	63,586	-
Culture and recreation	1,297,591	659,220	35,319	-	(603,052)	-	(603,052)	-
Economic development	214,899	-	-	-	(214,899)	-	(214,899)	-
Interest on long-term debt	527,442	-	-	-	(527,442)	-	(527,442)	-
Total governmental activities	11,500,254	2,980,412	592,341	1,103,343	(6,824,158)	-	(6,824,158)	-
Business-type activities:								
Waterworks System	4,822,852	3,863,280	-	100	-	(959,472)	(959,472)	-
Sewer System	2,109,889	1,960,274	-	-	-	(149,615)	(149,615)	-
Refuse	1,273,960	1,359,800	-	-	-	85,840	85,840	-
Total business-type activities	8,206,701	7,183,354	-	100	-	(1,023,247)	(1,023,247)	-
Total primary government	\$ 19,706,955	\$ 10,163,766	\$ 592,341	\$ 1,103,443	(6,824,158)	(1,023,247)	(7,847,405)	-
Component unit:								
Bradford Memorial Library	\$ 492,520	\$ 16,823	\$ 61,705	\$ -	-	-	-	(413,992)
General revenues:								
Property taxes					3,806,320	-	3,806,320	436,741
Sales taxes					2,370,532	-	2,370,532	-
Franchise taxes					1,174,104	-	1,174,104	-
Tourism taxes					173,221	-	173,221	-
Unrestricted investment earnings					5,050	(120,332)	(115,282)	29,682
Transfers					248,027	(248,027)	-	-
Total general revenues and transfers					7,777,254	(368,359)	7,408,895	466,423
Change in net position					953,096	(1,391,606)	(438,510)	52,431
Net position, beginning of year					40,369,217	8,917,506	49,286,723	1,149,228
Net position, end of year					\$ 41,322,313	\$ 7,525,900	\$ 48,848,213	\$ 1,201,659

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2013

	General	Debt Service	Construction	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and investments	\$ 3,378,527	\$ 585,018	\$ -	\$ 1,764,038	\$ 5,727,583
Restricted cash and investments	-	-	1,876,600	-	1,876,600
Receivables (net of allowance for uncollectibles):					
Property tax	2,688,074	670,006	-	96,340	3,454,420
Special assessment tax	-	3,169,212	-	241,658	3,410,870
Sales tax	421,774	-	-	-	421,774
Accounts	134,861	1,217	4,711	191,250	332,039
Interest	19,557	-	-	-	19,557
Due from other governments	2,412	-	3,750	21,670	27,832
Due from other funds	114,186	-	-	-	114,186
Inventories	141,556	-	-	-	141,556
Total assets	\$ 6,900,947	\$ 4,425,453	\$ 1,885,061	\$ 2,314,956	\$ 15,526,417
Liabilities, deferred inflows of resources and fund balances:					
Liabilities:					
Accounts payable	\$ 237,737	\$ -	\$ 101,446	\$ 92,136	\$ 431,319
Accrued payroll	144,826	-	-	27,026	171,852
Due to other funds	-	-	114,186	-	114,186
Advances from other funds	-	-	-	1,052,056	1,052,056
Total liabilities	382,563	-	215,632	1,171,218	1,769,413
Deferred inflows of resources:					
Unavailable revenue - property taxes	2,688,074	670,006	-	96,340	3,454,420
Unavailable revenue - special assessments	-	3,169,212	-	241,658	3,410,870
Total deferred inflows of resources	2,688,074	3,839,218	-	337,998	6,865,290
Fund balances:					
Nonspendable:					
Inventories	141,556	-	-	-	141,556
Restricted:					
Public safety	-	-	-	6,599	6,599
Economic development	-	-	-	320,149	320,149
Culture and recreation	-	-	-	20,513	20,513
Public works	-	-	-	308,814	308,814
Debt service	-	586,235	-	-	586,235
Committed:					
Public safety	-	-	-	3,409	3,409
Assigned	452,540	-	-	387,152	839,692
Unassigned	3,236,214	-	1,669,429	(240,896)	4,664,747
Total fund balances	3,830,310	586,235	1,669,429	805,740	6,891,714
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,900,947	\$ 4,425,453	\$ 1,885,061	\$ 2,314,956	\$ 15,526,417

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, 2013

Total fund balance in Governmental Fund Balance Sheet	\$ 6,891,714
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.	44,794,589
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	3,410,870
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.	38,365
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(16,813,225)
Net position of governmental activities	<u>\$ 41,322,313</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, 2013

	General	Debt Service	Construction	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property	\$ 2,782,157	\$ 841,960	\$ -	\$ 182,203	\$ 3,806,320
Sales	2,320,532	-	-	50,000	2,370,532
Franchise	1,174,104	-	-	-	1,174,104
Tourism	-	-	-	173,221	173,221
Intergovernmental	52,541	-	239,912	570,243	862,696
Licenses and permits	103,162	-	-	3,192	106,354
Charges for services	1,188,193	-	-	195,362	1,383,555
Fines and forfeitures	312,345	-	-	-	312,345
Special assessments	-	430,657	81,129	317,646	829,432
Investment earnings	3,481	971	17	581	5,050
Miscellaneous	241,571	123,718	83,443	62,588	511,320
Total revenues	8,178,086	1,397,306	404,501	1,555,036	11,534,929
Expenditures:					
Current:					
General government	1,115,349	-	219,479	460,317	1,795,145
Public safety	3,528,601	-	-	-	3,528,601
Highways and streets	807,621	-	-	856,908	1,664,529
Health and sanitation	298,433	-	-	77,318	375,751
Culture and recreation	1,184,354	-	-	6,004	1,190,358
Economic development	-	-	-	191,459	191,459
Debt service:					
Principal	-	1,228,512	-	-	1,228,512
Interest	-	412,944	7,002	43,544	463,490
Debt issuance costs	-	-	40,016	-	40,016
Capital outlay	140,067	-	2,759,117	88,871	2,988,055
Total expenditures	7,074,425	1,641,456	3,025,614	1,724,421	13,465,916
Excess (deficiency) of revenues over (under) expenditures	1,103,661	(244,150)	(2,621,113)	(169,385)	(1,930,987)
Other financing sources (uses):					
General obligation refunding bonds issued	-	-	4,644,322	-	4,644,322
Transfers in	939,540	83,427	1,374,558	495,000	2,892,525
Transfers out	(1,882,636)	(2,396)	(610,586)	(148,880)	(2,644,498)
Total other financing sources (uses)	(943,096)	81,031	5,408,294	346,120	4,892,349
Net change in fund balances	160,565	(163,119)	2,787,181	176,735	2,961,362
Fund balances (deficit), beginning of year	3,669,745	749,354	(1,117,752)	629,005	3,930,352
Fund balances, end of year	\$ 3,830,310	\$ 586,235	\$ 1,669,429	\$ 805,740	\$ 6,891,714

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, 2013

Net change in fund balances - total governmental funds	\$ 2,961,362
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.	760,778
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	689,055
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(3,415,810)
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.	(18,662)
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.	(23,627)
Change in net position of governmental activities	<u>\$ 953,096</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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 6,350,508	\$ 6,350,508	\$ 6,275,576	\$ (74,932)
Intergovernmental	21,000	21,000	51,961	30,961
Licenses, fees and permits	165,619	165,619	103,162	(62,457)
Charges for services	839,765	839,765	711,701	(128,064)
Fines and forfeitures	277,522	277,522	346,158	68,636
Interest	12,185	12,185	2,817	(9,368)
Miscellaneous	48,451	48,451	230,039	181,588
Reimbursements	70,182	70,182	-	(70,182)
Total revenues	7,785,232	7,785,232	7,721,414	(63,818)
Expenditures:				
General government:				
Administration	616,063	616,063	558,173	57,890
Engineering	302,208	302,208	277,155	25,053
Civic Center	86,040	86,040	104,685	(18,645)
Legal and judicial	185,697	185,697	184,968	729
Special projects	2,848,400	2,848,400	-	2,848,400
Total general government	4,038,408	4,038,408	1,124,981	2,913,427
Public safety:				
Police division	2,155,596	2,155,596	1,989,993	165,603
Fire division	1,391,154	1,391,154	1,310,783	80,371
Building and zoning	197,497	197,497	175,880	21,617
Building demolition	16,000	16,000	2,192	13,808
Civil defense	-	-	25,801	(25,801)
Hazardous materials	23,770	23,770	13,136	10,634
Total public safety	3,784,017	3,784,017	3,517,785	266,232
Public works:				
Public works	484,244	484,244	481,026	3,218
Street lights	180,000	180,000	173,989	6,011
Total public works	664,244	664,244	655,015	9,229
Health and sanitation:				
Animal control	\$ 130,898	\$ 130,898	\$ 126,655	\$ 4,243

(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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Culture and recreation:				
Park maintenance	\$ 272,066	\$ 272,066	\$ 224,658	\$ 47,408
Recreation	436,079	436,079	462,300	(26,221)
Swimming pool	137,386	137,386	131,986	5,400
Band	7,000	7,000	6,958	42
Recreation concessions	62,677	62,677	45,775	16,902
Total culture and recreation	915,208	915,208	871,677	43,531
Conservation of natural resources:				
Forestry	45,186	45,186	12,868	32,318
Miscellaneous:				
Neighborhood Revitalization Rebate	54,877	54,877	-	54,877
Total expenditures	9,632,838	9,632,838	6,308,981	3,323,857
Excess of revenues over (under) expenditures	(1,847,606)	(1,847,606)	1,412,433	3,260,039
Other financing sources (uses):				
Transfers in	795,000	795,000	808,185	13,185
Transfers out	(1,795,802)	(1,795,802)	(2,089,538)	(293,736)
Total other financing sources (uses)	(1,000,802)	(1,000,802)	(1,281,353)	(280,551)
Net change in fund balances	(2,848,408)	(2,848,408)	131,080	2,979,488
Fund balance, beginning of year	2,848,408	2,848,408	2,226,582	(621,826)
Fund balance, end of year	\$ -	\$ -	2,357,662	\$ 2,357,662
<u>Reconciliation to GAAP</u>				
Plus receivables at December 31, 2013			555,156	
Less payables outstanding at December 31, 2013			(216,634)	
Fund balances on the basis of GAAP - General Fund only			2,696,184	
Fund balances for separately budgeted funds included with the General Fund on GAAP basis financials:				
Cemetery			17,975	
External Stores			(18,691)	
Prairie Trails Restaurant/Golf			100,999	
Fund balances for non-budgeted funds included with the General Fund on GAAP basis financials:				
Equipment Reserve			581,633	
Self-Insurance Reserve			452,210	
			<u>\$ 3,830,310</u>	

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

December 31, 2013

	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	\$ 4,347,845	\$ 1,121,117	\$ 222,665	\$ 5,691,627	\$ 117,148
Restricted cash and investments	718,419	89,981	-	808,400	-
Accounts receivable (net of allowance for uncollectibles)	213,037	269,498	148,204	630,739	3,618
Intergovernmental receivable	369	-	571	940	-
Advances to other funds	2,170,055	-	-	2,170,055	-
Inventories	184,054	8,389	4,274	196,717	-
Total current assets	7,633,779	1,488,985	375,714	9,498,478	120,766
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	9,710,599	10,760,576	55,860	20,527,035	-
Machinery and equipment	2,617,239	4,805,381	797,899	8,220,519	40,472
Construction in process	1,417,720	222,405	-	1,640,125	-
Total capital assets	44,753,744	30,771,155	1,845,226	77,370,125	40,472
Less accumulated depreciation	(6,279,629)	(9,831,119)	(1,086,494)	(17,197,242)	(23,076)
Capital assets, net	38,474,115	20,940,036	758,732	60,172,883	17,396
Total assets	\$ 46,107,894	\$ 22,429,021	\$ 1,134,446	\$ 69,671,361	\$ 138,162

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	\$ 89,541	\$ 38,591	\$ 26,069	\$ 154,201	\$ 3,151
Accrued payroll	36,854	18,240	16,577	71,671	19,473
Current portion of compensated absences payable	51,053	23,138	23,639	97,830	21,305
Current portion of general obligation bonds payable	170,112	92,104	-	262,216	-
Current portion of revolving loan note payable	-	561,521	-	561,521	-
Accrued interest payable	27,166	81,148	-	108,314	-
Current portion of water storage space payable	130,380	-	-	130,380	-
Total current liabilities	<u>505,106</u>	<u>814,742</u>	<u>66,285</u>	<u>1,386,133</u>	<u>43,929</u>
Noncurrent liabilities:					
Long-term portion of compensated absences payable	311	3,505	1,780	5,596	785
Long-term portion of general obligation bonds payable	1,890,802	729,556	-	2,620,358	-
Long-term portion of revolving loan note payable	-	8,871,227	-	8,871,227	-
Long-term portion of water storage space payable	48,199,233	-	-	48,199,233	-
Advances from other funds	-	854,834	263,165	1,117,999	-
Total noncurrent liabilities	<u>50,090,346</u>	<u>10,459,122</u>	<u>264,945</u>	<u>60,814,413</u>	<u>785</u>
Total liabilities	<u>50,595,452</u>	<u>11,273,864</u>	<u>331,230</u>	<u>62,200,546</u>	<u>44,714</u>
Net position:					
Net investment in capital assets	9,751,765	10,775,610	758,732	21,286,107	17,396
Unrestricted	(14,239,323)	379,547	44,484	(13,815,292)	76,052
Total net position	<u>\$ (4,487,558)</u>	<u>\$ 11,155,157</u>	<u>\$ 803,216</u>	<u>7,470,815</u>	<u>\$ 93,448</u>

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

55,085

Net position of business-type activities

\$ 7,525,900

CITY OF EL DORADO, KANSAS

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

Year Ended December 31, 2013

	Business-Type Activities - Enterprise Funds				Business-Type Activities
	Waterworks System	Sewer System	Refuse	Total Enterprise Funds	Internal
					Service Fund (Data Processing Fund)
Operating revenues:					
Charges for services	\$ 3,704,990	\$ 1,857,423	\$ 1,210,412	\$ 6,772,825	\$ 699,639
Miscellaneous	147,974	59,446	149,388	356,808	3,844
Rents and royalties	10,316	43,405	-	53,721	-
Total operating revenues	<u>3,863,280</u>	<u>1,960,274</u>	<u>1,359,800</u>	<u>7,183,354</u>	<u>703,483</u>
Operating expenses:					
Costs of sales and services	2,292,364	554,695	623,661	3,470,720	756,421
Administration	399,986	582,335	566,207	1,548,528	-
Depreciation	361,552	688,708	63,424	1,113,684	2,913
Total operating expenses	<u>3,053,902</u>	<u>1,825,738</u>	<u>1,253,292</u>	<u>6,132,932</u>	<u>759,334</u>
Operating income (loss)	<u>809,378</u>	<u>134,536</u>	<u>106,508</u>	<u>1,050,422</u>	<u>(55,851)</u>
Nonoperating revenues (expense):					
Investment income (loss)	(121,532)	1,007	193	(120,332)	-
Interest expense	(1,732,097)	(276,736)	(10,892)	(2,019,725)	-
Loss on disposal of assets	(14,495)	-	(2,361)	(16,856)	-
Total nonoperating revenues (expense)	<u>(1,868,124)</u>	<u>(275,729)</u>	<u>(13,060)</u>	<u>(2,156,913)</u>	<u>-</u>
Income (loss) before capital contributions and transfers	(1,058,746)	(141,193)	93,448	(1,106,491)	(55,851)
Capital contributions	100	-	-	100	-
Transfers from other funds	245,725	104,811	-	350,536	15,000
Transfers to other funds	(448,681)	(90,882)	(74,000)	(613,563)	-
Change in net position	(1,261,602)	(127,264)	19,448	(1,369,418)	(40,851)
Net position, beginning of year	(3,225,956)	11,282,421	783,768	8,840,233	134,299
Net position, end of year	<u>\$ (4,487,558)</u>	<u>\$ 11,155,157</u>	<u>\$ 803,216</u>	<u>\$ 7,470,815</u>	<u>\$ 93,448</u>
Change in net position per fund statements				\$ (1,369,418)	
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				(22,188)	
Change in net position of business-type activities				<u>\$ (1,391,606)</u>	

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS

Year Ended December 31, 2013

	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	\$ 3,878,242	\$ 1,861,743	\$ 1,330,144	\$ 7,070,129	\$ 707,647
Payments to suppliers	(2,353,515)	(698,209)	(635,434)	(3,687,158)	(753,986)
Payments to employees	(382,674)	(574,736)	(568,162)	(1,525,572)	-
Net cash provided by (used in) operating activities	1,142,053	588,798	126,548	1,857,399	(46,339)
Cash flows from capital and related financing activities:					
Proceeds from general obligation bonds	1,777,986	222,692	-	2,000,678	-
Principal paid on general obligation bonds	(82,524)	(83,964)	-	(166,488)	-
Principal paid on temporary notes payable	(1,260,000)	-	-	(1,260,000)	-
Principal paid on revolving loan note	-	(522,463)	-	(522,463)	-
Principal paid on water storage space payable	(125,969)	-	-	(125,969)	-
Interest paid on debt	(374,456)	(289,905)	(10,892)	(675,253)	-
Acquisition and construction of capital assets	(777,412)	(400,516)	-	(1,177,928)	(8,526)
Net cash used in capital and related financing activities	(842,375)	(1,074,156)	(10,892)	(1,927,423)	(8,526)
Cash flows from noncapital financing activities:					
Transfers (to) from other funds	(202,956)	13,929	(74,000)	(263,027)	15,000
Advances (to) from other funds	86,145	(18,966)	(23,833)	43,346	-
Net cash provided by (used in) noncapital financing activities	(116,811)	(5,037)	(97,833)	(219,681)	15,000
Cash flows from investing activities:					
Investment income (loss)	(121,532)	1,007	193	(120,332)	-
Net increase (decrease) in cash and investments	61,335	(489,388)	18,016	(410,037)	(39,865)
Cash and investments, beginning of year	5,004,929	1,700,486	204,649	6,910,064	157,013
Cash and investments, end of year	\$ 5,066,264	\$ 1,211,098	\$ 222,665	\$ 6,500,027	\$ 117,148

(Continued)

CITY OF EL DORADO, KANSAS

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUNDS
 (Continued)

Year Ended December 31, 2013

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds	Business-Type Activities
	Waterworks System	Sewer System	Refuse		Internal Service Fund (Data Processing Fund)
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 809,378	\$ 134,536	\$ 106,508	\$ 1,050,422	\$ (55,851)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	361,552	688,708	63,424	1,113,684	2,913
Decrease (increase) in accounts receivable	14,962	(98,531)	(29,656)	(113,225)	4,164
Decrease (increase) in inventories	(10,910)	7,790	9,629	6,509	-
Increase (decrease) in salaries and accrued payroll	13,847	6,882	4,324	25,053	7,177
Increase (decrease) in accounts payable	(50,241)	(151,304)	(21,402)	(222,947)	(5,976)
Increase (decrease) in compensated absences payable	3,465	717	(6,279)	(2,097)	1,234
Net cash provided by (used in) operating activities	<u>\$ 1,142,053</u>	<u>\$ 588,798</u>	<u>\$ 126,548</u>	<u>\$ 1,857,399</u>	<u>\$ (46,339)</u>
Schedule of noncash capital and related financing activities:					
Contributions of capital assets	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

STATEMENT OF NET POSITION -
FIDUCIARY FUNDS

December 31, 2013

	Retiree Health Care Benefit Plan Trust Fund	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and investments:		
Cash	\$ -	\$ 2,431
Common stocks	68,305	-
Fixed income securities	136,996	-
Accounts receivable	<u>-</u>	<u>10,127</u>
Total assets	205,301	12,558
Liabilities:		
Accounts payable	<u>-</u>	<u>12,558</u>
Net position held in trust for other post employment benefits	<u>\$ 205,301</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, 2013

	Retiree Health Care Benefit Plan Trust Fund
Additions:	
Employer contributions	\$ 54,935
Investment income	10,748
	<hr/>
Total additions	65,683
Deductions:	
Benefits	41,377
	<hr/>
Change in net position held in trust for other post employment benefits	24,306
Net position held in trust for other post employment benefits, beginning of year	180,995
	<hr/>
Net position held in trust for other post employment benefits, end of year	<u>\$ 205,301</u>

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS
NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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 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, 2013 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. 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.

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 unavailable revenue accounts.

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, 2013, interest earnings allocated to various funds were \$ 7,614. 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 unavailable 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 unavailable revenue is reported as follows:

General fund property taxes receivable	\$ 2,688,074
Debt service fund property taxes receivable	670,006
Debt service fund special assessments receivable	3,169,212
Nonmajor funds property taxes receivable	96,340
Nonmajor funds special assessment receivable	241,658
	\$ 6,865,290
	\$ 6,865,290

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 2013 levy was based was \$ 82,287,668.

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 2013 tax levy per \$ 1,000 of assessed valuation was as follows:

General Fund	\$	32.905
Debt Service Fund		8.202
Nonmajor funds		1.179
Component unit:		
Library		4.951
		<hr/>
	\$	47.237
		<hr/> <hr/>

Special Assessments Receivable

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

Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet and the governmental activities in the government-wide statement of net position. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Governmental activities report unavailable revenues only from property taxes.

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.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are 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, 2013, fund balances for governmental funds are made up of the following:

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.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

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 \$ 4,253,745 of restricted net position, of which \$ 70,025 is restricted by enabling legislation. This enabling legislation authorized the collection of a sales tax from which the collection of these sales taxes is to be used for the explicit purpose of street rehab, property tax reduction and economic development.

Concentrations of Credit Risk

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

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

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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, 2013, 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. 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 to 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)

Pending Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, was issued in November 2013. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

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 \$ (16,813,225) difference are as follows:

Bonds payable	\$ (16,482,426)
Accrued interest payable	(93,112)
Compensated absences	<u>(237,687)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position of governmental activities	<u><u>\$ (16,813,225)</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

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 \$ 760,778 difference are as follows:

Capital outlay	\$ 2,995,300
Depreciation expense	<u>(2,234,522)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u>\$ 760,778</u>

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 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 \$ (3,415,810) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation refunding bonds	\$ (4,644,322)
Principal repayments:	
Bonds	<u>1,228,512</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u>\$ (3,415,810)</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 “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 \$ (23,627) difference are as follows:

Compensated absences	\$	309
Accrued interest		<u>(23,936)</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>(23,627)</u></u>

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.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

3 - Stewardship, Compliance and Accountability (Continued)

Budgetary Information (Continued)

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.

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.

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 \$ 4,487,558 at December 31, 2013 due to the recording of the water storage space payable. The tourism tax fund had a deficit net fund balance of \$ 221,313 at December 31, 2013 due to transfers out related to the investment in the joint venture in the prior year.

Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations in the Prairie Trails Restaurant/Golf Fund by \$ 65,315.

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

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.

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, 2013, 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, 2013, 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	\$ 1,179,371	\$ 1,179,371	\$ -	\$ -	\$ -
Federal Home Loan Mortgage Corporation	566,344	566,344	-	-	-
Fixed income securities	136,996	136,996	-	-	-
Equities	68,305	68,305	-	-	-
	<u>\$ 1,951,016</u>	<u>\$ 1,951,016</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

4 - Deposits and Investments

Investments (Continued)

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.

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, 2013, 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, 2013 was as follows:

Primary Government

	Balance January 1, 2013	Increase	Decrease	Balance December 31, 2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,765,211	\$ -	\$ (4,347)	\$ 4,760,864
Construction in progress	5,780,638	1,668,614	(4,163,894)	3,285,358
Total capital assets not being depreciated	10,545,849	1,668,614	(4,168,241)	8,046,222
Capital assets being depreciated:				
Buildings	7,641,836	3,585,491	-	11,227,327
Improvements other than buildings	9,074,530	35,793	-	9,110,323
Infrastructure	31,693,268	1,575,698	-	33,268,966
Machinery and equipment	5,030,315	299,334	(22,765)	5,306,884
Total capital assets being depreciated	53,439,949	5,496,316	(22,765)	58,913,500
Less accumulated depreciation for:				
Buildings	2,657,756	185,554	-	2,843,310
Improvements other than buildings	2,046,128	173,300	-	2,219,428
Infrastructure	12,086,504	1,388,969	-	13,475,473
Machinery and equipment	3,161,599	486,699	(21,376)	3,626,922
Total accumulated depreciation	19,951,987	2,234,522	(21,376)	22,165,133
Total capital assets being depreciated, net	33,487,962	3,261,794	(1,389)	36,748,367
Governmental activities capital assets, net	\$ 44,033,811	\$ 4,930,408	\$ (4,169,630)	\$ 44,794,589

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

5 - Capital Assets (Continued)

	Balance January 1, 2013	Increase	Decrease	Balance December 31, 2013
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	3,259,355	809,194	(2,428,424)	1,640,125
Total capital assets not being depreciated	32,962,308	809,194	(2,428,424)	31,343,078
Capital assets being depreciated:				
Buildings	17,279,493	-	-	17,279,493
Improvements other than buildings	20,471,859	124,158	(68,982)	20,527,035
Machinery and equipment	5,632,427	2,681,624	(53,060)	8,260,991
Total capital assets being depreciated	43,383,779	2,805,782	(122,042)	46,067,519
Less accumulated depreciation for:				
Buildings	5,321,680	379,848	-	5,701,528
Improvements other than buildings	8,271,082	331,124	(55,236)	8,546,970
Machinery and equipment	2,616,145	405,625	(49,950)	2,971,820
Total accumulated depreciation	16,208,907	1,116,597	(105,186)	17,220,318
Total capital assets being depreciated, net	27,174,872	1,689,185	(16,856)	28,847,201
Business-type activities capital assets, net	\$ 60,137,180	\$ 2,498,379	\$ (2,445,280)	\$ 60,190,279

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		\$	247,716
Public safety			224,279
Public works (including depreciation of infrastructure assets)			1,618,142
Health and sanitation			16,929
Culture and recreation			104,015
Economic development			23,441
	Total depreciation expense - governmental activities	\$	<u>2,234,522</u>
Business-type activities:			
Waterworks utility		\$	361,552
Sewer utility			688,708
Refuse			63,424
Capital assets held by the City's internal service fund are charged to the various functions based on their usage			2,913
	Total depreciation expense - business-type activities	\$	<u>1,116,597</u>

Capital asset activity for the Library component unit for the year ended December 31, 2013 was as follows:

	Balance January 1, 2013	Increase	Decrease	Balance December 31, 2013
Discretely presented component unit:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 43,516	\$ -	\$ 43,516
Capital assets being depreciated:				
Buildings	990,119	-	-	990,119
Machinery and equipment	214,295	1,842	-	216,137
Total capital assets being depreciated	<u>1,204,414</u>	<u>1,842</u>	<u>-</u>	<u>1,206,256</u>
Less accumulated depreciation for:				
Buildings	421,165	23,699	-	444,864
Machinery and equipment	141,219	3,549	-	144,768
Total accumulated depreciation	<u>562,384</u>	<u>27,248</u>	<u>-</u>	<u>589,632</u>
Total capital assets being depreciated, net	<u>642,030</u>	<u>(25,406)</u>	<u>-</u>	<u>616,624</u>
Discretely presented component unit capital assets, net	<u>\$ 642,030</u>	<u>\$ 18,110</u>	<u>\$ -</u>	<u>\$ 660,140</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, 2013 for capital projects compared to the amount authorized:

<u>Project</u>	<u>Costs-to-Date</u>	<u>Amount Authorized</u>
Sewer improvements	\$ 125,891	\$ 136,374
Sidewalk improvements	26,726	65,608
Street improvements	335,787	378,082
Building improvements	12,474	172,662
	<u>\$ 500,878</u>	<u>\$ 752,726</u>

7 - Long-Term Debt

General Obligation Bonds

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

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

7 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

General obligation bonds payable at December 31, 2013 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2013	Outstanding December 31, 2013
General Obligation Bonds:					
Governmental activities:					
Series 2004	3.40%	\$ 3,742,628	11/1/2014	\$ 421,821	\$ 438,363
Series 2006	3.65 - 3.95%	3,932,239	11/1/2021	262,666	2,519,010
Series 2008	3.30 - 4.25%	3,310,000	11/1/2023	195,000	2,395,000
Series 2010	1.15 - 3.35%	1,648,262	11/1/2025	119,025	1,110,731
Series 2011	2.00 - 3.50%	5,715,000	11/1/2032	230,000	5,375,000
Series 2013	1.00 - 2.75%	4,644,322	11/1/2028	-	4,644,322
				<u>1,228,512</u>	<u>16,482,426</u>
Business-type activities:					
Series 2004	3.40%	782,372	11/1/2014	88,179	91,637
Series 2006	3.65 - 3.95%	633,761	11/1/2021	42,334	405,990
Series 2010	1.15 - 3.35%	546,738	11/1/2025	35,975	384,269
Series 2013	1.00 - 2.75%	2,000,678	11/1/2028	-	2,000,678
				<u>166,488</u>	<u>2,882,574</u>
				<u>\$ 1,395,000</u>	<u>\$ 19,365,000</u>

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

- Series 2004: Callable November 1, 2012 at par plus accrued interest
- Series 2006: Callable November 1, 2014 at par plus accrued interest
- Series 2008: Callable November 1, 2016 at par plus accrued interest
- Series 2010: Callable November 1, 2018 at par plus accrued interest
- Series 2011: Callable November 1, 2021 at par plus accrued interest
- Series 2013: 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	\$ 438,363	\$ 438,363
Series 2006	271,278	361,704
Series 2008	200,000	290,000
Series 2010	72,951	134,382
Series 2011	225,000	360,000
Series 2013	127,600	498,480
Business-type activities:		
Series 2004	91,637	91,637
Series 2006	43,722	58,296
Series 2010	22,049	40,618
Series 2013	87,400	161,520

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, 2013 are as follows:

Governmental activities	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,407,784	\$ 470,335	\$ 1,878,119
2015	1,333,583	407,677	1,741,260
2016	1,364,646	378,681	1,743,327
2017	1,369,419	347,968	1,717,387
2018	1,362,756	315,929	1,678,685
2019-2023	5,995,638	1,028,120	7,023,758
2024-2028	2,378,600	428,701	2,807,301
2029-2033	1,270,000	103,363	1,373,363
	<u>\$ 16,482,426</u>	<u>\$ 3,480,774</u>	<u>\$ 19,963,200</u>

Business-type activities	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 262,216	\$ 70,827	\$ 333,043
2015	236,417	53,400	289,817
2016	240,354	49,681	290,035
2017	240,581	45,717	286,298
2018	232,244	41,576	273,820
2019-2023	1,074,362	136,834	1,211,196
2024-2028	596,400	46,382	642,782
	<u>\$ 2,882,574</u>	<u>\$ 444,417</u>	<u>\$ 3,326,991</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 \$ 8,193,722 is shown as a liability in the sewer fund. The future annual debt service requirements for the construction loan payable as of December 31, 2013 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Service Fees</u>	<u>Total</u>
2014	\$ 511,169	\$ 196,023	\$ 707,192
2015	524,960	183,518	708,478
2016	539,123	170,676	709,799
2017	553,668	157,488	711,156
2018	568,606	143,943	712,549
2019-2023	3,081,588	503,412	3,585,000
2024-2028	2,414,608	118,912	2,533,520
	<u>\$ 8,193,722</u>	<u>\$ 1,473,972</u>	<u>\$ 9,667,694</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 \$ 1,239,026 is shown as a liability in the sewer fund. The future annual debt service requirements for the construction loan payable as of December 31, 2013 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest and Service Fees</u>	<u>Total</u>
2014	\$ 50,352	\$ 26,738	\$ 77,090
2015	51,583	25,634	77,217
2016	52,844	24,502	77,346
2017	54,136	23,343	77,479
2018	55,460	22,156	77,616
2019-2023	298,313	91,929	390,242
2024-2028	336,605	57,576	394,181
2029-2033	339,733	18,814	358,547
	<u>\$ 1,239,026</u>	<u>\$ 290,692</u>	<u>\$ 1,529,718</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 2013 by \$ 1,334,787 representing accrued interest. At December 31, 2013 the liability including accrued interest is \$ 39,449,783. 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, 2013, the City has cash and investments of \$ 4,546,243 set aside to pay for the water storage space payable on July 1, 2081.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

7 - Long-Term Debt (Continued)

Liability for Water Storage Space (Continued)

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 \$ 2,217,319 is shown as a liability in the waterworks system fund.

The future annual debt service requirements for this water storage space payable as of December 31, 2013 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	54,953	70,582	125,535
2019-2023	305,014	322,661	627,675
2024-2028	362,296	265,379	627,675
2029-2033	430,336	197,339	627,675
2034-2038	511,153	116,522	627,675
2039-2043	351,732	24,919	376,651
	<u>\$ 2,217,319</u>	<u>\$ 1,297,707</u>	<u>\$ 3,515,026</u>

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

7 - Long-Term Debt (Continued)

Liability for Water Storage Space (Continued)

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 \$ 6,662,511 is shown as a liability in the waterworks system fund.

The future annual debt service requirements for this water storage space payable as of December 31, 2013 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	94,674	221,144	315,818
2019-2023	525,486	1,053,602	1,579,088
2024-2028	624,173	954,915	1,579,088
2029-2033	741,393	837,695	1,579,088
2034-2038	880,627	698,461	1,579,088
2039-2043	1,046,010	533,078	1,579,088
2044-2048	1,242,452	336,636	1,579,088
2048-2053	1,159,967	103,302	1,263,269
	<u>\$ 6,662,511</u>	<u>\$ 5,654,376</u>	<u>\$ 12,316,887</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, 2013 was as follows:

	Outstanding January 1, 2013	Additions	Reductions	Outstanding December 31, 2013	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 13,066,616	\$ 4,644,322	\$ 1,228,512	\$ 16,482,426	\$ 1,407,784
Compensated absences	237,996	233,845	234,154	237,687	234,153
Total long-term liabilities - governmental activities	<u>\$ 13,304,612</u>	<u>\$ 4,878,167</u>	<u>\$ 1,462,666</u>	<u>\$ 16,720,113</u>	<u>\$ 1,641,937</u>
Business-type activities:					
General obligation bonds	\$ 1,048,384	\$ 2,000,678	\$ 166,488	\$ 2,882,574	\$ 262,216
Construction loans payable	9,955,211	-	522,463	9,432,748	561,521
Water storage space payable	47,120,795	1,334,787	125,969	48,329,613	130,380
Temporary notes payable	1,260,000	-	1,260,000	-	-
Compensated absences	126,379	106,269	107,132	125,516	119,135
Total long-term liabilities - business-type activities	<u>\$ 59,510,769</u>	<u>\$ 3,441,734</u>	<u>\$ 2,182,052</u>	<u>\$ 60,770,451</u>	<u>\$ 1,073,252</u>
Component unit:					
Compensated absences	<u>\$ 25,932</u>	<u>\$ 32,227</u>	<u>\$ 19,671</u>	<u>\$ 38,488</u>	<u>\$ 32,210</u>

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

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

7 - Long-Term Debt (Continued)

Defeased Bonds

During the year ended December 31, 2013, the City issued \$ 6,645,000 of general obligation refunding bonds (Series 2013A) to purchase securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments related to \$ 2,685,000 of Series 2006 general obligation bonds. However, the bonds are not considered to be defeased since they were refunded through a crossover refunding transaction. Because there is no defeasance in such a transaction until the crossover date of November 1, 2014, the assets held in trust by the escrow agent are reported in the construction, waterworks system and sewer funds as restricted cash and investments in the amounts of \$ 1,876,600, \$ 718,419 and \$ 89,981, respectively. Moreover, both the refunding and the refunded bonds are reported in the noncurrent liabilities until the crossover date. The transaction resulted in an economic gain of approximately \$ 231,840 and a reduction of approximately \$ 331,000 in future debt service payments.

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.

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, 2013, Industrial Revenue Bonds outstanding had an aggregate principal amount payable of approximately \$ 3,190,000.

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

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, 2013 was as follows:

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

During 2013, the City paid off the temporary note with proceeds from the Series 2013A general obligation refunding bond.

9 - Interfund Receivables and Payables

Advances from/to other funds

Receivable Fund	Amount	Payable Fund	Amount
Waterworks system	\$ 2,170,055	Sewer system	\$ 854,834
		Refuse	263,165
		Other governmental	1,052,056
			\$ 2,170,055

The amounts payable to the waterworks system fund are a result of funds paid to the Authority as described in Note 1. Approximately \$ 78,000 of the balance is scheduled to be collected in the subsequent year.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

9 - Interfund Receivables and Payables (Continued)

The composition of interfund balances as of December 31, 2013, is as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Construction	\$ 114,186

These interfund balances result from the time lag between the dates that (1) transactions are recorded in the accounting system, and (2) payments between funds are made.

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, 2013, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major governmental funds:		
General	\$ 939,540	\$ 1,882,636
Debt Service	83,427	2,396
Construction	1,374,558	610,586
Nonmajor governmental funds	495,000	148,880
Major proprietary funds:		
Waterworks System	245,725	448,681
Sewer System	104,811	90,882
Refuse	-	74,000
Internal Service Fund:		
Data Processing	15,000	-
Total transfers	<u>\$ 3,258,061</u>	<u>\$ 3,258,061</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.

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 2013 was 8.94%. Included in this rate is the contribution for Group Death and Disability Insurance of 1.00%. There was a moratorium on the collection of Group Death and Disability Insurance premium from April 1, 2013 through June 30, 2013. The employer contributions to KPERS for the years ended December 31, 2013, 2012 and 2011 were \$ 370,085, \$ 353,219, and \$ 313,270, 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 2013 is 17.26%. 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, 2013, 2012, and 2011 were \$ 322,865, \$ 324,386, and \$ 272,793, 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 2013, five 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 2013, the City contributed \$ 54,935 to the Plan. Plan members receiving benefits contributed \$ 19,015, 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 2013:

Annual required contribution	\$ 54,935
Annual OPEB cost (expense)	\$ 54,935
Contributions made	54,935
Increase in net OPEB obligation (asset)	-
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	\$ -

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation (asset) for 2013 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>
2011	\$ 78,192	\$ 78,192	100%	\$ -
2012	31,678	31,678	100%	-
2013	54,935	54,935	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, 2013, 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, 2013 was 28 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.

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 \$ 96,995 reported at December 31, 2013 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, 2013, the City had approximately \$ 452,000 assigned in the General Fund for payment of health claims. The changes in health care claims payable for the years ended December 31, 2013 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
2011	\$ 158,938	\$ 727,636	\$ 826,998	\$ 59,576
2012	59,576	1,156,645	1,136,577	79,644
2013	79,644	1,067,435	1,050,084	96,995

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, 2013

	Airport	Major Street Improvement	Industrial Development	Special Parks and Recreation	Tourism Tax	Economic Development Sales Tax
<u>ASSETS</u>						
Cash and investments	\$ 82,641	\$ 122,168	\$ 577,275	\$ 20,513	\$ 232,895	\$ 280,867
Receivables (net of allowance for uncollectibles):						
Property tax	16,850	-	79,490	-	-	-
Special assessment tax	-	-	-	-	-	-
Accounts	6,046	109,768	-	-	73,967	-
Due from other governments	-	-	-	-	-	-
Total assets	<u>\$ 105,537</u>	<u>\$ 231,936</u>	<u>\$ 656,765</u>	<u>\$ 20,513</u>	<u>\$ 306,862</u>	<u>\$ 280,867</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 2,808	\$ 4,456	\$ 4,700	\$ -	\$ 131	\$ -
Accrued payroll	2,234	15,824	-	-	2,016	-
Advances from other funds	-	-	526,028	-	526,028	-
Total liabilities	<u>5,042</u>	<u>20,280</u>	<u>530,728</u>	<u>-</u>	<u>528,175</u>	<u>-</u>
Deferred inflows of resources:						
Unavailable revenue - property taxes	16,850	-	79,490	-	-	-
Unavailable revenue - special assessments	-	-	-	-	-	-
Total deferred inflows of resources	<u>16,850</u>	<u>-</u>	<u>79,490</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:						
Restricted:						
Public safety	-	-	-	-	-	-
Economic development	-	-	19,699	-	19,583	280,867
Culture and recreation	-	-	-	20,513	-	-
Public works	-	-	-	-	-	-
Committed:						
Public safety	-	-	-	-	-	-
Assigned	83,645	211,656	26,848	-	-	-
Unassigned	-	-	-	-	(240,896)	-
Total fund balances	<u>83,645</u>	<u>211,656</u>	<u>46,547</u>	<u>20,513</u>	<u>(221,313)</u>	<u>280,867</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 105,537</u>	<u>\$ 231,936</u>	<u>\$ 656,765</u>	<u>\$ 20,513</u>	<u>\$ 306,862</u>	<u>\$ 280,867</u>

(Continued)

CITY OF EL DORADO, KANSAS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
(Continued)

December 31, 2013

	Stormwater Utility	Family Life Center	Expendable Trust	Customer Deposit	Law Enforcement Trust	Total Nonmajor Special Revenue Funds
<u>ASSETS</u>						
Cash and investments	\$ 400,427	\$ -	\$ 34,286	\$ 10,399	\$ 2,567	\$ 1,764,038
Receivables (net of allowance for uncollectibles):						
Property tax	-	-	-	-	-	96,340
Special assessment tax	241,658	-	-	-	-	241,658
Accounts	1,469	-	-	-	-	191,250
Due from other governments	-	17,638	-	-	4,032	21,670
Total assets	<u>\$ 643,554</u>	<u>\$ 17,638</u>	<u>\$ 34,286</u>	<u>\$ 10,399</u>	<u>\$ 6,599</u>	<u>\$ 2,314,956</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 55,413	\$ 17,638	\$ -	\$ 6,990	\$ -	\$ 92,136
Accrued payroll	6,952	-	-	-	-	27,026
Advances from other funds	-	-	-	-	-	1,052,056
Total liabilities	<u>62,365</u>	<u>17,638</u>	<u>-</u>	<u>6,990</u>	<u>-</u>	<u>1,171,218</u>
Deferred inflows of resources:						
Unavailable revenue - property taxes	-	-	-	-	-	96,340
Unavailable revenue - special assessments	241,658	-	-	-	-	241,658
Total deferred inflows of resources	<u>241,658</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>337,998</u>
Fund balances:						
Restricted:						
Public safety	-	-	-	-	6,599	6,599
Economic development	-	-	-	-	-	320,149
Culture and recreation	-	-	-	-	-	20,513
Public works	308,814	-	-	-	-	308,814
Committed:						
Public safety	-	-	-	3,409	-	3,409
Assigned	30,717	-	34,286	-	-	387,152
Unassigned	-	-	-	-	-	(240,896)
Total fund balances	<u>339,531</u>	<u>-</u>	<u>34,286</u>	<u>3,409</u>	<u>6,599</u>	<u>805,740</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 643,554</u>	<u>\$ 17,638</u>	<u>\$ 34,286</u>	<u>\$ 10,399</u>	<u>\$ 6,599</u>	<u>\$ 2,314,956</u>

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

Year Ended December 31, 2013

	Airport	Major Street Improve- ment	Industrial Develop- ment	Special Parks and Recreation	Tourism Tax	Economic Develop- ment Sales Tax
Revenues:						
Taxes:						
Property	\$ 95,272	\$ -	\$ 86,931	\$ -	\$ -	\$ -
Sales	-	-	-	-	-	50,000
Tourism	-	-	-	-	173,221	-
Intergovernmental	-	486,207	-	35,318	-	-
Licenses and permits	-	1,452	-	1,740	-	-
Charges for services	194,237	1,125	-	-	-	-
Special assessments	-	-	-	-	-	-
Investment earnings	59	-	-	-	174	-
Miscellaneous	3,204	3,700	9,035	-	23,571	-
Total revenues	292,772	492,484	95,966	37,058	196,966	50,000
Expenditures:						
Current:						
General government	226,797	-	-	-	-	-
Highways and streets	-	856,908	-	-	-	-
Health and sanitation	-	-	-	-	-	-
Culture and recreation	-	-	-	5,000	-	-
Economic development	-	-	45,460	-	131,866	14,133
Capital outlay	-	33,841	-	-	-	-
Debt service:						
Interest	-	-	21,772	-	21,772	-
Total expenditures	226,797	890,749	67,232	5,000	153,638	14,133
Excess (deficiency) of revenues over (under) expenditures	65,975	(398,265)	28,734	32,058	43,328	35,867
Other financing sources (uses):						
Transfers in	-	495,000	-	-	-	-
Transfers out	(40,000)	-	(4,000)	(86,880)	-	-
Total other financing sources (uses)	(40,000)	495,000	(4,000)	(86,880)	-	-
Net change in fund balances	25,975	96,735	24,734	(54,822)	43,328	35,867
Fund balances, beginning of year	57,670	114,921	21,813	75,335	(264,641)	245,000
Fund balances, end of year	\$ 83,645	\$ 211,656	\$ 46,547	\$ 20,513	\$ (221,313)	\$ 280,867

(Continued)

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

Year Ended December 31, 2013

	Stormwater Utility	Family Life Center	Expendable Trust	Customer Deposit	Law Enforcement Trust	Total Nonmajor Special Revenue Funds
Revenues:						
Taxes:						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 182,203
Sales	-	-	-	-	-	50,000
Tourism	-	-	-	-	-	173,221
Intergovernmental	-	43,653	-	-	5,065	570,243
Licenses and permits	-	-	-	-	-	3,192
Charges for services	-	-	-	-	-	195,362
Special assessments	317,646	-	-	-	-	317,646
Investment earnings	348	-	-	-	-	581
Miscellaneous	2,738	-	-	20,340	-	62,588
Total revenues	320,732	43,653	-	20,340	5,065	1,555,036
Expenditures:						
Current:						
General government	233,520	-	-	-	-	460,317
Highways and streets	-	-	-	-	-	856,908
Health and sanitation	-	48,133	-	29,185	-	77,318
Culture and recreation	-	-	1,004	-	-	6,004
Economic development	-	-	-	-	-	191,459
Capital outlay	55,030	-	-	-	-	88,871
Debt service:						
Interest	-	-	-	-	-	43,544
Total expenditures	288,550	48,133	1,004	29,185	-	1,724,421
Excess (deficiency) of revenues over (under) expenditures	32,182	(4,480)	(1,004)	(8,845)	5,065	(169,385)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	495,000
Transfers out	(18,000)	-	-	-	-	(148,880)
Total other financing sources (uses)	(18,000)	-	-	-	-	346,120
Net change in fund balances	14,182	(4,480)	(1,004)	(8,845)	5,065	176,735
Fund balances, beginning of year	325,349	4,480	35,290	12,254	1,534	629,005
Fund balances, end of year	\$ 339,531	\$ -	\$ 34,286	\$ 3,409	\$ 6,599	\$ 805,740

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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 650	\$ 650	\$ 365	\$ (285)
Charges for services	75,000	75,000	63,697	(11,303)
Miscellaneous	-	-	691	691
Total revenues	75,650	75,650	64,753	(10,897)
Expenditures:				
Personal services	144,993	144,993	117,832	27,161
Contractual services	18,186	18,186	20,542	(2,356)
Commodities	31,250	31,250	29,815	1,435
Capital outlay	9,000	9,000	4,892	4,108
Total expenditures	203,429	203,429	173,081	30,348
Excess of revenues over (under) expenditures	(127,779)	(127,779)	(108,328)	19,451
Other financing sources:				
Transfers in	131,354	131,354	131,354	-
Transfers out	-	-	(9,000)	(9,000)
Net change in fund balances	3,575	3,575	14,026	10,451
Fund balance, beginning of year	26,939	26,939	10,195	(16,744)
Fund balance, end of year	\$ 30,514	\$ 30,514	24,221	\$ (6,293)
Reconciliation to GAAP				
Plus receivables at December 31, 2013			643	
Less payables outstanding at December 31, 2013			(6,889)	
Fund balances on the basis of GAAP			\$ 17,975	

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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ 80,000	\$ 80,000	\$ 23,183	\$ (56,817)
Expenditures:				
Commodities	80,000	80,000	41,140	38,860
Net change in fund balances	-	-	(17,957)	(17,957)
Fund balance, beginning of year	20,848	20,848	(97,179)	(118,027)
Fund balance, end of year	<u>\$ 20,848</u>	<u>\$ 20,848</u>	(115,136)	<u>\$ (135,984)</u>
<u>Reconciliation to GAAP</u>				
Plus inventory at December 31, 2013			122,609	
Less payables outstanding at December 31, 2013			<u>(26,164)</u>	
Fund balances on the basis of GAAP			<u>\$ (18,691)</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

PRAIRIE TRAILS RESTAURANT/GOLF

Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 317,137	\$ 317,137	\$ 410,612	\$ 93,475
Reimbursements	-	-	10,718	10,718
	<u>317,137</u>	<u>317,137</u>	<u>421,330</u>	<u>104,193</u>
Expenditures:				
Personal services	250,665	250,665	277,146	(26,481)
Contractual services	105,136	105,136	98,931	6,205
Commodities	112,875	112,875	153,929	(41,054)
Capital outlay	28,500	28,500	32,485	(3,985)
Total expenditures	<u>497,176</u>	<u>497,176</u>	<u>562,491</u>	<u>(65,315)</u>
Excess of revenues over (under) expenditures	(180,039)	(180,039)	(141,161)	38,878
Other financing sources (uses):				
Transfers in	<u>104,608</u>	<u>104,608</u>	<u>104,608</u>	<u>-</u>
Net change in fund balances	(75,431)	(75,431)	(36,553)	38,878
Fund balance, beginning of year	<u>75,431</u>	<u>75,431</u>	<u>148,218</u>	<u>72,787</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	111,665	<u>\$ 111,665</u>
<u>Reconciliation to GAAP</u>				
Plus receivables at December 31, 2013			3,248	
Plus inventory at December 31, 2013			18,947	
Less payables outstanding at December 31, 2013			<u>(32,861)</u>	
Fund balances on the basis of GAAP			<u>\$ 100,999</u>	

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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 100,222	\$ 100,222	\$ 95,272	\$ (4,950)
Charges for services	151,000	151,000	195,001	44,001
Investment earnings	200	200	59	(141)
Miscellaneous	2,000	2,000	3,204	1,204
Total revenues	253,422	253,422	293,536	40,114
Expenditures:				
Personal services	78,248	78,248	71,200	7,048
Contractual services	42,386	42,386	33,501	8,885
Commodities	90,800	90,800	119,537	(28,737)
Capital outlay	94,824	94,824	-	94,824
Miscellaneous	1,988	1,988	-	1,988
Total expenditures	308,246	308,246	224,238	84,008
Excess of revenues over (under) expenditures	(54,824)	(54,824)	69,298	124,122
Other financing sources (uses):				
Transfers out	(40,000)	(40,000)	(40,000)	-
Net change in fund balances	(94,824)	(94,824)	29,298	124,122
Fund balance, beginning of year	94,824	94,824	53,343	(41,481)
Fund balance, end of year	\$ -	\$ -	82,641	\$ 82,641
Reconciliation to GAAP				
Plus receivables at December 31, 2013			6,046	
Less payables outstanding at December 31, 2013			(5,042)	
Fund balances on the basis of GAAP			\$ 83,645	

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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 487,000	\$ 487,000	\$ 484,361	\$ (2,639)
Licenses and permits	9,500	9,500	2,577	(6,923)
Reimbursements	-	-	3,700	3,700
Total revenues	496,500	496,500	490,638	(5,862)
Expenditures:				
Personal services	601,415	601,415	548,704	52,711
Contractual services	161,250	161,250	137,471	23,779
Commodities	229,550	229,550	167,716	61,834
Capital outlay	-	-	33,841	(33,841)
Total expenditures	992,215	992,215	887,732	104,483
Excess of revenues over (under) expenditures	(495,715)	(495,715)	(397,094)	98,621
Other financing sources:				
Transfers in	495,000	495,000	495,000	-
Net change in fund balances	(715)	(715)	97,906	98,621
Fund balance, beginning of year	2,637	2,637	24,262	21,625
Fund balance, end of year	\$ 1,922	\$ 1,922	122,168	\$ 120,246
Reconciliation to GAAP				
Plus receivables at December 31, 2013			109,768	
Less payables outstanding at December 31, 2013			(20,280)	
Fund balances on the basis of GAAP			\$ 211,656	

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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 90,327	\$ 90,327	\$ 86,931	\$ (3,396)
Miscellaneous	-	-	9,035	9,035
Total revenues	90,327	90,327	95,966	5,639
Expenditures:				
Contractual services	68,525	68,525	40,760	27,765
Commodities	175	175	-	175
Capital outlay	544,741	544,741	-	544,741
Miscellaneous	1,793	1,793	43,444	(41,651)
Total expenditures	615,234	615,234	84,204	531,030
Excess of revenues over (under) expenditures	(524,907)	(524,907)	11,762	536,669
Other financing uses:				
Transfers out	(38,388)	(38,388)	(4,000)	34,388
Net change in fund balances	(563,295)	(563,295)	7,762	571,057
Fund balance, beginning of year	563,295	563,295	569,513	6,218
Fund balance, end of year	\$ -	\$ -	577,275	\$ 577,275
<u>Reconciliation to GAAP</u>				
Less payables outstanding at December 31, 2013			(4,700)	
Less advances outstanding at December 31, 2013			(526,028)	
Fund balances on the basis of GAAP			\$ 46,547	

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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 37,552	\$ 37,552	\$ 35,318	\$ (2,234)
Fees	2,400	2,400	1,740	(660)
Total revenues	<u>39,952</u>	<u>39,952</u>	<u>37,058</u>	<u>(2,894)</u>
Expenditures:				
Contractual services	12,517	12,517	7,098	5,419
Commodities	8,500	8,500	-	8,500
Capital outlay	102,095	102,095	-	102,095
Total expenditures	<u>123,112</u>	<u>123,112</u>	<u>7,098</u>	<u>116,014</u>
Excess of revenues over (under) expenditures	(83,160)	(83,160)	29,960	113,120
Other financing sources:				
Transfers out	-	-	(86,880)	(86,880)
Net change in fund balances	<u>(83,160)</u>	<u>(83,160)</u>	<u>(56,920)</u>	<u>26,240</u>
Fund balance, beginning of year	<u>83,160</u>	<u>83,160</u>	<u>77,433</u>	<u>(5,727)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,513</u>	<u>\$ 20,513</u>

CITY OF EL DORADO, KANSAS

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

TOURISM TAX FUND

Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 150,000	\$ 150,000	\$ 161,419	\$ 11,419
Investment earnings	500	500	174	(326)
Total revenues	150,500	150,500	161,593	11,093
Expenditures:				
Personal services	-	-	24,207	(24,207)
Contractual services	372,413	372,413	105,220	267,193
Commodities	13,500	13,500	232	13,268
Miscellaneous	-	-	43,444	(43,444)
Total expenditures	385,913	385,913	173,103	212,810
Excess of revenues over (under) expenditures	(235,413)	(235,413)	(11,510)	223,903
Other financing uses:				
Transfers out	(38,388)	(38,388)	-	38,388
Net change in fund balances	(273,801)	(273,801)	(11,510)	262,291
Fund balance, beginning of year	273,801	273,801	244,405	(29,396)
Fund balance, end of year	\$ -	\$ -	232,895	\$ 232,895
<u>Reconciliation to GAAP</u>				
Plus receivables at December 31, 2013			73,967	
Less payables outstanding at December 31, 2013			(2,147)	
Less advances outstanding at December 31, 2013			(526,028)	
Fund balances on the basis of GAAP			\$ (221,313)	

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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ 50,000	\$ 50,000
Expenditures:				
Contractual services	295,000	295,000	14,133	280,867
Excess of revenues over (under) expenditures	(295,000)	(295,000)	35,867	330,867
Other financing sources:				
Transfers in	50,000	50,000	-	(50,000)
Net change in fund balances	(245,000)	(245,000)	35,867	280,867
Fund balance, beginning of year	245,000	245,000	245,000	-
Fund balance, end of year	\$ -	\$ -	\$ 280,867	\$ 280,867

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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special assessment taxes	\$ 316,546	\$ 316,546	\$ 317,646	\$ 1,100
Reimbursements	250	250	2,331	2,081
Investment earnings	-	-	348	348
Total revenues	316,796	316,796	320,325	3,529
Expenditures:				
Personal services	232,542	232,542	192,836	39,706
Contractual services	15,439	15,439	8,509	6,930
Commodities	18,750	18,750	6,084	12,666
Capital outlay	327,055	327,055	21,898	305,157
Total expenditures	593,786	593,786	229,327	364,459
Excess of revenues over (under) expenditures	(276,990)	(276,990)	90,998	367,988
Other financing uses:				
Transfers out	(18,000)	(18,000)	(18,000)	-
Net change in fund balances	(294,990)	(294,990)	72,998	367,988
Fund balance, beginning of year	294,990	294,990	327,429	32,439
Fund balance, end of year	\$ -	\$ -	400,427	\$ 400,427
Reconciliation to GAAP				
Plus receivables at December 31, 2013			1,469	
Less payables outstanding at December 31, 2013			(62,365)	
Fund balances on the basis of GAAP			\$ 339,531	

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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 857,536	\$ 857,536	\$ 841,960	\$ (15,576)
Special assessments	723,004	723,004	430,657	(292,347)
Investment earnings	1,500	1,500	971	(529)
Miscellaneous	-	-	124,103	124,103
Total revenues	1,582,040	1,582,040	1,397,691	(184,349)
Expenditures:				
Contractual services	879,093	879,093	-	879,093
Debt redemption	1,641,506	1,641,506	1,641,456	50
Miscellaneous	15,534	15,534	-	15,534
Total expenditures	2,536,133	2,536,133	1,641,456	894,677
Excess of revenues over (under) expenditures	(954,093)	(954,093)	(243,765)	710,328
Other financing sources:				
Transfers in	75,000	75,000	83,427	8,427
Transfers out	-	-	(2,396)	(2,396)
Net change in fund balances	(879,093)	(879,093)	(162,734)	716,359
Fund balance, beginning of year	879,093	879,093	747,752	(131,341)
Fund balance, end of year	\$ -	\$ -	585,018	\$ 585,018
<u>Reconciliation to GAAP</u>				
Plus receivables at December 31, 2013			1,217	
Fund balances on the basis of GAAP			\$ 586,235	

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 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, 2013

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>SALES TAX FUND</u>				
Assets:				
Cash and investments	\$ 2,856	\$ 13,983	\$ 14,408	\$ 2,431
Accounts receivable	821	1,665	821	1,665
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,677</u>	<u>\$ 15,648</u>	<u>\$ 15,229</u>	<u>\$ 4,096</u>
Liabilities:				
Accounts payable	<u>\$ 3,677</u>	<u>\$ 15,648</u>	<u>\$ 15,229</u>	<u>\$ 4,096</u>
<u>REVOLVING LOAN FUND</u>				
Assets:				
Cash and investments	<u>\$ 41,580</u>	<u>\$ 41,580</u>	<u>\$ 83,160</u>	<u>\$ -</u>
Liabilities:				
Accounts payable	<u>\$ 41,580</u>	<u>\$ 41,580</u>	<u>\$ 83,160</u>	<u>\$ -</u>
<u>NEIGHBORHOOD REVITALIZATION REBATE FUND</u>				
Assets:				
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2013

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
<u>PAYROLL WITHHOLDING FUND</u>				
Assets:				
Cash and investments	\$ 5,445	\$ -	\$ 5,445	\$ -
Accounts receivable	-	8,462	-	8,462
Total assets	<u>\$ 5,445</u>	<u>\$ 8,462</u>	<u>\$ 5,445</u>	<u>\$ 8,462</u>
Liabilities:				
Accounts payable	<u>\$ 5,445</u>	<u>\$ 8,462</u>	<u>\$ 5,445</u>	<u>\$ 8,462</u>
 <u>TOTALS - ALL AGENCY FUNDS</u>				
Assets:				
Cash and investments	\$ 49,881	\$ 55,563	\$ 103,013	\$ 2,431
Accounts receivable	821	10,127	821	10,127
Total assets	<u>\$ 50,702</u>	<u>\$ 65,690</u>	<u>\$ 103,834</u>	<u>\$ 12,558</u>
Liabilities:				
Accounts payable	<u>\$ 50,702</u>	<u>\$ 65,690</u>	<u>\$ 103,834</u>	<u>\$ 12,558</u>

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, 2013

ASSETS

Cash and investments	\$ 303,766
Endowment investment	295,914
Property tax receivable	404,460
Accounts receivable	<u>257</u>
 Total assets	 <u><u>\$ 1,004,397</u></u>

LIABILITIES, DEFERRED INFLOWS OF
OF RESOURCES AND FUND BALANCES

Liabilities:	
Accounts payable	\$ 11,005
Accrued payroll	<u>8,925</u>
Total liabilities	<u>19,930</u>
Deferred inflows of resources:	
Unavailable revenue - property taxes	<u>404,460</u>
Fund balances:	
Restricted:	
Specific library programs	277,445
Assigned	<u>302,562</u>
Total fund balances	<u>580,007</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u><u>\$ 1,004,397</u></u>

CITY OF EL DORADO, KANSAS

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

BRADFORD MEMORIAL LIBRARY

Year Ended December 31, 2013

Revenues:	
Property taxes	\$ 436,741
Intergovernmental	36,440
Charges for services	3,957
Fines and forfeitures	12,866
Investment earnings	29,682
Miscellaneous	<u>25,265</u>
Total revenues	<u>544,951</u>
Expenditures:	
Personal services	306,803
Contractual services	104,144
Commodities	<u>87,127</u>
Total expenditures	<u>498,074</u>
Net change in fund balance	46,877
Fund balances, beginning of year	<u>533,130</u>
Fund balances, end of year	<u><u>\$ 580,007</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	91 - 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 - 101
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	102 - 106
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	107 - 108
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	109 - 111
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)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Net investment in capital assets	\$ 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	\$ 30,188,763
Restricted	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	4,215,381
Unrestricted	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	6,918,169
Total Governmental Activities										
Net Position	<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>	<u>\$ 41,322,313</u>
Business-Type Activities										
Net investment in capital assets	\$ 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	\$ 21,303,503
Restricted	3,888,639	4,184,789	3,707,081	4,232,536	5,275,462	4,291,580	-	-	-	-
Unrestricted	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)	(13,777,603)
Total Business-type Activities										
Net Position	<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>	<u>\$ 7,525,900</u>
Primary Government										
Net investment in capital assets	\$ 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	\$ 51,492,266
Restricted	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	4,215,381
Unrestricted	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)	(6,859,434)
Total Primary Government										
Net Position	<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>	<u>\$ 48,848,213</u>

City of El Dorado
Changes in Net Position
Last Ten Years

(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities										
General government	\$ 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	\$ 2,021,994
Public safety	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	3,767,376
Public works	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	3,278,271
Health and sanitation	344,901	379,600	297,420	348,902	325,911	380,489	415,808	371,126	411,502	392,681
Culture and recreation	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	1,297,591
Economic development	238,402	341,995	393,419	447,454	696,186	245,863	173,649	201,947	178,197	214,899
Environmental protection	19,492	10,388	11,309	10,804	11,188	28,515	-	-	-	-
Interest on long-term debt	621,517	602,566	653,630	636,169	616,879	537,940	397,343	366,675	432,603	527,442
Total Governmental Activities Expenses	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	11,500,254
Business-type activities										
Waterworks system	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	4,822,852
Sewer system	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	2,109,889
Refuse	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	1,273,960
Total business-type activities expenses	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	8,206,701
Total Primary Government Expenses	\$ 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	\$ 19,706,955
Program Revenues										
Governmental activities										
Charges for services:										
General government	\$ 731,152	\$ 842,000	\$ 663,635	\$ 567,263	\$ 751,574	\$ 345,158	\$ 598,148	\$ 649,247	\$ 189,402	\$ 1,307,835
Public safety	417,104	372,886	462,950	605,032	823,297	843,559	654,256	642,715	635,027	701,270
Public works	7,953	113,563	23,692	21,300	36,072	313,580	582,910	131,947	194,528	199,621
Health and sanitation	239,418	21,417	-	105,241	87,016	125,911	426,229	128,012	117,179	112,466
Culture and recreation	128,368	137,379	114,152	115,002	114,374	139,964	712,167	628,262	652,320	659,220
Economic development	13,302	8,736	2,316	1,250	3,606	67,046	-	-	-	-
Environmental protection	-	-	938	-	-	-	-	-	-	-
Interest on long-term debt	1,326,150	800,713	1,341,171	1,458,237	363,259	677,018	-	-	-	-
Operating grants and contributions	1,499,321	1,590,548	1,695,157	1,604,427	1,672,026	2,830,120	717,788	654,761	602,199	592,341
Capital grants and contributions ²	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	1,103,343
Total Governmental Activities Program Revenues	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	4,676,096

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program Revenues (Continued)										
Business-type activities										
Charges for services:										
Waterworks system	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	3,863,280
Sewer system	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	1,960,274
Refuse	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	1,359,800
Operating grants & contributions	36,881	9,040	-	-	-	-	-	-	-	-
Capital grants & contributions	254,284	747,639	35,021	103,092	213,306	329,981	-	301,494	842,501	100
Total business-type activities program revenues	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	7,183,454
Total Primary Government Program Revenues	<u>\$ 11,127,655</u>	<u>\$ 11,296,040</u>	<u>\$ 13,563,219</u>	<u>\$ 12,432,345</u>	<u>\$ 11,601,267</u>	<u>\$ 18,831,333</u>	<u>\$ 14,537,769</u>	<u>\$ 13,302,243</u>	<u>\$ 13,324,402</u>	<u>\$ 11,859,550</u>
Net (Expense) Revenue										
Governmental activities	\$ (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)	\$ (6,824,158)
Business-type activities	519,877	1,347,425	1,335,576	1,541,865	944,870	(239,157)	(214,642)	89,665	639,864	(1,023,247)
Total Primary Government Net Expense	<u>\$ (3,153,091)</u>	<u>\$ (3,404,103)</u>	<u>\$ (1,753,270)</u>	<u>\$ (3,518,379)</u>	<u>\$ (4,617,578)</u>	<u>\$ 613,498</u>	<u>\$ (4,898,388)</u>	<u>\$ (7,334,494)</u>	<u>\$ (6,331,661)</u>	<u>\$ (7,847,405)</u>
General Revenues:										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 3,806,320
Sales taxes	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	2,370,532
Franchise taxes	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	1,174,104
Tourism taxes	93,698	101,192	111,064	96,864	189,497	154,538	141,187	151,814	166,878	173,221
Investment earnings	32,426	144,540	284,758	304,221	182,996	41,448	28,447	19,829	6,731	5,050
Transfers in (out)	31,054	8,360	722,406	15,781	-	177,610	39,401	1,649,838	1,906,934	248,027
Total Governmental Activities	<u>6,349,835</u>	<u>6,646,310</u>	<u>7,786,872</u>	<u>7,724,567</u>	<u>8,307,083</u>	<u>8,419,870</u>	<u>7,306,381</u>	<u>9,147,298</u>	<u>9,159,579</u>	<u>7,777,254</u>
Business-type activities										
Investment earnings ¹	(67,511)	350,955	163,496	600,972	515,030	(526,735)	318,628	571,651	160,775	(120,332)
Transfer in (out)	(31,054)	(8,360)	(722,406)	(15,781)	-	(177,610)	(39,401)	(1,649,838)	(1,906,934)	(248,027)
Total business-type activities	<u>(98,565)</u>	<u>342,595</u>	<u>(558,910)</u>	<u>585,191</u>	<u>515,030</u>	<u>(704,345)</u>	<u>279,227</u>	<u>(1,078,187)</u>	<u>(1,746,159)</u>	<u>(368,359)</u>
Total Primary Government	<u>\$ 6,251,270</u>	<u>\$ 6,988,905</u>	<u>\$ 7,227,962</u>	<u>\$ 8,309,758</u>	<u>\$ 8,822,113</u>	<u>\$ 7,715,525</u>	<u>\$ 7,585,608</u>	<u>\$ 8,069,111</u>	<u>\$ 7,413,420</u>	<u>\$ 7,408,895</u>

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

(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Change In Net Position										
Governmental activities	\$ 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	\$ 953,096
Business-type activities	421,312	1,690,020	776,666	2,127,056	1,459,900	(943,502)	64,585	(988,522)	(1,106,295)	(1,391,606)
Total Primary Government	<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>	<u>\$ (438,510)</u>

¹ In 2004, 2009 and 2013, 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)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$ 127,753	\$ 130,564	\$ 128,925	\$ 170,740	\$ 246,990	\$ 178,895	\$ 968,076	\$ -	\$ -	\$ -
Unreserved	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	141,556
Restricted ¹	-	-	-	-	-	-	-	-	-	-
Committed ¹	-	-	-	-	-	-	-	-	-	-
Assigned ¹	-	-	-	-	-	-	-	787,183	399,687	452,540
Unassigned ¹	-	-	-	-	-	-	-	3,524,885	3,154,540	3,236,214
Total General Fund	\$ 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	\$ 3,830,310
All Other Governmental Funds										
Reserved	\$ 657,341	\$ 1,771,014	\$ 417,518	\$ 457,670	\$ 365,704	\$ 1,434,580	\$ 1,716,685	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	508,834	598,722	813,310	1,048,345	1,013,486	2,110,369	1,862,969	-	-	-
Construction fund	(547,717)	(5,389,115)	164,914	(1,480,203)	514,302	(682,230)	(3,842,274)	-	-	-
Debt service fund	712,706	261,816	117,689	503,723	592,941	599,126	736,524	-	-	-
Nonspendable ¹	-	-	-	-	-	-	-	-	-	-
Restricted ¹	-	-	-	-	-	-	-	1,441,774	1,350,142	1,242,310
Committed ¹	-	-	-	-	-	-	-	290,226	12,254	3,409
Assigned ¹	-	-	-	-	-	-	-	4,536,209	280,604	387,152
Unassigned ¹	-	-	-	-	-	-	-	-	(1,382,393)	1,428,533
Total All Other Governmental Funds	\$ 1,331,164	\$(2,757,563)	\$ 1,513,431	\$ 529,535	\$ 2,486,433	\$ 3,461,845	\$ 473,904	\$ 6,268,209	\$ 260,607	\$ 3,061,404

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)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 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	\$ 7,524,177
Intergovernmental	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	862,696
Licenses and permits	100,353	90,126	119,693	130,329	112,214	140,719	128,612	128,930	148,891	106,354
Charges for services	736,373	788,675	636,989	659,960	953,987	864,245	1,631,740	1,390,018	1,527,311	1,383,555
Fines and forfeitures	189,051	151,686	161,239	209,248	261,838	266,283	331,678	248,445	295,843	312,345
Special assessment taxes	648,510	611,458	839,838	637,305	677,581	862,849	865,168	891,890	845,586	829,432
Use of money and property	575,374	581,624	995,840	1,085,384	807,482	5,360,556	28,447	19,829	6,731	5,050
Employee/Employer contributions	745,256	723,893	832,258	883,226	919,210	1,047,063	-	-	-	-
Miscellaneous	554,268	426,960	337,053	296,427	342,936	1,210,595	674,181	574,466	293,173	511,320
Total revenues	\$ 11,463,158	\$ 11,577,055	\$ 13,123,157	\$ 12,289,194	\$ 13,123,136	\$ 19,181,633	\$ 13,677,480	\$ 11,863,472	\$ 12,394,587	\$ 11,534,929
Expenditures										
Current:										
General government	\$ 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	\$ 1,795,145
Public Safety	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	3,528,601
Highways and streets	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	1,664,529
Health and sanitation	301,475	259,284	295,704	385,370	338,867	376,353	398,288	353,701	393,732	375,751
Culture and recreation	832,514	903,834	925,308	1,029,816	1,143,942	3,995,766	1,919,208	1,448,000	1,271,625	1,190,358
Environmental protection	12,797	10,188	10,179	10,804	11,188	28,515	-	-	-	-
Economic development	124,365	190,213	393,230	447,454	514,590	245,674	173,459	201,758	176,039	191,459
Capital improvements	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	2,988,055
Debt service										
Principal	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	1,228,512
Interest	559,774	650,422	643,326	649,188	623,882	600,199	403,659	353,670	430,152	463,490
Debt Issuance Costs	-	-	-	-	-	-	-	-	-	40,016
Total expenditures	\$ 13,354,357	\$ 15,552,516	\$ 12,956,019	\$ 12,540,402	\$ 13,568,396	\$ 18,292,855	\$ 17,370,758	\$ 16,554,404	\$ 21,041,902	\$ 13,465,916
Excess of revenues over (under) expenditures	\$ (1,891,199)	\$ (3,975,461)	\$ 167,138	\$ (251,208)	\$ (445,260)	\$ 888,778	\$ (3,693,278)	\$ (4,690,932)	\$ (8,647,315)	\$ (1,930,987)
Other financing sources (uses)										
General obligation bonds issued	\$ 4,525,000	\$ -	\$ 3,932,239	\$ -	\$ 3,310,000	\$ -	\$ 890,641	\$ 5,715,000	-	\$ 4,644,322
Proceeds from capital lease obligations	-	-	-	-	-	55,210	-	-	-	-
Refunding bonds issued	-	-	-	-	-	-	757,621	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	(755,000)	-	-	-
Transfers in	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	2,892,525
Transfers out	(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)	(2,644,498)
Total other financing sources (uses)	\$ 4,556,054	\$ 8,360	\$ 4,654,645	\$ 15,781	\$ 3,310,000	\$ 232,820	\$ 932,663	\$ 7,357,699	\$ 1,892,813	\$ 4,892,349
Net change in Fund Balances	\$ 2,664,855	\$ (3,967,101)	\$ 4,821,783	\$ (235,427)	\$ 2,864,740	\$ 1,121,598	\$ (2,760,615)	\$ 2,666,767	\$ (6,754,502)	\$ 2,961,362
Fund balances, beginning of year, as originally stated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,802,130	\$ 8,018,087	\$ 10,684,854	\$ 3,930,352
Prior period adjustment	-	-	-	-	-	-	236,572	-	-	-
Fund balances, beginning of year, as restated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,038,702	\$ 8,018,087	\$ 10,684,854	\$ 3,930,352
Fund balances, end of year	\$ 2,664,855	\$ (3,967,101)	\$ 4,821,783	\$ (235,427)	\$ 2,864,740	\$ 1,121,598	\$ 5,278,087	\$ 10,684,854	\$ 3,930,352	\$ 6,891,714
Debt service as a percentage of noncapital expenditures	20.4%	23.3%	24.8%	22.3%	24.3%	42.9%	16.7%	27.9%	16.1%	16.2%

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

Fiscal Year	Property Tax	Motor Vehicle Tax	Sales Tax	Franchise Tax	Transient Guest Tax	Total
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	7,477,630
2012	3,158,613	493,271	2,377,070	1,050,082	166,878	7,245,914
2013	3,350,856	455,464	2,370,532	1,174,104	173,221	7,524,177

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 Year ²</u>	<u>Total Tax Levy ¹</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>
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	3,177,108	87.74%	162,868	3,339,976	92.24%
2013	3,880,933	3,362,613	86.64%	180,643	3,543,256	91.30%

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
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%
2013	73,878,484	3,372,708	4,436,778	2,808	81,690,778	47.237	543,088,048	15.04%

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
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
2013	32.905	4.951	0.000	0.973	8.202	0.206	47.237	35.164	18.021	1.500	61.194	64.055	56.578

Source: Butler County Clerk

Notes:

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

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

Taxpayer	2013			2004		
	Assessed Value	Rank	Percentage of Total Assessed Value	Assessed Value	Rank	Percentage of Total Assessed Value
Wal-Mart Real Estate	\$2,579,198	1	3.16%	\$791,193	3	1.01%
Kansas Gas & Electric	1,517,515	2	1.86%	\$1,380,901	1	1.77%
Kansas Gas Service ¹	1,252,692	3	1.53%	\$706,123	4	0.90%
Barton Solvents	1,226,840	4	1.50%			---
Vlomis Enterprises	982,845	5	1.20%			---
Pioneer Balloon Co	558,125	6	0.68%			---
Villas at BCC LLC	544,417	7	0.67%			---
Butler Rural Elec Coop Assn	523,414	8	0.64%			---
El Dorado Group II LLC	473,826	9	0.58%	339,275	6	0.43%
Southwestern Bell Tele Co	404,079	10	0.49%	1,075,662	2	1.38%
Ted A Vlomis	---		---	566,558	5	0.72%
Wal-Mart Stores Inc	---		---	325,676	7	0.42%
El Dorado Plaza Shopping	---		---	310,025	9	0.40%
Edmund & Barbara Terry	---		---	324,525	8	0.42%
E & P Financing Limited Partnership	---		---	270,450	10	0.35%
Total	<u>\$10,062,951</u>		<u>12.32%</u>	<u>\$6,090,388</u>		<u>7.79%</u>
Total Assessed Value ²	\$81,690,778			\$78,148,978		

Source: Butler County 2013 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	General Obligation Bonds	Temporary Notes	Revenue Bonds	US Corps of Engineering Contract	KS Dept of Health & Environment Loans	Capital Leases			
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
2013	16,482,426	-	-	-	2,882,574	-	-	48,329,613	9,432,748	-	77,127,361	29.19%	5,979

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

Fiscal Year	General Obligation Debt	Less Debt Service Funds	Net Bonded Debt	Net Bonded Debt Per Capita	Net Bonded Debt to Estimated Actual Value
2004	\$ 14,955,000 ¹	\$ 712,706	\$ 14,242,294	\$ 1,122.41	3.22%
2005	13,125,000 ¹	261,816	12,863,184	1,016.13	2.72%
2006	15,776,000 ¹	117,689	15,658,311	1,231.19	3.12%
2007	14,191,000 ¹	503,723	13,687,277	1,086.64	2.60%
2008	15,620,000 ¹	592,941	15,027,059	1,193.48	2.76%
2009	11,555,000 ^{1,2}	599,126	10,955,874	866.56	1.99%
2010	11,450,000 ³	736,524	10,713,476	822.78	1.96%
2011	15,470,000	796,642	14,673,358	1,120.45	2.72%
2012	14,115,000	749,354	13,365,646	1,027.49	2.48%
2013	19,365,000	586,235	18,778,765	1,455.72	3.48%

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, 2013

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ¹</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt:			
Butler County ²	\$ 10,704,023	12.89%	\$ 1,379,749
Unified School District No. 490	53,870,000	40.94%	22,054,378
Unified School District No. 375	84,027,960	15.52%	13,041,139
Butler Community College	-	12.89%	-
	<u>\$ 148,601,983</u>		<u>\$ 36,475,266</u>
Direct Debt:			
City of El Dorado	<u>16,482,426</u>		<u>16,482,426</u>
Total direct and overlapping debt	<u><u>\$ 165,084,409</u></u>		<u><u>\$ 52,957,692</u></u>

Source: The debt outstanding was provided by each entity.

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

¹ The percentage of overlapping debt applicable is estimated using assessed valuations. The City of El Dorado's assessed valuation was multiplied by the percentage of property owners in each taxing entity's jurisdiction, and the resulting amount was divided by each entity's assessed valuation.

² Butler County has \$18,265,464 outstanding in lease debt that is not included in this debt outstanding figure.

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assessed Valuation	\$ 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	\$ 81,690,778
Assessed Valuation on Motor Vehicles	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	12,132,153
Total Assessed Valuation ¹	<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>	<u>\$ 93,822,931</u>
Legal Debt Limit ²	<u>\$ 23,444,693</u>	<u>\$ 25,200,051</u>	<u>\$ 26,807,786</u>	<u>\$ 28,055,777</u>	<u>\$ 28,598,020</u>	<u>\$ 28,657,359</u>	<u>\$ 28,383,806</u>	<u>\$ 27,810,084</u>	<u>\$ 28,247,312</u>	<u>\$ 28,146,879</u>
Bonded Indebtedness	\$ 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	\$ 16,755,000
Temporary Notes	-	4,789,228	395,305	2,511,305	95,000	655,000	4,000,000	2,000,000	1,260,000	-
Total Debt	<u>16,080,000</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>	<u>16,755,000</u>
Less:										
Assets in Debt Service Fund	\$ 712,706	\$ 261,816	\$ 117,689	\$ 503,723	\$ 592,941	\$ 599,126	\$ 736,524	\$ 796,642	\$ 749,354	\$ 586,235
Exempted Debt (KSA 10-309)-G.O. Bonds	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	7,256,969
Exempted Debt (KSA 10-309)-Temporary Notes	-	1,979,124	-	56,945	-	-	-	1,711,400	1,260,000	-
Waterworks Revenue Bonds	1,125,000	775,000	400,000	-	-	-	-	-	-	-
Sewer System Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Total Deductions	<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>	<u>7,843,204</u>
Total Amount Applicable to Debt Limit	<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>	<u>8,911,796</u>
Legal Debt Margin	<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>	<u>\$ 19,235,083</u>
Legal Debt Margin as a percentage of the Debt Limit	54.18%	49.92%	58.14%	58.18%	60.60%	73.56%	64.58%	65.10%	69.44%	68.34%

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

Fiscal Year	Gross Revenue	Operating Expenses ¹	Net Revenue Available for Debt Service	Principal ² Requirements	Interest ² Requirements	Total	Coverage
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
2013	3,583,458	2,692,350	891,108	-	-	-	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
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%
2013	12,900	264,228,469	20,483	6.7%

Sources:

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

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

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

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

Employer	2013			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
USD #490 ¹	1088	1	19.17%	850	1	14.12%
HollyFrontier Corporation ²	445	2	7.84%	388	3	6.45%
Butler Community College	417	3	7.35%	370	4	6.15%
El Dorado Correctional Facility	416	4	7.33%	533	2	8.86%
Butler County Government	370	5	6.52%	360	5	5.98%
Susan B. Allen Memorial Hospital	308	6	5.43%	330	6	5.48%
Walmart	256	7	4.51%	266	7	4.42%
C-Tech ³	186	8	3.28%	150	9	2.49%
Pioneer Balloon	175	9	3.08%	295	8	4.90%
City of El Dorado	138	10	2.43%			0.00%
Union Tank			---	55	10	0.91%
Total	<u>3,799</u>		<u>66.93%</u>	<u>3,597</u>		<u>59.76%</u>
 Total Employment ⁴	 5,676			 N/A ⁵		

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.

⁵ Information from 2004 not available.

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

Function/Program	Full-Time Employees as of December 31									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Administration	2	3	1	1	1	1	1	1	1	1
CVB	0	0	0	0	0	0	0	0	0	1
Airport	0	0	0	0	1	1	1	1	1	1
Engineering	4	5	4	4	4	4	4	4	4	4
Legal/Judicial	3	3	2	4	3	3	3	3	4	3
Public Safety										
Police	27	28	25	26	28	28	28	29	29	29
Fire	14	12	16	14	17	17	17	16	17	17
Building/Zoning	1	1	2	3	2	2	2	2	3	3
Public Works										
Public Works	5	4	4	3	6	7	7	7	7	7
Major Street Improvements	11	8	8	9	10	9	10	10	15	12
Culture/Recreation										
Park Maintenance	2	3	2	2	1	2	3	3	4	2
Recreation	3	2	3	3	4	6	3	6	7	7
Health & Sanitation										
Health & Sanitation	2	2	2	2	2	2	2	2	2	2
Cemetery	1	1	2	2	2	2	2	2	2	2
Water	15	16	15	15	18	18	19	18	18	18
Sewer	6	5	6	7	5	5	6	6	6	6
Refuse	14	14	12	20	17	16	16	16	12	10
Stormwater	0	0	0	0	0	2	2	2	2	2
Data Processing	7	6	11	10	11	12	12	12	11	11
Total	117	113	115	125	132	137	138	140	145	138

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 four positions. The Water Department had one vacant position at the end of the year, decreasing the staffing to 18.

In 2013, the Convention and Visitor's Bureau was transferred from El Dorado Inc. to the City. There was one employee in that department as of December 31, 2013 and plans to add a part time employee in 2014. Also, the judge's position was changed from full-time to contract.

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

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Municipal Court										
Citations Issued	4,655	3,067	3,271	3,230	3,687	3,616	3,870	3,612	4,304	3,841
Warrants Issued	411	322	332	230	292	170	301	150	182	341
Warrants Served	185	146	159	139	198	127	227	202	235	409
Airport										
Fuel Sales (gallons)	34,130	26,146	23,691	18,869	17,101	24,380	18,523	18,461	19,210	30,880
Fire										
Total Number of Incidents	781	969	1,154	1,267	1,285	1,380	1,238	1,263	1,295	1,299
Fire Calls	156	183	227	144	129	158	122	187	180	109
Rescue & Emergency Medical Calls	247	321	517	665	752	768	719	662	787	781
Hazardous Materials Calls	83	167	48	73	65	107	77	69	40	89
Inspections	1,353	1,049	1,165	1,079	1,145	1,104	1,156	1,218	1,094	1,026
Hydrants Tested	276	291	648	0	406	567	705	695	782	720
Police										
Criminal Violations Reported	1,785	1,902	1,636	1,578	1,668	1,516	1,383	1,350	1,532	1,442
Traffic Accidents	527	486	634	490	481	387	307	275	237	117
DUI Arrests	79	69	54	57	94	89	80	72	77	98
Building & Zoning										
New Residential Construction Permits	24	22	30	29	22	15	17	5	7	4
New Commercial Construction Permits	11	5	7	5	4	6	14	8	5	5
Street Operations										
Streets Swept (Curb Miles)	3,968	2,246	2,925	3,673	4,406	3,744	4,619	3,747	4,167	3,798
Animal Control										
Animal Licenses	1,617	1,628	1,436	1,543	1,480	1,500	1,477	1,432	1,579	1,606
Animal Control Calls	727	916	843	1,051	984	979	1,575	987	1,602	1,883
Animal Citations	121	98	130	188	196	163	162	125	220	207
Cemetery										
Burials	143	154	147	151	138	135	162	138	128	130
Parks and Recreation										
Youth Soccer Participants	237	297	312	276	259	218	170	202	294	345
Swimming Pool Attendance	17,464	17,877	17,052	12,223	15,567	18,569	20,179	21,299	21,174	19,284
Youth Baseball/Softball Participants	735	715	628	595	369	324	385	407	580	827
Youth Basketball Participants	282	248	150	138	145	114	114	172	172	287
Youth Volleyball Participants	144	148	170	196	222	295	311	305	378	407
Adult Softball Teams	46	41	39	33	27	21	24	25	19	17
Adult Flag Football Teams	8	6	5	8	5	8	9	9	5	4
Adult Basketball Teams	9	10	7	5	7	5	8	8	12	9
Adult Volleyball Teams	0	55	44	35	29	26	33	32	22	21
Water										
New Meters	38	46	41	54	32	19	26	11	19	17
Treated Water Pumped (millions of gallons)	1,295	1,236	1,286	1,194	1,159	1,153	1,200	1,329	1,350	1,223
Water Distribution Service Calls	503	530	307	326	303	289	256	275	336	251
Water Leaks Repaired	133	137	108	92	100	33	70	93	94	58
Sewer										
Sewer Maintenance Service Calls	492	315	341	420	506	326	203	263	230	244
Refuse										
Refuse Collected (tons)	6,720	6,722	6,717	6,896	6,852	6,478	6,392	6,255	6,237	8,946
Recycling Material (tons)	1,275	1,295	1,288	1,303	1,553	1,286	1,469	1,637	1,731	1,956
Yardwaste Collected (tons)	4,500	4,000	4,000	4,200	4,500	4,600	4,500	4,500	4,000	3,800

Source: Various City Departments

Note: Refuse collected now includes residential, commercial and roll off containers. Prior to 2013 it only included residential and commercial. Airport sales went up because of crop dusting businesses using our airport to fuel.

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

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Square Miles of the City	7.70	7.70	7.70	8.00	8.10	8.10	8.1	8.1	8.1	9.1
Fire										
Stations	1	1	1	1	1	1	1	1	2	2
Paid Firefighters	13	17	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	27	27
Street Operations										
Miles of Paved City Streets	77.91	79.80	79.80	79.86	79.98	79.98	82.2	82.2	82.2	83.77
Miles of Unpaved City Streets	2.39	2.89	2.89	2.89	2.89	2.89	2.89	2.89	2.89	2.89
Traffic Operations										
Traffic Signals	13	13	13	13	13	13	13	13	13	13
Parks and Recreation										
Swimming Pools	1	1	1	1	1	1	2	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	10	12
Soccer Fields	6	6	6	6	6	6	6	6	6	6
Water										
Water Mains (miles)	101.689	103.643	103.643	103.993	104.340	104.629	106.849	106.849	106.849	122.7
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)	52.428	52.880	52.930	53.100	53.360	53.414	53.944	53.944	53.944	90.8

Source: Various City Departments

Note: Indicators are not available for the general government & administration functions. The increase in Water Mains and Sanitary Sewers is due to the more accurate numbers provided by the GIS system.

CITY OF EL DORADO, KANSAS

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2013

Finding 2013-1 – 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 will review the trial balance at year end to ensure that all adjustments have been made in accordance with generally accepted accounting principles.

Corrective Action Plan (Unaudited) – City staff will review revenues and expenses and the balance sheet accounts to ensure proper reporting.

CITY OF EL DORADO, KANSAS

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Year Ended December 31, 2013

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/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 2013, 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, 2013, 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 24, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 findings and responses as Finding 2013-1 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 responses. 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 24, 2014
Topeka, Kansas