



COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF
EL DORADO KANSAS

YEAR ENDING
DECEMBER 31, 2016

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

for the
Year Ended December 31, 2016

Mayor
Vince Haines

Commissioner Kendra Wilkinson
Commissioner Gregg Lewis
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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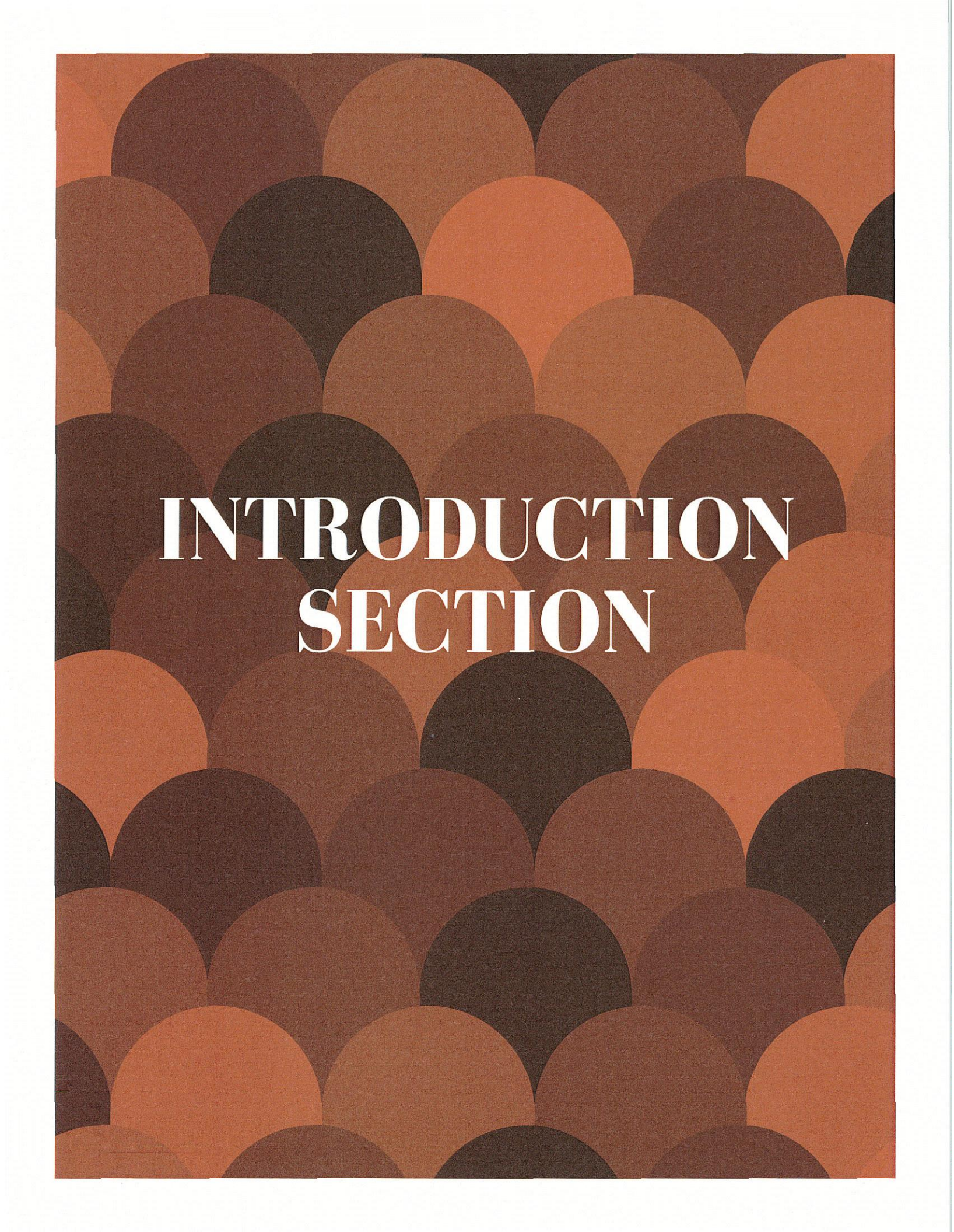
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INTRODUCTION SECTION



EL DORADO

THE FINE ART OF LIVING WELL

June 28, 2017

Honorable City Commission and Citizens of El Dorado:

The City of El Dorado, Kansas finished the year ended December 31, 2016 with an aggregate net position of \$38,176,062 compared to an aggregate net position of \$41,664,539 at year ended December 31, 2015. This information is meaningless unless we consider its purpose. The ultimate goal of the City's financial statements is to determine whether the City is financially healthy.

Financial health for a municipality is defined as a local government's ability to deliver the public services its residents expect, with the resources its citizens provide, both now and in the future.

You may hear the phrase "Government needs to be run more like a business," but referring to government like a business misses the major difference between business and government. Businesses provide products and services at a price that allows the operation (and its owners and investors) to profit. Failure to earn a profit over several years may mean the business must shut its doors. The owners and investors lose their investment and another storefront becomes available for another entrepreneur.

Government, on the other hand, does not seek to profit from the provision of public services, but simply desires to collect revenues sufficient to pay for public expenditures. Government must provide services effectively and efficiently so it may meet its many obligations today and continue to provide services demanded by the public well into the future. Bankruptcy or closure of government operations is an option not available in the same sense as business since the community must continue to provide essential public services for the indefinite future.

In other words, water and sewer requires treatment, law enforcement continues to be necessary lest anarchy ensue, and many other governmental services must be provided in order for the citizens to continue to enjoy freedom and quality of life held dear in the developed world. The services provided by the City of El Dorado are the contributions made to ensure the community's continued prosperity and well-being.

What the City Hopes to Accomplish

The City's financial statements must provide the general public with enough information to determine whether the municipality will continue to provide public services, at a price residents are willing to pay, in the near- and long-term time horizons. The City hopes to provide sufficient information to allow the public to confidently trust its ability to meet the public's needs.

This task is further complicated by the fact that 1) tastes and preferences change; 2) time matters; and 3) the City cannot control the uncontrollable. There are many factors that the City, and its elected and appointed officials, simply cannot affect. Even so, successful managers and staff are able to use the resources available to them to continue to provide services at a level that meets or exceeds the public's demands.

Headwinds and Tailwinds (Discussion of major issues affecting local government)

As with any organization, the City of El Dorado operates in an environment that is subject to the ebb and flow of various external factors. Such factors affecting the 2016 financial statements include, but are in no way limited to the following:

Property Tax Lid. The Kansas Legislature passed and the Governor signed SB 2088, which established a tax lid on the City's ability to raise ad valorem property taxes. The City is now limited to increasing its mill levy, or rate of taxation for property, to the Consumer Price Index. The legislation became effective July 1, 2016, and applied to the City's 2017 budget and future budgets.

Even so, this legislation will make it more difficult for the City to generate revenue to adjust to changing or unforeseen circumstances. Most notably, inflation may erode the City's ability to provide public services if costs exceed any future increases to assessed valuation. The City will be able to increase its General Fund mill levy, with several exemptions, by 1.4% (\$35,046) for the 2018 budget.

Rising Health Insurance Costs. Health insurance costs industry-wide continue to increase by about 15% each year. The City experienced a 6% increase in its health insurance premiums for 2016. The City has been able to control the effect of health insurance increases due to the fact that it is self-insured and has taken proactive actions to increase wellness and health among employees. The City monitors its health insurance exposure and makes adjustments as needed to make the plan viable for employees. The plan offered to employees has changed in the last several years in an attempt to control costs and make employees more mindful of the cost of health services. In addition, the City has made changes to its drug plan to reduce the cost of expensive drugs that may have a cheaper generic offering. The City also looks at options for changing the plan that may reduce premiums while minimizing as much as possible the out-of-pocket expenses to employees.

Deteriorating Infrastructure. Cities throughout the United States are realizing the cost of aging and deteriorating infrastructure that is approaching or exceeding its useful life. Public infrastructure is a critical component of the economic growth of our nation, and failure to reinvest in such infrastructure will be detrimental to the nation's continued prosperity.

The City of El Dorado is no different than other communities throughout the nation. Its infrastructure is aging and needing repair and maintenance at an ever-increasing level. The City has taken a proactive approach to investing in its infrastructure by making it a priority over the last few years to invest in streets, sanitary sewer, airport runways and taxiways, and stormwater projects. Even so, the City's investment is likely not sufficient to stay ahead of deterioration that continues to silently erode the utility to the community.

Underfunded Public Pensions. The City of El Dorado participates in the Kansas Public Employees Retirement System (KPERs) for its post-employment retirement benefits. Employees of the City are required to participate in KPERs, and the City is required to contribute to KPERs on employees' behalf.

Recent changes to state law require the City to publish in its financial statements the current and future liability associated with the unfunded portion of KPERS attributed to the City. The City's unfunded pension liability as December 31, 2016 totaled \$7,980,756, and may be further divided as follows:

KPERS at \$3,918,688, Kansas Police & Fire (KP&F) at \$3,852,167, and Library's participation in KPERS at \$209,901.

Restructurings and/or Major Organization Changes

In the short time that I have been employed by the City of El Dorado as City Manager, I have observed the organization and feel that there are several opportunities that would allow it to operate more efficiently and effectively. While restructuring events are often lipstick for management's lack of willingness to address more problematic issues within an organization, careful consideration has brought the conclusion that restructuring in certain instances will benefit the organization and the general public the City is charged with serving. Ideally, the general public will not even notice any changes in the service delivery.

The Prairie Trails Golf Course will be placed under the management of the Parks and Recreation Department. Golf is a form of recreation that some prefer over other forms of recreation, and therefore it made sense to move the golf course under the direct supervision of the Parks and Recreation Department instead of reporting directly to the City Manager. Prairie Trails still receives some financial assistance from the General Fund and is attempting to develop a business plan that will allow the golf course operations to break-even in the next few years.

The human resources function will be managed by a committee moving forward. While not ideal, this method of administering the human resources of the organization allows a brain trust to review and discuss options before making decisions that affect personnel within the organization with the goal of minimizing the opportunity for missteps. The change is primarily the result of financial circumstances the City continues to negotiate. The City's ultimate goal is to hire a full-time Human Resources Director when sustainable resources allow.

Good News, Bad News

There is always good and bad news that may be discovered when looking at a municipality's financial statements. Many local governments, however, will require readers to do the work of searching for the bad news while disclosing the greatness of the organization. In the interest of full disclosure, current management is of the opinion that citizens (and investors of the City's bonds) are entitled to a transparent discussion of the City's financial condition without requiring a degree in accounting or public finance.

To that end, the City has been operating a structural deficit in several of its operating funds for the last several years. The good news is that the City is in the process of developing a plan to remedy the situation and "right the ship." Changing a government's spending habits can be a challenging task, and one that should not be taken lightly or without much thought. Throwing darts at a dart board with your eyes closed may allow you to hit a target, but you may not hit the target you were intending to hit.

The City has revised its operational budget for 2017 by decreasing proposed expenditures by approximately \$1.3 million. An additional \$0.5 million has been reduced from the proposed 2018 budget. Expenditure reductions include, but are not limited to:

- Modification of legal services contracts for the City;
- Deferring major capital projects and replacement of vehicles and equipment;
- Closing unfilled, vacant positions that were included in the budget but not offset with a revenue source;
- Reduction of various transfers from various funds to other funds;
- Changing the way various positions were allocated across funds of the organization;
- Reducing hours of operation at the municipal pool and activity center and closing the operation of the Prairie Trails Golf Course pool; and
- Discontinuing the mosquito spraying program.

In addition to expenditure reductions, the City is also looking at opportunities to increase revenue to fund increases in the cost of service delivery. The City Commission is considering increasing the readiness-to-serve fees for both water and sewer utilities to increase revenues to offset debt obligations in these utilities. Court costs are being increased to recover the City's expenses in administering Municipal Court. Other sources of revenue are being reviewed and may be considered if determined to be feasible options to generate revenue. The City is also undertaking a review of all of its existing fees and making adjustments that will bring in additional dollars.

The task at hand has not been an easy one, although staff has been very cooperative and willing to consider the options.

The City is required to provide language in its transmittal letter, included with its Comprehensive Annual Financial Report ("CAFR") that explains the policies and controls designed to ensure the City's stewardship of public assets. This next section of this letter will discuss these items.

The Comprehensive Annual Financial Report of the City of El Dorado, Kansas, for the year ended December 31, 2016, has been prepared for the review of the governing body, citizens, and other interested in the financial condition of the City. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. Staff believes the data as presented is accurate in all material respects and that it is presented in a manner designed to fairly represent 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. Management believes 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 is to provide reasonable assurance to the governing body, citizens, and other interested parties that the financial statements for the year ended December 31, 2016, are free of material misstatement. The opinion of Berberich Trahan & Co., P.A. is included with this letter for review.

Relevant Financial Policies

Budgeting: The City Commission is required by State Statute to adopt a final budget, including revenues and expenditures, for the upcoming year by August 25th. The annual budget is the foundation for the City's financial planning and control. The budget is prepared by fund and department (i.e., General Fund and Police Department). The City's budget is prepared on a modified accrual basis further modified by an encumbrance system of accounting as required by applicable state statutes.

The city manager presents recommendations for the budget to the governing body for review. The governing body holds a series of public meetings to review alternative spending proposals. After soliciting public input, the City Commission adopts the budget that becomes effective January 1st of the upcoming year. The budget is controlled through an accounting system to ensure effective fiscal management and accountability.

Following approval of the budget, the Finance Department continually monitors and approves all significant deviations from budget authorizations. The cash basis and budget laws of the State of Kansas 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.

Capital Spending: The City prepares a five-year plan for the replacement of its vehicles and equipment (ERP). The City also maintains a six-year capital improvement plan (CIP) for maintaining and making investments to public infrastructure. Both plans are updated annually and approved by the governing body. Equipment replacements are funded by transfers from other funds, primarily the General Fund, in addition to long-term leases or cash payments for major equipment purchases.

Capital improvements are funded through transfers from other funds, intergovernmental grants and revenues, and from the issuance of general obligation (G.O.) bonds. The funding of equipment

replacement and infrastructure maintenance can be designed to provide a stable and sustainable program that minimizes future cost, or the funding of these capital expenses can be deferred in the short term in order to minimize current expenses.

Debt Service: The City's debt service is funded primarily by property taxes, although certain issues may be funded with revenue from enterprise funds (i.e., water or sewer rates), development-related assessments, or other identified revenue sources not otherwise obligated. In addition, the City is limited to issuing an amount of general obligation (G.O.) bonds equal to 30% of its assessed valuation as of January 1st of any year. As of January 1, 2016, the City's so-called statutory debt limit was \$29,059,208, and the City has outstanding debt \$7,870,979, or 27%, against the aforementioned debt limit. The City's assessed valuation as of January 1, 2016 was \$86,645,015.

Internal Controls: Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control established for such a purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from any material misstatement.

Investing: The City determines idle cash available for investing for selected time frames, and solicits bids from local banks for certificates of deposit. Local banks are required to at least match the rate established by the State Municipal Investment Pool, or the City invests its funds in the State Pool. As of December 31, 2016, the City had \$10,327,833 in invested idle cash with an average return on investment of 0.05%.

Risk Management: The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. All potential claims, and/or liabilities are reported immediately when it becomes evident that a loss has occurred or a claim has been made.

The City has addressed the potential risk by purchasing various commercial insurance policies for certain insurable causes of loss. These policies cover liability, employee dishonesty, public official's liability, property damage to buildings, contents, and other personal property. Losses due to earthquakes and terrorism have been excluded from the City's insurance coverage.

Spending Limits: The State of Kansas limits annual spending in each fund to the amount budgeted for the fund through the budgetary process described above. Prior to spending an amount in excess of the budgeted amount, the City must hold a public hearing with notice to citizens published a minimum of ten days in advance of the hearing.

Profile of the Municipal Corporation

The City of El Dorado, Kansas, is a municipal corporation of the second class chartered by the State of Kansas. The City operates under the Commission-Manager form of government which resembles the chief executive officer/board of director relationship found in business corporations. The governing body is comprised of five members who are elected at-large by the registered voters of El Dorado. Members of the governing body are responsible for approving policy which govern the City and its operations.

The governing body appoints a city manager to serve as chief executive for the municipal corporation. The city manager oversees the daily operations of the local government and supervises the implementation of governing body policies. The city manager is also responsible for the equitable and efficient provision of public services to the citizens of El Dorado.

Such public services provided by the City of El Dorado include: law enforcement, fire protection, street maintenance, building and zoning regulation, water and wastewater treatment, recycling and solid waste collection, cemetery and airport operations. The financial reporting entity consists of the primary government, the City of El Dorado, and a component unit, the Bradford Memorial Library, which is located within the corporate limits of El Dorado.

El Dorado is located in south central Kansas, approximately thirty miles northeast of Wichita, Kansas. The city serves a population of 12,931 residents and is also the county seat for Butler County, Kansas.

Economic Condition and Outlook

Private Sector Investment:

In 2016, the City experienced private development activity that contributed \$10.2 million in valuation. Five building permits were issued for new commercial development with an aggregate valuation of \$5.7 million, compared to six new commercial developments in 2015 with a valuation of \$3.2 million. In 2016, the City issued twenty-three building permits for commercial additions, remodels, and repairs with a valuation of \$1.7 million. Comparatively, the City issued twenty-eight building permits for similar activity with a valuation of \$3.5 million in 2015.

The City issued nine residential building permits for new construction with a valuation of \$1.9 million. The City issued twelve building permits for new residential construction in 2015 with a valuation of \$2.2 million. Ninety-four building permits were issued in 2016 for residential additions, remodels, and repairs, with a valuation of \$0.84 million. In 2015, ninety building permits were issued for the same activity with a valuation of \$0.65 million.

The City continues to see an interest in private investment opportunities. Several hotels are investing considerable funds into their operations to begin or renew franchises. In addition, several prominent businesses with considerable employment within El Dorado are considering significant investments with the potential of adding millions of dollars to the City's assessed valuation and additional jobs.

Public Sector Investment:

The City has invested considerable funds into its public infrastructure. In 2016, the City invested \$4.2 million in various public infrastructure projects to include: sanitary sewer cure-in-place-pipe project at Constant Creek (\$41,888), paving of Griffith Street from Central Avenue to Locust Street (\$648,868), construction of sidewalk on 12th Street in the Vintage area (\$21,517), asphalt rehabilitation of Country Club Road from 12th Street to McCollum and Post Road from Main Street to Country Club Road (\$86,000), resurfacing of Summit from Olive Street to Towanda Street and Central Avenue to 3rd Street and Country Club Lane and Skyview Street (\$188,082), and the widening of N. Haverhill Road for Valmont Industries (\$41,982), rebuilt front nine greens at Prairie Trails Golf Course (\$171,205), implemented a \$1.2 million CDBG Project to improve sanitary sewers in southwest El Dorado, purchased a new automated residential refuse truck (\$350,000), purchased a new aerial ladder truck for

Fire Department (\$1.3 million), and completed multiple maintenance projects throughout the community. The City invested approximately \$1.1 million in public infrastructure projects in 2015.

Recognition

The year-end results allow the City to communicate its financial condition to the general public, as well as demonstrate that public resources were allocated prudently and with the results desired by the public. Recognition should be given to City employees who continue to serve the citizens of El Dorado with a dedication unsurpassed in local government. The operating managers responsible for overseeing the daily activities of the municipal government should be commended for their continued dedication to the citizens of El Dorado and the work done by each of their respective departments for the betterment of the community. Without the stewardship of staff, the City of El Dorado would not be a great place to live, work, and play.

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, Kansas for its comprehensive annual financial report for the fiscal year ended December 31, 2015. This was the thirty-ninth consecutive year that the municipal government has achieved this prestigious award. The Government Finance Officers Association of the United States and Canada (GFOA) also awarded the Distinguished Budget Presentation Award to the City of El Dorado, Kansas for its annual operating budget and capital improvement plan for the fiscal year ended December 31, 2015. This was the fourth consecutive year that the municipal government has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a municipal 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.

A Certificate of Achievement is valid for one year period only. The City believes that its current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and will submit it to the GFOA to determine its eligibility for another certificate.

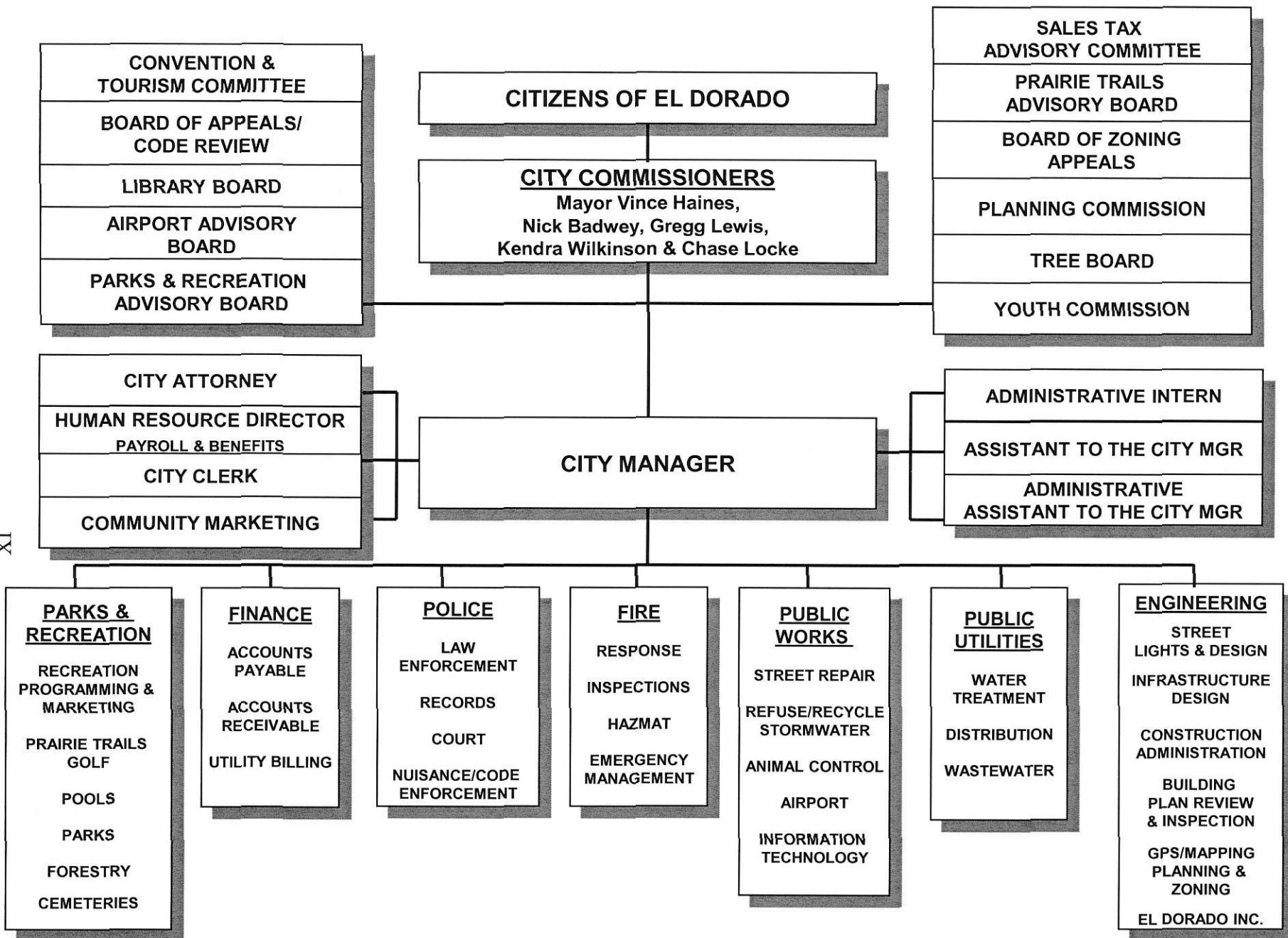
Respectfully Submitted,



David B. Dillner
City Manager



Tammy Schaffer
Finance Director



CONVENTION & TOURISM COMMITTEE

BOARD OF APPEALS/
CODE REVIEW

LIBRARY BOARD

AIRPORT ADVISORY BOARD

PARKS & RECREATION ADVISORY BOARD

CITY ATTORNEY

HUMAN RESOURCE DIRECTOR
PAYROLL & BENEFITS

CITY CLERK

COMMUNITY MARKETING

CITIZENS OF EL DORADO

CITY COMMISSIONERS

Mayor Vince Haines,
Nick Badwey, Gregg Lewis,
Kendra Wilkinson & Chase Locke

CITY MANAGER

SALES TAX
ADVISORY COMMITTEE

PRAIRIE TRAILS
ADVISORY BOARD

BOARD OF ZONING
APPEALS

PLANNING COMMISSION

TREE BOARD

YOUTH COMMISSION

ADMINISTRATIVE INTERN

ASSISTANT TO THE CITY MGR

ADMINISTRATIVE
ASSISTANT TO THE CITY MGR

PARKS & RECREATION

RECREATION PROGRAMMING & MARKETING

PRAIRIE TRAILS GOLF

POOLS

PARKS

FORESTRY

CEMETERIES

FINANCE

ACCOUNTS PAYABLE

ACCOUNTS RECEIVABLE

UTILITY BILLING

POLICE

LAW ENFORCEMENT

RECORDS

COURT

NUISANCE/CODE ENFORCEMENT

FIRE

RESPONSE

INSPECTIONS

HAZMAT

EMERGENCY MANAGEMENT

PUBLIC WORKS

STREET REPAIR

REFUSE/RECYCLE
STORMWATER

ANIMAL CONTROL

AIRPORT

INFORMATION TECHNOLOGY

PUBLIC UTILITIES

WATER TREATMENT

DISTRIBUTION

WASTEWATER

ENGINEERING

STREET LIGHTS & DESIGN
INFRASTRUCTURE DESIGN

CONSTRUCTION ADMINISTRATION

BUILDING PLAN REVIEW & INSPECTION

GPS/MAPPING PLANNING & ZONING

EL DORADO INC.



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, 2015

Executive Director/CEO



FINANCIAL SECTION



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 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and applicable provisions of 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 City'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 City'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.

An Independently Owned Member, RSM US Alliance

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, 2016, 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, the financial statements have been restated to correct a misstatement from the prior year. Our opinion 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 and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The statements and schedules listed under supplementary information in the accompanying table of contents and other information including the introductory and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules and statements listed under supplementary information in the accompanying table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 28, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the City's internal control over financial reporting and compliance.

Berberich Trahan & Co., P.A.

June 28, 2017
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, 2016. 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. Other supplementary information is also included at the end of this report to provide additional information for the reader.

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

Government-Wide Financial Statements

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

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

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

The City of El Dorado's Statement of Net Position and Statement of Activities summarize all the Primary Government funds into either governmental activities or business-type activities. Governmental activities include the operations of the City that are generally supported by taxes, such as police, fire, public works, parks, cultural activities, general administration, recreation, cemetery, and industrial development. Business-type activities include water, sewer, refuse, and compressed natural gas 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, refuse, and compressed natural gas 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 business-type 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 and the Payroll Withholding Fund. The fiduciary funds are combined into one column on the fiduciary fund statement. A combining statement can be found in the supplementary information following the notes to the financial statements.

FINANCIAL ANALYSIS OF THE CITY

Net Position

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

City of El Dorado, Kansas

Net Position

As of December 31, 2016

(with comparative totals for December 31, 2015)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|--------------------------------------|----------------------------|----------------------|-----------------------------|---------------------|-----------------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Current and other assets | \$ 17,373,743 | \$ 17,291,637 | \$ 9,467,745 | \$ 9,238,471 | \$ 26,841,488 | \$ 26,530,108 |
| Capital assets | 46,410,013 | 47,820,246 | 59,218,317 | 59,195,413 | 105,628,330 | 107,015,659 |
| Total assets | <u>63,783,756</u> | <u>65,111,883</u> | <u>68,686,062</u> | <u>68,433,884</u> | <u>132,469,818</u> | <u>133,545,767</u> |
| Deferred outflows of resources: | | | | | | |
| Deferred outflows - pension | 1,498,867 | 441,384 | 336,545 | 107,416 | 1,835,412 | 548,800 |
| Long-term liabilities | 24,740,450 | 23,473,071 | 65,015,618 | 63,379,725 | 89,756,068 | 86,852,796 |
| Other liabilities | 1,453,436 | 1,055,881 | 906,355 | 379,658 | 2,359,791 | 1,435,539 |
| Total liabilities | <u>26,193,886</u> | <u>24,528,952</u> | <u>65,921,973</u> | <u>63,759,383</u> | <u>92,115,859</u> | <u>88,288,335</u> |
| Deferred inflows of resources: | | | | | | |
| Deferred inflows - pension | 320,550 | 591,435 | 49,875 | 112,890 | 370,425 | 704,325 |
| Deferred receivable - Property taxes | 3,642,884 | 3,437,368 | - | - | 3,642,884 | 3,437,368 |
| | <u>3,963,434</u> | <u>4,028,803</u> | <u>49,875</u> | <u>112,890</u> | <u>4,013,309</u> | <u>4,141,693</u> |
| Net position: | | | | | | |
| Net invested in capital assets | 31,001,068 | 29,539,248 | 21,137,164 | 20,861,680 | 52,138,232 | 50,400,928 |
| Restricted | 5,776,169 | 5,570,106 | - | - | 5,776,169 | 5,570,106 |
| Unrestricted | (1,651,934) | 1,886,158 | (18,086,405) | (16,192,653) | (19,738,339) | (14,306,495) |
| Total net position | <u>\$ 35,125,303</u> | <u>\$ 36,995,512</u> | <u>\$ 3,050,759</u> | <u>\$ 4,669,027</u> | <u>\$ 38,176,062</u> | <u>\$ 41,664,539</u> |

The City's overall financial position has diminished, with a decrease in net position of \$3,488,477. The amount is the combination of a decrease in the governmental activities and a decrease in the business-type activities. The governmental activities decreased \$1,870,209 due to the net effect of several items. "Due from Other Governments" decreased by \$1,322,583 because the Library Renovation project 406 was complete. A "Due from Other Governments" was not necessary to record because all the money was in the appropriate funds except for the receivable that was "Due from Component Unit" of \$99,860. "Restricted Cash and Investments" decreased to zero from \$1,835,668 due to the money held in escrow was dispersed and the escrow account was closed. A current year addition was made for "Net Pension Liability" in the amount of \$1,309,771. "Capital Lease Payable, Current" increased by a net of \$914,692 with the addition of the 2016 Pierce Aerial Platform Truck.

The net position of business-type activities decreased by \$1,618,268 due to the net effect of several items. Liabilities increased \$2,162,590 overall. Long-Term Liabilities, which include Compensated Absences Payable, General Obligation Bonds Payable, Revolving Loan Note Payable, Water Storage Space Payable, Capital Lease Payable, Net Pension Liability, and Advances from Other Funds increased due to the General Obligation Improvement Bonds, Series 2016-A for \$8,515,000 of which \$6,530,000 belongs to the Sewer System. The Sewer System paid off State Revolving Loan (C20 1639-01 A) with the Series 2016-A General Obligation Bond in the amount of \$6,627,082 to save approximately \$300,000 in interest. The Net Pension Liability is split between Waterworks System \$800,511, Sewer System \$386,015, and Refuse \$368,941, an increase of \$284,364.

Governmental Activities

The table below shows the condensed revenues, expenses and change in net position for 2016 and 2015.

| | Governmental Activities | |
|---|--------------------------------|----------------------|
| | 2016 | 2015 |
| Revenues: | | |
| Program Revenues: | | |
| Charges for Services | \$ 2,242,537 | \$ 3,285,340 |
| Operating Grants and Contributions | 725,531 | 619,314 |
| Capital Grants and Contributions | 1,801,273 | 2,106,387 |
| General Revenues: | | |
| Property Taxes | 3,879,130 | 3,806,019 |
| Sales Taxes | 2,512,159 | 2,610,716 |
| Franchise Taxes | 1,288,810 | 1,171,972 |
| Tourism Taxes | 168,713 | 206,669 |
| Investment Earnings | 43,871 | 63,304 |
| Total Revenues | <u>12,662,024</u> | <u>13,869,721</u> |
| Expenses: | | |
| General Government | 2,399,221 | 3,345,911 |
| Public Safety | 4,246,184 | 4,055,854 |
| Public Works | 5,407,872 | 3,748,977 |
| Health & Sanitation | 416,036 | 457,600 |
| Culture & Recreation | 1,513,728 | 1,362,045 |
| Economic Development | 271,252 | 261,256 |
| Interest on Long-Term Debt | 499,604 | 549,125 |
| Total Expenses | <u>14,753,897</u> | <u>13,780,768</u> |
| Excess Before Transfers | (2,091,873) | 88,953 |
| Transfers In (Out) | 766,229 | 999,723 |
| Change In Net Position | <u>(1,325,644)</u> | <u>1,088,676</u> |
| Net Position January 1 | 36,995,512 | 41,267,582 |
| Prior Period Adjustments | (544,565) | (5,360,746) |
| Net Position, Beginning of the Year as Restated | <u>36,450,947</u> | <u>35,906,836</u> |
| Net Position December 31 | <u>\$ 35,125,303</u> | <u>\$ 36,995,512</u> |

There were several revenue sources that decreased in 2016 which included Charges for Services, Capital Grants and Contributions, Sales Tax, Tourism Taxes, and Investment Earnings. The major decrease was in Charges for Services, which decreased \$1,042,803, due to several large projects that were charged engineering refunds in the prior year. In 2016 there were not as many large projects completed. All other revenues mentioned above decreased slightly with no significant reasons.

The net change in expenses increased by \$973,129. There were increases in Public Safety, Highways and Streets, Culture & Recreation and Economic Development. In Public Safety, there was an increase in salaries of 10 percent. Several reasons for this increase includes: an average merit raise of 5 percent, a change to the personal leave and holiday pay policies, and an increase in over-time related to a large drug bust. Insurance premiums increased on average 5 percent across the board due to the storms that occurred across the state of Kansas. Highways and Streets increased by \$1,658,895 due to the cleanup of Construction in Process (CIP) projects.

Business-Type Activities

The table below shows the condensed revenues, expenses and changes in net position for 2016 and 2015.

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|
| Revenues: | | |
| Program Revenues: | | |
| Charges for Services | \$ 7,984,560 | \$ 7,678,193 |
| Capital Grants and Contributions | 58,151 | 207,958 |
| Investment Earnings | 258,680 | 132,906 |
| Miscellaneous | 198,802 | - |
| Total Revenues | <u>8,500,193</u> | <u>8,019,057</u> |
| Expenses: | | |
| Waterworks System | 5,378,480 | 4,838,768 |
| Sewer System | 2,635,077 | 2,441,626 |
| Refuse | 1,325,981 | 1,386,909 |
| Compressed Natural Gas | 12,694 | 16,839 |
| Total Expenses | <u>9,352,232</u> | <u>8,684,142</u> |
| Excess Before Transfers | (852,039) | (665,085) |
| Transfers In (Out) | <u>(766,229)</u> | <u>(999,723)</u> |
| Changes in Net Assets | <u>(1,618,268)</u> | <u>(1,664,808)</u> |
| Net Position January 1 | 4,669,027 | 7,684,426 |
| Prior Period Adjustments | - | (1,350,591) |
| Net Position, Beginning of the Year as Restated | <u>-</u> | <u>6,333,835</u> |
| Net Position December 31 | <u>\$ 3,050,759</u> | <u>\$ 4,669,027</u> |

The Waterworks System, Sewer System, Refuse, and Compressed Natural Gas (CNG) utilities are the Business-Type Activities of the City of El Dorado. The Waterworks System had a rate increase of one cent in 2016 which increased the Waterworks System by \$451,832. The City Commission has opted to do small rate increases each year versus large increases after several years. An increase in water and sewer rates was approved for 2016. The City built a CNG station during 2014. The station was built to accommodate the converted CNG vehicles for the City, however, due to several inquiries, it is now available to the public as well and has contributed \$58,151 in Capital Grants and Contributions. The Waterworks System increased expenses by \$274,386. A large portion due to costs of sales and services. The Sewer System increased expenses \$108,372 partly due to the increase in "Interest Expense" when they paid off State Revolving Loan (C20 1639-01 A) with the Series 2016-A General Obligation Bond. Also, "Gain/(Loss) on Disposal of Assets" had a loss of \$31,477 due to the cleanup of the fixed asset system in order to follow the capital policy.

FUND ANALYSIS

There was a net change in fund balance of \$(36,061) in the City's Total Governmental Funds as a result of 2016 operations. In the General fund, Property Tax improved with a slight increase in the assessed valuation. Franchise Taxes improved due to a request from the Commission that the utilities consider increasing the rate from 5% to 6% of sales. Westar Energy agreed to the increase and fees were collected for the whole year versus a partial year. Intergovernmental revenue increased with the help of a Community Development Block Grant of \$500,000. Revenues were under expenditures by \$1,383,299 for General and Other Governmental Funds. Capital outlay increased in the General Fund largely due to the purchase of an Aerial Fire Truck, a 2016 Ford Explorer, and an addition to the Fire Sub-Station for the Fire Department. Other Governmental Funds increased in the Industrial Mill Levy Fund due to the North Industrial Park Expansion.

A decrease of \$2,026,890 occurred in the Debt Service fund. General Obligation Bond Principal and Interest expenditures increased because of the General Obligation Refunding & Improvement Bonds Series 2015A. An escrow bond payment of \$1,770,000 was made during 2016 for the refunding portion of the 2015 bond.

The net change in the Construction fund is an increase of \$336,733. In the past, the Construction Fund was used to hold money for specific use and a project number was assigned. During the year, the Construction Fund was cleaned up and Funds were created for the use of the money held in certain projects. Also, the Construction in Process (CIP) was cleaned up and many projects that were in the Construction Fund were closed. The 2016 General Obligation Bond was issued for the Construction Fund in the amount of \$1,435,000.

The change in net position in the Business-Type Activities decreased \$1,618,268. The Waterworks System's change in net position decreased due to the result of several items. During the year, the fixed asset system was improved in order to follow the capital policy. This created a loss on disposal of assets of \$226,521. During the process of cleaning up the Construction Fund, there were several projects that were related to the Waterworks System that needed revenue to offset the expenses, therefore, money was transferred to the Construction Fund from the Waterworks System. The issuance of the 2016 General Obligation Bond contributed to the decrease for the Waterworks System as well as the Sewer System. The Sewer System had an operating loss of \$238,624. It also was affected by the fixed asset system improvement taking a loss on disposal of assets. Refuse and Compressed Natural Gas increased in net position.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund budget was not amended. The actual amount of revenue was under the budgeted amount by \$489,550. The City Commission requested an increase in franchise fees from 5% to 6% in 2015 for 2016. Westar was the only utility company that agreed to the increase, resulting in a deficit of revenues by \$271,640. Licenses & Permits increased slightly due to the unknown remainder of the effects of the hail storm that hit El Dorado in May of 2015.

Prairie Trails Restaurant/Golf Fund, which is included in the financials of the General Fund, overstated the revenue by \$138,300. The difference in revenue was due to the greens project which caused the front 9 holes to be closed for six months. Staff chose not to increase pass holder fees in 2016 because half of the course was closed.

Expenditures were \$382,110 more than budgeted. Throughout the year, there were a number of vacant positions. The Police Department held three vacant positions during the year. Public Works was down four, and Administration was down one. A large portion of the variance is due to the contingency reserve that is budgeted in Special Projects to finance unforeseen expenditures or an unanticipated decline in revenues. The increase was mostly due to the purchase of an Aerial Fire Truck and an addition to the Fire Sub-Station for the Fire Department.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The total amount invested in capital assets during 2016, net of current year depreciation, was \$4,669,826. The capital assets to Governmental Activities include Buildings, Improvements other than buildings, Infrastructure, and Machinery and Equipment. The additions to Governmental Activities include the following: Additions to Buildings include Fire Sub-Station Improvements \$63,990. The additions to Improvements other than buildings include Forrest Park Restroom Facility \$7,683, North Main Spray Park \$153,678, McDonald Stadium Locker Rooms \$55,534, Fire Station Training Facility \$25,191, Prairie Trails Front 9 Greens \$171,205, and Forrest Park Paving Skate Park \$15,406. Additions to Infrastructure include; Sternburg Light Poles \$18,386, Paving Improvements for Belmont Heights 3rd Addition-Phase I \$6,092, Paving Criss 9th \$22,553, Paving Belmont Heights 3rd Addition-Phase II \$7,373, Paving Towanda Ave (Fredrick-Edgemoor) \$97,881, Intersection Improvements-Central & Topeka \$100,380, Traffic Signal Monitoring Upgrade \$47,056, Paving Towanda (Haverhill-Constant Creek) \$1,408,834, Paving Alley-Walnut River Brewery \$5,554, Country Club HA-5 Rehab \$57,333, Post Road-HA 5 Rehab \$28,667, Summit St (Central-Olive) \$52,884, Pine St (Summit-Emporia) \$35,256, High St (Central-Ash) \$35,256, Emporia St (Central-Pine) \$17,628, Topeka St (Central-1st) \$17,628, and Summit St (Olive-Towanda) \$188,082. The additions to Machinery and Equipment include; for the Administration Department, Administration Division, Channel 7 Upgrade \$37,024 and for the Marketing Program, Civic Center Stage \$8,526. For the Police Department, Police Division, (3) 2016 Ford Explorers totaling \$95,996. For Public Works, Major Street Division, 938M Wheel Loader \$179,823, and 2001 Freightliner Truck Modifications \$29,008. For the Stormwater Division, Caterpillar Backhoe Loader \$7,417. For the Recreation Department and Division a 36 Pro Series 1500 Watt System \$71,250. For the Recreation Department, Cemetery Division, a 2012 John Deere Mower \$5,200. For the Fire Department, Aerial Truck Repair \$56,557, and Aerial Fire Truck Tower \$1,152,052.

The additions to Business-Type Activities include Buildings, Improvements other than buildings, and Machinery and Equipment. Buildings include Modifications to the Water Treatment Plant for Frontier Refinery Water Project \$103,900, and Water Plant Lab Remodel \$46,049 for the Waterworks System. Improvements other than buildings include; Waterlines to New Middle School \$80,567, and Waterline at Criss 9th \$2,567, Waterline Replacement-Star Street \$120,941, Raw Water Transmission Line \$420,151 for the Waterworks System. For the Sewer System; Sanitary Sewer Belmont Heights 3rd Addition-Phase I \$1,592, Sanitary Sewer Criss 9th \$4,038, and Sanitary Sewer Belmont Heights 3rd Addition-Phase II \$1,516. Machinery and Equipment include; 2016 E45 Compact Excavator \$51,100, 2016 Bobcat T590 T4 Track Loader \$43,689, and IMT Crane Model 12/86 \$60,529 for the Waterworks System. For Refuse; an Atomizer Refuse Truck \$295,615 and for Compressed Natural Gas; Compressed Natural Gas Station-Storage Tanks \$58,151.

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 \$8,515,000 in 2016. The capacity of the City to issue additional general obligation debt increased in 2016 from \$18,081,504 to \$21,188,229. 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 2.99% in 2015 to 3.90% in 2016, and the net bonded debt per capita increased from \$1,215 in 2015 to \$1,763 in 2016.

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

The City Commission is considering the proposed 2018 budget before making any decisions regarding the mill levy. 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 2017. Sales tax will continue to be a significant revenue source for the City. The property tax would 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:

- The City of El Dorado continues to look for opportunities to utilize our reservoir as a regional water supply. The Kansas Water Office has long identified El Dorado Lake as an important regional water supply. El Dorado has met with city officials from Andover, Rose Hill, Bel Aire, Park City and Kechi to talk about long term water supply planning. Most of these cities currently have contracts with the City of Wichita that expire at various times between the next two to eighteen years. All were interested in securing a long-term, affordable, high quality water supply for the future. We will continue to visit with these and other cities about water, as well as planning to construct a pipeline west to expand our role as a regional water supplier.
- The City has renewed the Neighborhood Revitalization Program (NRP) to include new housing starts. The NRP provides a 95% tax rebate on new construction value up to \$250,000 for five year. Applications will be accepted through 12/31/2017. Additionally, the City and El Dorado, Inc. have completed a Housing Assessment Tool (HAT) which is one of the steps needed to make application for Community Development Block Grants (CDBG) for housing rehabilitation with the State of Kansas.

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, 2016

| | Primary Government | | | Component |
|--|----------------------------|-----------------------------|----------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total | Unit Library |
| Assets: | | | | |
| Cash and investments | \$ 6,051,848 | \$ 7,813,178 | \$ 13,865,026 | \$ 250,883 |
| Receivables, net of allowance for uncollectibles: | | | | |
| Taxes | 7,519,122 | - | 7,519,122 | 412,518 |
| Accounts | 1,017,695 | 561,156 | 1,578,851 | - |
| Due from other governments | 550,454 | 886 | 551,340 | - |
| Due from component unit | 99,860 | - | 99,860 | - |
| Internal balances | (911,391) | 911,391 | - | - |
| Inventories | 46,155 | 181,134 | 227,289 | - |
| Restricted cash and investments | - | - | - | 276,821 |
| Investment in joint venture | 3,000,000 | - | 3,000,000 | - |
| Capital assets, net of accumulated depreciation (where applicable): | | | | |
| Land | 4,988,242 | 751,376 | 5,739,618 | - |
| Buildings | 8,402,723 | 10,587,688 | 18,990,411 | 1,634,550 |
| Improvements other than buildings | 8,558,026 | 12,537,945 | 21,095,971 | - |
| Infrastructure | 20,234,380 | - | 20,234,380 | - |
| Water storage space | - | 28,951,577 | 28,951,577 | - |
| Machinery and equipment | 3,398,349 | 5,024,663 | 8,423,012 | 67,537 |
| Construction in progress | 828,293 | 1,365,068 | 2,193,361 | - |
| Total assets | <u>63,783,756</u> | <u>68,686,062</u> | <u>132,469,818</u> | <u>2,642,309</u> |
| Deferred outflows of resources: | | | | |
| Deferred outflows - pension | 1,498,867 | 336,545 | 1,835,412 | 37,499 |
| Liabilities: | | | | |
| Accounts payable and other current liabilities | 717,853 | 465,417 | 1,183,270 | 157,381 |
| Accrued interest payable | 84,644 | 145,323 | 229,967 | - |
| Due to primary government | 650,939 | 295,615 | 946,554 | 99,860 |
| Noncurrent liabilities: | | | | |
| Due within one year | 1,779,785 | 1,270,573 | 3,050,358 | 11,576 |
| Due in more than one year | 22,960,665 | 63,745,045 | 86,705,710 | 242,023 |
| Total liabilities | <u>26,193,886</u> | <u>65,921,973</u> | <u>92,115,859</u> | <u>510,840</u> |
| Deferred inflows of resources: | | | | |
| Deferred inflows - pension | 320,550 | 49,875 | 370,425 | 26,655 |
| Deferred receivable - property taxes | 3,642,884 | - | 3,642,884 | 412,518 |
| Total deferred inflows of resources | <u>3,963,434</u> | <u>49,875</u> | <u>4,013,309</u> | <u>439,173</u> |
| Net position: | | | | |
| Net investment in capital assets | 31,001,068 | 21,137,164 | 52,138,232 | 1,702,087 |
| Restricted for: | | | | |
| Debt service | 3,203,047 | - | 3,203,047 | - |
| Public safety | 15,971 | - | 15,971 | - |
| Public works | 301,484 | - | 301,484 | - |
| Economic development | 2,187,836 | - | 2,187,836 | - |
| Culture and recreation | 59,122 | - | 59,122 | - |
| Other purposes | 8,709 | - | 8,709 | - |
| Unrestricted | (1,651,934) | (18,086,405) | (19,738,339) | 27,708 |
| Total net position | <u>\$ 35,125,303</u> | <u>\$ 3,050,759</u> | <u>\$ 38,176,062</u> | <u>\$ 1,729,795</u> |

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

| Functions/Program | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|--|---------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Unit Library |
| | | | | | Governmental Activities | Business-Type Activities | Total | |
| Government activities: | | | | | | | | |
| General government | \$ 2,399,221 | \$ 646,945 | \$ 164,903 | \$ - | \$ (1,587,373) | \$ - | \$ (1,587,373) | \$ - |
| Public safety | 4,246,184 | 616,403 | 16,000 | 25,180 | (3,588,601) | - | (3,588,601) | - |
| Public works | 5,407,872 | 201,443 | 507,037 | 1,457,707 | (3,241,685) | - | (3,241,685) | - |
| Health and sanitation | 416,036 | 225,290 | 866 | 318,386 | 128,506 | - | 128,506 | - |
| Culture and recreation | 1,513,728 | 552,456 | 36,725 | - | (924,547) | - | (924,547) | - |
| Economic development | 271,252 | - | - | - | (271,252) | - | (271,252) | - |
| Interest on long-term debt | 499,604 | - | - | - | (499,604) | - | (499,604) | - |
| Total governmental activities | 14,753,897 | 2,242,537 | 725,531 | 1,801,273 | (9,984,556) | - | (9,984,556) | - |
| Business-type activities: | | | | | | | | |
| Waterworks System | 5,378,480 | 4,399,825 | - | - | - | (978,655) | (978,655) | - |
| Sewer System | 2,635,077 | 2,058,033 | - | - | - | (577,044) | (577,044) | - |
| Refuse | 1,325,981 | 1,508,945 | - | - | - | 182,964 | 182,964 | - |
| Compressed Natural Gas | 12,694 | 17,757 | - | 58,151 | - | 63,214 | 63,214 | - |
| Total business-type activities | 9,352,232 | 7,984,560 | - | 58,151 | - | (1,309,521) | (1,309,521) | - |
| Total primary government | \$ 24,106,129 | \$ 10,227,097 | \$ 725,531 | \$ 1,859,424 | (9,984,556) | (1,309,521) | (11,294,077) | - |
| Component unit: | | | | | | | | |
| Bradford Memorial Library | \$ 494,136 | \$ 41,901 | \$ 43,804 | \$ - | - | - | - | (408,431) |
| General revenues: | | | | | | | | |
| Property taxes | | | | | 3,879,130 | - | 3,879,130 | 463,146 |
| Sales taxes | | | | | 2,512,159 | - | 2,512,159 | - |
| Franchise taxes | | | | | 1,288,810 | - | 1,288,810 | - |
| Tourism taxes | | | | | 168,713 | - | 168,713 | - |
| Unrestricted investment earnings | | | | | 43,871 | 258,680 | 302,551 | 15,311 |
| Miscellaneous | | | | | - | 198,802 | 198,802 | - |
| Transfers | | | | | 766,229 | (766,229) | - | - |
| Total general revenues and transfers | | | | | 8,658,912 | (308,747) | 8,350,165 | 478,457 |
| Change in net position | | | | | (1,325,644) | (1,618,268) | (2,943,912) | 70,026 |
| Net position, beginning of year as previously stated | | | | | 36,995,512 | 4,669,027 | 41,664,539 | 1,175,741 |
| Prior period adjustments | | | | | (544,565) | - | (544,565) | 484,028 |
| Net position, beginning of year as restated | | | | | 36,450,947 | 4,669,027 | 41,119,974 | 1,659,769 |
| Net position, end of year | | | | | \$ 35,125,303 | \$ 3,050,759 | \$ 38,176,062 | \$ 1,729,795 |

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2016

| | General | Debt Service | Construction | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------|-------------------|--------------------------------|--------------------------------|
| Assets: | | | | | |
| Cash and investments | \$ 2,007,360 | \$ - | \$ - | \$ 4,044,488 | \$ 6,051,848 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Property tax | 2,559,535 | 929,200 | - | 154,149 | 3,642,884 |
| Special assessment tax | - | 3,192,329 | - | 241,778 | 3,434,107 |
| Sales tax | 442,131 | - | - | - | 442,131 |
| Accounts | 225,841 | 26,260 | 252,364 | 217,614 | 722,079 |
| Due from other governments | 938 | - | - | 18,502 | 19,440 |
| Due from component unit | - | - | 99,860 | - | 99,860 |
| Due from other funds | 826,733 | - | - | - | 826,733 |
| Inventories | 19,374 | - | - | 26,781 | 46,155 |
| Total assets | \$ 6,081,912 | \$ 4,147,789 | \$ 352,224 | \$ 4,703,312 | \$ 15,285,237 |
| Liabilities, deferred inflows of resources and fund balances: | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 292,491 | \$ 801 | \$ 14,888 | \$ 172,425 | \$ 480,605 |
| Accrued payroll | 200,888 | - | - | 36,360 | 237,248 |
| Due to other governments | - | - | - | 119,925 | 119,925 |
| Due to other funds | - | 171,875 | 359,241 | - | 531,116 |
| Advances from other funds | - | - | - | 933,374 | 933,374 |
| Total liabilities | 493,379 | 172,676 | 374,129 | 1,262,084 | 2,302,268 |
| Deferred inflows of resources: | | | | | |
| Unavailable revenue - property taxes | 2,559,535 | 929,200 | - | 154,149 | 3,642,884 |
| Unavailable revenue - special assessments | - | 3,192,329 | - | 241,778 | 3,434,107 |
| Total deferred inflows of resources | 2,559,535 | 4,121,529 | - | 395,927 | 7,076,991 |
| Fund balances: | | | | | |
| Nonspendable: | | | | | |
| Inventories | 19,374 | - | - | 26,781 | 46,155 |
| Restricted: | | | | | |
| Police operations | - | - | - | 15,971 | 15,971 |
| Tourism | - | - | - | 8,709 | 8,709 |
| Park improvements | - | - | - | 59,122 | 59,122 |
| Stormwater systems | - | - | - | 301,484 | 301,484 |
| Ordinance street sales tax | - | - | - | 1,016,335 | 1,016,335 |
| Excess sales tax | - | - | - | 1,171,501 | 1,171,501 |
| Committed: | | | | | |
| Public safety equipment | - | - | - | 3,409 | 3,409 |
| Assigned | | | | | |
| Airport improvements | - | - | - | 12,450 | 12,450 |
| Economic development sales tax | - | - | - | 192,419 | 192,419 |
| Street improvements | - | - | - | 142,250 | 142,250 |
| Park improvements | - | - | - | 6,240 | 6,240 |
| Police equipment | - | - | - | 325,070 | 325,070 |
| Self-insurance reserve | 375,021 | - | - | - | 375,021 |
| Unassigned | 2,634,603 | (146,416) | (21,905) | (236,440) | 2,229,842 |
| Total fund balances | 3,028,998 | (146,416) | (21,905) | 3,045,301 | 5,905,978 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 6,081,912 | \$ 4,147,789 | \$ 352,224 | \$ 4,703,312 | \$ 15,285,237 |

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, 2016

| | |
|---|-----------------------------|
| Total fund balance in Governmental Fund Balance Sheet | \$ 5,905,978 |
| 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. | 46,410,013 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. | 3,434,107 |
| Other assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 3,000,000 |
| Deferred outflows represent a consumption of net position that applies to a future period and so will not be recognized as an expenditure of resources until then. | |
| Deferred pension outflow | 1,498,867 |
| 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. | 21,982 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (24,825,094) |
| Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as a revenue until then. | |
| Deferred inflows - pension | <u>(320,550)</u> |
| Net position of governmental activities | <u><u>\$ 35,125,303</u></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, 2016

| | General | Debt Service | Construction | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------|--------------------|--------------------------------|--------------------------------|
| Revenues: | | | | | |
| Taxes: | | | | | |
| Property | \$ 2,825,670 | \$ 896,489 | \$ - | \$ 156,971 | \$ 3,879,130 |
| Sales | 2,462,159 | - | - | 50,000 | 2,512,159 |
| Franchise | 1,288,810 | - | - | - | 1,288,810 |
| Tourism | - | - | - | 168,713 | 168,713 |
| Intergovernmental | 54,512 | - | 702,724 | 689,637 | 1,446,873 |
| Licenses and permits | 135,236 | - | - | 60,810 | 196,046 |
| Charges for services | 1,053,782 | - | - | 167,615 | 1,221,397 |
| Fines and forfeitures | 419,796 | - | - | - | 419,796 |
| Special assessments | - | 343,564 | 25,180 | 231,671 | 600,415 |
| Investment earnings | 33,058 | 10,000 | - | 213 | 43,271 |
| Miscellaneous | 127,297 | 159,429 | 343,102 | 227,052 | 856,880 |
| Total revenues | 8,400,320 | 1,409,482 | 1,071,006 | 1,752,682 | 12,633,490 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 1,519,563 | 1,008 | - | 404,947 | 1,925,518 |
| Public safety | 3,856,576 | - | 15 | - | 3,856,591 |
| Highways and streets | 793,584 | - | - | 867,593 | 1,661,177 |
| Health and sanitation | 300,609 | - | - | 97,532 | 398,141 |
| Culture and recreation | 1,248,948 | - | - | 51,778 | 1,300,726 |
| Economic development | - | - | - | 234,523 | 234,523 |
| Debt service: | | | | | |
| Principal | 181,743 | 2,943,375 | - | - | 3,125,118 |
| Interest and other fiscal charges | 44,180 | 412,748 | 44,845 | 84,430 | 586,203 |
| Capital outlay | 1,364,994 | - | 1,694,607 | 485,301 | 3,544,902 |
| Total expenditures | 9,310,197 | 3,357,131 | 1,739,467 | 2,226,104 | 16,632,899 |
| Deficiency of revenues under expenditures | (909,877) | (1,947,649) | (668,461) | (473,422) | (3,999,409) |
| Other financing sources (uses): | | | | | |
| Premium on refunding bonds issued | - | - | 60,067 | - | 60,067 |
| Transfers in | 1,570,325 | 3,755 | 3,181,200 | 3,134,756 | 7,890,036 |
| Transfers out | (2,665,833) | (82,996) | (4,221,073) | (153,905) | (7,123,807) |
| Refunding bonds issued | - | - | 1,985,000 | - | 1,985,000 |
| Capital lease | 1,152,052 | - | - | - | 1,152,052 |
| Total other financing sources (uses) | 56,544 | (79,241) | 1,005,194 | 2,980,851 | 3,963,348 |
| Net change in fund balances | (853,333) | (2,026,890) | 336,733 | 2,507,429 | (36,061) |
| Fund balances, beginning of year as previously stated | 3,882,331 | 1,880,474 | 185,927 | 537,872 | 6,486,604 |
| Prior period adjustments | - | - | (544,565) | - | (544,565) |
| Fund balances, beginning of year as restated | 3,882,331 | 1,880,474 | (358,638) | 537,872 | 5,942,039 |
| Fund balances, end of year | \$ 3,028,998 | \$ (146,416) | \$ (21,905) | \$ 3,045,301 | \$ 5,905,978 |

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, 2016

| | |
|--|-----------------------|
| Net change in fund balances - total governmental funds | \$ (36,061) |
| 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. | 647,546 |
| The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals, donations) is to decrease net position | (2,057,779) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 28,534 |
| 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. | 15,741 |
| 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. | 1,480 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | <u>74,895</u> |
| Change in net position of governmental activities | <u>\$ (1,325,644)</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, 2016

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|----------------------------|------------------|------------------|---|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 6,847,258 | \$ 6,847,258 | \$ 6,575,618 | \$ (271,640) |
| Intergovernmental | 195,646 | 195,646 | (120,251) | (315,897) |
| Licenses, fees and permits | 114,132 | 114,132 | 135,236 | 21,104 |
| Charges for services | 890,780 | 890,780 | 687,203 | (203,577) |
| Fines and forfeitures | 346,000 | 346,000 | 622,514 | 276,514 |
| Interest | 1,763 | 1,763 | 1,272 | (491) |
| Miscellaneous | 91,269 | 91,269 | 122,206 | 30,937 |
| Reimbursements | 26,500 | 26,500 | - | (26,500) |
| Total revenues | <u>8,513,348</u> | <u>8,513,348</u> | <u>8,023,798</u> | <u>(489,550)</u> |
| Expenditures: | | | | |
| General government: | | | | |
| Administration | 678,061 | 678,061 | 770,287 | 92,226 |
| Engineering | 320,449 | 320,449 | 276,383 | (44,066) |
| Civic Center | 122,456 | 122,456 | 60,559 | (61,897) |
| Legal and judicial | 202,730 | 202,730 | 183,580 | (19,150) |
| Total general government | <u>1,323,696</u> | <u>1,323,696</u> | <u>1,290,809</u> | <u>(32,887)</u> |
| Public safety: | | | | |
| Police division | 2,466,831 | 2,466,831 | 2,249,351 | (217,480) |
| Fire division | 2,023,187 | 2,023,187 | 2,825,466 | 802,279 |
| Building and zoning | 183,395 | 183,395 | 20,460 | (162,935) |
| Building demolition | - | - | 191,696 | 191,696 |
| Civil defense | - | - | 16,488 | 16,488 |
| Hazardous materials | 27,678 | 27,678 | 8,901 | (18,777) |
| Total public safety | <u>4,701,091</u> | <u>4,701,091</u> | <u>5,312,362</u> | <u>611,271</u> |
| Public works: | | | | |
| Public works | 478,357 | 478,357 | 439,939 | (38,418) |
| Street lights | 185,000 | 185,000 | 102,242 | (82,758) |
| Total public works | <u>663,357</u> | <u>663,357</u> | <u>542,181</u> | <u>(121,176)</u> |
| Health and sanitation: | | | | |
| Animal control | \$ 139,745 | \$ 139,745 | \$ 118,950 | \$ (20,795) |

(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, 2016

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|--|--------------------|--------------------|---|---|
| | Original | Final | | |
| Culture and recreation: | | | | |
| Park maintenance | \$ 247,981 | \$ 247,981 | \$ 255,726 | \$ 7,745 |
| Recreation | 515,866 | 515,866 | 536,288 | 20,422 |
| Swimming pool | 151,606 | 151,606 | 135,797 | (15,809) |
| Band | 7,000 | 7,000 | 6,958 | (42) |
| Recreation concessions | 53,633 | 53,633 | 51,367 | (2,266) |
| Total culture and recreation | <u>976,086</u> | <u>976,086</u> | <u>986,136</u> | <u>10,050</u> |
| Conservation of natural resources: | | | | |
| Forestry | <u>91,037</u> | <u>91,037</u> | <u>85,793</u> | <u>(5,244)</u> |
| Miscellaneous: | | | | |
| Neighborhood revitalization rebate | <u>59,109</u> | <u>59,109</u> | <u>-</u> | <u>(59,109)</u> |
| Total expenditures | <u>7,954,121</u> | <u>7,954,121</u> | <u>8,336,231</u> | <u>382,110</u> |
| Excess of revenues over (under) expenditures | <u>559,227</u> | <u>559,227</u> | <u>(312,433)</u> | <u>(871,660)</u> |
| Other financing sources (uses): | | | | |
| Capital lease | (812,515) | (812,515) | 1,152,052 | 1,964,567 |
| Transfers in | 815,589 | 815,589 | 690,872 | (124,717) |
| Transfers out | (1,941,670) | (1,941,670) | (2,195,648) | (253,978) |
| Total other financing sources (uses) | <u>(1,938,596)</u> | <u>(1,938,596)</u> | <u>(352,724)</u> | <u>1,585,872</u> |
| Net change in fund balances | <u>(1,379,369)</u> | <u>(1,379,369)</u> | <u>(665,157)</u> | <u>714,212</u> |
| Fund balance, beginning of year | <u>1,379,369</u> | <u>1,379,369</u> | <u>2,189,616</u> | <u>810,247</u> |
| Fund balance, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>1,524,459</u> | <u>\$ 1,524,459</u> |
| <u>Reconciliation to GAAP</u> | | | | |
| Plus receivables at December 31, 2016 | | | 542,022 | |
| Less payables outstanding at December 31, 2016 | | | (70,245) | |
| Less salaries payable outstanding at December 31, 2016 | | | (182,357) | |
| Fund balances on the basis of GAAP - General Fund only | | | <u>1,813,879</u> | |
| Fund balances for separately budgeted funds included with the General Fund on GAAP basis financials: | | | | |
| Cemetery | | | 24,617 | |
| External Stores | | | (61,904) | |
| Prairie Trails Restaurant/Golf | | | 20,255 | |
| Fund balances for non-budgeted funds included with the General Fund on GAAP basis financials: | | | | |
| Equipment Reserve | | | 848,722 | |
| Building Demolition | | | 8,408 | |
| Self-Insurance Reserve | | | 375,021 | |
| | | | <u>\$ 3,028,998</u> | |

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

December 31, 2016

| | Business-Type Activities - Enterprise Funds | | | | | Business-Type |
|--|---|-----------------|--------------|---------------------------|---------------------|---|
| | Major Funds | | | Nonmajor | Total | Activities |
| | Waterworks System | Sewer System | Refuse | Compressed Natural Gas | Enterprise Funds | Internal Service Fund (Data Processing Fund) |
| Assets: | | | | | | |
| Current assets: | | | | | | |
| Cash and investments | \$ 7,113,519 | \$ 83,385 | \$ 378,306 | \$ 18,192 | \$ 7,593,402 | \$ 219,776 |
| Accounts receivable (net of allowance for uncollectibles) | 372,692 | 108,347 | 80,117 | - | 561,156 | - |
| Intergovernmental receivable | 273 | - | 613 | - | 886 | - |
| Advances to other funds | 1,925,250 | - | - | - | 1,925,250 | - |
| Inventories | 172,444 | 3,949 | 4,741 | - | 181,134 | - |
| Total current assets | 9,584,178 | 195,681 | 463,777 | 18,192 | 10,261,828 | 219,776 |
| Capital assets: | | | | | | |
| Land | 33,733 | 717,643 | - | - | 751,376 | - |
| Water storage space | 28,951,577 | - | - | - | 28,951,577 | - |
| Buildings | 2,164,069 | 14,263,100 | 991,467 | - | 17,418,636 | - |
| Improvements other than buildings | 10,629,839 | 11,116,677 | 55,860 | - | 21,802,376 | - |
| Machinery and equipment | 2,616,689 | 4,923,533 | 802,268 | 189,044 | 8,531,534 | 25,464 |
| Construction in process | - | 1,365,068 | - | - | 1,365,068 | - |
| Total capital assets | 44,395,907 | 32,386,021 | 1,849,595 | 189,044 | 78,820,567 | 25,464 |
| Less accumulated depreciation | (6,656,348) | (11,976,626) | (963,019) | (13,090) | (19,609,083) | (18,632) |
| Capital assets, net | 37,739,559 | 20,409,395 | 886,576 | 175,954 | 59,211,484 | 6,832 |
| Deferred outflows of resources: | | | | | | |
| Deferred outflows - pension | 171,077 | 85,240 | 80,228 | - | 336,545 | - |
| Total assets and deferred outflows of resources | \$ 47,494,814 | \$ 20,690,316 | \$ 1,430,581 | \$ 194,146 | \$ 69,809,857 | \$ 226,608 |

See accompanying notes to basic financial statements.

| | Business-Type Activities - Enterprise Funds | | | | | Business-Type |
|--|---|----------------------|-------------------|---------------------------|-------------------|---------------------|
| | Major Funds | | | Nonmajor | Total | Internal |
| | Waterworks System | Sewer System | Refuse | Fund | | Enterprise Funds |
| | | | | Compressed Natural Gas | | |
| Liabilities: | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | \$ 284,411 | \$ 40,253 | \$ 19,951 | \$ 299 | \$ 344,914 | \$ (73) |
| Accrued payroll | 46,654 | 21,808 | 21,815 | - | 90,277 | 30,299 |
| Current portion of compensated absences payable | 38,604 | 18,983 | 11,745 | - | 69,332 | 21,627 |
| Current portion of general obligation bonds payable | 177,291 | 621,457 | - | - | 798,748 | - |
| Current portion of revolving loan note payable | - | 106,151 | - | - | 106,151 | - |
| Accrued interest payable | 6,501 | 138,822 | - | - | 145,323 | - |
| Current portion of water storage space payable | 144,564 | - | - | - | 144,564 | - |
| Current portion of capital lease payable | 98,110 | 32,041 | - | - | 130,151 | - |
| Due to other funds | - | - | 295,617 | - | 295,617 | - |
| Total current liabilities | 796,135 | 979,515 | 349,128 | 299 | 2,125,077 | 51,853 |
| Noncurrent liabilities: | | | | | | |
| Long-term portion of compensated absences payable | 15,639 | 14,173 | 15,367 | - | 45,179 | 1,670 |
| Long-term portion of general obligation bonds payable | 1,797,840 | 6,339,389 | - | - | 8,137,229 | - |
| Long-term portion of revolving loan note payable | - | 1,934,019 | - | - | 1,934,019 | - |
| Long-term portion of water storage space payable | 52,071,481 | - | - | - | 52,071,481 | - |
| Net pension liability | 800,511 | 386,015 | 368,941 | - | 1,555,467 | - |
| Advances from other funds | - | 758,400 | 233,476 | - | 991,876 | - |
| Total noncurrent liabilities | 54,685,471 | 9,431,996 | 617,784 | - | 64,735,251 | 1,670 |
| Total liabilities | 55,481,606 | 10,411,511 | 966,912 | 299 | 66,860,328 | 53,523 |
| Deferred inflows of resources: | | | | | | |
| Deferred inflows - pension | 26,581 | 11,637 | 11,657 | - | 49,875 | - |
| Net position: | | | | | | |
| Net investment in capital assets | 8,691,464 | 11,376,338 | 886,576 | 175,954 | 21,130,332 | 6,832 |
| Unrestricted | (16,704,837) | (1,109,170) | (434,564) | 17,893 | (18,230,678) | 166,253 |
| Total net position | \$ (8,013,373) | \$ 10,267,168 | \$ 452,012 | \$ 193,847 | 2,899,654 | \$ 173,085 |

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

151,105

Net position of business-type activities

\$ 3,050,759

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

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

Year Ended December 31, 2016

| | Business-Type Activities - Enterprise Funds | | | | | Business-Type |
|---|---|-----------------|--------------|---------------------------|---------------------|---|
| | Major Funds | | | Nonmajor | Total | Internal |
| | Waterworks System | Sewer System | Refuse | Compressed Natural Gas | Enterprise Funds | Service Fund (Data Processing Fund) |
| Operating revenues: | | | | | | |
| Charges for services | \$ 4,322,900 | \$ 1,629,567 | \$ 1,410,160 | \$ 7,411 | \$ 7,370,038 | \$ 854,460 |
| Miscellaneous | 63,945 | 379,634 | 98,785 | 10,346 | 552,710 | 4,509 |
| Rents and royalties | 12,980 | 48,832 | - | - | 61,812 | - |
| Total operating revenues | 4,399,825 | 2,058,033 | 1,508,945 | 17,757 | 7,984,560 | 858,969 |
| Operating expenses: | | | | | | |
| Costs of sales and services | 2,518,477 | 875,411 | 638,410 | 5,458 | 4,037,756 | 200,336 |
| Administration | 475,324 | 600,527 | 592,815 | 691 | 1,669,357 | 650,252 |
| Depreciation | 316,036 | 820,719 | 60,783 | 6,545 | 1,204,083 | 3,218 |
| Total operating expenses | 3,309,837 | 2,296,657 | 1,292,008 | 12,694 | 6,911,196 | 853,806 |
| Operating income (loss) | 1,089,988 | (238,624) | 216,937 | 5,063 | 1,073,364 | 5,163 |
| Nonoperating revenues (expense): | | | | | | |
| Investment income | 258,266 | 296 | 118 | - | 258,680 | - |
| Interest expense | (1,843,899) | (307,441) | (9,751) | - | (2,161,091) | - |
| Other revenue | - | 198,802 | - | - | 198,802 | - |
| Loss on disposal of assets | (226,521) | (31,477) | (24,720) | - | (282,718) | (913) |
| Total nonoperating revenues (expense) | (1,812,154) | (139,820) | (34,353) | - | (1,986,327) | (913) |
| Income (loss) before capital contributions and transfers | (722,166) | (378,444) | 182,584 | 5,063 | (912,963) | 4,250 |
| Capital contributions | - | - | - | 58,151 | 58,151 | - |
| Transfers from other funds | (19,869) | 1,210,196 | - | - | 1,190,327 | 20,000 |
| Transfers to other funds | (816,520) | (1,065,480) | (94,111) | - | (1,976,111) | (445) |
| Change in net position | (1,558,555) | (233,728) | 88,473 | 63,214 | (1,640,596) | 23,805 |
| Net position, beginning of year | (6,454,818) | 10,500,896 | 363,539 | 130,633 | 4,540,250 | 149,280 |
| Net position, end of year | \$ (8,013,373) | \$ 10,267,168 | \$ 452,012 | \$ 193,847 | \$ 2,899,654 | \$ 173,085 |
| Change in net position per fund statements | | | | | \$ (1,640,596) | |
| 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 | | | | | 22,328 | |
| Change in net position of business-type activities | | | | | \$ (1,618,268) | |

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS

Year Ended December 31, 2016

| | Business-Type Activities - Enterprise Funds | | | | | Business-Type |
|--|---|-----------------|--------------|-----------------------------------|---------------------|---|
| | Major Funds | | | Nonmajor | Total | Activities |
| | Waterworks System | Sewer System | Refuse | Fund Compressed Natural Gas | Enterprise Funds | Internal Service Fund (Data Processing Fund) |
| Cash flows from operating activities: | | | | | | |
| Receipts from customers and users | \$ 4,098,573 | \$ 2,028,477 | \$ 1,512,043 | \$ 17,777 | \$ 7,656,870 | \$ 862,771 |
| Payments to suppliers | (2,167,822) | (840,640) | (638,667) | (6,129) | (3,653,258) | (203,151) |
| Payments to employees | (476,143) | (601,341) | (592,599) | (691) | (1,670,774) | (650,336) |
| Net cash provided by operating activities | 1,454,608 | 586,496 | 280,777 | 10,957 | 2,332,838 | 9,284 |
| Cash flows from capital and related financing activities: | | | | | | |
| Principal paid on general obligation bonds | (173,883) | (67,618) | - | - | (241,501) | - |
| Principal paid on revolving loan note payable | - | (7,210,437) | - | - | (7,210,437) | - |
| Principal paid on water storage space payable | (139,672) | - | - | - | (139,672) | - |
| Principal paid on capital lease payable | (106,029) | (11,302) | - | - | (117,331) | - |
| Proceeds from revolving loan note payable | - | 955,923 | - | - | 955,923 | - |
| Proceeds from general obligation bonds | - | 6,530,000 | - | - | 6,530,000 | - |
| Premiums on general obligation bonds | - | 198,802 | - | - | 198,802 | - |
| Interest paid on debt | (382,414) | (236,983) | (9,751) | - | (629,148) | - |
| Acquisition and construction of capital assets | 165,660 | (1,237,972) | (288,583) | - | (1,360,895) | - |
| Net cash used in capital and related financing activities | (636,338) | (1,079,587) | (298,334) | - | (2,014,259) | - |
| Cash flows from noncapital financing activities: | | | | | | |
| Transfers (to) from other funds | (836,389) | 144,716 | (94,111) | - | (785,784) | 19,555 |
| Advances (to) from other funds | 84,824 | (33,413) | 285,328 | - | 336,739 | - |
| Net cash provided by (used in) noncapital financing activities | (751,565) | 111,303 | 191,217 | - | (449,045) | 19,555 |
| Cash flows from investing activities: | | | | | | |
| Investment income | 258,266 | 296 | 118 | - | 258,680 | - |
| Net increase (decrease) in cash and investments | 324,971 | (381,492) | 173,778 | 10,957 | 128,214 | 28,839 |
| Cash and investments, beginning of year | 6,788,548 | 464,877 | 204,528 | 7,235 | 7,465,188 | 190,937 |
| Cash and investments, end of year | \$ 7,113,519 | \$ 83,385 | \$ 378,306 | \$ 18,192 | \$ 7,593,402 | \$ 219,776 |

(Continued)

CITY OF EL DORADO, KANSAS

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUNDS
 (Continued)

Year Ended December 31, 2016

| | Business-Type Activities - Enterprise Funds | | | | Total Enterprise Funds | Business-Type |
|--|---|-----------------|------------|-----------------------------------|------------------------------|---|
| | Major Funds | | Refuse | Nonmajor | | Internal |
| | Waterworks System | Sewer System | | Fund Compressed Natural Gas | | Service Fund (Data Processing Fund) |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | | | | |
| Operating income (loss) | \$ 1,089,988 | \$ (238,624) | \$ 216,937 | \$ 5,063 | \$ 1,073,364 | \$ 5,163 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | | |
| Depreciation expense | 316,036 | 820,719 | 60,783 | 6,545 | 1,204,083 | 3,218 |
| Decrease (increase) in accounts receivable | (301,252) | (29,556) | 3,098 | 20 | (327,690) | 3,802 |
| Decrease in inventories | 197,127 | 11,939 | - | - | 209,066 | - |
| Increase in deferred outflows - pension | (115,547) | (58,785) | (54,797) | - | (229,129) | - |
| Increase (decrease) in salaries and accrued payroll | 2,521 | (828) | (77) | - | 1,616 | 4,894 |
| Increase (decrease) in accounts payable | 153,528 | 22,832 | (257) | (671) | 175,432 | (2,815) |
| Increase (decrease) in compensated absences payable | 583 | 2,010 | 2,154 | - | 4,747 | (4,978) |
| Decrease in deferred inflows - pension | (31,778) | (16,167) | (15,070) | - | (63,015) | - |
| Net pension liability | 143,402 | 72,956 | 68,006 | - | 284,364 | - |
| Net cash provided by operating activities | \$ 1,454,608 | \$ 586,496 | \$ 280,777 | \$ 10,957 | \$ 2,332,838 | \$ 9,284 |
| Schedule of noncash capital and related financing activities: | | | | | | |
| Capital assets acquired through capital lease | \$ 94,789 | \$ - | \$ - | \$ - | \$ 94,789 | \$ - |
| Contributions of capital assets | \$ - | \$ - | \$ - | \$ 58,151 | \$ 58,151 | \$ - |
| Interest on water storage space | \$ 1,479,988 | \$ - | \$ - | \$ - | \$ 1,479,988 | \$ - |

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

STATEMENT OF NET POSITION -
FIDUCIARY FUNDS

December 31, 2016

| | Retiree Health Care Benefit Plan Trust Fund | Agency Funds |
|---|--|-----------------------------|
| | <u> </u> | <u> </u> |
| Assets: | | |
| Cash and investments: | | |
| Cash | \$ - | \$ 3,105 |
| Common stocks | 32,688 | - |
| Fixed income securities | 63,640 | - |
| Accounts receivable | <u>-</u> | <u>1,248</u> |
| Total assets | 96,328 | 4,353 |
| Liabilities: | | |
| Accounts payable | <u>-</u> | <u>4,353</u> |
| Net position held in trust for other post employment benefits | <u>\$ 96,328</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, 2016

| | <u>Retiree Health Care Benefit Plan Trust Fund</u> |
|--|--|
| Additions: | |
| Employer contributions | \$ 52,810 |
| Investment loss | <u>(4,990)</u> |
| Total additions | 47,820 |
| Deductions: | |
| Benefits | <u>174,071</u> |
| Change in net position held in trust for other post employment benefits | (126,251) |
| Net position held in trust for other post employment benefits, beginning of year | <u>222,579</u> |
| Net position held in trust for other post employment benefits, end of year | <u><u>\$ 96,328</u></u> |

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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 Butler County Community College (the College) and 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, 2016 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 generally 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 except property taxes. 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 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)

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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, 2016, interest earnings allocated to various funds were \$ 15,900. Deposits are reported at their carrying amount which approximates fair value.

The City maintains investments in Federal National Mortgage Association, Federal Home Loan Mortgage Corporation that are recorded at fair value. The City also holds certificates of deposit which are recorded at cost because they are not affected by market rate changes.

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

Cash Flows Statement

For purposes of the cash flows statement, the City considers deposits and highly liquid investments with an original maturity of three months or less to be cash equivalents.

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.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables (Continued)

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 | \$ 2,559,535 |
| Debt service fund property taxes receivable | 929,200 |
| Debt service fund special assessments receivable | 3,192,329 |
| Nonmajor funds property taxes receivable | 154,149 |
| Nonmajor funds special assessment receivable | 241,778 |
| | <hr/> |
| | \$ 7,076,991 |
| | <hr/> <hr/> |

Property Taxes

The City's property taxes are levied each year on the assessed value of all real estate listed as of the prior January 1, the lien date. Assessed values are established by Butler County. The assessed value upon which the 2016 levy was based was \$ 81,547,189.

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 2016 tax levy per \$ 1,000 of assessed valuation was as follows:

| | | |
|-------------------|----|---------------|
| General Fund | \$ | 30.722 |
| Debt Service Fund | | 9.603 |
| Nonmajor funds | | 1.827 |
| Component unit: | | |
| Library | | 4.894 |
| | | <hr/> |
| | \$ | <u>47.046</u> |

Special Assessments Receivable

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

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.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Deferred Outflow/Inflows of Resources (Continued)

The City has one item that qualifies for reporting in this category – deferred outflows for pension, reported in the government-wide statement of net position. See Note 10 for more information on the deferred outflows for pension.

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 two items that qualify for reporting in this category. One item, *unavailable revenue/ deferred receivable* 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 deferred receivable only from property taxes. The second item is deferred inflows for pension. See Note 10 for more information on the deferred inflows for the pension.

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.

Pensions

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

Fund Balances

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

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

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

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

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

Assigned fund balance – includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. The City Commission has by resolution authorized the Finance Director of the City 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. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative assigned fund balance in that fund.

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.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Restricted Net Position

The government-wide statement of net position reports \$ 5,776,169 of restricted net position, of which \$ 547,996 is restricted by enabling legislation. This enabling legislation authorized the collection of a sales tax from which the collection of these sales taxes is to be used for the explicit purpose of street rehab, property tax reduction and economic development.

Concentrations of Credit Risk

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

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

Use of Estimates

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

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements

At December 31, 2016, 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. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about the OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The provisions of this statement are effective for periods beginning after June 15, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*, was issued in January 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. A government must also recognize assets representing its beneficial interest in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. The provisions of this statement are effective for periods beginning after December 15, 2016.

GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68 and No. 73* was issued in March 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 84, *Fiduciary Activities*, improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities, with the focus of the criteria on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund. The requirements of this statement are effective for periods beginning after December 15, 2018.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of this statement are effective for periods beginning after June 15, 2017.

Prior Period Adjustments

Beginning fund balance for the construction fund and the Library as of December 31, 2016 were adjusted. The construction fund's due from other funds was decreased by an aggregate amount of \$ 584,637 and the Library's due to other funds decreased by an aggregate amount of \$ 554,777 in order to realign the fund balances and to properly state amounts due between the construction fund and the Library. As a result of the adjustment, the beginning fund balances for the construction fund decreased by \$ 544,565 and the Library increased by \$ 484,028.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$ (24,825,094) difference are as follows:

| | |
|---|-------------------------------|
| Bonds payable | \$ (14,144,023) |
| Temporary notes | (2,548,000) |
| Premiums on bonds sold | (283,487) |
| Capital leases payable | (1,264,922) |
| Accrued interest payable | (84,644) |
| Compensated absences | (284,632) |
| Net pension liability | <u>(6,215,386)</u> |
| Net adjustment to decrease fund balance - total governmental funds to arrive at net position of governmental activities | <u><u>\$ (24,825,094)</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 \$ 647,546 difference are as follows:

| | |
|--|--------------------|
| Capital outlay | \$ 3,373,116 |
| Depreciation expense | <u>(2,725,570)</u> |
| Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities | <u>\$ 647,546</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 \$ 15,741 difference are as follows:

| | |
|--|------------------|
| Debt issued or incurred: | |
| Issuance of capital leases | \$ (1,152,052) |
| Plus issuance premium | (60,067) |
| General obligation bonds | (1,985,000) |
| Principal repayments: | |
| Capital leases | 237,360 |
| Bonds | <u>2,975,500</u> |
| Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities | <u>\$ 15,741</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 \$ 74,895 difference are as follows:

| | | |
|--|----|---------------|
| Compensated absences | \$ | 1,826 |
| Pension contributions | | 18,596 |
| Amortization of bond premium | | 24,825 |
| Accrued interest | | <u>29,648</u> |
| Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities | \$ | <u>74,895</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 \$ 8,013,373 at December 31, 2016 due to the recording of the water storage space payable. The debt service fund and construction fund had deficit net fund balances of \$ 146,416 and \$ 21,905, respectively, at December 31, 2016.

Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations in the Debt Service Fund by \$ 1,809,655 and the General Fund by \$ 382,110.

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 value equal to 100% of the deposits and investments, less insured amounts, and must be assigned for the benefit of the City.

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, 2016, 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, 2016, the City had the following investments:

Primary Government:

| Investment Type | Fair Value | Investment Maturities (in Years) | | | |
|--|---------------------|----------------------------------|-------------|-------------------|---------------------|
| | | Less Than 1 | 1 - 5 | 6 - 10 | More Than 10 |
| Federal National Mortgage Corporation | \$ 1,460,629 | \$ - | \$ - | \$ 790,681 | \$ 669,949 |
| Federal Home Loan Mortgage Corporation | 788,854 | - | - | - | 788,854 |
| Fixed income mutual funds | 63,640 | 63,640 | - | - | - |
| Domestic equity mutual funds | 16,578 | 13,578 | - | - | - |
| International equity mutual funds | 11,266 | 11,266 | - | - | - |
| Real estate mutual funds | 4,844 | 4,844 | - | - | - |
| | <u>\$ 2,345,811</u> | <u>\$ 93,328</u> | <u>\$ -</u> | <u>\$ 790,681</u> | <u>\$ 1,458,803</u> |

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - Deposits and Investments (Continued)

Investments (Continued)

Discretely Presented Component Unit:

| Investment Type | Fair Value | Investment Maturities (in Years) | | | |
|---|-------------------|----------------------------------|-------------|-------------|--------------|
| | | Less Than 1 | 1 - 5 | 6 - 10 | More Than 10 |
| Mutual Funds, ETFs and Closed-End Funds | \$ 237,725 | \$ 237,725 | \$ - | \$ - | \$ - |
| Money Market Mutual Funds | 39,096 | 39,096 | - | - | - |
| | <u>\$ 276,821</u> | <u>\$ 276,821</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The City's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates, but state statutes do establish a two-year limitation on investment maturities. 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+ and AAA by Standard & Poor's and the Federal National Mortgage Association investments are rated AA2 by Moody's and AA- 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.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - Deposits and Investments (Continued)

Investments (Continued)

Custodial Credit Risk-Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2016, the City's investments were not exposed to custodial credit risk.

Fair Value Measurement – The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At December 31, 2016, the City's investments were categorized within the fair value hierarchy as follows:

| Investment Type | Fair Value | Fair Value Measurements at Reporting Date Using | | |
|-----------------|--------------|---|--------------|---------|
| | | Level 1 | Level 2 | Level 3 |
| Fixed income | \$ 2,249,483 | \$ - | \$ 2,249,483 | \$ - |
| Total | \$ 2,249,483 | \$ - | \$ 2,249,483 | \$ - |

At December 31, 2016, the City's fiduciary fund investments were categorized within the fair value hierarchy as follows:

| Investment Type | Fair Value | Fair Value Measurements at Reporting Date Using | | |
|-----------------|------------|---|---------|---------|
| | | Level 1 | Level 2 | Level 3 |
| Mutual funds | \$ 96,328 | \$ 96,328 | \$ - | \$ - |
| Total | \$ 96,328 | \$ 96,328 | \$ - | \$ - |

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - Deposits and Investments (Continued)

Investments (Continued)

At December 31, 2016, the Library's investments were categorized within the fair value hierarchy as follows:

| Investment Type | Fair Value | Fair Value Measurements at Reporting Date Using | | |
|-----------------|------------|---|---------|---------|
| | | Level 1 | Level 2 | Level 3 |
| Mutual funds | \$ 276,821 | \$ 276,821 | \$ - | \$ - |
| Total | \$ 276,821 | \$ 276,821 | \$ - | \$ - |

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

5 - Capital Assets

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

Primary Government

| | Balance January 1, 2016 | Increase | Decrease | Balance December 31, 2016 |
|---|-------------------------------|--------------|----------------|---------------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 4,787,926 | \$ 200,316 | \$ - | \$ 4,988,242 |
| Construction in progress | 3,808,194 | 1,588,425 | (4,568,326) | 828,293 |
| Total capital assets not being depreciated | 8,596,120 | 1,788,741 | (4,568,326) | 5,816,535 |
| Capital assets being depreciated: | | | | |
| Buildings | 11,977,348 | 63,990 | (19,909) | 12,021,429 |
| Improvements other than buildings | 11,430,160 | 428,696 | (137,924) | 11,720,932 |
| Infrastructure | 36,334,069 | 2,146,842 | - | 38,480,911 |
| Machinery and equipment | 6,589,182 | 1,642,854 | (803,992) | 7,428,044 |
| Total capital assets being depreciated | 66,330,759 | 4,282,382 | (961,825) | 69,651,316 |
| Less accumulated depreciation for: | | | | |
| Buildings | 3,368,414 | 265,658 | (15,366) | 3,618,706 |
| Improvements other than buildings | 2,881,734 | 377,104 | (95,932) | 3,162,906 |
| Infrastructure | 16,598,620 | 1,647,911 | - | 18,246,531 |
| Machinery and equipment | 4,257,865 | 434,897 | (663,067) | 4,029,695 |
| Total accumulated depreciation | 27,106,633 | 2,725,570 | (774,365) | 29,057,838 |
| Total capital assets being depreciated, net | 39,224,126 | 1,556,812 | (187,460) | 40,593,478 |
| Governmental activities capital assets, net | \$ 47,820,246 | \$ 3,345,553 | \$ (4,755,786) | \$ 46,410,013 |

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - Capital Assets (Continued)

| | Balance January 1, 2016 | Increase | Decrease | Balance December 31, 2016 |
|---|-------------------------------|---------------------|-----------------------|---------------------------------|
| 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 | 1,053,960 | 1,241,169 | (930,061) | 1,365,068 |
| Total capital assets not being depreciated | 30,756,913 | 1,241,169 | (930,061) | 31,068,021 |
| Capital assets being depreciated: | | | | |
| Buildings | 17,275,648 | 149,949 | (6,961) | 17,418,636 |
| Improvements other than buildings | 21,624,474 | 631,372 | (453,471) | 21,802,375 |
| Machinery and equipment | 8,613,909 | 509,084 | (565,995) | 8,556,998 |
| Total capital assets being depreciated | 47,514,031 | 1,290,405 | (1,026,427) | 47,778,009 |
| Less accumulated depreciation for: | | | | |
| Buildings | 6,456,347 | 379,083 | (4,482) | 6,830,948 |
| Improvements other than buildings | 9,138,541 | 342,211 | (216,322) | 9,264,430 |
| Machinery and equipment | 3,480,643 | 486,007 | (434,315) | 3,532,335 |
| Total accumulated depreciation | 19,075,531 | 1,207,301 | (655,119) | 19,627,713 |
| Total capital assets being depreciated, net | 28,438,500 | 83,104 | (371,308) | 28,150,296 |
| Business-type activities capital assets, net | \$ 59,195,413 | \$ 1,324,273 | \$ (1,301,369) | \$ 59,218,317 |

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 | | \$ | 377,683 |
| Public safety | | | 342,782 |
| Public works (including depreciation of infrastructure assets) | | | 1,819,572 |
| Health and sanitation | | | 15,423 |
| Culture and recreation | | | 133,590 |
| Economic development | | | 36,520 |
| Total depreciation expense - governmental activities | | \$ | <u>2,725,570</u> |
| Business-type activities: | | | |
| Waterworks utility | | \$ | 316,036 |
| Sewer utility | | | 820,719 |
| Refuse | | | 60,783 |
| Compressed Natural Gas | | | 6,545 |
| Capital assets held by the City's internal service fund are charged to the various functions based on their usage | | | 3,218 |
| Total depreciation expense - business-type activities | | \$ | <u>1,207,301</u> |

Capital asset activity for the Library component unit for the year ended December 31, 2016 was as follows:

| | Balance January 1, 2016 | Increase | Decrease | Balance December 31, 2016 |
|---|-------------------------------|--------------|----------------|---------------------------------|
| Discretely presented component unit: | | | | |
| Capital assets, not being depreciated: | | | | |
| Construction in progress | \$ 1,225,198 | \$ 5,940 | \$ (1,231,138) | \$ - |
| Capital assets being depreciated: | | | | |
| Buildings | 990,119 | 1,160,389 | - | 2,150,508 |
| Machinery and equipment | 193,708 | - | (1,568) | 192,140 |
| Total capital assets being depreciated | 1,183,827 | 1,160,389 | (1,568) | 2,342,648 |
| Less accumulated depreciation for: | | | | |
| Buildings | 492,259 | 23,699 | - | 515,958 |
| Machinery and equipment | 130,895 | - | (6,292) | 124,603 |
| Total accumulated depreciation | 623,154 | 23,699 | (6,292) | 640,561 |
| Total capital assets being depreciated, net | 560,673 | 1,136,690 | 4,724 | 1,702,087 |
| Discretely presented component unit capital assets, net | \$ 1,785,871 | \$ 1,142,630 | \$ (1,226,414) | \$ 1,702,087 |

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, 2016 for capital projects compared to the amount authorized:

| <u>Project</u> | <u>Costs-to-Date</u> | <u>Amount Authorized</u> |
|---------------------|----------------------|------------------------------|
| Street improvements | \$ - | \$ 145,379 |

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, 2016 are comprised of the following issues:

| | Interest Rates | Original Issue | Final Maturity Date | Principal Payments During 2016 | Outstanding December 31, 2016 |
|---------------------------|-------------------|-------------------|---------------------------|--------------------------------------|-------------------------------------|
| General Obligation Bonds: | | | | | |
| Governmental activities: | | | | | |
| Series 2008 | 3.60 - 4.25% | \$ 3,310,000 | 11/1/2023 | \$ 1,985,000 | \$ - |
| Series 2010 | 1.60 - 3.35% | 1,648,262 | 11/1/2025 | 134,383 | 715,262 |
| Series 2011 | 2.00 - 3.50% | 5,715,000 | 11/1/2032 | 250,000 | 4,640,000 |
| Series 2013 | 1.00 - 2.75% | 4,644,322 | 11/1/2028 | 468,150 | 3,584,728 |
| Series 2015 | 2.0 - 4.0% | 3,357,000 | 11/1/2025 | 137,967 | 3,219,033 |
| Series 2016 | 1.25 - 2.0% | 1,985,000 | 11/1/2027 | - | 1,985,000 |
| | | | | 2,975,500 | 14,144,023 |
| Business-type activities: | | | | | |
| Series 2010 | 1.60 - 3.35% | 546,738 | 11/1/2025 | 40,618 | 264,738 |
| Series 2013 | 1.00 - 2.75% | 2,000,678 | 11/1/2028 | 151,850 | 1,610,272 |
| Series 2015 | 2.0 - 4.0% | 580,000 | 11/1/2025 | 49,032 | 530,967 |
| Series 2016 | 1.25 - 2.0% | 6,530,000 | 11/1/2027 | - | 6,530,000 |
| | | | | 241,500 | 8,935,977 |
| | | | | \$ 3,217,000 | \$ 23,080,000 |

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

- 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
- Series 2015: Callable November 1, 2023 at par plus accrued interest
- Series 2016: Callable November 1, 2024 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 2010 | \$ 72,951 | \$ 130,543 |
| Series 2011 | 225,000 | 365,000 |
| Series 2013 | 154,000 | 498,480 |
| Series 2015 | 313,561 | 498,480 |
| Series 2016 | 180,000 | 215,000 |
| Business-type activities: | | |
| Series 2010 | 22,049 | 39,457 |
| Series 2013 | 111,000 | 161,520 |
| Series 2015 | 52,441 | 64,241 |
| Series 2016 | 325,000 | 680,000 |

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, 2016 are as follows:

| Governmental activities | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------|----------------------|---------------------|----------------------|
| 2017 | \$ 1,396,252 | \$ 349,769 | \$ 1,746,021 |
| 2018 | 1,392,738 | 322,327 | 1,715,065 |
| 2019 | 1,401,578 | 296,436 | 1,698,014 |
| 2020 | 1,439,029 | 268,594 | 1,707,623 |
| 2021 | 1,461,123 | 238,248 | 1,699,371 |
| 2022-2026 | 4,786,303 | 723,987 | 5,510,290 |
| 2027-2031 | 2,042,000 | 227,634 | 2,269,634 |
| 2032-2036 | 225,000 | 7,763 | 232,763 |
| | <u>\$ 14,144,023</u> | <u>\$ 2,434,758</u> | <u>\$ 16,578,781</u> |

| Business-type activities | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------|---------------------|---------------------|----------------------|
| 2017 | \$ 798,748 | \$ 181,676 | \$ 980,424 |
| 2018 | 822,262 | 152,526 | 974,788 |
| 2019 | 833,422 | 141,370 | 974,792 |
| 2020 | 840,971 | 129,698 | 970,669 |
| 2021 | 858,877 | 116,038 | 974,915 |
| 2022-2026 | 4,208,697 | 329,079 | 4,537,776 |
| 2027-2031 | 573,000 | 16,561 | 589,561 |
| | <u>\$ 8,935,977</u> | <u>\$ 1,066,948</u> | <u>\$ 10,002,925</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 was being repaid over sixteen years at an interest rate of 2.68%. During 2016, the City issued Series 2016 general obligation bonds. Some proceeds received by the City from Series 2016 were used to pay off the balance of the loan of \$ 7,157,592.

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 \$ 1,084,247 is shown as a liability in the sewer fund. The future annual debt service requirements for the construction loan payable as of December 31, 2016 are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest and Service Fees</u> | <u>Total</u> |
|-------------|---------------------|--------------------------------------|---------------------|
| 2017 | \$ 54,136 | \$ 23,343 | \$ 77,479 |
| 2018 | 55,460 | 22,156 | 77,616 |
| 2019 | 56,816 | 20,940 | 77,756 |
| 2020 | 58,205 | 19,694 | 77,899 |
| 2021 | 59,628 | 18,417 | 78,045 |
| 2022-2026 | 320,731 | 71,817 | 392,548 |
| 2027-2031 | 361,901 | 34,882 | 396,783 |
| 2032-2036 | 117,370 | 2,569 | 119,939 |
| | <u>\$ 1,084,247</u> | <u>\$ 213,818</u> | <u>\$ 1,298,065</u> |

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - Long-Term Debt (Continued)

Construction Loans Payable (Continued)

During 2015, the City entered into a loan agreement with the Kansas Department of Health and Environment. The agreement enabled the City to borrow \$ 1,290,877 to finance significant waste water collection system improvements. The loan will be repaid over twenty years at an interest rate of 2.20%. As of December 31, 2016, the City has drawn \$ 955,923 on this loan. The outstanding balance of \$ 955,923 is shown as a liability in the sewer fund. The debt service requirements to the maturity date will not be determinable until the final draw has been made.

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 2016 by \$ 1,479,988 representing accrued interest. At December 31, 2016 the liability including accrued interest is \$ 43,741,215. 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, 2016, the City has cash and investments of \$ 6,519,722 set aside to pay for the water storage space payable on July 1, 2081.

During 1992, water usage exceeded the minimum quantity causing the City to purchase additional storage space at a cost of \$ 3,046,527 with annual payments of \$ 125,535 due beginning July 15, 1993 and ending July 15, 2041 at an interest rate of 3.502%. The outstanding balance of \$ 2,068,579 is shown as a liability in the waterworks system fund.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - Long-Term Debt (Continued)

Liability for Water Storage Space (Continued)

The future annual debt service requirements for this water storage space payable as of December 31, 2016 are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|---------------------|---------------------|---------------------|
| 2017 | \$ 53,094 | \$ 72,441 | \$ 125,535 |
| 2018 | 54,953 | 70,582 | 125,535 |
| 2019 | 56,877 | 68,658 | 125,535 |
| 2020 | 58,869 | 66,666 | 125,535 |
| 2021 | 60,931 | 64,604 | 125,535 |
| 2022-2026 | 338,194 | 289,481 | 627,675 |
| 2027-2031 | 401,708 | 225,967 | 627,675 |
| 2032-2036 | 477,149 | 150,526 | 627,675 |
| 2037-2041 | 566,804 | 60,917 | 627,721 |
| | <u>\$ 2,068,579</u> | <u>\$ 1,069,842</u> | <u>\$ 3,138,421</u> |

During 2003, the water usage again exceeded the minimum quantity causing the City to purchase additional storage space at a cost of \$ 7,405,026 with annual payments of \$ 315,818 due on this portion of the excess usage beginning July 15, 2003 and ending June 15, 2052 at an interest rate of 3.502%. The outstanding balance of \$ 6,406,251 is shown as a liability in the waterworks system fund.

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

7 - Long-Term Debt (Continued)

Liability for Water Storage Space (Continued)

The future annual debt service requirements for this water storage space payable as of December 31, 2016 are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|---------------------|---------------------|----------------------|
| 2017 | \$ 91,470 | \$ 224,348 | \$ 315,818 |
| 2018 | 94,674 | 221,144 | 315,818 |
| 2019 | 97,990 | 217,828 | 315,818 |
| 2020 | 101,421 | 214,396 | 315,817 |
| 2021 | 104,973 | 210,845 | 315,818 |
| 2022-2026 | 582,649 | 996,439 | 1,579,088 |
| 2027-2031 | 692,071 | 887,017 | 1,579,088 |
| 2032-2036 | 822,043 | 757,045 | 1,579,088 |
| 2037-2041 | 976,424 | 602,664 | 1,579,088 |
| 2042-2046 | 1,159,797 | 419,291 | 1,579,088 |
| 2047-2051 | 1,377,608 | 201,480 | 1,579,088 |
| 2052-2053 | 305,131 | 10,687 | 315,818 |
| | <u>\$ 6,406,251</u> | <u>\$ 4,963,184</u> | <u>\$ 11,369,435</u> |

Temporary Notes

Kansas statutes permit the issuance of bond anticipation notes to finance certain capital improvement projects that will be refinanced with general obligation bonds.

During 2015, the City issued \$ 2,548,000 of temporary notes series No. 1885 with an interest rate of 1.76% and with a final maturity in 2019 for governmental activities to provide temporary financing for general capital improvements. Total principal payment of \$ 2,548,000 is due in 2019.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - Long-Term Debt (Continued)

Temporary Notes (Continued)

Future maturities of the temporary notes are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------------|-------------------|---------------------|
| 2017 | \$ - | \$ 44,845 | \$ 44,845 |
| 2018 | - | 44,845 | 44,845 |
| 2019 | 2,548,000 | 22,422 | 2,570,422 |
| | <u>\$ 2,548,000</u> | <u>\$ 112,112</u> | <u>\$ 2,660,112</u> |

Crossover Refunding

During the year ended December 31, 2015, the City issued \$ 3,937,000 of general obligation refunding bonds (Series 2015A) to purchase securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments related to \$ 1,985,000 of Series 2008 general obligation bonds. However, the bonds were not considered to be defeased until the crossover date of November 1, 2016 since they were refunded through a crossover refunding transaction. At December 31, 2016, the Series 2008 general obligation bonds are defeased.

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases and therefore have been recorded at the present value of their future minimum lease payments as of the inception date.

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

7 - Long-Term Debt (Continued)

Capital Leases (Continued)

The assets acquired through capital leases are as follows:

Asset:

| | |
|-------------------------------|---------------------|
| Wheel loader | \$ 99,700 |
| Less accumulated depreciation | (94,161) |
| Net book value | <u>\$ 5,539</u> |
| Compact excavator | \$ 51,100 |
| Less accumulated depreciation | (284) |
| Net book value | <u>\$ 50,816</u> |
| Compact truck loader | \$ 43,689 |
| Less accumulated depreciation | - |
| Net book value | <u>\$ 43,689</u> |
| Pumper apparatus | \$ 444,354 |
| Less accumulated depreciation | (81,465) |
| Net book value | <u>\$ 362,889</u> |
| Aerial firetruck | \$ 1,152,052 |
| Less accumulated depreciation | (10,665) |
| Net book value | <u>\$ 1,141,387</u> |
| Landscape rake | \$ 99,700 |
| Less accumulated depreciation | (94,161) |
| Net book value | <u>\$ 5,539</u> |
| Compact excavator | \$ 51,806 |
| Less accumulated depreciation | (4,748) |
| Net book value | <u>\$ 47,058</u> |
| Truck loader | \$ 42,699 |
| Less accumulated depreciation | (9,963) |
| Net book value | <u>\$ 32,736</u> |

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

7 - Long-Term Debt (Continued)

Capital Leases (Continued)

The following is a schedule of future minimum lease payments for capital leases as of December 31, 2016:

| | Governmental Activities | Business-type Activities |
|------------------------------|----------------------------|-----------------------------|
| 2017 | \$ 225,924 | \$ 130,925 |
| 2018 | 225,925 | - |
| 2019 | 153,128 | - |
| 2020 | 128,864 | - |
| 2021 | 128,864 | - |
| 2022 - 2026 | 508,981 | - |
| | 1,371,686 | 130,925 |
| Amount representing interest | (106,764) | (774) |
| | \$ 1,264,922 | \$ 130,151 |

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, 2016 was as follows:

| | Outstanding January 1, 2016 | Additions | Reductions | Outstanding December 31, 2016 | Due Within One Year |
|---|-----------------------------------|---------------------|---------------------|-------------------------------------|---------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 15,134,523 | \$ 1,985,000 | \$ 2,975,500 | \$ 14,144,023 | \$ 1,396,252 |
| Issuance premiums | 248,245 | 60,067 | 24,825 | 283,487 | - |
| Temporary notes | 2,548,000 | - | - | 2,548,000 | - |
| Capital leases | 350,230 | 1,152,052 | 237,360 | 1,264,922 | 201,231 |
| Compensated absences | 286,458 | 204,242 | 206,068 | 284,632 | 182,302 |
| Net pension liability | 4,905,615 | 1,309,771 | - | 6,215,386 | - |
| Total long-term liabilities - governmental activities | \$ 23,473,071 | \$ 4,711,132 | \$ 3,443,753 | \$ 24,740,450 | \$ 1,779,785 |
| Business-type activities: | | | | | |
| General obligation bonds | \$ 2,647,477 | \$ 6,530,000 | \$ 241,500 | \$ 8,935,977 | \$ 798,748 |
| Construction loans payable | 8,294,684 | 955,923 | 7,210,437 | 2,040,170 | 106,151 |
| Water storage space payable | 50,875,729 | 1,479,988 | 139,672 | 52,216,045 | 144,564 |
| Capital leases | 152,693 | 94,789 | 117,331 | 130,151 | 130,151 |
| Compensated absences | 138,039 | 105,510 | 105,741 | 137,808 | 90,959 |
| Net pension liability | 1,271,103 | 284,364 | - | 1,555,467 | - |
| Total long-term liabilities - business-type activities | \$ 63,379,725 | \$ 9,450,574 | \$ 7,814,681 | \$ 65,015,618 | \$ 1,270,573 |
| Component unit: | | | | | |
| Compensated absences | \$ 41,726 | \$ 12,097 | \$ 10,125 | \$ 43,698 | \$ 11,576 |
| Net pension liability | 177,891 | 32,010 | - | 209,901 | - |
| | \$ 219,617 | \$ 44,107 | \$ 10,125 | \$ 253,599 | \$ 11,576 |

For the governmental activities, compensated absences and the net pension liability are generally liquidated by the general fund.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - Long-Term Debt (Continued)

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, 2016, Industrial Revenue Bonds outstanding had an aggregate principal amount payable of approximately \$ 58,380,365.

8 - Interfund Receivables and Payables

Advances from/to other funds

| <u>Receivable Fund</u> | <u>Amount</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------|---------------------|---------------------|
| Waterworks system | \$ 1,925,250 | Sewer system | \$ 758,400 |
| | | Refuse | 233,476 |
| | | Other governmental | 933,374 |
| | | | <u>\$ 1,925,250</u> |

The amounts payable to the waterworks system fund are a result of funds paid to the Authority as described in Note 1. Approximately \$ 122,553 of the balance is scheduled to be collected in the subsequent year.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

9 - Interfund Transfers

Interfund transfers reflect the flow of resources from one fund to another fund, generally from the fund in which the resources are received or reside to the fund in which the resources will be expended. Interfund transfers for the year ended December 31, 2016, consisted of the following:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------------------|---------------------|----------------------|
| Major governmental funds: | | |
| General | \$ 1,570,325 | \$ 2,665,833 |
| Debt Service | 3,755 | 82,996 |
| Construction | 3,181,200 | 4,221,073 |
| Nonmajor governmental funds | 3,134,756 | 153,905 |
| Major proprietary funds: | | |
| Waterworks System | (19,869) | 816,520 |
| Sewer System | 1,210,196 | 1,065,480 |
| Refuse | - | 94,111 |
| Internal Service Fund: | | |
| Data Processing | 20,000 | 445 |
| | <u>\$ 9,100,363</u> | <u>\$ 9,100,363</u> |
| Total transfers | | |

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.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

10 - Pension Plan

General Information About the Pension Plan

Description of Pension Plan. The City and the Library participate in a cost-sharing multiple-employer defined benefit pension plan (Pension Plan), as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERS), a body corporate and an instrumentality of the State of Kansas. KPERS provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

- Public employees, which includes:
 - State/School employees
 - Local employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected.

Those employees participating in the Pension Plan for the City and the Library are included in the Local and Police and Firemen employee groups.

KPERS issues a stand-alone comprehensive annual financial report, which is available on the KPERS website at www.kpers.org.

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

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

10 - Pension Plan (Continued)

General Information About the Pension Plan (Continued)

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

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

The 2012 Legislature made changes affecting new hires, current members and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

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

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. K.S.A. 74-4975 establishes the Police and Firemen (KP&F) member-employee contribution rate at 7.15% of covered salary. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

10 - Pension Plan (Continued)

General Information About the Pension Plan (Continued)

State law provides that the employer contribution rates are determined based on the results of an annual actuarial valuation for each of the three state-wide pension groups. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. KPERS is funded on an actuarial reserve basis.

For KPERS fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.0% of total payroll for the KPERS fiscal year ended June 30, 2016.

The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 9.18% for KPERS and 20.42% for KP&F for the year ended December 31, 2016. Contributions to the Pension Plan from the City were \$ 400,701 for KPERS and \$ 418,425 for KP&F, and from the Library were \$ 22,353 for KPERS for the year ended December 31, 2016.

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

At December 31, 2016, the City reported a liability of \$ 3,918,688 for KPERS and \$ 3,852,167 for KP&F and the Library reported a liability of \$ 209,901 for KPERS for their proportionate share of the KPERS collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2016, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

10 - Pension Plan (Continued)

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

Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer. The City's proportion of the collective net pension liability was based on the ratio of the City's actual contributions to KPERS and KP&F, relative to the total employer and nonemployer contributions of the Local group and Police and Firemen group within KPERS for the KPERS fiscal year ended June 30, 2016. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2016 the City's proportion for KPERS was .253304%, which was an increase of .009495% from its proportion measured as of June 30, 2015. At June 30, 2016, the City's proportion for KP&F was .414763%, which was an increase of .004995% from its proportion measured as of June 30, 2015. At June 30, 2016, the Library's proportion for KPERS was .013568%, which is a decrease of .00002% from its proportion measured as of June 30, 2015.

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

10 - Pension Plan (Continued)

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

For the year ended December 31, 2016, the City recognized pension expense of \$ 382,145 for KPERS, \$ 411,716 for KP&F and \$ 11,967 for the Library. At December 31, 2016, the City and the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | City | |
|--|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | \$ 226,056 | \$ 110,482 |
| Net difference between projected and actual earnings on pension plan investments | 967,282 | - |
| Change of assumptions | - | 60,406 |
| Changes in proportionate share | 226,928 | 199,537 |
| City contributions subsequent to measurement date | 415,146 | - |
| Total | \$ 1,835,412 | \$ 370,425 |

| | Library | |
|--|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | \$ 1,218 | \$ 3,789 |
| Net difference between projected and actual earnings on pension plan investments | 24,796 | - |
| Change of assumptions | - | 1,963 |
| Changes in proportionate share | 233 | 20,903 |
| City contributions subsequent to measurement date | 11,252 | - |
| Total | \$ 37,499 | \$ 26,655 |

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

10 - Pension Plan (Continued)

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

The \$ 415,146 and \$ 11,252 for the City and the Library, respectively, reported as deferred outflows of resources related to pensions resulting from the City's and Library's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30,</u> | <u>City</u> |
|--------------------------------|---------------------|
| 2017 | \$ 123,260 |
| 2018 | 123,260 |
| 2019 | 425,571 |
| 2020 | 335,753 |
| 2021 | 41,997 |
| | <u>\$ 1,049,841</u> |
| | |
| <u>Year Ended June 30,</u> | <u>Library</u> |
| 2017 | \$ (4,921) |
| 2018 | (4,921) |
| 2019 | 3,684 |
| 2020 | 5,572 |
| 2021 | 178 |
| | <u>\$ (408)</u> |

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

10 - Pension Plan (Continued)

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

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

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

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

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

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

10 - Pension Plan (Continued)

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

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------|-------------------|--|
| Global equity | 47% | 6.80% |
| Fixed income | 13% | 1.25% |
| Yield driven | 8% | 6.55% |
| Real return | 11% | 1.71% |
| Real estate | 11% | 5.05% |
| Alternatives | 8% | 9.85% |
| Short-term investments | 2% | (0.25%) |
| Total | 100% | |

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

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

10 - Pension Plan (Continued)

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

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

| | <u>1% Decrease (7.00%)</u> | <u>Current Discount Rate (8.00%)</u> | <u>1% Increase (9.00%)</u> |
|---|--------------------------------|--|--------------------------------|
| City's KPERS proportionate share of the collective net pension liability | \$ 5,371,195 | \$ 3,918,688 | \$ 2,687,074 |
| City's KP&F proportionate share of the collective net pension liability | 5,284,386 | 3,852,167 | 2,642,109 |
| Bradford Memorial Library's KPERS proportionate share of the collective net pension liability | 287,703 | 209,901 | 143,931 |

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

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

11 - Other Post-Employment Benefits

The City of El Dorado's other post-employment benefits (OPEB) are accounted for through the Retiree Health Care Benefit Plan Trust (Plan). The Plan is a single-employer defined benefit health care plan administered by the City to provide medical care insurance benefits to eligible retirees and their spouses. For employees with 20 years of service retiring with full KPERS benefits the City provides 50% of the single or family medical and dental premium for benefits to age 62. After attaining age 62, the City continues to offer group health coverage to the retired employee at their own expense until age 65. For employees with 10 years of service or more, the City offers continued health and dental benefits to the retiree; however, the retiree is responsible for 125% of the premium cost for other similarly situated employees. The City continues offering the group health insurance coverage to the retired employee until age 65. During 2016, four 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 2016, the City contributed \$ 52,810 to the Plan. Plan members receiving benefits contributed approximately \$ 24,729, or less than 1.6% of the total premiums.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

11 - Other Post-Employment Benefits (Continued)

Other post-employment benefit cost expense is computed based on the ARC of the City. If funded on a regular basis, the ARC is an amount of funding that is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components that comprise the City of El Dorado's net OPEB obligation for 2016:

| | |
|---|-----------|
| Annual required contribution | \$ 52,810 |
| Annual OPEB cost (expense) | \$ 52,810 |
| Contributions made | 52,810 |
| 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 2016 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> |
|-------------|------------------------------|---|-----------------------------------|--|
| 2014 | \$ 52,810 | \$ 52,810 | 100% | \$ - |
| 2015 | 52,810 | 52,810 | 100% | - |
| 2016 | 52,810 | 52,810 | 100% | - |

As of January 1, 2014, the most recent actuarial date, the Plan was 33% funded. The actuarial accrued liability for benefits was \$ 661,429 and the actuarial value of assets was \$ 218,773, resulting in an unfunded actuarial accrued liability of \$ 442,696. The covered payroll (annual payroll of active employees covered by the Plan) was \$ 5,138,162, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8.9%.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

11 - Other Post-Employment Benefits (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the Plan and the ARC of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

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.

In the January 1, 2014 actuarial valuation, 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 7 to 5 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, 2016 was 27 years.

12 - Commitments and Contingencies

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

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

13 - Commitments and Contingencies – Encumbrances

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

14 - Risk Management

The City is exposed to various risks of loss related to torts; that is, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to employee health benefits. Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have not been significant reductions in claims from prior years.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS
(Continued)

14 - Risk Management (Continued)

Group Hospitalization

The City maintains a partially self-funded health insurance plan covering substantially all full-time employees. A monthly premium is paid to an insurance company for individual and aggregate stop-loss coverage and includes an amount for administrative costs. The maximum liability of the City for each individual covered is \$ 50,000 per plan year. Any claims paid in excess of this amount will be reimbursed to the City by the insurance company at the end of the plan year. The City's health plan includes Specific and Aggregate Stop-Loss insurance. Specific Stop-Loss is the form of excess risk coverage that provides protection for the employer against a high claim on any one individual. This is protection against abnormal severity of a single claim rather than abnormal frequency of claims in total. Specific stop-loss is also known as individual stop-loss. Aggregate Stop-Loss provides a ceiling on the dollar amount of eligible expenses that an employer would pay, in total, during a contract period. The carrier reimburses the employer after the end of the contract period for aggregate claims. All City funds incurring payroll expenditures participate in the program and make payments to the program (which includes employee and employer contributions) based on actuarial estimates of the amounts needed to pay prior and current year claims. The claims liability of \$ 62,445 reported at December 31, 2016 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, 2016, the City had approximately \$ 375,000 assigned in the General Fund for payment of health claims. The changes in health care claims payable for the years ended December 31, 2016 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 |
|------|-----------------------------------|---|-------------------|---------------------------|
| 2014 | \$ 96,995 | \$ 1,204,977 | \$ 1,164,368 | \$ 137,604 |
| 2015 | 137,604 | 1,057,394 | 1,046,316 | 148,682 |
| 2016 | 148,682 | 833,429 | 919,666 | 62,445 |

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EL DORADO, KANSAS

Schedule of the City's Proportionate Share of the Collective Net Pension Liability
 Kansas Public Employees Retirement System
 Last Three Fiscal Years¹

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|--------------|--------------|
| City's proportion of the collective net pension liability: | | | |
| KPERs | 0.253304% | 0.243809% | 0.238711% |
| KP&F | 0.414763% | 0.409768% | 0.402789% |
| City's proportionate share of the collective net pension liability | \$ 7,770,855 | \$ 6,176,718 | \$ 5,579,746 |
| City's covered-employee payroll | \$ 6,321,921 | \$ 5,952,445 | \$ 5,741,758 |
| City's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll | 122% | 103% | 97% |
| Plan fiduciary net position as a percentage of the total pension liability | 65.10% | 64.95% | 66.60% |

¹ GASB 68 requires presentation of 10 years. Data was not available prior to fiscal year 2014.

CITY OF EL DORADO, KANSAS

BRADFORD MEMORIAL LIBRARY

Schedule of the Library's Proportionate Share of the Collective Net Pension Liability
 Kansas Public Employees Retirement System
 Last Three Fiscal Years¹

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|-------------|
| Library's proportion of the collective net pension liability: | | | |
| KPERs | 0.013568% | 0.013548% | 0.014177% |
| Library's proportionate share of the collective net pension liability | \$ 209,901 | \$ 177,891 | \$ 174,492 |
| Library's covered-employee payroll | \$ 232,764 | \$ 226,266 | \$ 223,714 |
| Library's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll | 90% | 79% | 78% |
| Plan fiduciary net position as a percentage of the total pension liability | 65.10% | 64.95% | 66.60% |

¹ GASB 68 requires presentation of 10 years. Data was not available prior to fiscal year 2014.

CITY OF EL DORADO, KANSAS

Schedule of the City's Contributions
 Kansas Public Employees Retirement System
 Last Seven Fiscal Years¹

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 400,701 | \$ 401,217 | \$ 352,578 | \$ 310,747 | \$ 293,509 | \$ 257,819 | \$ 249,113 |
| Contributions in relation to the contractually required contribution | 400,701 | 401,217 | 352,578 | 310,747 | 293,509 | 257,819 | 249,113 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered-employee payroll | \$ 6,414,029 | \$ 6,369,673 | \$ 6,039,625 | \$ 6,014,997 | \$ 6,018,005 | \$ 5,792,461 | \$ 5,709,858 |
| Contributions as a percentage of covered-employee payroll | 6.25% | 6.30% | 5.84% | 5.17% | 4.88% | 4.45% | 4.36% |

¹ GASB 68 requires presentation of ten years. Required information was not available prior to fiscal year 2010; therefore, ten years of data is unavailable.

CITY OF EL DORADO, KANSAS

BRADFORD MEMORIAL LIBRARY

Schedule of the Library's Contributions
 Kansas Public Employees Retirement System
 Last Six Fiscal Years¹

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 22,353 | \$ 23,375 | \$ 22,235 | \$ 20,924 | \$ 21,145 | \$ 18,110 |
| Contributions in relation to the contractually required contribution | <u>22,353</u> | <u>23,375</u> | <u>22,235</u> | <u>20,924</u> | <u>21,145</u> | <u>18,110</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered-employee payroll | \$ 243,498 | \$ 247,351 | \$ 249,435 | \$ 254,058 | \$ 265,347 | \$ 260,170 |
| Contributions as a percentage of covered-employee payroll | 9.18% | 9.45% | 8.91% | 8.24% | 7.97% | 6.96% |

¹ GASB 68 requires presentation of ten years. Required information was not available prior to fiscal year 2011: therefore, ten years of data is unavailable.

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) |
|--------------------------------|--|---|--------------------------|--------------------------|---------------------------|--|
| 01/01/08 | \$ - | \$ 699,820 | \$ 699,820 | 0.0% | \$ 4,344,648 | 16.1% |
| 01/01/11 | 146,182 | 579,008 | 432,826 | 25.2% | 4,835,566 | 9.0% |
| 01/01/14 | 218,733 | 661,429 | 442,696 | 33.1% | 5,138,162 | 8.9% |

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.

Police Department Seized Assets Fund – to account for any money obtained due to assets being seized; the state awards the money to the City for seizing said assets. The money cannot be used to reduce the operating fund instead it is used for police department purchases at the discretion of department heads.

Ordinance Street Sales Tax Fund – to account for sales tax revenue created by ordinance for street repairs, street rehabilitation and maintenance.

Excess Sales Tax – to account for sales tax revenue created by ordinance for any capital expenditure requested by any citizen or organization of the City with approval by the City Commission of the capital expenditures.

CITY OF EL DORADO, KANSAS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

December 31, 2016

| | Airport | Major Street Improvement | Industrial Development | Special Parks and Recreation | Tourism Tax | Economic Development Sales Tax | Stormwater Utility | Family Life Center |
|---|-------------------|--------------------------|------------------------|------------------------------|-------------------|--------------------------------|--------------------|--------------------|
| <u>ASSETS</u> | | | | | | | | |
| Cash and investments | \$ 18,175 | \$ 166,167 | \$ 437,465 | \$ 65,362 | \$ 341,311 | \$ 202,693 | \$ 163,238 | \$ 13,651 |
| Inventories | 26,781 | - | - | - | - | - | - | - |
| Receivables (net of allowance for uncollectibles): | | | | | | | | |
| Property tax | 71,480 | - | 82,669 | - | - | - | - | - |
| Special assessment tax | - | - | - | - | - | - | 241,778 | - |
| Accounts | 4,023 | 140,048 | 26,880 | - | 46,473 | - | 190 | - |
| Due from other governments | - | - | - | - | - | - | - | 18,502 |
| Total assets | <u>\$ 120,459</u> | <u>\$ 306,215</u> | <u>\$ 547,014</u> | <u>\$ 65,362</u> | <u>\$ 387,784</u> | <u>\$ 202,693</u> | <u>\$ 405,206</u> | <u>\$ 32,153</u> |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u> | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ 6,743 | \$ 20,346 | \$ 4 | \$ - | \$ 2,688 | \$ 10,274 | \$ (3,923) | \$ 32,153 |
| Accrued payroll | 3,005 | 23,796 | - | - | 3,799 | - | 5,760 | - |
| Advances from other funds | - | - | 466,687 | - | 466,687 | - | - | - |
| Due to other governments | - | 119,823 | - | - | - | - | 102 | - |
| Total liabilities | <u>9,748</u> | <u>163,965</u> | <u>466,691</u> | <u>-</u> | <u>473,174</u> | <u>10,274</u> | <u>1,939</u> | <u>32,153</u> |
| Deferred inflows of resources: | | | | | | | | |
| Unavailable revenue - property taxes | 71,480 | - | 82,669 | - | - | - | - | - |
| Unavailable revenue - special assessments | - | - | - | - | - | - | 241,778 | - |
| Total deferred inflows of resources | <u>71,480</u> | <u>-</u> | <u>82,669</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>241,778</u> | <u>-</u> |
| Fund balances: | | | | | | | | |
| Nonspendable: | | | | | | | | |
| Inventories | 26,781 | - | - | - | - | - | - | - |
| Restricted: | | | | | | | | |
| Police operations | - | - | - | - | - | - | - | - |
| Tourism | - | - | - | - | 8,709 | - | - | - |
| Park improvements | - | - | - | 59,122 | - | - | - | - |
| Stormwater systems | - | - | - | - | - | - | 301,484 | - |
| Street improvements | - | - | - | - | - | - | - | - |
| Community capital expenditures | - | - | - | - | - | - | - | - |
| Committed: | | | | | | | | |
| Public safety equipment | - | - | - | - | - | - | - | - |
| Business development | - | - | - | - | - | - | - | - |
| Assigned: | | | | | | | | |
| Airport improvements | 12,450 | - | - | - | - | - | - | - |
| Economic development sales tax | - | - | - | - | - | 192,419 | - | - |
| Street improvements | - | 142,250 | - | - | - | - | - | - |
| Park improvements | - | - | - | 6,240 | - | - | - | - |
| Police equipment | - | - | - | - | - | - | - | - |
| Unassigned | - | - | (2,346) | - | (94,099) | - | (139,995) | - |
| Total fund balances | <u>39,231</u> | <u>142,250</u> | <u>(2,346)</u> | <u>65,362</u> | <u>(85,390)</u> | <u>192,419</u> | <u>161,489</u> | <u>-</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 120,459</u> | <u>\$ 306,215</u> | <u>\$ 547,014</u> | <u>\$ 65,362</u> | <u>\$ 387,784</u> | <u>\$ 202,693</u> | <u>\$ 405,206</u> | <u>\$ 32,153</u> |

(Continued)

CITY OF EL DORADO, KANSAS
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 (Continued)

December 31, 2016

| | Expendable Trust | Customer Deposit | Law Enforcement Trust | Police Department Seized Assets | Ordinance Street Sales Tax | Excess Sales Tax | Total Nonmajor Special Revenue Funds |
|---|---------------------|---------------------|-----------------------------|---------------------------------------|----------------------------------|---------------------|--|
| <u>ASSETS</u> | | | | | | | |
| Cash and investments | \$ 415,750 | \$ 3,409 | \$ 15,971 | \$ 1,317 | \$ 1,028,478 | \$ 1,171,501 | \$ 4,044,488 |
| Inventories | - | - | - | - | - | - | 26,781 |
| Receivables (net of allowance for uncollectibles): | | | | | | | |
| Property tax | - | - | - | - | - | - | 154,149 |
| Special assessment tax | - | - | - | - | - | - | 241,778 |
| Accounts | - | - | - | - | - | - | 217,614 |
| Due from other governments | - | - | - | - | - | - | 18,502 |
| Total assets | <u>\$ 415,750</u> | <u>\$ 3,409</u> | <u>\$ 15,971</u> | <u>\$ 1,317</u> | <u>\$ 1,028,478</u> | <u>\$ 1,171,501</u> | <u>\$ 4,703,312</u> |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u> | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 91,997 | \$ - | \$ - | \$ - | \$ 12,143 | \$ - | \$ 172,425 |
| Accrued payroll | - | - | - | - | - | - | 36,360 |
| Advances from other funds | - | - | - | - | - | - | 933,374 |
| Due to other governments | - | - | - | - | - | - | 119,925 |
| Total liabilities | <u>91,997</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>12,143</u> | <u>-</u> | <u>1,262,084</u> |
| Deferred inflows of resources: | | | | | | | |
| Unavailable revenue - property taxes | - | - | - | - | - | - | 154,149 |
| Unavailable revenue - special assessments | - | - | - | - | - | - | 241,778 |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>395,927</u> |
| Fund balances: | | | | | | | |
| Nonspendable: | | | | | | | |
| Inventories | - | - | - | - | - | - | 26,781 |
| Restricted: | | | | | | | |
| Police operations | - | - | 15,971 | - | - | - | 15,971 |
| Tourism | - | - | - | - | - | - | 8,709 |
| Park improvements | - | - | - | - | - | - | 59,122 |
| Stormwater systems | - | - | - | - | - | - | 301,484 |
| Street improvements | - | - | - | - | 1,016,335 | - | 1,016,335 |
| Community capital expenditures | - | - | - | - | - | 1,171,501 | 1,171,501 |
| Committed: | | | | | | | |
| Public safety equipment | - | 3,409 | - | - | - | - | 3,409 |
| Assigned: | | | | | | | |
| Airport improvements | - | - | - | - | - | - | 12,450 |
| Economic development sales tax | - | - | - | - | - | - | 192,419 |
| Street improvements | - | - | - | - | - | - | 142,250 |
| Park improvements | - | - | - | - | - | - | 6,240 |
| Police equipment | 323,753 | - | - | 1,317 | - | - | 325,070 |
| Unassigned | - | - | - | - | - | - | (236,440) |
| | <u>323,753</u> | <u>3,409</u> | <u>15,971</u> | <u>1,317</u> | <u>1,016,335</u> | <u>1,171,501</u> | <u>3,045,301</u> |
| | <u>\$ 415,750</u> | <u>\$ 3,409</u> | <u>\$ 15,971</u> | <u>\$ 1,317</u> | <u>\$ 1,028,478</u> | <u>\$ 1,171,501</u> | <u>\$ 4,703,312</u> |

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

Year Ended December 31, 2016

| | Airport | Major Street Improve- ment | Industrial Develop- ment | Special Parks and Recreation | Tourism Tax | Economic Develop- ment Sales Tax | Stormwater Utility |
|---|------------------|-------------------------------------|--------------------------------|---------------------------------------|--------------------|---|-----------------------|
| Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property | \$ 66,406 | \$ - | \$ 90,565 | \$ - | \$ - | \$ - | \$ - |
| Sales | - | - | - | - | - | 50,000 | - |
| Tourism | - | - | - | - | 168,713 | - | - |
| Intergovernmental | - | 507,038 | - | 36,725 | - | 8,111 | - |
| Licenses and permits | - | 10,194 | - | 1,560 | 49,056 | - | - |
| Charges for services | 166,865 | 750 | - | - | - | - | - |
| Special assessments | - | - | - | - | - | - | 231,671 |
| Investment earnings | 18 | - | - | - | 116 | - | 79 |
| Miscellaneous | 4,271 | 36,784 | 103,126 | - | 73,902 | - | 1,369 |
| Total revenues | <u>237,560</u> | <u>554,766</u> | <u>193,691</u> | <u>38,285</u> | <u>291,787</u> | <u>58,111</u> | <u>233,119</u> |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| General government | 197,706 | - | - | - | 4,781 | - | 181,475 |
| Highways and streets | - | 867,593 | - | - | - | - | - |
| Health and sanitation | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | 23,331 | - | - | - |
| Economic development | - | - | 4,212 | - | 203,729 | 26,582 | - |
| Capital outlay | - | 238,305 | 167,220 | - | 8,526 | - | - |
| Debt service: | | | | | | | |
| Interest and other fiscal charges | 45,450 | - | 19,490 | - | 19,490 | - | - |
| Total expenditures | <u>243,156</u> | <u>1,105,898</u> | <u>190,922</u> | <u>23,331</u> | <u>236,526</u> | <u>26,582</u> | <u>181,475</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(5,596)</u> | <u>(551,132)</u> | <u>2,769</u> | <u>14,954</u> | <u>55,261</u> | <u>31,529</u> | <u>51,644</u> |
| Other financing sources (uses): | | | | | | | |
| Transfers in | - | 486,288 | - | - | - | 14,960 | - |
| Transfers out | - | (1,879) | - | - | - | (42,704) | (18,000) |
| Total other financing sources (uses) | <u>-</u> | <u>484,409</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(27,744)</u> | <u>(18,000)</u> |
| | <u>(5,596)</u> | <u>(66,723)</u> | <u>2,769</u> | <u>14,954</u> | <u>55,261</u> | <u>3,785</u> | <u>33,644</u> |
| Fund balances, beginning of year | 44,827 | 208,973 | (5,115) | 50,408 | (140,651) | 188,634 | 127,845 |
| Fund balances, end of year | <u>\$ 39,231</u> | <u>\$ 142,250</u> | <u>\$ (2,346)</u> | <u>\$ 65,362</u> | <u>\$ (85,390)</u> | <u>\$ 192,419</u> | <u>\$ 161,489</u> |

(Continued)

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

Year Ended December 31, 2016

| | Family Life Center | Expendable Trust | Customer Deposit | Law Enforcement Trust | Police Department Seized Assets | Ordinance Street Sales Tax | Excess Sales Tax | Total No major Special Revenue Funds |
|---|--------------------------|---------------------|---------------------|-----------------------------|---------------------------------------|----------------------------------|---------------------|---|
| Revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 156,971 |
| Sales | - | - | - | - | - | - | - | 50,000 |
| Tourism | - | - | - | - | - | - | - | 168,713 |
| Intergovernmental | 97,532 | 40,231 | - | - | - | - | - | 689,637 |
| Licenses and permits | - | - | - | - | - | - | - | 60,810 |
| Charges for services | - | - | - | - | - | - | - | 167,615 |
| Special assessments | - | - | - | - | - | - | - | 231,671 |
| Investment earnings | - | - | - | - | - | - | - | 213 |
| Miscellaneous | - | 7,600 | - | - | - | - | - | 227,052 |
| Total revenues | <u>97,532</u> | <u>47,831</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,752,682</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| General government | - | - | - | 8,842 | - | 12,143 | - | 404,947 |
| Highways and streets | - | - | - | - | - | - | - | 867,593 |
| Health and sanitation | 97,532 | - | - | - | - | - | - | 97,532 |
| Culture and recreation | - | 28,447 | - | - | - | - | - | 51,778 |
| Economic development | - | - | - | - | - | - | - | 234,523 |
| Capital outlay | - | 71,250 | - | - | - | - | - | 485,301 |
| Debt service: | | | | | | | | |
| Interest | - | - | - | - | - | - | - | 84,430 |
| Total expenditures | <u>97,532</u> | <u>99,697</u> | <u>-</u> | <u>8,842</u> | <u>-</u> | <u>12,143</u> | <u>-</u> | <u>2,226,104</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>(51,866)</u> | <u>-</u> | <u>(8,842)</u> | <u>-</u> | <u>(12,143)</u> | <u>-</u> | <u>(473,422)</u> |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | 380,529 | - | - | - | 1,028,478 | 1,224,501 | 3,134,756 |
| Transfers out | - | (38,322) | - | - | - | - | (53,000) | (153,905) |
| Total other financing sources (uses) | <u>-</u> | <u>342,207</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,028,478</u> | <u>1,171,501</u> | <u>2,980,851</u> |
| Net change in fund balances | <u>-</u> | <u>290,341</u> | <u>-</u> | <u>(8,842)</u> | <u>-</u> | <u>1,016,335</u> | <u>1,171,501</u> | <u>2,507,429</u> |
| Fund balances, beginning of year | <u>-</u> | <u>33,412</u> | <u>3,409</u> | <u>24,813</u> | <u>1,317</u> | <u>-</u> | <u>-</u> | <u>537,872</u> |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ 323,753</u> | <u>\$ 3,409</u> | <u>\$ 15,971</u> | <u>\$ 1,317</u> | <u>\$ 1,016,335</u> | <u>\$ 1,171,501</u> | <u>\$ 3,045,301</u> |

CITY OF EL DORADO, KANSAS

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

CEMETERY

Year Ended December 31, 2016

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget Positive (Negative) |
|--|------------------|-----------------|---|--|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental | \$ 650 | \$ 650 | \$ 625 | \$ (25) |
| Charges for services | 58,200 | 58,200 | 55,166 | (3,034) |
| Miscellaneous | 133,364 | 133,364 | 602 | (132,762) |
| Total revenues | 192,214 | 192,214 | 56,393 | (135,821) |
| Expenditures: | | | | |
| Personal services | 126,239 | 126,239 | 124,445 | (1,794) |
| Contractual services | 57,328 | 57,328 | 22,122 | (35,206) |
| Commodities | 36,400 | 36,400 | 39,152 | 2,752 |
| Capital outlay | 9,000 | 9,000 | 5,200 | (3,800) |
| Total expenditures | 228,967 | 228,967 | 190,919 | (38,048) |
| Excess of revenues over (under) expenditures | (36,753) | (36,753) | (134,526) | (97,773) |
| Other financing sources: | | | | |
| Transfers in | - | - | 133,996 | 133,996 |
| Net change in fund balances | (36,753) | (36,753) | (530) | 36,223 |
| Fund balance, beginning of year | 36,753 | 36,753 | 28,493 | (8,260) |
| Fund balance, end of year | \$ - | \$ - | 27,963 | \$ 27,963 |
| Reconciliation to GAAP | | | | |
| Plus receivables at December 31, 2016 | | | 182 | |
| Plus payables outstanding at December 31, 2016 | | | 303 | |
| Less salaries payable outstanding at December 31, 2016 | | | (3,831) | |
| Fund balances on the basis of GAAP | | | \$ 24,617 | |

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, 2016

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget Positive (Negative) |
|-------------------------------------|------------------|-------------|---|--|
| | Original | Final | | |
| Revenues: | | | | |
| Miscellaneous | \$ 80,000 | \$ 80,000 | \$ 8,484 | \$ (71,516) |
| Expenditures: | | | | |
| Contractual services | 80,000 | 80,000 | 11,945 | 68,055 |
| Net change in fund balances | - | - | (3,461) | (3,461) |
| Fund balance, beginning of year | - | - | (60,544) | (60,544) |
| Fund balance, end of year | <u>\$ -</u> | <u>\$ -</u> | (64,005) | <u>\$ (64,005)</u> |
| <u>Reconciliation to GAAP</u> | | | | |
| Plus inventory at December 31, 2016 | | | 2,101 | |
| Fund balances on the basis of GAAP | | | <u>\$ (61,904)</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, 2016

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget Positive (Negative) |
|--|------------------|----------------|---|--|
| | Original | Final | | |
| Revenues: | | | | |
| Charges for services | \$ 433,000 | \$ 433,000 | \$ 293,177 | \$ (139,823) |
| Miscellaneous | 6,000 | 6,000 | 7,523 | 1,523 |
| | <u>439,000</u> | <u>439,000</u> | <u>300,700</u> | <u>(138,300)</u> |
| Expenditures: | | | | |
| Personal services | 336,875 | 336,875 | 293,942 | 42,933 |
| Contractual services | 203,869 | 203,869 | 115,960 | 87,909 |
| Commodities | 164,700 | 164,700 | 116,923 | 47,777 |
| Capital outlay | - | - | 3,226 | (3,226) |
| Total expenditures | <u>705,444</u> | <u>705,444</u> | <u>530,051</u> | <u>175,393</u> |
| Excess of revenues over (under) expenditures | (266,444) | (266,444) | (229,351) | 37,093 |
| Other financing sources: | | | | |
| Sale of general capital assets | - | - | 600 | 600 |
| Transfers in | 182,306 | 182,306 | 231,220 | 48,914 |
| Net change in fund balances | (84,138) | (84,138) | 2,469 | 86,607 |
| Fund balance, beginning of year | <u>84,138</u> | <u>84,138</u> | <u>24,633</u> | <u>(59,505)</u> |
| Fund balance, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>27,102</u> | <u>\$ 27,102</u> |
| <u>Reconciliation to GAAP</u> | | | | |
| Plus receivables at December 31, 2016 | | | 4,139 | |
| Plus inventory at December 31, 2016 | | | 17,273 | |
| Less payables outstanding at December 31, 2016 | | | (13,559) | |
| Less salaries payable outstanding at December 31, 2016 | | | (14,700) | |
| Fund balances on the basis of GAAP | | | <u>\$ 20,255</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, 2016

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget Positive (Negative) |
|--|------------------|-----------------|---|--|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 72,731 | \$ 72,731 | \$ 66,406 | \$ (6,325) |
| Charges for services | 215,000 | 215,000 | 165,880 | (49,120) |
| Investment earnings | - | - | 18 | 18 |
| Miscellaneous | 8,175 | 8,175 | 4,271 | (3,904) |
| Total revenues | 295,906 | 295,906 | 236,575 | (59,331) |
| Expenditures: | | | | |
| Current: | | | | |
| Personal services | 77,006 | 77,006 | 79,321 | 2,315 |
| Contractual services | 49,750 | 49,750 | 34,137 | (15,613) |
| Commodities | 127,150 | 127,150 | 85,060 | (42,090) |
| Debt service: | | | | |
| Principal | - | - | 32,125 | 32,125 |
| Interest expense | - | - | 13,325 | 13,325 |
| Total expenditures | 253,906 | 253,906 | 243,968 | (9,938) |
| Excess of revenues over (under) expenditures | 42,000 | 42,000 | (7,393) | (49,393) |
| Other financing uses: | | | | |
| Transfers out | (42,000) | (42,000) | - | 42,000 |
| Contingency reserve | (39,608) | (39,608) | - | 39,608 |
| Net change in fund balances | (39,608) | (39,608) | (7,393) | 32,215 |
| Fund balance, beginning of year | 39,608 | 39,608 | 25,568 | (14,040) |
| Fund balance, end of year | \$ - | \$ - | 18,175 | \$ 18,175 |
| Reconciliation to GAAP | | | | |
| Plus receivables at December 31, 2016 | | | 4,023 | |
| Less payables outstanding at December 31, 2016 | | | (6,743) | |
| Less salaries payable outstanding at December 31, 2016 | | | (3,005) | |
| Plus inventory at December 31, 2016 | | | 26,781 | |
| Fund balances on the basis of GAAP | | | \$ 39,231 | |

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, 2016

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget Positive (Negative) |
|--|------------------|------------|---|--|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental | \$ 580,080 | \$ 580,080 | \$ 476,242 | \$ (103,838) |
| Licenses and permits | 5,125 | 5,125 | 10,194 | 5,069 |
| Miscellaneous | 4,000 | 4,000 | 37,534 | 33,534 |
| Total revenues | 589,205 | 589,205 | 523,970 | (65,235) |
| Expenditures: | | | | |
| Personal services | 690,029 | 690,029 | 597,098 | (92,931) |
| Contractual services | 296,785 | 296,785 | 53,373 | (243,412) |
| Commodities | 214,400 | 214,400 | 191,720 | (22,680) |
| Capital outlay | 60,000 | 60,000 | 238,306 | 178,306 |
| Total expenditures | 1,261,214 | 1,261,214 | 1,080,497 | (180,717) |
| Excess of revenues over (under) expenditures | (672,009) | (672,009) | (556,527) | 115,482 |
| Other financing sources (uses): | | | | |
| Transfers in | 500,000 | 500,000 | 486,288 | (13,712) |
| Transfers out | - | - | (1,879) | (1,879) |
| Net change in fund balances | (172,009) | (172,009) | (72,118) | 99,891 |
| Fund balance, beginning of year | 172,009 | 172,009 | 118,462 | (53,547) |
| Fund balance, end of year | \$ - | \$ - | 46,344 | \$ 46,344 |
| <u>Reconciliation to GAAP</u> | | | | |
| Plus receivables at December 31, 2016 | | | 140,048 | |
| Less payables outstanding at December 31, 2016 | | | (20,346) | |
| Less salaries payable outstanding at December 31, 2016 | | | (23,796) | |
| Fund balances on the basis of GAAP | | | \$ 142,250 | |

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, 2016

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget Positive (Negative) |
|---|------------------|------------------|---|--|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 93,604 | \$ 93,604 | \$ 90,565 | \$ (3,039) |
| Miscellaneous | 1,763 | 1,763 | 106,486 | 104,723 |
| Total revenues | <u>95,367</u> | <u>95,367</u> | <u>197,051</u> | <u>101,684</u> |
| Expenditures: | | | | |
| Contractual services | 637,451 | 637,451 | 4,209 | (633,242) |
| Capital outlay | - | - | 167,219 | 167,219 |
| Miscellaneous | 40,051 | 40,051 | 40,051 | - |
| Total expenditures | <u>677,502</u> | <u>677,502</u> | <u>211,479</u> | <u>(466,023)</u> |
| Excess of revenues over (under) expenditures | <u>(582,135)</u> | <u>(582,135)</u> | <u>(14,428)</u> | <u>567,707</u> |
| Net change in fund balances | <u>(582,135)</u> | <u>(582,135)</u> | <u>(14,428)</u> | <u>567,707</u> |
| Fund balance, beginning of year | <u>582,135</u> | <u>582,135</u> | <u>451,893</u> | <u>(130,242)</u> |
| Fund balance, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>437,465</u> | <u>\$ 437,465</u> |
| <u>Reconciliation to GAAP</u> | | | | |
| Plus receivables at December 31, 2016 | | | 26,880 | |
| Less payables outstanding at December 31, 2016 | | | (4) | |
| Less advances outstanding at December 31, 2016 | | | <u>(466,687)</u> | |
| Fund balances on the basis of GAAP | | | <u>\$ (2,346)</u> | |

CITY OF EL DORADO, KANSAS

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

SPECIAL PARKS AND RECREATION FUND

Year Ended December 31, 2016

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget Positive (Negative) |
|---|------------------|-----------------|---|--|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 34,446 | \$ 34,446 | \$ 36,725 | \$ 2,279 |
| Fees | 1,900 | 1,900 | 1,560 | (340) |
| Total revenues | <u>36,346</u> | <u>36,346</u> | <u>38,285</u> | <u>1,939</u> |
| Expenditures: | | | | |
| Contractual services | 86,690 | 86,690 | 19,783 | (66,907) |
| Commodities | 8,500 | 8,500 | 3,548 | (4,952) |
| Total expenditures | <u>95,190</u> | <u>95,190</u> | <u>23,331</u> | <u>(71,859)</u> |
| Excess of revenues over (under) expenditures | <u>(58,844)</u> | <u>(58,844)</u> | <u>14,954</u> | <u>73,798</u> |
| Net change in fund balances | (58,844) | (58,844) | 14,954 | 73,798 |
| Fund balance, beginning of year | <u>58,844</u> | <u>58,844</u> | <u>50,408</u> | <u>(8,436)</u> |
| Fund balance, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 65,362</u> | <u>\$ 65,362</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, 2016

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget Positive (Negative) |
|---|------------------|------------------|---|--|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 214,000 | \$ 214,000 | \$ 179,023 | \$ (34,977) |
| Miscellaneous | - | - | 73,062 | 73,062 |
| Licenses and permits | - | - | 49,056 | 49,056 |
| Investment earnings | - | - | 116 | 116 |
| Miscellaneous | - | - | 840 | 840 |
| Total revenues | 214,000 | 214,000 | 302,097 | 88,097 |
| Expenditures: | | | | |
| Personal services | 89,137 | 89,137 | 92,987 | 3,850 |
| Contractual services | 322,988 | 322,988 | 106,871 | (216,117) |
| Commodities | 1,400 | 1,400 | 6,189 | 4,789 |
| Capital outlay | - | - | 8,526 | 8,526 |
| Miscellaneous | 40,051 | 40,051 | 40,051 | - |
| Total expenditures | 453,576 | 453,576 | 254,624 | (198,952) |
| Excess of revenues over (under) expenditures | (239,576) | (239,576) | 47,473 | 287,049 |
| Net change in fund balances | (239,576) | (239,576) | 47,473 | 287,049 |
| Fund balance, beginning of year | 239,576 | 239,576 | 293,838 | 54,262 |
| Fund balance, end of year | \$ - | \$ - | 341,311 | \$ 341,311 |
| Reconciliation to GAAP | | | | |
| Plus receivables at December 31, 2016 | | | 46,473 | |
| Less payables outstanding at December 31, 2016 | | | (2,688) | |
| Less salaries payable outstanding at December 31, 2016 | | | (3,799) | |
| Less advances outstanding at December 31, 2016 | | | (466,687) | |
| Fund balances on the basis of GAAP | | | \$ (85,390) | |

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, 2016

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget Positive (Negative) |
|---|------------------|-----------|---|--|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 50,000 | \$ 50,000 | \$ 58,111 | \$ 8,111 |
| Total revenues | 50,000 | 50,000 | 58,111 | 8,111 |
| Expenditures: | | | | |
| Contractual services | 276,031 | 276,031 | 36,095 | (239,936) |
| Commodities | - | - | 10,743 | 10,743 |
| Total expenditures | 276,031 | 276,031 | 46,838 | (229,193) |
| Excess of revenues over (under) expenditures | (226,031) | (226,031) | 11,273 | 237,304 |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | 14,960 | 14,960 |
| Transfers out | - | - | (42,704) | (42,704) |
| Net change in fund balances | (226,031) | (226,031) | (16,471) | 209,560 |
| Fund balance, beginning of year | 226,031 | 226,031 | 219,164 | (6,867) |
| Fund balance, end of year | \$ - | \$ - | 202,693 | \$ 202,693 |
| <u>Reconciliation to GAAP</u> | | | | |
| Less payables outstanding at December 31, 2016 | | | (10,274) | |
| | | | \$ 192,419 | |

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, 2016

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget Positive (Negative) |
|---|------------------|------------------|---|--|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental | \$ 300 | \$ 300 | \$ - | \$ (300) |
| Special assessment taxes | 264,658 | 264,658 | 231,671 | (32,987) |
| Reimbursements | 1,500 | 1,500 | 2,593 | 1,093 |
| Investment earnings | 150 | 150 | 79 | (71) |
| Total revenues | 266,608 | 266,608 | 234,343 | (32,265) |
| Expenditures: | | | | |
| Personal services | 281,178 | 281,178 | 155,127 | (126,051) |
| Contractual services | 44,139 | 44,139 | 10,339 | (33,800) |
| Commodities | 48,500 | 48,500 | 18,707 | (29,793) |
| Total expenditures | 373,817 | 373,817 | 184,173 | (189,644) |
| Excess of revenues over (under) expenditures | (107,209) | (107,209) | 50,170 | 157,379 |
| Other financing uses: | | | | |
| Transfers out | 18,000 | 18,000 | (18,000) | - |
| Net change in fund balances | (125,209) | (125,209) | 32,170 | 157,379 |
| Fund balance, beginning of year | 125,209 | 125,209 | 131,068 | 5,859 |
| Fund balance, end of year | \$ - | \$ - | 163,238 | \$ 163,238 |
| Reconciliation to GAAP | | | | |
| Plus receivables at December 31, 2016 | | | 190 | |
| Plus payables outstanding at December 31, 2016 | | | 3,923 | |
| Less salaries payable outstanding at December 31, 2016 | | | (5,760) | |
| Less intergovernmental payable outstanding at December 31, 2016 | | | (102) | |
| Fund balances on the basis of GAAP | | | \$ 161,489 | |

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, 2016

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget Positive (Negative) |
|---|------------------|------------|---|--|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 950,855 | \$ 950,855 | \$ 896,489 | \$ (54,366) |
| Special assessments | 349,882 | 349,882 | 343,564 | (6,318) |
| Investment earnings | 400 | 400 | 10,000 | 9,600 |
| Miscellaneous | 120,763 | 120,763 | 139,769 | 19,006 |
| Total revenues | 1,421,900 | 1,421,900 | 1,389,822 | (32,078) |
| Expenditures: | | | | |
| Contractual services | 125,576 | 125,576 | 1,526 | (124,050) |
| Debt service: | | | | |
| Principal | 1,074,533 | 1,074,533 | 2,943,375 | 1,868,842 |
| Interest | 347,367 | 347,367 | 412,230 | 64,863 |
| Total expenditures | 1,547,476 | 1,547,476 | 3,357,131 | 1,809,655 |
| Excess of revenues over (under) expenditures | (125,576) | (125,576) | (1,967,309) | (1,841,733) |
| Other financing sources: | | | | |
| Transfers in | - | - | 3,756 | 3,756 |
| Transfers out | - | - | (82,996) | (82,996) |
| Net change in fund balances | (125,576) | (125,576) | (2,046,549) | (1,920,973) |
| Fund balance, beginning of year | 125,576 | 125,576 | 1,874,674 | 1,749,098 |
| Fund balance, end of year | \$ - | \$ - | (171,875) | \$ (171,875) |
| <u>Reconciliation to GAAP</u> | | | | |
| Plus receivables at December 31, 2016 | | | 26,260 | |
| Less payables outstanding at December 31, 2016 | | | (801) | |
| Fund balances on the basis of GAAP | | | \$ (146,416) | |

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.

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, 2016

| | Balance January 1, 2016 | Additions | Deletions | Balance December 31, 2016 |
|----------------------------------|-------------------------------|------------------|------------------|---------------------------------|
| <u>SALES TAX FUND</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 1,271 | \$ 17,779 | \$ 17,540 | \$ 1,510 |
| Accounts receivable | 1,150 | 1,248 | 1,150 | 1,248 |
| Total assets | <u>\$ 2,421</u> | <u>\$ 19,027</u> | <u>\$ 18,690</u> | <u>\$ 2,758</u> |
| Liabilities: | | | | |
| Accounts payable | <u>\$ 2,421</u> | <u>\$ 19,027</u> | <u>\$ 18,690</u> | <u>\$ 2,758</u> |
| <u>PAYROLL WITHHOLDING FUND</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 12,533 | \$ 1,595 | \$ 12,533 | \$ 1,595 |
| Total assets | <u>\$ 12,533</u> | <u>\$ 1,595</u> | <u>\$ 12,533</u> | <u>\$ 1,595</u> |
| Liabilities: | | | | |
| Accounts payable | <u>\$ 12,533</u> | <u>\$ 1,595</u> | <u>\$ 12,533</u> | <u>\$ 1,595</u> |
| <u>TOTALS - ALL AGENCY FUNDS</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 13,804 | \$ 19,374 | \$ 30,073 | \$ 3,105 |
| Accounts receivable | 1,150 | 1,248 | 1,150 | 1,248 |
| Total assets | <u>\$ 14,954</u> | <u>\$ 20,622</u> | <u>\$ 31,223</u> | <u>\$ 4,353</u> |
| Liabilities: | | | | |
| Accounts payable | <u>\$ 14,954</u> | <u>\$ 20,622</u> | <u>\$ 31,223</u> | <u>\$ 4,353</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, 2016

ASSETS

| | | |
|-------------------------|----|---------|
| Cash and investments | \$ | 250,883 |
| Endowment investment | | 276,821 |
| Property tax receivable | | 412,518 |
| | | 412,518 |
| Total assets | \$ | 940,222 |

LIABILITIES, DEFERRED INFLOWS OF
 OF RESOURCES AND FUND BALANCES

| | | |
|--|----|---------|
| Liabilities: | | |
| Accounts payable | \$ | 144,711 |
| Accrued payroll | | 12,670 |
| Due to City of El Dorado | | 99,860 |
| | | 257,241 |
| Total liabilities | | 257,241 |
| Deferred inflows of resources: | | |
| Unavailable revenue - property taxes | | 412,518 |
| | | 412,518 |
| Fund balances: | | |
| Restricted: | | |
| Specific library programs | | 85,998 |
| Assigned | | 184,465 |
| | | 184,465 |
| Total fund balances | | 270,463 |
| Total liabilities, deferred inflows of resources and fund balances | \$ | 940,222 |

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, 2016

| | |
|---|--------------------------|
| Revenues: | |
| Property taxes | \$ 463,146 |
| Intergovernmental | 41,901 |
| Charges for services | 3,992 |
| Fines and forfeitures | 13,252 |
| Gain on investments | 15,311 |
| Miscellaneous | <u>26,560</u> |
| Total revenues | <u>564,162</u> |
| Expenditures: | |
| Personal services | 320,613 |
| Contractual services | (7,824) |
| General government | 2,380 |
| Commodities | <u>103,878</u> |
| Total expenditures | <u>419,047</u> |
| Net change in fund balance | <u>145,115</u> |
| Fund balances, beginning of year as previously stated | (358,680) |
| Prior period adjustments | <u>484,028</u> |
| Fund balances, beginning of year as restated | <u>125,348</u> |
| Fund balances, end of year | <u><u>\$ 270,463</u></u> |



**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 | 108 - 114 |
| 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 | 115 - 118 |
| 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 | 119 - 123 |
| 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 | 124 - 125 |
| 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 | 126 - 128 |
| These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs. | |

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

City of El Dorado
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 18,139,230 | \$ 17,783,134 | \$ 28,633,981 | \$ 34,324,735 | \$ 30,150,968 | \$ 30,967,195 | \$ 30,188,763 | \$ 34,296,398 | \$ 29,539,248 | \$ 31,001,068 |
| Restricted | 5,514,073 | 7,734,827 | 4,194,764 | 4,952,971 | 4,889,410 | 3,792,344 | 4,215,381 | 3,629,818 | 5,570,106 | 5,776,169 |
| Unrestricted | 4,132,895 | 5,012,872 | 6,974,613 | 2,759,317 | 8,719,784 | 5,609,678 | 6,918,169 | 3,341,366 | 1,886,158 | (1,651,934) |
| Total Governmental Activities Net Assets | <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> | <u>\$ 41,267,582</u> | <u>\$ 36,995,512</u> | <u>\$ 35,125,303</u> |
| Business-Type Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 18,344,423 | \$ 18,506,653 | \$ 18,932,616 | \$ 18,122,626 | \$ 18,777,765 | \$ 20,367,761 | \$ 21,303,503 | \$ 21,429,958 | \$ 20,861,680 | \$ 21,137,164 |
| Restricted | 4,232,536 | 5,275,462 | 4,291,580 | - | - | - | - | - | - | - |
| Unrestricted | 4,618,666 | 4,873,410 | 4,487,827 | (5,716,018) | (7,359,679) | (11,450,255) | (13,777,603) | (13,745,532) | (16,192,653) | (18,086,405) |
| Total Business-Type Activities Net Assets | <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> | <u>\$ 7,684,426</u> | <u>\$ 4,669,027</u> | <u>\$ 3,050,759</u> |
| Primary Government | | | | | | | | | | |
| Net investment in capital assets | \$ 36,483,653 | \$ 36,289,787 | \$ 47,566,597 | \$ 52,447,361 | \$ 48,928,733 | \$ 51,334,956 | \$ 51,492,266 | \$ 55,726,356 | \$ 50,400,928 | \$ 52,138,232 |
| Restricted | 9,746,609 | 13,010,289 | 8,486,344 | 4,952,971 | 4,889,410 | 3,792,344 | 4,215,381 | 3,629,818 | 5,570,106 | 5,776,169 |
| Unrestricted | 8,751,561 | 9,886,282 | 11,462,440 | (2,956,701) | 1,360,105 | (5,840,577) | (6,859,434) | (10,404,166) | (14,306,495) | (19,738,339) |
| Total Primary Government Net Assets | <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> | <u>\$ 48,952,008</u> | <u>\$ 41,664,539</u> | <u>\$ 38,176,062</u> |

City of El Dorado
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 2,291,764 | \$ 1,864,451 | \$ 2,043,993 | \$ 1,671,142 | \$ 1,880,860 | \$ 2,202,906 | \$ 2,021,994 | \$ 2,755,952 | \$ 3,345,911 | \$ 2,399,221 |
| Public safety | 3,041,945 | 3,249,257 | 3,434,979 | 3,742,666 | 3,644,530 | 3,799,331 | 3,767,376 | 3,906,171 | 4,055,854 | 4,246,184 |
| Public works | 2,164,449 | 1,868,543 | 2,444,611 | 3,201,411 | 4,283,125 | 3,254,173 | 3,278,271 | 3,476,247 | 3,748,977 | 5,407,872 |
| Health and sanitation | 348,902 | 325,911 | 380,489 | 415,808 | 371,126 | 411,502 | 392,681 | 478,020 | 457,600 | 416,036 |
| Culture and recreation | 1,174,828 | 1,118,413 | 1,391,219 | 2,018,666 | 1,542,864 | 1,389,464 | 1,297,591 | 1,476,436 | 1,362,045 | 1,513,728 |
| Economic development | 447,454 | 696,186 | 245,863 | 173,649 | 201,947 | 178,197 | 214,899 | 199,198 | 261,256 | 271,252 |
| Environmental protection | 10,804 | 11,188 | 28,515 | - | - | - | - | - | - | - |
| Interest on long-term debt | 636,169 | 616,879 | 537,940 | 397,343 | 366,675 | 432,603 | 527,442 | 486,109 | 549,125 | 499,604 |
| Total Governmental Activities Expenses | \$ 10,116,315 | \$ 9,750,828 | \$ 10,507,609 | \$ 11,620,685 | \$ 12,291,127 | \$ 11,668,176 | \$ 11,500,254 | \$ 12,778,133 | \$ 13,780,768 | \$ 14,753,897 |
| Business-type activities: | | | | | | | | | | |
| Waterworks system | \$ 2,797,316 | \$ 3,103,040 | \$ 3,496,339 | \$ 4,371,604 | \$ 4,629,494 | \$ 4,469,711 | \$ 4,822,852 | \$ 4,845,259 | \$ 4,838,768 | \$ 5,378,480 |
| Sewer system | 1,501,977 | 1,922,659 | 2,354,435 | 2,076,189 | 2,313,956 | 2,069,672 | 2,109,889 | 2,109,698 | 2,441,626 | 2,635,077 |
| Refuse | 1,535,116 | 1,442,318 | 1,859,452 | 1,367,679 | 1,402,160 | 1,448,504 | 1,273,960 | 1,522,051 | 1,386,909 | 1,325,981 |
| Compressed Natural Gas | - | - | - | - | - | - | - | - | 16,839 | 12,694 |
| Total business-type activities expenses | 5,834,409 | 6,468,017 | 7,710,226 | 7,815,472 | 8,345,610 | 7,987,887 | 8,206,701 | 8,477,008 | 8,684,142 | 9,352,232 |
| Total Primary Government Expenses | \$ 15,950,724 | \$ 16,218,845 | \$ 18,217,835 | \$ 19,436,157 | \$ 20,636,737 | \$ 19,656,063 | \$ 19,706,955 | \$ 21,255,141 | \$ 22,464,910 | \$ 24,106,129 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 567,263 | \$ 751,574 | \$ 345,158 | \$ 598,148 | \$ 649,247 | \$ 189,402 | \$ 1,307,835 | \$ 633,957 | \$ 1,639,486 | \$ 646,945 |
| Public safety | 605,032 | 823,297 | 843,559 | 654,256 | 642,715 | 635,027 | 701,270 | 613,069 | 587,195 | 616,403 |
| Public works | 21,300 | 36,072 | 313,580 | 582,910 | 131,947 | 194,528 | 199,621 | 227,672 | 243,059 | 201,443 |
| Health and sanitation | 105,241 | 87,016 | 125,911 | 426,229 | 128,012 | 117,179 | 112,466 | 118,383 | 100,789 | 225,290 |
| Culture and recreation | 115,002 | 114,374 | 139,964 | 712,167 | 628,262 | 652,320 | 659,220 | 616,928 | 714,811 | 552,456 |
| Economic development | 1,250 | 3,606 | 67,046 | - | - | - | - | - | - | - |
| Interest on long-term debt | 1,458,237 | 363,259 | 677,018 | - | - | - | - | - | - | - |
| Operating grants and contributions | 1,604,427 | 1,672,026 | 2,830,120 | 717,788 | 654,761 | 602,199 | 592,341 | 603,208 | - | 725,531 |
| Capital grants and contributions ² | 578,319 | 337,156 | 6,017,908 | 3,245,441 | 2,032,024 | 2,305,996 | 1,103,343 | 2,422,225 | - | 1,801,273 |
| Total Governmental Activities Program Revenues | \$ 5,056,071 | \$ 4,188,380 | \$ 11,360,264 | \$ 6,936,939 | \$ 4,866,968 | \$ 4,696,651 | \$ 4,676,096 | \$ 5,235,442 | \$ 3,285,340 | \$ 4,769,341 |

City of El Dorado
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|------------------------|
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Waterworks system | \$ 3,647,786 | \$ 3,594,276 | \$ 3,584,921 | \$ 3,753,098 | \$ 4,378,079 | \$ 4,204,657 | \$ 3,863,280 | \$ 4,253,360 | \$ 3,947,993 | \$ 4,399,825 |
| Sewer system | 1,986,491 | 2,065,669 | 2,059,584 | 2,401,345 | 2,303,103 | 2,146,207 | 1,960,274 | 2,096,994 | 2,175,079 | 2,058,033 |
| Refuse | 1,638,905 | 1,539,636 | 1,496,583 | 1,446,387 | 1,452,599 | 1,434,386 | 1,359,800 | 1,404,573 | 1,538,748 | 1,508,945 |
| Compressed Natural Gas | - | - | - | - | - | - | - | 57 | 16,373 | 17,757 |
| Operating grants & contributions | - | - | - | - | - | - | - | - | - | - |
| Capital grants & contributions | 103,092 | 213,306 | 329,981 | - | 301,494 | 842,501 | 100 | 61,330 | - | 58,151 |
| Total business-type activities program revenues | 7,376,274 | 7,412,887 | 7,471,069 | 7,600,830 | 8,435,275 | 8,627,751 | 7,183,454 | 7,816,314 | 7,678,193 | 8,042,711 |
| Total Primary Government Program Revenues | \$ 12,432,345 | \$ 11,601,267 | \$ 18,831,333 | \$ 14,537,769 | \$ 13,302,243 | \$ 13,324,402 | \$ 11,859,550 | \$ 13,051,756 | \$ 10,963,533 | \$ 12,812,052 |
| Net (Expense)/ Revenue | | | | | | | | | | |
| Governmental activities | \$ (5,060,244) | \$ (5,562,448) | \$ 852,655 | \$ (4,683,746) | \$ (7,424,159) | \$ (6,971,525) | \$ (6,824,158) | \$ (7,542,691) | \$ (10,495,428) | \$ (9,984,556) |
| Business-type activities | 1,541,865 | 944,870 | (239,157) | (214,642) | 89,665 | 639,864 | (1,023,247) | (660,694) | (1,005,949) | (1,309,521) |
| Total Primary Government Net Expense | \$ (3,518,379) | \$ (4,617,578) | \$ 613,498 | \$ (4,898,388) | \$ (7,334,494) | \$ (6,331,661) | \$ (7,847,405) | \$ (8,203,385) | \$ (11,501,377) | \$ (11,294,077) |
| General Revenues: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | \$ 3,730,632 | \$ 4,069,974 | \$ 4,254,049 | \$ 3,857,069 | \$ 3,983,853 | \$ 3,651,884 | \$ 3,806,320 | \$ 3,830,127 | \$ 3,806,019 | \$ 3,879,130 |
| Sales taxes | 2,318,150 | 2,544,465 | 2,295,901 | 2,149,953 | 2,266,633 | 2,377,070 | 2,370,532 | 2,508,095 | 2,610,716 | 2,512,159 |
| Franchise taxes | 1,258,919 | 1,320,151 | 1,496,324 | 1,090,324 | 1,075,331 | 1,050,082 | 1,174,104 | 1,225,660 | 1,171,972 | 1,288,810 |
| Tourism taxes | 96,864 | 189,497 | 154,538 | 141,187 | 151,814 | 166,878 | 173,221 | 172,343 | 206,669 | 168,713 |
| Investment earnings | 304,221 | 182,996 | 41,448 | 28,447 | 19,829 | 6,731 | 5,050 | 2,774 | 63,304 | 43,871 |
| Transfers in (out) | 15,781 | - | 177,610 | 39,401 | 1,649,838 | 1,906,934 | 248,027 | (251,039) | 999,723 | 766,229 |
| Total Governmental Activities | \$ 7,724,567 | \$ 8,307,083 | \$ 8,419,870 | \$ 7,306,381 | \$ 9,147,298 | \$ 9,159,579 | \$ 7,777,254 | \$ 7,487,960 | \$ 8,858,403 | \$ 8,658,912 |
| Business-type activities: | | | | | | | | | | |
| Investment earnings ¹ | \$ 600,972 | \$ 515,030 | \$ (526,735) | \$ 318,628 | \$ 571,651 | \$ 160,775 | \$ (120,332) | \$ 568,181 | \$ 132,906 | \$ 258,680 |
| Miscellaneous | - | - | - | - | - | - | - | - | - | 198,802 |
| Transfer in (out) | (15,781) | - | (177,610) | (39,401) | (1,649,838) | (1,906,934) | (248,027) | 251,039 | (999,723) | (766,229) |
| Total business-type activities | 585,191 | 515,030 | (704,345) | 279,227 | (1,078,187) | (1,746,159) | (368,359) | 819,220 | (866,817) | (308,747) |
| Total Primary Government | \$ 8,309,758 | \$ 8,822,113 | \$ 7,715,525 | \$ 7,585,608 | \$ 8,069,111 | \$ 7,413,420 | \$ 7,408,895 | \$ 8,307,180 | \$ 7,991,586 | \$ 8,350,165 |
| Change In Net Position | | | | | | | | | | |
| Governmental activities | \$ 2,664,323 | \$ 2,744,635 | \$ 9,272,525 | \$ 2,622,635 | \$ 1,723,139 | \$ 2,188,054 | \$ 953,096 | \$ (54,731) | \$ 1,088,676 | \$ (1,325,644) |
| Business-type activities | 2,127,056 | 1,459,900 | (943,502) | 64,585 | (988,522) | (1,106,295) | (1,391,606) | 158,526 | (1,664,808) | (1,618,268) |
| Total Primary Government | \$ 4,791,379 | \$ 4,204,535 | \$ 8,329,023 | \$ 2,687,220 | \$ 734,617 | \$ 1,081,759 | \$ (438,510) | \$ 103,795 | \$ (576,132) | \$ (2,943,912) |

¹ In 2009 and 2013, the decrease in fair value of investments for the water fund created a negative revenue.

² 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 Fiscal Years
(Modified Accrual Basis of Accounting)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|
| General Fund | | | | | | | | | | |
| Reserved | \$ 170,740 | \$ 246,990 | \$ 178,895 | \$ 968,076 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | 3,115,517 | 3,947,109 | 4,161,390 | 3,836,107 | - | - | - | - | - | - |
| Nonspendable ¹ | - | - | - | - | 104,577 | 115,518 | 141,556 | 85,643 | 33,820 | 19,374 |
| Restricted ¹ | - | - | - | - | - | - | - | - | - | - |
| Committed ¹ | - | - | - | - | - | - | - | - | - | - |
| Assigned ¹ | - | - | - | - | 787,183 | 399,687 | 452,540 | 571,895 | 625,355 | 375,021 |
| Unassigned ¹ | - | - | - | - | 3,524,885 | 3,154,540 | 3,236,214 | 3,300,921 | 3,223,156 | 2,634,603 |
| Total General Fund | \$ 3,286,257 | \$ 4,194,099 | \$ 4,340,285 | \$ 4,804,183 | \$ 4,416,645 | \$ 3,669,745 | \$ 3,830,310 | \$ 3,958,459 | \$ 3,882,331 | \$ 3,028,998 |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | \$ 457,670 | \$ 365,704 | \$ 1,434,580 | \$ 1,716,685 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 1,048,345 | 1,013,486 | 2,110,369 | 1,862,969 | - | - | - | - | - | - |
| Construction fund | (1,480,203) | 514,302 | (682,230) | (3,842,274) | - | - | - | - | - | - |
| Debt service fund | 503,723 | 592,941 | 599,126 | 736,524 | - | - | - | - | - | - |
| Nonspendable ¹ | - | - | - | - | - | - | - | - | 20,881 | 26,781 |
| Restricted ¹ | - | - | - | - | 1,441,774 | 1,350,142 | 1,242,310 | 526,863 | 2,278,825 | 2,573,122 |
| Committed ¹ | - | - | - | - | 290,226 | 12,254 | 3,409 | 179,440 | 191,413 | 3,409 |
| Assigned ¹ | - | - | - | - | 4,536,209 | 280,604 | 387,152 | 302,679 | 272,958 | 678,429 |
| Unassigned ¹ | - | - | - | - | - | (1,382,393) | 1,428,533 | (3,876,124) | (159,804) | (236,440) |
| Total All Other Governmental Funds | \$ 529,535 | \$ 2,486,433 | \$ 3,461,845 | \$ 473,904 | \$ 6,268,209 | \$ 260,607 | \$ 3,061,404 | \$ (2,867,142) | \$ 2,604,273 | \$ 3,045,301 |

Notes: Bonds are generally issued for the City's construction projects every two years. Bond issues in 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.

¹New 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 Fiscal Years
(Modified Accrual Basis of Accounting)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Revenues | | | | | | | | | | |
| Taxes | \$ 7,404,565 | \$ 8,124,087 | \$ 8,200,812 | \$ 7,238,533 | \$ 7,477,631 | \$ 7,245,914 | \$ 7,524,177 | \$ 7,736,225 | \$ 7,795,376 | \$ 7,848,812 |
| Intergovernmental | 982,750 | 923,801 | 1,228,511 | 2,779,121 | 1,132,263 | 2,031,138 | 862,696 | 713,441 | 1,060,212 | 1,446,873 |
| Licenses and permits | 130,329 | 112,214 | 140,719 | 128,612 | 128,930 | 148,891 | 106,354 | 126,432 | 299,218 | 196,046 |
| Charges for services | 659,960 | 953,987 | 864,245 | 1,631,740 | 1,390,018 | 1,527,311 | 1,383,555 | 1,570,319 | 1,497,588 | 1,221,397 |
| Fines and forfeitures | 209,248 | 261,838 | 266,283 | 331,678 | 248,445 | 295,843 | 312,345 | 331,806 | 355,959 | 419,796 |
| Special assessment taxes | 637,305 | 677,581 | 862,849 | 865,168 | 891,890 | 845,586 | 829,432 | 1,837,078 | 607,448 | 600,415 |
| Use of money and property | 1,085,384 | 807,482 | 5,360,556 | 28,447 | 19,829 | 6,731 | 5,050 | 2,774 | 63,304 | 43,271 |
| Employee/Employer contributions | 883,226 | 919,210 | 1,047,063 | - | - | - | - | - | - | - |
| Miscellaneous | 296,427 | 342,936 | 1,210,595 | 674,181 | 574,466 | 293,173 | 511,320 | 915,815 | 1,936,458 | 856,880 |
| Total revenues | \$ 12,289,194 | \$ 13,123,136 | \$ 19,181,633 | \$ 13,677,480 | \$ 11,863,472 | \$ 12,394,587 | \$ 11,534,929 | \$ 13,233,890 | \$ 13,615,563 | \$ 12,633,490 |
| Expenditures | | | | | | | | | | |
| General government | \$ 2,078,510 | \$ 1,996,520 | \$ 2,273,971 | \$ 1,464,215 | \$ 1,464,958 | \$ 2,001,441 | \$ 1,795,145 | \$ 2,145,740 | \$ 2,153,525 | \$ 1,925,518 |
| Public Safety | 2,883,542 | 3,336,240 | 3,424,203 | 3,370,681 | 3,433,538 | 3,561,539 | 3,528,601 | 3,557,487 | 3,734,445 | 3,856,591 |
| Highways and streets | 1,313,579 | 1,375,937 | 1,834,963 | 1,743,191 | 1,802,441 | 1,740,316 | 1,664,529 | 1,702,826 | 1,664,652 | 1,661,177 |
| Health and sanitation | 385,370 | 338,867 | 376,353 | 398,288 | 353,701 | 393,732 | 375,751 | 462,797 | 443,129 | 398,141 |
| Culture and recreation | 1,029,816 | 1,143,942 | 3,995,766 | 1,919,208 | 1,448,000 | 1,271,625 | 1,190,358 | 1,359,086 | 1,215,149 | 1,300,726 |
| Environmental protection | 10,804 | 11,188 | 28,515 | - | - | - | - | - | - | - |
| Economic development | 447,454 | 514,590 | 245,674 | 173,459 | 201,758 | 176,039 | 191,459 | 176,134 | 224,736 | 234,523 |
| Capital improvements | 2,218,074 | 2,447,695 | 1,560,545 | 6,414,857 | 3,984,996 | 9,561,723 | 2,988,055 | 5,707,803 | 4,240,256 | 3,544,902 |
| Debt service | | | | | | | | | | |
| Principal | 1,524,065 | 1,779,535 | 3,952,666 | 1,483,200 | 3,511,342 | 1,905,335 | 1,228,512 | 3,709,972 | 1,278,744 | 3,125,118 |
| Interest | 649,188 | 623,882 | 600,199 | 403,659 | 353,670 | 430,152 | 463,490 | 530,757 | 483,297 | 586,203 |
| Debt Issuance Costs | - | - | - | - | - | - | 40,016 | - | - | - |
| Total expenditures | \$ 12,540,402 | \$ 13,568,396 | \$ 18,292,855 | \$ 17,370,758 | \$ 16,554,404 | \$ 21,041,902 | \$ 13,465,916 | \$ 19,352,602 | \$ 15,437,933 | \$ 16,632,899 |
| Excess of revenues over (under) expenditures | \$ (251,208) | \$ (445,260) | \$ 888,778 | \$ (3,693,278) | \$ (4,690,932) | \$ (8,647,315) | \$ (1,930,987) | \$ (6,118,712) | \$ (1,822,370) | \$ (3,999,409) |

City of El Dorado
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years (Continued)
(Modified Accrual Basis of Accounting)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|--------------|--------------|--------------|----------------|---------------|----------------|--------------|----------------|--------------|--------------|
| Other financing sources (uses) | | | | | | | | | | |
| General obligation bonds issued | \$ - | \$ 3,310,000 | \$ - | \$ 890,641 | \$ 5,715,000 | - | \$ 4,644,322 | \$ - | \$ 248,245 | \$ 60,067 |
| Proceeds from capital lease obligations | - | - | 55,210 | - | - | - | - | 569,354 | 64,689 | 1,152,052 |
| Temporary Notes Issued | - | - | - | - | - | - | - | - | 2,548,000 | - |
| Refunding bonds issued | - | - | - | 757,621 | - | - | - | - | 3,357,000 | 1,985,000 |
| Payment to refunded bond escrow agent | - | - | - | (755,000) | - | - | - | - | - | - |
| Transfers in | 1,608,575 | 1,640,980 | 1,687,190 | 2,731,795 | 4,219,322 | 4,948,663 | 2,892,525 | 4,543,673 | 6,693,841 | 7,890,036 |
| Transfers out | (1,592,794) | (1,640,980) | (1,509,580) | (2,692,394) | (2,576,623) | (3,055,850) | (2,644,498) | (4,794,712) | (5,694,118) | (7,123,807) |
| Total other financing sources (uses) | \$ 15,781 | \$ 3,310,000 | \$ 232,820 | \$ 932,663 | \$ 7,357,699 | \$ 1,892,813 | \$ 4,892,349 | \$ 318,315 | \$ 7,217,657 | \$ 3,963,348 |
| Net change in Fund Balances | \$ (235,427) | \$ 2,864,740 | \$ 1,121,598 | \$ (2,760,615) | \$ 2,666,767 | \$ (6,754,502) | \$ 2,961,362 | \$ (5,800,397) | \$ 5,395,287 | \$ (36,061) |
| Fund balances, beginning of year, as originally stated | \$ - | \$ - | \$ - | \$ 7,802,130 | \$ 8,018,087 | \$ 10,684,854 | \$ 3,930,352 | \$ 6,891,714 | \$ 1,091,317 | \$ 6,486,604 |
| Prior period adjustment | - | - | - | 236,572 | - | - | - | - | - | (544,565) |
| Fund balances, beginning of year, as restated | \$ - | \$ - | \$ - | \$ 8,038,702 | \$ 8,018,087 | \$ 10,684,854 | \$ 3,930,352 | \$ 6,891,714 | \$ 1,091,317 | \$ 5,942,039 |
| Fund balances, end of year | \$ (235,427) | \$ 2,864,740 | \$ 1,121,598 | \$ 5,278,087 | \$ 10,684,854 | \$ 3,930,352 | \$ 6,891,714 | \$ 1,091,317 | \$ 6,486,604 | \$ 5,905,978 |
| Debt service as a percentage of noncapital expenditures | 22.3% | 24.3% | 42.9% | 16.7% | 27.9% | 16.1% | 16.2% | 30.3% | 14.1% | 28.0% |

City of El Dorado
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

| <u>Fiscal Year</u> | <u>Property Tax</u> | <u>Motor Vehicle Tax</u> | <u>Sales Tax</u> | <u>Franchise Tax</u> | <u>Transient Guest Tax</u> | <u>Total</u> |
|--------------------|---------------------|--------------------------|------------------|----------------------|----------------------------|--------------|
| 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 | 3,377,300 | 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 |
| 2014 | 3,348,253 | 481,874 | 2,508,095 | 1,225,660 | 172,343 | 7,736,225 |
| 2015 | 3,294,163 | 511,856 | 2,610,716 | 1,171,972 | 206,669 | 7,795,376 |
| 2016 | 3,382,302 | 496,828 | 2,512,159 | 1,288,810 | 168,713 | 7,848,812 |

Notes:

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

²The 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.

City of El Dorado

Property Tax Levies and Collections

Last Ten Fiscal Years

| Fiscal Year ² | Total Tax Levy ¹ | Collected within the Current Year | | Delinquent Tax Collections | Total Collected | |
|--------------------------|-----------------------------|-----------------------------------|--------------------|----------------------------|-----------------|--------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2007 ^{3,4} | \$ 3,486,822 | \$ 3,095,084 | 88.8% | \$ 124,518 | \$ 3,219,602 | 92.3% |
| 2008 | 3,658,934 | 3,357,533 | 91.8% | 148,580 | 3,506,113 | 95.8% |
| 2009 | 3,855,346 | 3,568,745 | 92.6% | 124,669 | 3,693,414 | 95.8% |
| 2010 | 3,877,462 | 3,329,764 | 85.9% | 177,149 | 3,506,913 | 90.4% |
| 2011 | 4,042,000 | 3,799,242 | 94.0% | 184,611 | 3,983,853 | 98.6% |
| 2012 | 3,620,912 | 3,177,108 | 87.7% | 162,868 | 3,339,976 | 92.2% |
| 2013 | 3,880,933 | 3,362,613 | 86.6% | 180,643 | 3,543,256 | 91.3% |
| 2014 | 3,858,827 | 3,541,256 | 91.8% | 197,988 | 3,739,244 | 96.9% |
| 2015 | 3,744,463 | 3,468,283 | 92.6% | 201,523 | 3,669,806 | 98.0% |
| 2016 | 4,055,406 | 3,812,166 | 94.0% | 182,657 | 3,994,823 | 98.5% |

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 Fiscal Years

| Levy Year | Real Property | Personal Property¹ | Utilities | Oil & Gas | Total Assessed Value | Total Direct Tax Rate | Estimated Actual Value | Assessed Value as a Percentage of Actual Value |
|------------------|----------------------|--------------------------------------|------------------|----------------------|-----------------------------|------------------------------|-------------------------------|---|
| 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 | 15.00% |
| 2012 | 74,272,212 | 3,650,271 | 4,360,055 | 5,130 | 82,287,668 | 47.163 | 386,914,778 | 21.27% |
| 2013 | 73,878,484 | 3,372,708 | 4,436,778 | 2,808 | 81,690,778 | 47.237 | 543,353,468 | 15.03% |
| 2014 | 72,925,530 | 2,335,516 | 4,322,469 | 1,253 | 79,584,768 | 47.050 | 525,111,705 | 15.16% |
| 2015 | 74,333,163 | 2,360,508 | 4,852,242 | 1,276 | 81,547,189 | 47.046 | 531,918,670 | 15.33% |
| 2016 | 76,909,849 | 2,587,788 | 4,915,755 | 3,878 | 84,417,270 | 48.040 | 549,387,855 | 15.37% |

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
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years**

| Year ¹ | City of El Dorado | | | | | | Other Overlapping Governments ² | | | | | |
|-------------------|-------------------|---------|----------------------|--------------|---------|------------|--|--------------------------|-----------------|---------------------------------|---------------------------------|---------------------------------|
| | General | Library | 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 |
| 2007 ³ | 23.312 | 4.554 | 0.999 | 16.358 | 0.289 | 45.512 | 35.440 | 17.225 | 1.500 | 46.936 | 52.430 | 50.767 |
| 2008 ⁴ | 24.784 | 4.675 | 1.012 | 16.298 | 0.292 | 47.061 | 36.434 | 18.195 | 1.500 | 49.865 | 53.001 | 51.181 |
| 2009 ⁵ | 26.768 | 4.322 | 0.999 | 13.779 | 1.129 | 46.997 | 36.522 | 18.194 | 1.500 | 50.745 | 53.019 | 58.947 |
| 2010 ⁶ | 29.207 | 4.771 | 1.042 | 13.321 | 0.649 | 48.990 | 35.822 | 18.002 | 1.500 | 51.443 | 55.790 | 61.609 |
| 2011 ⁷ | 27.841 | 4.613 | 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 | 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 | 0.973 | 8.202 | 0.206 | 47.237 | 35.164 | 18.021 | 1.500 | 61.194 | 64.055 | 56.578 |
| 2014 | 30.306 | 4.992 | 1.018 | 10.734 | 0.000 | 47.050 | 35.133 | 18.003 | 1.500 | 59.828 | 66.358 | 47.071 |
| 2015 | 30.722 | 4.894 | 0.979 | 9.603 | 0.848 | 47.046 | 35.012 | 18.063 | 1.500 | 60.835 | 65.621 | 55.444 |
| 2016 | 30.320 | 4.887 | 0.979 | 11.007 | 0.847 | 48.040 | 34.747 | 20.074 | 1.500 | 63.518 | 62.639 | 48.036 |

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

³ 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.

⁴ The General mill levy was increased to accumulate funds for implementation of a new retirement plan for City employees in 2010.

⁵ 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.

⁶ 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.

⁷ 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 | 2016 | | | 2007 | | |
|--|---------------------|------|------------------------------------|---------------------|------|------------------------------------|
| | Assessed Value | Rank | Percentage of Total Assessed Value | Assessed Value | Rank | Percentage of Total Assessed Value |
| Wal-Mart Real Estate | \$2,471,310 | 1 | 2.93% | \$3,211,028 | 1 | 3.43% |
| Kansas Gas & Electric | 2,056,965 | 2 | 2.44% | 1,275,108 | 2 | 1.36% |
| Barton Solvents | 1,188,258 | 3 | 1.41% | | | --- |
| Kansas Gas Service ¹ | 1,082,204 | 4 | 1.28% | 773,161 | 6 | 0.83% |
| Valmont Industries | 1,056,485 | 5 | 1.25% | | | --- |
| Vlomis Enterprises | 1,034,720 | 6 | 1.23% | | | --- |
| Pioneer Balloon Co | 558,125 | 7 | 0.66% | 645,918 | 7 | 0.69% |
| Villas at BCC LLC | 544,417 | 8 | 0.64% | | | --- |
| Union Pacific Railroad Co | 486,584 | 9 | 0.58% | | | --- |
| El Dorado Group II LLC ³ | 480,376 | 10 | 0.57% | | | --- |
| Prairie Land Enterprises Inc. | --- | | --- | 938,523 | 4 | 1.00% |
| Southwestern Bell Tele Co | --- | | --- | 823,873 | 5 | 0.88% |
| Ted & Elizabeth Vlomis | --- | | --- | 1,114,451 | 3 | 1.19% |
| Wal-Mart Stores Inc | --- | | --- | 480,691 | 10 | 0.51% |
| Sutherland Lumber | --- | | --- | 480,855 | 9 | 0.51% |
| Ted & Barabara Dankert LP | --- | | --- | 496,772 | 8 | 0.53% |
| Total | \$10,959,444 | | 12.98% | \$10,240,380 | | 10.95% |
| Total Assessed Value ² | \$84,417,270 | | | \$93,519,256 | | |

Source: Butler County 2016 tax roll

Notes:

¹ Formerly Western Resources - Gas Division

² Includes motor vehicle valuation

³ City of El Dorado is listed as the 9th top tax payer, however it is only because of CID network areas granted for business. We have exempted ourselves.

City of El Dorado Ratios of Outstanding Debt by Type Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | | | | Business-Type Activities | | | | | | Total Primary Government | Percentage of Personal Income | Debt Per Capita |
|-------------|--------------------------|-------------------|-----------------|----------------|--|--------------------------|-----------------|---------------|----------------------------------|---------------------------------------|----------------|--------------------------|-------------------------------|-----------------|
| | General Obligation Bonds | Issuance Premiums | 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 | | | |
| 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 | 27.84% | 6,001 |
| 2014 | 12,826,910 | - | - | 514,898 | - | 2,258,090 | - | - | 49,580,764 | 8,871,227 | 168,661 | 74,220,550 | 26.49% | 5,756 |
| 2015 | 15,134,523 | 248,245 | 2,548,000 | 350,230 | - | 2,647,477 | - | - | 50,875,729 | 8,294,684 | 152,693 | 80,251,581 | 27.14% | 6,223 |
| 2016 | 14,144,023 | 283,487 | - | 1,264,922 | - | 8,935,977 | - | - | 52,216,045 | 2,040,170 | 130,151 | 79,014,775 | 26.42% | 6,110 |

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.

In 2016, KDHE loan 1639 was refinanced with the 2016 bond.

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

| Fiscal Year | General Obligation Bonds ¹ | Less Debt Service Funds | Net Bonded Debt | Net Bonded Debt Per Capita | Net Bonded Debt to Estimated Actual Value |
|-------------|---------------------------------------|-------------------------|-----------------|----------------------------|---|
| 2007 | \$ 14,191,000 | \$ 503,723 | \$ 13,687,277 | \$ 1,087 | 2.60% |
| 2008 | 15,620,000 | 592,941 | 15,027,059 | 1,188.57 | 2.76% |
| 2009 | 11,555,000 ² | 599,126 | 10,955,874 | 841.40 | 1.99% |
| 2010 | 11,450,000 | 736,524 | 10,713,476 | 818.07 | 1.96% |
| 2011 | 15,470,000 | 796,642 | 14,673,358 | 1,128.03 | 2.72% |
| 2012 | 14,115,000 | 749,354 | 13,365,646 | 1,036.10 | 3.45% |
| 2013 | 19,365,000 | 586,235 | 18,778,765 | 1,461.16 | 3.46% |
| 2014 | 15,085,000 | 88,835 | 14,996,165 | 1,162.94 | 2.86% |
| 2015 | 17,533,755 | 1,880,474 | 15,653,281 | 1,215.41 | 2.94% |
| 2016 | 22,796,513 | - | 22,796,513 | 1,762.94 | 4.15% |

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 This is the general bonded debt of both governmental and business-type activities, net of original issuance discounts and premiums.

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

**City of El Dorado
Direct and Overlapping Debt
December 31, 2016**

| | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable ¹</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|------------------------------|---|--|
| Overlapping Debt: | | | |
| Butler County | \$ 6,286,000 | 12.49% | \$ 784,944 |
| Unified School District No. 490 | 83,883,000 | 41.90% | 35,143,675 |
| Unified School District No. 375 | 58,505,000 | 15.66% | 9,161,169 |
| Butler Community College | - | 12.89% | - |
| | <u>\$ 148,674,000</u> | | <u>\$ 45,089,788</u> |
| Direct Debt: | | | |
| City of El Dorado Direct Debt | <u>18,240,432</u> | | <u>18,240,432</u> |
| Total direct and overlapping debt | <u><u>\$ 166,914,432</u></u> | | <u><u>\$ 63,330,220</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.

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

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Assessed Valuation | \$ 80,394,926 | \$ 81,922,304 | \$ 82,504,452 | \$ 82,506,642 | \$ 80,892,544 | \$ 82,287,668 | \$ 81,690,778 | \$ 79,584,768 | \$ 81,547,189 | \$ 84,417,270 |
| Assessed Valuation on Motor Vehicles | 13,124,330 | 13,404,428 | 13,020,077 | 12,106,043 | 11,807,736 | 11,870,038 | 12,132,153 | 11,927,805 | 12,502,945 | 12,446,756 |
| Total Assessed Valuation ¹ | <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> | <u>\$ 91,512,573</u> | <u>\$ 94,050,134</u> | <u>\$ 96,864,026</u> |
| Legal Debt Limit ² | <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> | <u>\$ 27,453,772</u> | <u>\$ 28,215,040</u> | <u>\$ 29,059,208</u> |
| Bonded Indebtedness | \$ 14,191,000 | \$ 15,620,000 | \$ 11,555,000 | \$ 11,450,000 | \$ 15,470,000 | \$ 14,115,000 | \$ 19,365,000 | \$ 15,085,000 | \$ 17,782,000 | \$ 23,080,000 |
| Temporary Notes | 2,511,305 | 95,000 | 655,000 | 4,000,000 | 2,000,000 | 1,260,000 | - | - | 2,548,000 | 2,548,000 |
| Total Debt | <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>19,365,000</u> | <u>15,085,000</u> | <u>20,330,000</u> | <u>25,628,000</u> |
| Less: | | | | | | | | | | |
| Assets in Debt Service Fund | \$ 503,723 | \$ 592,941 | \$ 599,126 | \$ 736,524 | \$ 796,642 | \$ 749,354 | \$ 586,235 | \$ 88,835 | \$ 1,880,474 | \$ - |
| Exempted Debt (KSA 10-309)-G.O. Bonds | 4,408,652 | 3,853,726 | 4,034,440 | 4,658,939 | 5,256,448 | 4,733,138 | 7,256,969 | 6,612,762 | 8,315,990 | 15,499,604 |
| Exempted Debt (KSA 10-309)-Temporary Notes | 56,945 | - | - | - | 1,711,400 | 1,260,000 | - | - | - | 1,462,042 |
| Waterworks Revenue Bonds | - | - | - | - | - | - | - | - | - | - |
| Sewer System Revenue Bonds | - | - | - | - | - | - | - | - | - | - |
| Total Deductions | <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> | <u>6,701,597</u> | <u>10,196,464</u> | <u>16,961,646</u> |
| Total Amount Applicable to Debt Limit | <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>11,521,796</u> | <u>8,383,403</u> | <u>10,133,536</u> | <u>8,666,354</u> |
| Legal Debt Margin | <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>\$ 16,625,083</u> | <u>\$ 19,070,369</u> | <u>\$ 18,081,504</u> | <u>\$ 20,392,854</u> |
| Legal Debt Margin as a percentage of the Debt Limit | 58.18% | 60.60% | 73.56% | 64.58% | 65.10% | 69.44% | 59.07% | 69.46% | 64.08% | 70.18% |

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 Fiscal Years**

| <u>Fiscal Year</u> | <u>Gross Revenue</u> | <u>Less: Operating Expenses ¹</u> | <u>Net Available Revenue</u> | <u>Principal Requirements ²</u> | <u>Interest Requirements ²</u> | <u>Total</u> | <u>Coverage</u> |
|--------------------|----------------------|--|------------------------------|--|---|--------------|-----------------|
| 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 |
| 2014 | 4,723,423 | 2,666,306 | 2,057,117 | - | - | - | N/A |
| 2015 | 4,058,266 | 2,725,037 | 1,333,229 | - | - | - | N/A |
| 2016 | 4,581,166 | 2,993,801 | 1,587,365 | - | - | - | N/A |

Notes:

¹ Excludes capital 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 Fiscal Years

| <u>Fiscal Year</u> | <u>Population¹</u> | <u>Personal Income</u> | <u>Per Capita Personal Income²</u> | <u>Unemployment Rate³</u> |
|--------------------|-------------------------------|------------------------|---|--------------------------------------|
| 2007 | 12,591 | \$ 254,048,607 | \$ 20,177 | 3.9% |
| 2008 | 12,643 | \$ 261,785,958 | \$ 20,706 | 4.1% |
| 2009 | 13,021 | \$ 280,250,983 | \$ 21,523 | 7.2% |
| 2010 | 13,096 | \$ 284,942,768 | \$ 21,758 | 8.3% |
| 2011 | 13,008 | \$ 284,937,902 | \$ 20,306 | 7.7% |
| 2012 | 12,900 | \$ 265,866,458 | \$ 20,509 | 6.6% |
| 2013 | 12,852 | \$ 277,012,008 | \$ 21,554 | 6.7% |
| 2014 | 12,895 | \$ 280,178,986 | \$ 22,677 | 5.4% |
| 2015 | 12,879 | \$ 295,672,571 | \$ 22,903 | 4.3% |
| 2016 | 12,931 | \$ 299,117,807 | \$ 23,132 | 4.4% |

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 | 2016 | | | 2007 | | |
|--|--------------|------|-------------------------------------|--------------|------|-------------------------------------|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| HollyFrontier Corporation ² | 476 | 1 | 7.95% | 395 | 4 | 6.23% |
| Butler Community College | 436 | 3 | 7.28% | 403 | 3 | 6.35% |
| El Dorado Correctional Facility | 429 | 2 | 7.16% | 467 | 2 | 7.36% |
| Butler County Government | 415 | 5 | 6.93% | 350 | 6 | 5.52% |
| USD #490 ¹ | 401 | 6 | 6.69% | 890 | 1 | 14.03% |
| Susan B. Allen Memorial Hospital | 316 | 4 | 5.27% | 352 | 5 | 5.55% |
| C-Tech ³ | 185 | 7 | 3.09% | 240 | 8 | 3.78% |
| Pioneer Balloon | 180 | 8 | 3.00% | 310 | 7 | 4.89% |
| City of El Dorado | 156 | 9 | 2.60% | 125 | 10 | 1.97% |
| Walmart | 130 | 10 | 2.17% | 215 | 9 | 3.39% |
| Total | 3,124 | | 52.14% | 3,747 | | 59.08% |
| Total Employment ⁴ | 5,991 | | | 6,342 | | |

Source: City of El Dorado Survey of Employers

Notes:

¹ USD 490 previously included Butler County Special Cooperative Employees. In 2014, the school district split from the Coop.

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

³ Formerly Blackburn Construction.

⁴ Estimated using Butler County's percentage of the population in the labor force and percentage of the labor force employed, based on data obtained from the Bureau of Labor Statistics.

City of El Dorado

Full-Time Equivalent City Government Employees by Function

Last Ten Fiscal Years

| Function | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| General Government | | | | | | | | | | |
| Administration | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| CVB | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 2 | 2 |
| Airport | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Engineering | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Legal/Judicial | 4 | 3 | 3 | 3 | 3 | 4 | 3 | 3 | 2 | 2 |
| Public Safety | | | | | | | | | | |
| Police | 26 | 28 | 28 | 28 | 29 | 29 | 29 | 27 | 28 | 26 |
| Fire | 14 | 17 | 17 | 17 | 16 | 17 | 17 | 17 | 17 | 17 |
| Building/Zoning | 3 | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 2 | 2 |
| Public Works | | | | | | | | | | |
| Public Works | 3 | 6 | 7 | 7 | 7 | 7 | 7 | 8 | 10 | 6 |
| Major Street Improvements | 9 | 10 | 9 | 10 | 10 | 15 | 12 | 6 | 6 | 12 |
| Culture/Recreation | | | | | | | | | | |
| Park Maintenance | 2 | 1 | 2 | 3 | 3 | 4 | 2 | 2 | 2 | 2 |
| Recreation | 3 | 4 | 6 | 3 | 6 | 7 | 7 | 8 | 10 | 10 |
| Health & Sanitation | | | | | | | | | | |
| Health & Sanitation | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Cemetery | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Water | 15 | 18 | 18 | 19 | 18 | 18 | 18 | 17 | 16 | 17 |
| Sewer | 7 | 5 | 5 | 6 | 6 | 6 | 6 | 6 | 6 | 5 |
| Refuse | 20 | 17 | 16 | 16 | 16 | 12 | 10 | 10 | 11 | 8 |
| Stormwater | 0 | 0 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 1 |
| Data Processing | 10 | 11 | 12 | 12 | 12 | 11 | 11 | 12 | 13 | 11 |
| Total | 125 | 132 | 137 | 138 | 140 | 145 | 138 | 132 | 137 | 131 |

Source: City Budget Office

Notes: 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

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.

In 2015, the Code Enforcement Officer was transferred from the Building Department to the Police Department and trained as an officer. The FTE's from Prairie Trails and Forrestry are included in the Recreation number.

City of El Dorado Operating Indicators by Function Last Ten Fiscal Years

| Function | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Municipal Court | | | | | | | | | | |
| Citations Issued | 3,230 | 3,687 | 3,616 | 3,870 | 3,612 | 4,304 | 3,841 | 3,575 | 3,201 | 4,004 |
| Warrants Issued | 230 | 292 | 170 | 301 | 150 | 182 | 341 | 376 | 281 | 354 |
| Warrants Served | 139 | 198 | 127 | 227 | 202 | 235 | 409 | 362 | 334 | 408 |
| Airport | | | | | | | | | | |
| Fuel Sales (gallons) | 18,869 | 17,101 | 24,380 | 18,523 | 18,461 | 19,210 | 30,880 | 31,001 | 31,192 | 29,154 |
| Fire | | | | | | | | | | |
| Total Number of Incidents | 1,267 | 1,285 | 1,380 | 1,238 | 1,263 | 1,295 | 1,299 | 1,302 | 1,298 | 1,110 |
| Fire Calls | 144 | 129 | 158 | 122 | 187 | 180 | 109 | 180 | 153 | 153 |
| Rescue & Emergency Medical Calls | 665 | 752 | 768 | 719 | 662 | 787 | 781 | 743 | 749 | 677 |
| Hazardous Materials Calls | 73 | 65 | 107 | 77 | 69 | 40 | 89 | 54 | 81 | 69 |
| Inspections | 1,079 | 1,145 | 1,104 | 1,156 | 1,218 | 1,094 | 1,026 | 925 | 725 | 539 |
| Hydrants Tested | 0 | 406 | 567 | 705 | 695 | 782 | 720 | 735 | 1,390 | 1,546 |
| Police | | | | | | | | | | |
| Criminal Violations Reported | 1,578 | 1,668 | 1,516 | 1,383 | 1,350 | 1,532 | 1,442 | 1,523 | 826 | 2,610 |
| Traffic Accidents | 490 | 481 | 387 | 307 | 275 | 237 | 117 | 311 | 342 | 344 |
| DUI Arrests | 57 | 94 | 89 | 80 | 72 | 77 | 98 | 60 | 53 | 47 |
| Building & Zoning | | | | | | | | | | |
| New Residential Construction Permits | 29 | 22 | 15 | 17 | 5 | 7 | 4 | 10 | 12 | 9 |
| New Commercial Construction Permits | 5 | 4 | 6 | 14 | 8 | 5 | 5 | 1 | 6 | 5 |
| Street Operations | | | | | | | | | | |
| Streets Swept (Curb Miles) | 3,673 | 4,406 | 3,744 | 4,619 | 3,747 | 4,167 | 3,798 | 3,941 | 4,215 | 4,351 |
| Animal Control | | | | | | | | | | |
| Animal Licenses | 1,543 | 1,480 | 1,500 | 1,477 | 1,432 | 1,579 | 1,606 | 1,654 | 1,751 | 1,263 |
| Animal Control Calls | 1,051 | 984 | 979 | 1,575 | 987 | 1,602 | 1,883 | 1,904 | 1,883 | 1,722 |
| Animal Citations | 188 | 196 | 163 | 162 | 125 | 220 | 207 | 247 | 332 | 234 |
| Cemetery | | | | | | | | | | |
| Burials | 151 | 138 | 135 | 162 | 138 | 128 | 130 | 127 | 135 | 104 |
| Parks and Recreation | | | | | | | | | | |
| Youth Soccer Participants | 276 | 259 | 218 | 170 | 202 | 294 | 345 | 366 | 387 | 436 |
| Swimming Pool Attendance | 12,223 | 15,567 | 18,569 | 20,179 | 21,299 | 21,174 | 19,284 | 16,590 | 14,560 | 12,892 |
| Youth Baseball/Softball Participants | 595 | 369 | 324 | 385 | 407 | 580 | 827 | 703 | 680 | 745 |
| Youth Basketball Participants | 138 | 145 | 114 | 114 | 172 | 172 | 287 | 260 | 271 | 211 |
| Youth Volleyball Participants | 196 | 222 | 295 | 311 | 305 | 378 | 407 | 350 | 331 | 281 |
| Adult Softball Teams | 33 | 27 | 21 | 24 | 25 | 19 | 17 | 16 | 17 | 17 |
| Adult Flag Football Teams | 8 | 5 | 8 | 9 | 9 | 5 | 4 | 4 | 10 | 0 |
| Adult Basketball Teams | 5 | 7 | 5 | 8 | 8 | 12 | 9 | 8 | 6 | 8 |
| Adult Volleyball Teams | 35 | 29 | 26 | 33 | 32 | 22 | 21 | 22 | 22 | 23 |
| Water | | | | | | | | | | |
| New Meters | 54 | 32 | 19 | 26 | 11 | 19 | 17 | 5 | 17 | 30 |
| Treated Water Pumped (millions of gallons) | 1,194 | 1,159 | 1,153 | 1,200 | 1,329 | 1,350 | 1,223 | 1,254 | 1,189 | 1,166 |
| Water Distribution Service Calls | 326 | 303 | 289 | 256 | 275 | 336 | 251 | 236 | 242 | 243 |
| Water Leaks Repaired | 92 | 100 | 33 | 70 | 93 | 94 | 58 | 40 | 52 | 26 |
| Sewer | | | | | | | | | | |
| Sewer Maintenance Service Calls | 420 | 506 | 326 | 203 | 263 | 230 | 244 | 208 | 222 | 215 |
| Refuse | | | | | | | | | | |
| Refuse Collected (tons) | 6,896 | 6,852 | 6,478 | 6,392 | 6,255 | 6,237 | 8,946 | 8,125 | 8,875 | 8,763 |
| Recycling Material (tons) | 1,303 | 1,553 | 1,286 | 1,469 | 1,637 | 1,731 | 1,956 | 1,845 | 1,265 | 1,304 |
| Yardwaste Collected (tons) | 4,200 | 4,500 | 4,600 | 4,500 | 4,500 | 4,000 | 3,800 | 4,000 | 4,000 | 4,000 |

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
Last Ten Fiscal Years

| Function | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|--------------------|-------------|-------------|-------------|
| Square Miles of the City | 8.00 | 8.10 | 8.10 | 8.1 | 8.1 | 8.1 | 9.1 | 9.1 | 9.14 | 9.1 |
| Fire | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 |
| Paid Firefighters | 17 | 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 | 27 | 27 | 28 | 27 | 26 |
| Street Operations | | | | | | | | | | |
| Miles of Paved City Streets | 79.86 | 79.98 | 79.98 | 82.2 | 82.2 | 82.2 | 83.77 | 84.65 | 85.06 | 85.06 |
| Miles of Unpaved City Streets | 2.89 | 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 | 14 | 14 | 14 |
| Parks and Recreation | | | | | | | | | | |
| Swimming Pools | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Activity Center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Ball Diamonds | 9 | 9 | 9 | 9 | 9 | 10 | 12 | 12 | 12 | 12 |
| Soccer Fields | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Water | | | | | | | | | | |
| Water Mains (miles) | 103.99 | 104.34 | 104.63 | 106.85 | 106.85 | 106.85 | ¹ 122.7 | 123.20 | 124.10 | 124.10 |
| 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 | 50.00 | 50.00 | 50.00 |
| Sewer | | | | | | | | | | |
| Sanitary Sewers (miles) | 53.10 | 53.36 | 53.41 | 53.94 | 53.94 | 53.94 | ¹ 90.8 | 91.30 | 92.00 | 92.00 |

Source: Various City Departments

¹ 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, 2016

Finding 2016-001 – Significant Deficiency (Prior Year Finding 2015-001 – 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, 2016

Finding 2015-001 – 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.

Follow-up – This finding is repeated in the current year.



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 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, 2016, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated June 28, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 2016-001 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 28, 2017
Topeka, Kansas