

CITY OF



**EL DORADO**  
KANSAS

THE FINE ART OF LIVING WELL

**COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT  
2010**

YEAR ENDED DECEMBER 31, 2010

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF EL DORADO, KANSAS

For the  
Year Ended December 31, 2010

Mayor  
Tom McKibban

Commissioner David Chapin  
Commissioner Linda Clark  
Commissioner Nick Badwey  
Commissioner Shane Krause

City Manager Herbert E. Llewellyn, Jr.

Prepared by  
Department of Finance

Tammy Schaffer  
Finance Director

CITY OF EL DORADO, KANSAS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

Year Ended December 31, 2010

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	I - IX
Organizational Chart	X
Government Finance Officers Association Certificate of Achievement	XI
FINANCIAL SECTION:	
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statements of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary Basis – General Fund	17 - 18
Statement of Net Assets – Proprietary Funds	19 - 20
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds	22 - 23
Statement of Fiduciary Net Assets – Fiduciary Funds	24
Statement of Changes in Fiduciary Net Assets – Other Postemployment Benefits Plan Trust Fund	25
Notes to Financial Statements	26 - 68

CITY OF EL DORADO, KANSAS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

Year Ended December 31, 2010

TABLE OF CONTENTS  
(Continued)

	<u>Page</u>
Required Supplementary Information:	
Schedule of Funding Progress – Retiree Health Care Benefit Plan Trust	69
Other Supplementary Information:	
Combining Balance Sheet – Nonmajor Governmental Funds	70 - 71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	72 - 73
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary Basis:	
Airport Fund	74
Major Street Improvement Fund	75
Industrial Development Fund	76
Special Parks and Recreation Fund	77
Special Alcohol Program Fund	78
Tourism Tax Fund	79
Cemetery Fund	80
Economic Development Sales Tax Fund	81
Stormwater Utility Fund	82
Debt Service Fund	83
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	84 - 85
Balance Sheet – Discretely Present Component Unit	86
Schedule of Revenues, Expenditures and Changes in Fund Balances – Discretely Presented Component Unit	87
STATISTICAL SECTION:	
Financial Trends:	
Net Assets by Component	88
Changes in Net Assets	89 - 91
Fund Balances, Governmental Funds	92
Changes in Fund Balances, Governmental Funds	93
Tax Revenues by Source, Governmental Funds	94

CITY OF EL DORADO, KANSAS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

Year Ended December 31, 2010

TABLE OF CONTENTS  
(Continued)

	<u>Page</u>
Revenue Capacity:	
Property Tax Levies and Collections	95
Assessed Value and Estimated Actual Value of Taxable Property	96
Direct and Overlapping Property Tax Rates	97
Principal Property Tax Payers	98
Debt Capacity:	
Ratios of Outstanding Debt by Type	99
Ratios of General Bonded Debt Outstanding	100
Direct and Overlapping Debt	101
Legal Debt Margin	102
Revenue Bond Coverage – Waterworks System Revenue Bonds	103
Demographic and Economic Information:	
Demographic and Economic Statistics	104
Principal Employers	105
Operating Information:	
Full-time City Government Employees by Function/Program	106
Operating Indicators by Function/Program	107
Capital Asset Statistics by Function/Program	108
 SINGLE AUDIT SECTION	
Schedule of Expenditures of Federal Awards	109
Notes to Schedule of Expenditures of Federal Awards	110
Schedule of Findings and Questioned Costs	111 - 114
Summary Schedule of Prior Year Audit Findings and Questioned Costs	115
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	116 - 117
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	118 - 119

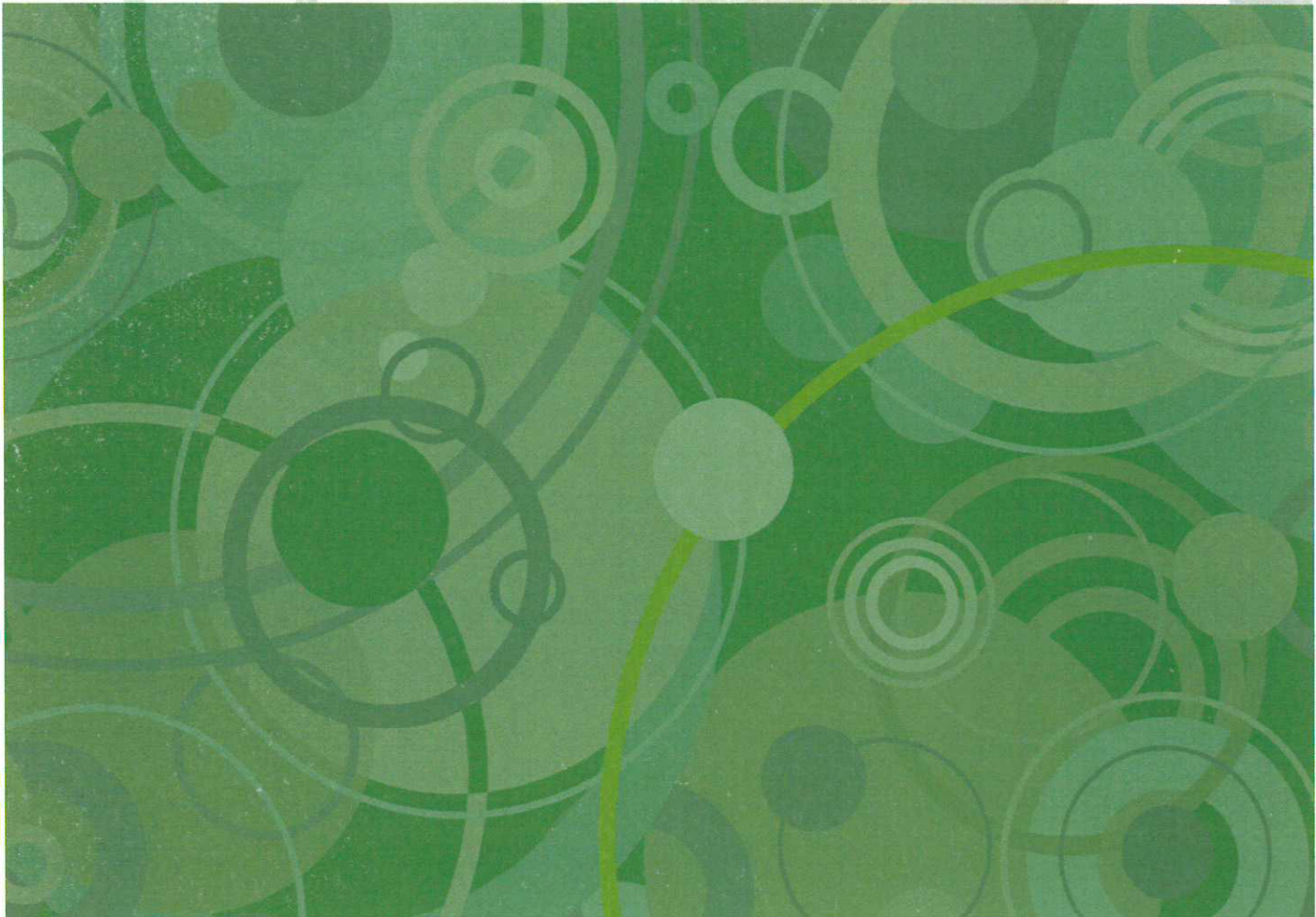
CITY OF



EL DORADO  
KANSAS

THE FINE ART OF LIVING WELL

# INTRODUCTION SECTION





## EL DORADO

THE FINE ART OF LIVING WELL

July 19, 2011

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

The Comprehensive Annual Financial Report of the City of El Dorado, Kansas, for the year ended December 31, 2010, is submitted herewith. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data as presented is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City measured by the financial activity of its various funds. Disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

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

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

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

State statutes require an annual audit of the books of accounts, financial records and transactions of all administrative departments of the City by Independent Certified Public Accountants selected by the Finance Director. The goal of the independent audit was to provide reasonable assurance that the financial statements for the year ended December 31, 2010, are free of material misstatement. The opinion of Berberich Trahan & Co., P.A. is included in this report.

### PROFILE OF THE GOVERNMENT

El Dorado is located in south-central Kansas, approximately 16 miles east/northeast of Wichita, Kansas. El Dorado is the county seat of Butler County and has a population of approximately 12,800. The City operates under a Commission-Manager form of government.

A CITY OF CHARACTER

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[www.eldoks.com](http://www.eldoks.com)

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

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

## **ECONOMIC CONDITION AND OUTLOOK**

The City continues to monitor all the economic factors that affect the local economy. The City Commission has demonstrated a strong willingness to participate in projects that will provide a significant economic boost to the community. In early 1992, the City Commission adopted a statement of policies and procedures regarding tax exemptions and incentives specifically for economic development. An amendment to the Constitution of the State of Kansas, approved by the voters in 1989, allows local governmental units the ability to issue tax incentives for economic development, more specifically, tax abatements. The City Commission continued to utilize tax incentives in 2010. All applications are carefully reviewed to determine that the cost-benefit analysis justifies the proposed abatement.

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

A Memorandum of Understanding involving the City, El Dorado Inc., Convention and Visitors Bureau, and Chamber of Commerce was signed near the end of 2007, allowing the Executive Director of El Dorado Inc./Convention and Visitors Bureau to focus entirely on economic development and tourism in the community. The comprehensive marketing plan developed with the help of a consultant in 2008 was reviewed, updated and implemented in 2009. These marketing efforts continued and expanded in 2010 to include an initiative that invited private sector businesses to partner in an effort to market the City of El Dorado. The anchor to this initiative is the [www.360eldorado.com](http://www.360eldorado.com) web site. It features government, civic organizations and private businesses in a visually appealing and informational format. As the anchor, the web site can be referred to in television, radio, billboards, social and print media as the resource for "Everything El Dorado". In 2010, the City contributed \$22,000 and the private sector \$23,840 to the program increasing the dollars available for promotions and maximizing the efforts of existing staff.

There were many positive results of economic development efforts during the 2010 year. They are partially illustrated by the City of El Dorado issuing 14 commercial permits during 2010 totaling \$11,572,737. This is considerably higher than the 12 year average of \$4,792,234.

The infrastructure improvements in the El Dorado Industrial Park funded by special assessments, a \$750,000 CDBG grant in 2009 from the Kansas Department of Commerce and a \$1,000,000 Economic Development Administration (EDA) grant were completed in 2010. The scope of the EDA and CDBG project includes extension of a rail spur to be used by Barton Solvents and BG Products, as well as construction of a public road and water and sewer extensions to serve the needs of BG Products, Barton Solvents, Pioneer Balloon and 17 acres owned by the City. These improvements have been very beneficial to the City of El Dorado by helping to insure the development projects proposed by BG and Barton Solvents as well as making the 17 acres owned by the City more attractive to potential prospects.

Barton Solvents, a stocking wholesale distributor of industrial chemicals, oils, surfactants, and plasticizers, began construction of an office building and warehouse facility in the El Dorado Industrial Park at a cost of \$4,730,000 in 2010. The El Dorado location will be used as a distribution branch serving Kansas and Oklahoma. Future construction will include a tank farm of up to 50 storage tanks. The project will bring 25 new jobs to El Dorado. Barton is locating on the newly constructed rail spur near BG Products in the El Dorado Industrial Park. BG representatives have indicated Barton Solvents as their biggest provider of base products. The co-location will be beneficial to both businesses.

BG Products began expansion in El Dorado in 2006. The company manufactures automotive chemicals and additives designed to extend the life of vehicles and improve their performance. The products are distributed throughout the United States and in 50 international markets. In August 2006, the City Commission approved a Resolution of Intent to issue Industrial Revenue Bonds in an amount not to exceed \$32,000,000 for BG to acquire, construct, install, and equip manufacturing and commercial facilities in the City's industrial park. In December 2006, the company purchased a 50,000 sq. ft. spec building to be used as a distribution center. Renovation of that facility, including a 3,000 sq. ft. addition, was completed in 2007. Through eminent domain proceedings, the City Commission obtained a 30-acre tract of land located in the Industrial Park. In June 2008, BG purchased that tract and an additional 19-acre tract from the City for the purpose of constructing a manufacturing facility that would be served by the Union Pacific Railroad. It is anticipated the proposed facility will include sufficient equipment to produce the majority of the product line currently produced in Wichita and a million gallon tank farm. Employment for this phase is estimated at 60. In 2008, BG sold approximately 19 acres of this parcel to Barton Solvents. Prior to any plans being made to relocate to El Dorado, BG had purchased a 40,000 sq. ft. building in the El Dorado Industrial Park in 2005 for investment purposes. The business that had occupied the building vacated, allowing BG to move their tools and equipment division to El Dorado in 2009. This brought 20 additional employees to El Dorado, increasing the total employment to 35 employees at the end of 2009. During 2010, BG Products worked with process engineers and architects to design a new manufacturing facility to be built in the El Dorado Industrial Park. At the end of 2010, cost estimates were being reviewed by the BG Board of Directors with an anticipation of breaking ground in 2011. In December 2010, BG purchased a 5,000 sq. ft. building and land from the City of El Dorado that was adjacent to their parts and equipment facility. It is anticipated BG will relocate another support business to this building in the future.

In July 2010, the owners of Lake Point El Dorado, LLC requested Butler County issue taxable industrial refunding and improvement revenue bonds for the benefit of Lake Point El Dorado. The 2010 bonds would be used to refund a 2003 Bond issue allowing the financing of both the existing nursing facility and construction of a new assisted living facility. The project requested a 10 year tax abatement on the new assisted living facility and agrees to pay in lieu of taxes each year for the 10 years in the amount due on the property for 2009. In August 2010, the El Dorado City Commission passed a resolution approving Butler County's issuance of the proposed industrial revenue bonds for Lake Point El Dorado, LLC and the accompanying ad valorem property tax abatement for the bond finance facility be adopted. Construction of the 33-unit, 33,000 sq. ft. assisted living facility began in 2010 at a cost of \$3,500,000 and is expected to create 40 new jobs.

Commerce Bank began the construction of a new community bank headquarters in late summer 2010. The facility is expected to open in 2011. The new full service banking center will office the financial team members who provide Consumer, Commercial, Trust, Private Banking, and Brokerage services. The banking center is

5,200 square feet of space, including a drive-up with four lanes, a drive thru ATM and safe deposit boxes. Cost of construction is anticipated to be \$1,700,000.

Hope Covenant Church formed as a bible study in 2003. Soon thereafter, the organization began renting the El Dorado Civic Center for Sunday service. In 2010, with a still expanding and devoted congregation, the organization broke ground on a new facility. The church is being constructed on a 7 acre parcel just off north Main Street for an estimated \$750,000.

Numana, Inc. is a nonprofit hunger relief organization with the mission to empower people to save the starving. Through meal packaging events, Numana sends food to countries where intense insecurity exists. With the explosion of the Numana project in 2010 their need for a warehouse facility became critical. In April 2010, the City of El Dorado provided a solution to their need by selling a building and 4 acres at 405 S. Boyer to the organization for \$1. The agreement includes the return of the building to the City if Numana ever vacates. Numana can now invest in establishing the headquarters for their organization in El Dorado, Kansas. El Dorado has the benefit of the jobs created as well as the revenue that is generated by visitors to the Numana headquarters. Additionally, several packaging events have been held in El Dorado that attracted volunteers from outside of Butler County, Kansas.

The Butler Community College R.D. Hubbard Welcome Center completed construction of a new building on the El Dorado campus at a cost of \$4,267,000. The Welcome Center serves as the college's point of welcome for visitors, alumni, and potential students and their families. The facility features an 800-seat community center, as well as offices for the college president and foundation/alumni relations personnel. The building includes several college and community meeting rooms. This facility will allow El Dorado to host small convention-type events, providing a positive impact on the City's sales and bed tax revenues.

The Business Park, completed in 2002, has lots still available for construction. The goal is to attract business-type tenants in the north half of the property and industrial in the south half. A \$3,500,000 Holiday Inn Express and Suites, a mid-price franchise lodging facility that opened in the fall of 2007, was the first business to locate in this park. In 2009, Flinthills Services, Inc., an organization that provides services to individuals with developmental disabilities in Butler County, was the second entity to construct a facility in the area. The 20,000 sq. ft. facility was built at a cost of \$2,175,000 and retained 77 jobs with 2 new jobs created.

In 2010, Natural Pet Care Center built a third facility in the business park. The 5,500 sq. ft. facility is home to an animal care clinic and leases space to a local chiropractor. Natural Pet Care Center provides veterinary services primarily to small animals. However, they have created a partnership with the chiropractor to provide the unique service of chiropractic intervention for large animals, such as horses. The facility was constructed for \$350,000 and created 3 new jobs.

In 2005, citizens of the community approved a \$19,140,000 bond issue for improvements at the El Dorado High School. Construction began in 2006 and was completed in 2009. In 2009, a 90 member Facilities Task Force began evaluating USD 490 facility and curriculum needs. After a year they presented a comprehensive plan to the Board of Education, which included new buildings. In November 2010, USD 490 voters passed a \$36 million bond issue to build Phase I of the plan; a new grade school and a new middle school. The new Pre-K through 5<sup>th</sup> grade school will have capacity for 360 students and will be built on the site of existing Skelly Grade School. The new middle school will have a 500 student capacity and will be built on a new 20 acres site to be determined. Phase I is expected to be completed in 2014. This project will provide both short-term and long-term economic benefits. The contract workers will bring additional sales in such items as materials, tools, food and lodging, and the community will benefit from efficient and modern facilities that will help attract new businesses and families to El Dorado.

Main Street continued with its very aggressive and successful purpose of enhancing the downtown identity and heritage. The State offers technical assistance to this program. They continue to work to ensure an economic

stability for the heart of El Dorado. This is accomplished through many efforts of design, promotion, organization, and economic revitalization committees. El Dorado Main Street continued to receive awards in 2010. The first award was for Volunteer Development and the second award was received to be given to a special person in the community. The City funded Main Street in 2010 at a level of \$30,000.

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

While other areas of the country have been hit very hard by the economic downturn, El Dorado has continued to be very fortunate to realize minimal negative overall effects in 2010. Property tax collections, the City's biggest source of revenue, were on target with past years. Sales tax collections, on the other hand, decreased 10.97% from 2009 to 2010. The number of foreclosures in El Dorado continued to be at a normal level in 2010, although the average value of the properties foreclosed on increased slightly. Local realtors have indicated there is a waiting list of individuals interested in purchasing foreclosed properties. Additionally, data on the number of sheriff's deeds issued indicates the majority of the properties have been refinanced, brought current, or sold before the owners actually lost the properties.

In 2009, the City implemented some initiatives to boost residential construction. City staff met with builders to better understand the issues. As a result, in May the City Commission authorized amortizing specials on improvements for new subdivisions over a period of 20 years with even annual principal and interest payments. They were previously assessed over 15 years with even principal and declining interest payments. The City Commission also authorized an amendment to the Neighborhood Revitalization Program in July in an effort to stimulate housing starts and to create jobs for contractors. The approved changes to the plan included allowing new construction and rehabilitation of residential properties in all areas of the city for a period of six months that began August 1<sup>st</sup>, with a rebate period of five years and a cap of \$175,000 in appraised value of improvements that are eligible for the rebate. The program appeared to be successful, as 11 of the 15 new residential building permits issued in 2009 were purchased in the last five months of the year after the program's implementation. The program continues to be successful in 2010 with the residential building permits increasing to 17. The program will continue through September 1, 2011.

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

## Capital Improvement Plan

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

## Major Initiatives

The City was awarded a \$400,000 CDBG grant in 2008 to assist in funding \$1,350,000 in sewer improvements throughout El Dorado. The improvements include increasing the pumping capacity of the Eighth Avenue lift station that serves residents in the northeast area of El Dorado, rehabilitating 230 sewer manholes, enlarging the gravity sewer main to the Eighth Avenue lift station to eliminate bottlenecking flows from the north, and sewer improvements on Douglas Road and Tenth Avenue. Rebuilding of the lift station was in progress at the end of 2009, and a new force main had been installed. Sewer manhole rehabilitation and the Tenth Avenue sewer improvements were also completed in 2009. The remainder of the work was finished in 2010, including completion of the lift station, Douglas Road improvements, and enlargement of the gravity sewer main.

A water distribution study performed by an engineering consulting firm was completed in 2008, identifying several water issues. The firm recommended changes be made in two phases. Phase I includes increasing water pressure to the west end of the City by placing a pump station in the El Dorado Industrial Park and placing four new 12-inch waterlines in western El Dorado. Phase II includes installing a 24-inch waterline running to the west end of the community from the water plant on the east side of El Dorado. Construction began on Phase I in the fall of 2009 and was completed in 2010 with a cost of \$1,288,782.

The City was awarded \$750,000 in stimulus funds in 2009 from the Kansas Department of Transportation for the repaving of Sixth Avenue and Boyer Road from Highway 254 to Metcalf. The funds were provided to the State through the American Recovery and Reinvestment Act of 2009 (ARRA) for highway and bridge projects. In addition to improving two intersecting major collector streets in El Dorado, drainage improvements were included in the project to resolve flooding issues in two areas. Additionally, design considerations were made to reduce the speed of traffic in the area of Oil Hill Elementary School in order to increase the safety of those children. A contract was awarded in January 2010 and the estimated total cost of the project is \$3 million.

The City received approval in 2009 from the Kansas Department of Health and Environment (KDHE) for \$460,999 through the Kansas Public Water Supply Revolving Loan Fund. The State received the funds through ARRA to fund wastewater system improvement projects. The funding will be provided to the City through an amendment to an existing low-interest revolving loan. The proceeds will finance improvements at the sewer lift station that serves the El Dorado Correctional Facility and the Butler County jail. Debris from these two facilities has entered the lift station, resulting in deterioration of the pumps and motors. The improvements include screening equipment to remove debris from the waste stream entering the lift station, preventing future damage to new pumps and motors. The project was selected to receive principal forgiveness for qualifying "green design" improvements to the pumps, variable frequency drive motors, and controls, as well as for the new screening equipment. As of the end of 2009, \$193,000 of the amount authorized for the revolving loan was approved for principal forgiveness. However, the City remained in discussions with KDHE in order to increase the amount of the principal forgiveness and was notified in March of 2010 the principal forgiveness would be increased to \$301,000. This project was completed in October of 2010.

The City of El Dorado, USD #490, and Butler Community College continued discussions in 2010 concerning the need for either improvements at the existing football stadium or construction of a new facility. A committee made up of representatives of each of the three entities was formed in 2007, and a consultant was hired early in 2008 to assist in determining the overall needs for the stadium. Many sites were considered. Three sites were

intensely scrutinized, including renovation of Blackmore Stadium, the existing facility. An architectural firm was also hired in 2008 to evaluate the proposed sites and determine costs related to each. A temporary office was established by the committee members to give citizens in the community an opportunity to ask questions and provide input. In early 2009, the committee recommended acquisition of land located on the southeast corner of Haverhill Road and Central Avenue for construction of a new stadium. The property was owned by the American Legion and utilized as a public golf course. In November 2009, the City entered into a 99-year lease with the American Legion to secure the property for the proposed new facility, residential and commercial development, and stormwater control. A topographical survey was then performed, and preparation of a preliminary site plan began. On March 1, 2010 the City of El Dorado, USD #490, and Butler Community College signed an agreement to the establishment of the Educational Facilities Authority of Butler County (EFABC). The EFABC was developed to facilitate the construction of improvements for a football stadium/track and field complex and the future acquisition, development, improvement, renovation and repair and operation of the facility.

With the potential closing of the American Legion Golf Course, the City Commission expressed a desire to preserve public golf in El Dorado. Options were researched, and the Commission subsequently authorized purchase of the Prairie Trails Country Club. The City closed on the purchase of the property on December 31, 2009. The facility will be operated as a municipal golf course and restaurant. In March of 2010, Kemper Sports Management, Inc. was hired to operate and manage the facility which became known as the Prairie Trails Golf and Dining. Since then they have made several improvements. They updated the kitchen with new equipment, built a cart building to charge and store 55 new golf carts, purchased a beverage cart, and built a bathroom in the pool area.

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

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

In July 2009, the City Commission authorized a new retirement program to be implemented on January 1, 2010. Prior to that, all eligible employees were enrolled in the Kansas Public Employees Retirement System (KPERs), and contributions were made by both the employer and the employees. Eligible employees could also opt to make contributions to the International City Management Association – Retirement Corporation (ICMA-RC), without any City matching contribution. Unfortunately, the police and fire departments were struggling with employee retention issues due to neighboring cities providing the more appealing benefit of membership to the Kansas Police and Fire retirement system (KP&F), which offers much greater retirement benefits than those of KPERs. A new retirement program was therefore initially presented to the City Commission in 2008. Under the proposal,

eligible police and fire officers would become members of KP&F, requiring a substantial increase in the employee and employer contributions over the amount that had been contributed to the KPERS system. Therefore, for the purpose of parity, the proposal also included employer matching contributions to ICMA-RC for non-police and fire personnel. The new program was estimated to cost approximately \$330,000 annually. The impact to the mill levy funds was approximately \$210,000, an increase of 2.6 mills. A final decision to proceed was not made by the Commission in 2008 due to concerns about the economy; however, authorization was given to levy one mill to build funds toward this purpose, with a final decision to be made at a later time. In 2009 during the preparation of the 2010 budget, the City was able to absorb the remaining 1.6 mills through reductions in other areas to avoid the need for an increase in the mill levy. Authorization to proceed in 2010 was then granted.

The City began looking into the feasibility of wind power early in 2010. A \$250,000 Department of Energy grant was discovered and further investigation found the City was eligible for this assistance. A consultant was hired to assist in determining the feasibility and the City met with our electrical provider, Westar Energy, to determine whether they were amenable to an interconnect and net metering for a wind turbine. Westar indicated their support for the project and the City proceeded with the feasibility study. The study indicated a very favorable ROI for a 1 MW wind turbine. The Department of Energy volunteered to pay for the next step in the process, an Environmental Assessment, at a cost of about \$52,000.

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

The City approved renewal of the Neighborhood Revitalization Program near the end of 2008 for an additional three-year period. This plan was first implemented in 1996 with the intent to offer an incentive to property owners to revitalize certain areas of the community. The legislation is aimed at encouraging the elimination of abandoned houses and properties, rehabilitation of existing structures, or construction of new structures through a tax rebatement incentive based on the increased valuation of the improvements to the property. The year of 2010 was the fourteenth full year of this successful program. Nearly 188 properties have participated, increasing appraised values \$14,083,610 during this 14-year period.

At year-end, the City had \$167,674 of uncommitted sales tax. The ordinance states that these monies must be used for street rehabilitation, property tax reduction, capital improvements, and economic development. The City Commission received a recommendation from the Sales Tax Advisory Committee on funding certain projects. The recommendation was approved by the City Commission in 2010 for inclusion in the 2011 budget. The items approved included Lake Softball Complex, Main Street Sidewalks from Post Road to McCollum Road, Canine for Police Department, and property tax reduction of 3.49 mills. This source of revenue continues to be a viable and important source of funding and enhances the quality of life within the community.

## AWARDS AND ACKNOWLEDGEMENTS

### Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of El Dorado, Kansas, for its Comprehensive Annual Financial Report for the year ended December 31, 2009.

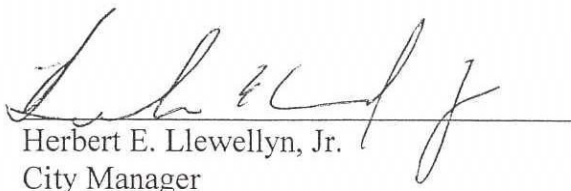
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

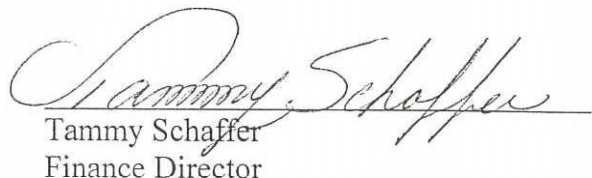
### Acknowledgements

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

Respectfully submitted,

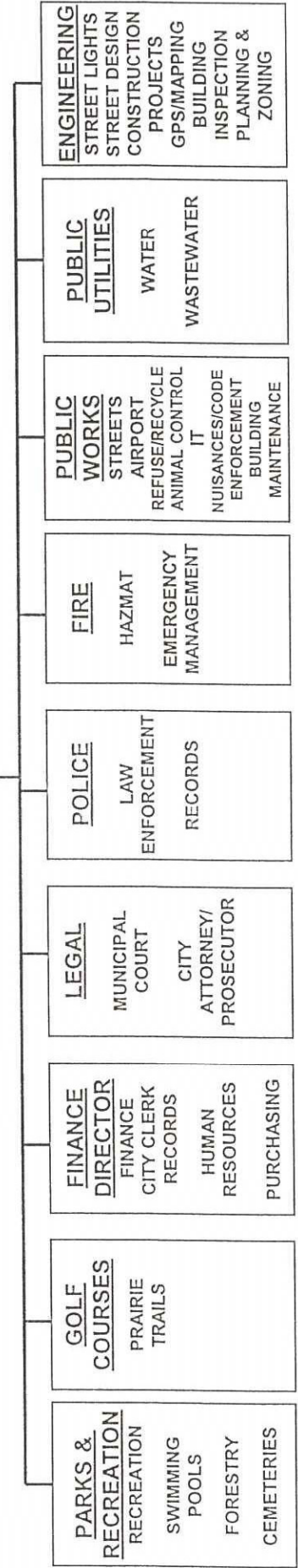
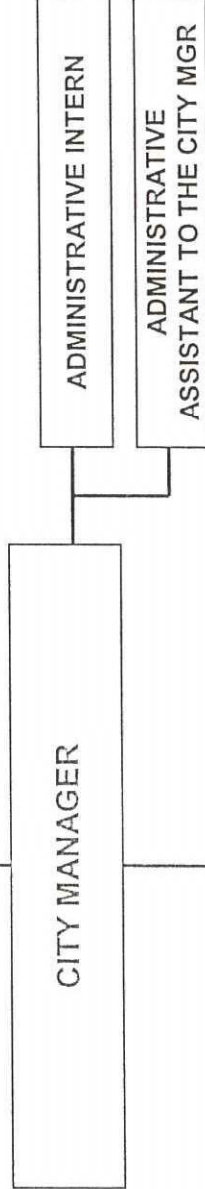
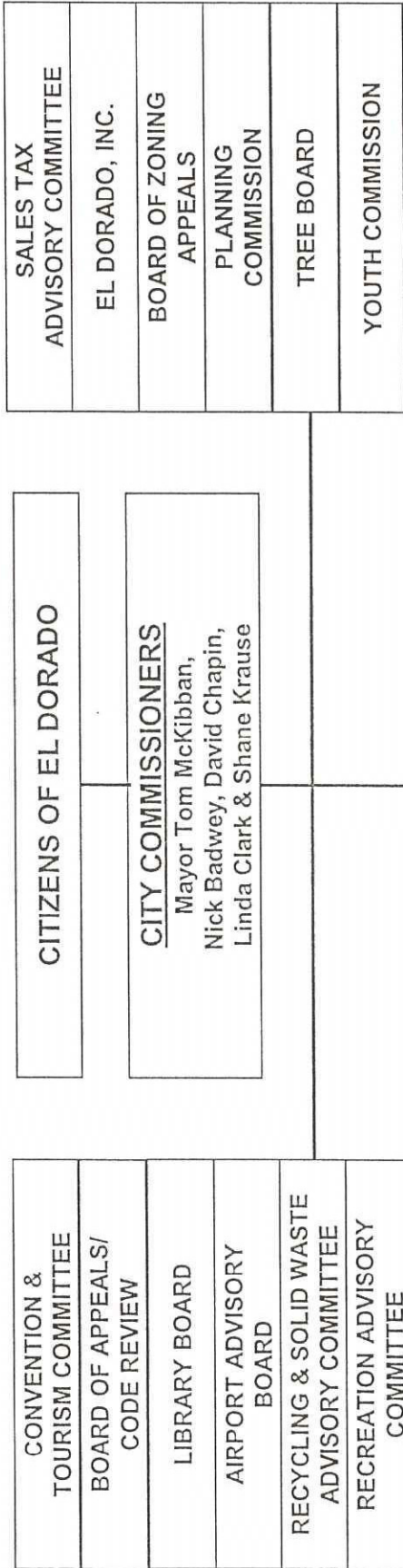


Herbert E. Llewellyn, Jr.  
City Manager



Tammy Schaffer  
Finance Director

HELjr/DAG:mam



# 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, 2009

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



President

Executive Director

CITY OF



EL DORADO  
KANSAS

THE FINE ART OF LIVING WELL

**FINANCIAL  
SECTION**





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

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and  
City Commissioners  
El Dorado, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of El Dorado, Kansas (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of El Dorado, Kansas, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the 2009 financial statements and, therefore the January 1, 2010 net asset balances, have been restated to reflect the changes as described in Note 1 to the financial statements.

BERBERICH TRAHAN & CO., P.A. 3630 SW Burlingame Rd., Topeka, KS 66611-2050 T 785-234-3427 toll-free 800-530-5526 F 785-233-1768 btandco@pa.com

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 and the Schedule of Funding Progress on page 69 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining nonmajor fund financial statements and schedules, statistical tables, and single audit compliance schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements and schedules and single audit compliance schedules, including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Berberich Trahan & Co., P.A.*

July 19, 2011

## 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, 2010. The information contained here, as well as the information contained in the letter of transmittal, are intended to provide the reader of the financial statements with an overall picture of the City's financial condition.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements of the City include the government-wide financial statements and the fund financial statements. The notes to the financial statements follow the basic financial statements and are essential for the reader's understanding of the financial statements. This report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide post employment benefits to its employees. Other supplementary information is also included at the end of this report to provide additional information for the reader.

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

#### Government-Wide Financial Statements

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

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

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

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

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

### Fund Financial Statements

A fund is a fiscal entity with a set of self-balancing accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of El Dorado, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide more information about the City's most significant funds – not the City as a whole. All of the funds of the City of El Dorado can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Proprietary funds fall into two categories: enterprise funds and internal service funds. All proprietary funds are prepared on the accrual basis of accounting. Enterprise funds are used to account for business-type activities. Enterprise fund statements present the same information that is in the government-wide statements for business activities, only in greater detail. The City's water, sewer, and refuse services are accounted for as enterprise funds. Internal service funds are used to account for the cost of operations shared by various functions of the City. The City uses one internal service fund to account for its data processing activities. In the government-wide statements, the information for the internal service fund is predominantly presented as part of the 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 Agency Fund, Revolving Loan Fund, Neighborhood Revitalization Rebate Program Fund, and the Payroll Withholding Fund. The fiduciary funds are combined into one column on the fiduciary fund statement. A combining statement can be found in the supplementary information following the notes to the financial statements.

## FINANCIAL ANALYSIS OF THE CITY

### Net Assets

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

City of El Dorado, Kansas  
Net Assets  
As of December 31, 2010  
(with comparative totals for December 31, 2009)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$15,806,588	\$16,264,532	\$10,962,445	\$ 9,780,328	\$26,769,033	\$26,044,860
Capital assets	<u>44,353,028</u>	<u>39,907,212</u>	<u>59,818,809</u>	<u>35,371,359</u>	<u>104,171,837</u>	<u>75,278,571</u>
Total assets	<u>60,159,616</u>	<u>56,171,744</u>	<u>70,781,254</u>	<u>45,151,687</u>	<u>130,940,870</u>	<u>101,323,431</u>
Long-term liabilities	13,003,552	10,887,687	56,524,256	16,526,618	69,527,808	27,414,305
Other liabilities	<u>5,119,041</u>	<u>5,480,699</u>	<u>1,850,390</u>	<u>913,046</u>	<u>6,969,431</u>	<u>6,393,745</u>
Total liabilities	<u>18,122,593</u>	<u>16,368,386</u>	<u>58,374,646</u>	<u>17,439,664</u>	<u>76,497,239</u>	<u>33,808,050</u>
Net assets:						
Invested in capital assets, net of related debt	34,324,735	28,633,981	18,122,626	18,932,616	52,447,361	47,566,597
Restricted	4,952,971	4,194,764	0	4,291,580	4,952,971	8,486,344
Unrestricted	<u>2,759,317</u>	<u>6,974,613</u>	<u>(5,716,018)</u>	<u>4,487,827</u>	<u>(2,956,701)</u>	<u>11,462,440</u>
<b>Total net assets</b>	<u>\$42,037,023</u>	<u>\$39,803,358</u>	<u>\$12,406,608</u>	<u>\$27,712,023</u>	<u>\$ 54,443,631</u>	<u>\$67,515,381</u>

The City's overall financial position has diminished, with a decrease in net assets of \$13,071,750. That amount is the net difference of an increase in the governmental activities and a decrease in the business-type activities. The governmental activities increased approximately \$2.23 million due to the net effect of several items. The beginning net assets for governmental activities were restated to record taxes receivable. The effect of this restatement on the beginning balance was an increase of \$439,804. Non-current liabilities due in more than one year increased \$1.75 million. General obligation bonds in the amount of \$1,648,262 were issued in 2010, paying off temporary notes totaling \$655,000 and funding several other projects.

The net assets of business-type activities decreased \$15,305,415. This decrease is primarily due to a prior period adjustment to the beginning net assets for the waterworks system to properly record the water storage space note payable and water storage space asset. The effect of this restatement on the beginning balance was a decrease of \$15,560,918. In addition, a prior period adjustment to the beginning net assets for the waterworks system was recorded to reflect revised estimated historical costs of capital assets. The effect of this restatement on the beginning balance was an increase of \$203,402. There was also a prior period adjustment for the Sewer System to reflect revised estimated historical costs of capital assets. The effect of this restatement was a decrease of \$12,484.

## Governmental Activities

The table below shows the condensed revenues, expenses and change in net assets for 2010 and 2009.

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,973,710	\$ 2,512,236
Operating grants and contributions	717,788	2,830,120
Capital grants and contributions	3,245,441	6,017,908
General revenues:		
Property taxes	3,857,069	4,254,049
Sales taxes	2,149,953	2,295,901
Franchise taxes	1,090,324	1,496,324
Tourism taxes	141,187	154,538
Investment earnings	28,447	41,448
Total revenues	<u>14,203,919</u>	<u>19,602,524</u>
Expenses:		
General government	1,671,142	2,043,993
Public safety	3,742,666	3,434,979
Public works	3,201,411	2,444,611
Health and sanitation	415,808	380,489
Culture and recreation	2,018,666	1,391,219
Economic development	173,649	245,863
Environmental protection	-	28,515
Interest on long-term debt	397,343	537,940
Total expenses	<u>11,620,685</u>	<u>10,507,609</u>
Change in net assets before transfers	<u>2,583,234</u>	<u>9,094,915</u>
Transfers in	<u>39,401</u>	<u>177,610</u>
Change in net assets	<u>2,622,635</u>	<u>9,272,525</u>
Net assets, beginning of year, as originally stated	39,803,358	30,530,833
Prior period adjustment	(388,970)	-
Net assets, beginning of year, as restated	<u>39,414,388</u>	<u>30,530,833</u>
Net assets, end of year	<u>\$ 42,037,023</u>	<u>\$ 39,803,358</u>

The decrease from 2009 to 2010 in operating grants and contributions is due to several items. The large contribution made to the Prairie Trails restaurant/golf course fund; funds were collected in settlement of the cemetery lawsuit; several large insurance reimbursements were received from the May 8<sup>th</sup> wind storm; and a receivable was set up for KLINK resurfacing from the State of Kansas in 2009. The decrease in capital grants and contributions is due to a sale of the building in the industrial park in 2009. The increase in expenses is due to the support of operations of the Prairie Trails restaurant/golf course.

## Business-Type Activities

The table below shows the condensed revenues, expenses and changes in net assets for 2010 and 2009.

	<b>Business-Type Activities</b>	
	<b>2010</b>	<b>2009</b>
Revenues:		
Program revenues:		
Charges for services	\$ 7,600,830	\$ 7,141,088
Capital grants and contributions	-	329,981
Investment earnings (loss)	318,628	(526,735)
Total revenues	<u>7,919,458</u>	<u>6,944,334</u>
Expenses:		
Waterworks system	4,371,604	3,496,339
Sewage system	2,076,189	2,354,435
Refuse	1,367,679	1,859,452
Total Expenses	<u>7,815,472</u>	<u>7,710,226</u>
Change in net assets before transfers	103,986	(765,892)
Transfers out	(39,401)	(177,610)
Change in net assets	<u>64,585</u>	<u>(943,502)</u>
Net assets, beginning of year, as originally stated	27,712,023	28,655,525
Prior period adjustment	(15,370,000)	-
Net assets, beginning of year, as restated	<u>12,342,023</u>	<u>28,655,525</u>
Net assets, end of year	<u>\$ 12,406,608</u>	<u>\$ 27,712,023</u>

The water, sewer, and refuse utilities are the business-type activities of the City of El Dorado. The increase in charges for services is a combination of a staff that uses the ability of our shut off system to enhance customers to pay their bills in a more timely fashion, and a utility billing department that accurately bills a couple of large customers that were not being billed correctly in 2009. There were prior period adjustments done in 2010 which decreased net assets by \$15,370,000. This decrease is primarily due to a prior period adjustment to the beginning net assets for the waterworks system to properly record the water storage space note payable. The effect of this restatement on the beginning balance was a decrease of \$15,560,918. In addition, a prior period adjustment to the beginning net assets for the waterworks system was recorded to reflect revised estimated historical costs of capital assets. The effect of this restatement on the beginning balance was an increase of \$203,402. There was also a prior period adjustment for the Sewer System to reflect revised estimated historical costs of capital assets. The effect of this restatement was a decrease of \$12,484.

## **FUND ANALYSIS**

Overall, there was a decrease in fund balance of approximately \$2.5 million in the City's governmental funds as a result of 2010 operations. There was a prior period adjustment that caused a net increase of \$236,572 for the governmental funds as follows: An increase which resulted from taxes receivable being increased by \$290,395 in the general fund; a decrease which resulted from construction in process being decreased by \$203,232 in the construction fund; an increase which resulted from taxes receivable being increased by \$104,087 in the major street improvement fund; and an increase which resulted from taxes

receivable being increased by \$45,322 in the tourism non-major fund. A major cause in the decrease in the general fund balance is due to the support of operations of the Prairie Trails restaurant/golf course in the culture and recreation fund. An increase in depreciation is due to several major infrastructure projects totaling \$3,256,872 that were completed and capitalized. Such projects consist of sidewalk replacement in various locations within the City and from 12<sup>th</sup> Avenue to Post Rd; Resurfacing Atchison (Car Avenue to Towanda Avenue), Park Avenue (Arthur Street to Douglas Rd), and Skelly Street (Finney Avenue to Towanda Avenue); and a paving and storm drainage project, (Boyer to 6<sup>th</sup> Street).

Net assets in the debt service fund increased by \$137,398 partially due to \$87,000 in excess of proceeds of the 2010 GO Bond to the debt service and sewer funds where payments will be made. Included in the 2002 and 2004 GO Bonds was partial funding for the City Hall remodel project that was transfers from the general fund to the debt service fund of \$75,000.

The beginning fund balance in the construction fund on the balance sheet was restated to properly record construction in progress in an enterprise fund. The effect of this restatement on the beginning balance was a decrease of \$203,232. Overall the net assets in the construction fund decreased by \$109,321. Expenditures were over revenues by \$3,760,457 due to the completion of several major infrastructure projects. These projects, totaling \$5,983,749, consisted of street, sidewalk, storm drainage, water, and sewer improvements. The City received \$1,752,939 more in grant money to use towards the projects. Two temporary notes were issued, one at \$2,000,000 for the Boyer Road Paving project and the second for \$740,000 for the Water Line, Sanitary Sewer, and Paving Improvements/NW El Dorado Industrial Park. There was also a transfer of sales tax money into the construction fund from the general fund to fund the projects approved by the sales tax committee.

Net assets in the business-type activities decreased \$15,222,768. There was a prior period adjustment that caused a net decrease of \$15,370,000 for the business-type activities. A decrease of \$15,560,918 which resulted from the water storage space note payable being increased by \$38,649,573 and the water storage space asset being increased by \$23,088,655; an increase of \$203,402 in the waterworks system major proprietary fund to reflect revised estimated historical costs of capital assets; and a decrease of \$12,484 in the sewer major proprietary fund to reflect revised estimated historical costs of capital assets.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The actual budgetary revenue exceeded the expectations of the budget by \$139,178. Franchise tax collections were well above the amounts budgeted. Charges for services revenue reflects a positive variance as a result of higher than anticipated fire protection receipts. Additionally, there were several revenue sources that were above the expectations of the budget such as recreation concessions, fines and forfeitures, court cost, and diversion fees. Additionally, reimbursements unanticipated at the time the budget was prepared were received.

Expenditures were \$2,962,467 less than budgeted. Administration expenditures reflect a positive variance due to several long tenured positions becoming vacant and these vacant positions replaced at entry level. Also, a special project was budgeted which never materialized, therefore, nothing was spent for the budgeted project. Public safety expenditures were less than expected mainly due to reduced personnel costs in the police department. Several positions were vacant for a period of time due to the lack of qualified applicants. Additionally, the actual amount of transfers out was less than budgeted.

This is due to the City Commission authorizing an additional 3.49 mills of sales tax to remain in the general fund for property tax reduction.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### Capital Assets

The total amount invested in capital assets during 2010, net of current year depreciation, was \$8,046,420. Some of the major additions to capital assets included street, sidewalk, and storm drainage infrastructure improvements (\$3,256,872), construction in process related to water and sewer improvements in the city and various infrastructure projects (\$2,617,062), Prairie Trails beverage cart, cart barn, and tractor with loader (\$129,464), various park improvement (\$66,984), refuse truck, bucket truck, patrol vehicles, loader, backhoe, dozer, tractor, and various other vehicles and equipment (\$400,758) and miscellaneous improvements and land acquisitions (\$39,888).

Additional information about the City's capital assets can be found in Note 6 of the Notes to the Financial Statements.

### Debt Administration

The City issued General Obligation bonds in the amount of \$2,195,000 in 2010. These bonds were assigned an "A+" rating by Standard & Poor's. The capacity of the City to issue additional general obligation debt decreased in 2010 from \$21,080,925 to \$18,329,269. The ratio of net bonded debt to estimated actual value and the net bonded debt per capita are useful indicators of the City's debt position. The ratio of net bonded debt to estimated actual value decreased from 1.99% in 2009 to 1.96% in 2010, and the net bonded debt per capita decreased from \$867 in 2009 to \$848 in 2010.

Additional information about the City's long-term debt can be found in Note 8 of the Notes to the Financial Statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

In 2011 (2012 budget), the mill levy is anticipated to remain at the same level as 2010. 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 2011. Sales tax will continue to be a significant revenue source for the City. The property tax would currently be approximately 20 mills higher to fund the City's operations without the local sales tax. The City continues to improve its infrastructure through the street maintenance program, funded by sales tax monies.

## **OTHER POTENTIALLY SIGNIFICANT MATTERS**

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

- The federal fund exchange program is a voluntary program that allows local public agencies to trade all or a portion of its federal fund allocations in a specific federal fiscal year with KDOT in exchange for state transportation dollars. This funding which amounts to \$164,514 will improve the intersection of Vine Street and Central Ave. This is a heavily traveled intersection that also serves as the City's Truck Route. The project will be completed in 2011.
- BG Products is preparing to construct a second manufacturing facility in El Dorado. They currently have several operations in El Dorado including shipping and warehousing, and tool development. They are also working to develop software operations in El Dorado. BG Products has requested 64 million in industrial revenue bonds. These bonds are secured by the property and subsequent development and not subject to payment from the City of El Dorado.
- At this time, Unified School District 490 has declared that they do not have the capacity to fund their one-third share of the stadium. They do intend to seek support for an extension of their current capital mill levy. That cannot be finalized until fall of 2011. The Authority asked Butler Community College and the City of El Dorado to guarantee USD 490's contribution until they know if they have money for their one-third. As a result, both the City of El Dorado and Butler Community College are now asked to guarantee the entire financial obligation for the development of the stadium. In the event that they are unable to or until USD 490 solidifies funding, Butler Community College has agreed to guarantee their half of USD 490's financial obligation. Should the City agree to guarantee the remaining portion, its share of the school district's obligation would currently raise the City's contribution level to \$4,500,000 on a \$9,000,000 project. The City of El Dorado committed to an amount not to exceed three million dollars to the Sports Authority for the purpose of building a football stadium as of June 2011.
- The City began looking into the feasibility of wind power early in 2010. In order to secure the wind turbine project, the City needed to sign a deposit agreement with Nordic and send a 97.5% refundable deposit of \$690,000. There will be a \$17,250 loss to the City if the project does not go forward.

## **REQUESTS FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**

CITY OF EL DORADO, KANSAS

STATEMENT OF NET ASSETS

December 31, 2010

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Library
<b>Assets:</b>				
Cash and investments	\$ 7,021,723	\$ 9,734,531	\$ 16,756,254	\$ 242,105
Receivables, net of allowance for uncollectibles:				
Taxes	6,607,900	-	6,607,900	356,600
Accounts	343,799	1,092,539	1,436,338	468
Accrued interest	19,557	-	19,557	-
Due from other governments	1,631,710	-	1,631,710	-
Internal balances	34,432	(34,432)	-	-
Inventories	147,467	169,807	317,274	-
Restricted investments	-	-	-	225,523
Capital assets, net of accumulated depreciation (where applicable):				
Land	5,415,757	751,376	6,167,133	-
Buildings	5,872,561	12,039,312	17,911,873	477,024
Improvements other than buildings	5,656,067	14,798,484	20,454,551	-
Infrastructure	20,519,335	-	20,519,335	-
Water storage space	-	28,951,577	28,951,577	-
Machinery and equipment	2,898,906	2,499,121	5,398,027	68,789
Construction in progress	3,990,402	778,939	4,769,341	-
Total assets	<u>60,159,616</u>	<u>70,781,254</u>	<u>130,940,870</u>	<u>1,370,509</u>
<b>Liabilities:</b>				
Accounts payable and other current liabilities	1,544,387	491,709	2,036,096	19,223
Accrued interest payable	53,721	98,681	152,402	-
Temporary notes payable	-	1,260,000	1,260,000	-
Unearned revenue	3,520,933	-	3,520,933	356,600
Noncurrent liabilities:				
Due within one year	1,746,601	991,956	2,738,557	15,464
Due in more than one year	11,256,951	55,532,300	66,789,251	2,656
Total liabilities	<u>18,122,593</u>	<u>58,374,646</u>	<u>76,497,239</u>	<u>393,943</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	34,324,735	18,122,626	52,447,361	545,813
Restricted for:				
Debt service	3,371,552	-	3,371,552	-
Street and highway	125,988	-	125,988	-
Economic development	155,000	-	155,000	-
Other purposes	1,300,431	-	1,300,431	-
Unrestricted	2,759,317	(5,716,018)	(2,956,701)	430,753
Total net assets	<u>\$ 42,037,023</u>	<u>\$ 12,406,608</u>	<u>\$ 54,443,631</u>	<u>\$ 976,566</u>

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2010

Functions/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		
						Business-Type Activities	Total	
Government activities:								
General government	\$ 1,671,142	\$ 598,148	\$ 200,122	\$ 26,252	\$ (846,620)	\$ -	\$ (846,620)	\$ -
Public safety	3,742,666	654,256	16,000	750,000	(2,322,410)	-	(2,322,410)	-
Public works	3,201,411	582,910	468,364	2,438,683	288,546	-	288,546	-
Health and sanitation	415,808	426,229	657	30,506	41,584	-	41,584	-
Culture and recreation	2,018,666	712,167	32,645	-	(1,273,854)	-	(1,273,854)	-
Economic development	173,649	-	-	-	(173,649)	-	(173,649)	-
Interest on long-term debt	397,343	-	-	-	(397,343)	-	(397,343)	-
Total governmental activities	11,620,685	2,973,710	717,788	3,245,441	(4,683,746)	-	(4,683,746)	-
Business-type activities:								
Waterworks System	4,371,604	3,753,098	-	-	-	(618,506)	(618,506)	-
Sewer System	2,076,189	2,401,345	-	-	-	325,156	325,156	-
Refuse	1,367,679	1,446,387	-	-	-	78,708	78,708	-
Total business-type activities	7,815,472	7,600,830	-	-	-	(214,642)	(214,642)	-
Total primary government	\$ 19,436,157	\$ 10,574,540	\$ 717,788	\$ 3,245,441	(4,683,746)	(214,642)	(4,898,388)	-
Component unit:								
Bradford Memorial Library	\$ 442,875	\$ 16,735	\$ 60,749	\$ -	-	-	-	(365,391)
General revenues:								
Property taxes					3,857,069	-	3,857,069	407,228
Sales taxes					2,149,953	-	2,149,953	-
Franchise taxes					1,090,324	-	1,090,324	-
Tourism taxes					141,187	-	141,187	-
Unrestricted investment earnings					28,447	318,628	347,075	35,276
Transfers					39,401	(39,401)	-	-
Total general revenues and transfers					7,306,381	279,227	7,585,608	442,504
Change in net assets					2,622,635	64,585	2,687,220	77,113
Net assets, beginning of year, as originally stated					39,803,358	27,712,023	67,515,381	921,434
Prior period adjustment					(388,970)	(15,370,000)	(15,758,970)	(21,981)
Net assets, beginning of year, as restated					39,414,388	12,342,023	51,756,411	899,453
Net assets, end of year					\$ 42,037,023	\$ 12,406,608	\$ 54,443,631	\$ 976,566

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2010

	General	Debt Service	Construction	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and investments	\$ 2,702,470	\$ 736,524	\$ 1,713,075	\$ 1,869,654	\$ 7,021,723
Receivables (net of allowance for uncollectibles):					
Property tax	2,208,483	1,136,869	-	175,581	3,520,933
Special assessment tax	-	2,369,699	-	319,050	2,688,749
Sales tax	398,218	-	-	-	398,218
Accounts	187,404	-	-	156,395	343,799
Interest	19,557	-	-	-	19,557
Due from other governments	-	-	1,631,710	-	1,631,710
Due from other funds	1,869,053	-	-	-	1,869,053
Inventories	147,467	-	-	-	147,467
<b>Total assets</b>	<b>\$ 7,532,652</b>	<b>\$ 4,243,092</b>	<b>\$ 3,344,785</b>	<b>\$ 2,520,680</b>	<b>\$ 17,641,209</b>
<b>Liabilities and fund balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 446,618	\$ -	\$ 901,722	\$ 108,498	\$ 1,456,838
Accrued payroll	73,368	-	-	14,181	87,549
Due to other funds	-	-	1,869,053	-	1,869,053
Deferred revenue	2,208,483	3,506,568	-	494,631	6,209,682
<b>Total liabilities</b>	<b>2,728,469</b>	<b>3,506,568</b>	<b>2,770,775</b>	<b>617,310</b>	<b>9,623,122</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Encumbrances	4,707	-	1,676,284	40,401	1,721,392
Inventories	147,467	-	-	-	147,467
Self-insurance	815,902	-	-	-	815,902
<b>Unreserved:</b>					
<b>Undesignated reported in:</b>					
General fund	3,836,107	-	-	-	3,836,107
Special revenue funds	-	-	-	1,862,969	1,862,969
Capital projects fund	-	-	(1,102,274)	-	(1,102,274)
Debt service fund	-	736,524	-	-	736,524
<b>Total fund balances</b>	<b>4,804,183</b>	<b>736,524</b>	<b>574,010</b>	<b>1,903,370</b>	<b>8,018,087</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,532,652</b>	<b>\$ 4,243,092</b>	<b>\$ 3,344,785</b>	<b>\$ 2,520,680</b>	<b>\$ 17,641,209</b>

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

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

December 31, 2010

Total fund balance in Governmental Fund Balance Sheet	\$ 8,018,087
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	44,353,028
Other assets are not available to pay for current period expenditures and therefore are deferred in the funds.	2,688,749
Internal service funds are used by management to charge the costs of information technology to individual funds. Certain assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets	34,432
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(13,057,273)
Net assets of governmental activities	<u>\$ 42,037,023</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, 2010

	General	Debt Service	Construction	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property	\$ 2,391,246	\$ 1,285,089	\$ -	\$ 180,734	\$ 3,857,069
Sales	2,149,953	-	-	-	2,149,953
Franchise	1,090,324	-	-	-	1,090,324
Tourism	-	-	-	141,187	141,187
Intergovernmental	76,803	-	2,162,134	540,184	2,779,121
Licenses and permits	125,187	-	-	3,425	128,612
Charges for services	1,414,697	-	-	217,043	1,631,740
Fines and forfeitures	331,678	-	-	-	331,678
Special assessments	-	506,931	64,478	293,759	865,168
Investment earnings	19,747	5,100	200	3,400	28,447
Miscellaneous	336,949	85,171	4,676	247,385	674,181
Total revenues	7,936,584	1,882,291	2,231,488	1,627,117	13,677,480
Expenditures:					
Current:					
General government	1,091,220	-	-	372,995	1,464,215
Public safety	3,369,080	-	-	1,601	3,370,681
Highways and streets	841,578	-	-	901,613	1,743,191
Health and sanitation	123,070	-	-	275,218	398,288
Culture and recreation	1,865,885	-	-	53,323	1,919,208
Economic development	-	-	-	173,459	173,459
Debt service:					
Principal	-	1,427,990	-	55,210	1,483,200
Interest	-	394,591	8,196	872	403,659
Capital outlay	324,435	-	5,983,749	106,673	6,414,857
Total expenditures	7,615,268	1,822,581	5,991,945	1,940,964	17,370,758
Excess (deficiency) of revenues over (under) expenditures	321,316	59,710	(3,760,457)	(313,847)	(3,693,278)
Other financing sources (uses):					
General obligation bonds issued	-	-	890,641	-	890,641
Refunding bonds issued	-	757,621	-	-	757,621
Temporary notes issued	-	-	2,740,000	-	2,740,000
Payment to refunded bond escrow agent	-	(755,000)	-	-	(755,000)
Transfers in	961,549	75,067	1,224,239	470,940	2,731,795
Transfers out	(1,609,362)	-	(1,000,512)	(82,520)	(2,692,394)
Total other financing sources (uses)	(647,813)	77,688	3,854,368	388,420	3,672,663
Net change in fund balances	(326,497)	137,398	93,911	74,573	(20,615)
Fund balances, beginning of year, as originally stated	4,840,285	599,126	683,331	1,679,388	7,802,130
Prior period adjustment	290,395	-	(203,232)	149,409	236,572
Fund balances, beginning of year, as restated	5,130,680	599,126	480,099	1,828,797	8,038,702
Fund balances, end of year	\$ 4,804,183	\$ 736,524	\$ 574,010	\$ 1,903,370	\$ 8,018,087

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, 2010

Net change in fund balances - total governmental funds	\$ (20,615)
Amounts reported for governmental activities in the statement of activities are difference because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	4,323,715
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	526,439
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(2,150,062)
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.	(49,056)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(7,786)</u>
Change in net assets of governmental activities	<u>\$ 2,622,635</u>

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

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

GENERAL FUND

Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 5,629,876	\$ 5,629,876	\$ 5,543,728	\$ (86,148)
Intergovernmental	168,223	168,223	86,525	(81,698)
Licenses, fees and permits	128,275	128,275	125,187	(3,088)
Charges for services	1,206,110	1,206,110	1,414,697	208,587
Fines and forfeitures	308,850	308,850	331,678	22,828
Interest	60,000	60,000	19,747	(40,253)
Miscellaneous	88,000	88,000	336,950	248,950
Reimbursements	130,000	130,000	-	(130,000)
<b>Total revenues</b>	<b>7,719,334</b>	<b>7,719,334</b>	<b>7,858,512</b>	<b>139,178</b>
<b>Expenditures:</b>				
General government:				
Administration	815,874	815,874	576,465	239,409
Engineering	251,735	251,735	242,594	9,141
Civic Center	89,775	89,775	120,971	(31,196)
Legal and judicial	150,170	150,170	152,216	(2,046)
Special projects	2,979,655	2,979,655	-	2,979,655
<b>Total general government</b>	<b>4,287,209</b>	<b>4,287,209</b>	<b>1,092,246</b>	<b>3,194,963</b>
Public safety:				
Police division	2,179,232	2,179,232	2,000,869	178,363
Fire division	1,321,524	1,321,524	1,273,780	47,744
Building and zoning	196,605	196,605	162,466	34,139
Building demolition	16,000	16,000	15,625	375
Hazardous materials	22,400	22,400	16,824	5,576
<b>Total public safety</b>	<b>3,735,761</b>	<b>3,735,761</b>	<b>3,469,564</b>	<b>266,197</b>
Public works:				
Public works	451,677	451,677	425,600	26,077
Street lights	149,100	149,100	167,189	(18,089)
<b>Total public works</b>	<b>\$ 600,777</b>	<b>\$ 600,777</b>	<b>\$ 592,789</b>	<b>\$ 7,988</b>

(Continued)

CITY OF EL DORADO, KANSAS

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

GENERAL FUND

Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Health and sanitation:				
Animal control	\$ 130,163	\$ 130,163	\$ 121,402	\$ 8,761
Culture and recreation:				
Park maintenance	251,012	251,012	243,306	7,706
Recreation	431,538	431,538	450,370	(18,832)
Swimming pool	133,749	133,749	119,891	13,858
Band	6,925	6,925	6,925	-
Recreation concessions	59,078	59,078	63,246	(4,168)
Prairie Trails	-	850,000	1,360,484	(510,484)
Total culture and recreation	882,302	1,732,302	2,244,222	(511,920)
Conservation of natural resources:				
Forestry	19,650	19,650	23,172	(3,522)
Total expenditures	9,655,862	10,505,862	7,543,395	2,962,467
Excess of revenues over (under) expenditures	(1,936,528)	(2,786,528)	315,117	3,101,645
Other financing sources (uses):				
Transfers in	479,000	479,000	961,549	482,549
Transfers out	(1,827,500)	(1,827,500)	(1,609,362)	218,138
Total other financing sources (uses)	(1,348,500)	(1,348,500)	(647,813)	700,687
Net change in fund balances	(3,285,028)	(4,135,028)	(332,696)	3,802,332
Fund balance, beginning of year	3,344,250	3,918,474	3,918,474	-
Fund balance, end of year	\$ 59,222	\$ (216,554)	\$ 3,585,778	\$ 3,802,332

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

December 31, 2010

	Business-Type Activities - Enterprise Funds				Business-Type Activities
	Waterworks System	Sewer System	Refuse	Total Enterprise Funds	Internal Service Fund (Data Processing Fund)
Assets:					
Current assets:					
Cash and investments	\$ 7,366,809	\$ 1,978,620	\$ 229,598	\$ 9,575,027	\$ 159,504
Accounts receivable (net of allowance for uncollectibles)	279,248	679,122	126,522	1,084,892	7,647
Inventories	156,613	5,962	7,232	169,807	-
Total current assets	7,802,670	2,663,704	363,352	10,829,726	167,151
Capital assets:					
Land	33,733	717,643	-	751,376	-
Water storage space	28,951,577	-	-	28,951,577	-
Buildings	1,964,539	13,464,830	991,467	16,420,836	-
Improvements other than buildings	11,852,293	11,354,249	55,860	23,262,402	-
Machinery and equipment	1,447,357	2,264,331	859,404	4,571,092	21,949
Construction in process	207,659	571,280	-	778,939	-
Total capital assets	44,457,158	28,372,333	1,906,731	74,736,222	21,949
Less accumulated depreciation	(5,915,377)	(8,084,834)	(919,277)	(14,919,488)	(19,873)
Capital assets, net	38,541,781	20,287,499	987,454	59,816,734	2,076
Total assets	\$ 46,344,451	\$ 22,951,203	\$ 1,350,806	\$ 70,646,460	\$ 169,227

See accompanying notes to basic financial statements.

	Business-Type Activities - Enterprise Funds				Business-Type Activities
	Waterworks System	Sewer System	Refuse	Total Enterprise Funds	Internal
					Service Fund (Data Processing Fund)
<b>Liabilities:</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 242,164	\$ 136,155	\$ 46,363	\$ 424,682	\$ 14,798
Accrued payroll	17,552	10,960	12,539	41,051	11,179
Current portion of compensated absences payable	37,911	25,221	31,596	94,728	29,308
Current portion of general obligation bonds payable	76,553	107,106	-	183,659	-
Current portion of revolving loan note payable	-	491,907	-	491,907	-
Current portion of capitalized lease payable	-	-	74,764	74,764	-
Temporary notes payable	1,260,000	-	-	1,260,000	-
Accrued interest payable	4,312	94,369	-	98,681	-
Water storage space payable	117,590	-	-	117,590	-
<b>Total current liabilities</b>	<b>1,756,082</b>	<b>865,718</b>	<b>165,262</b>	<b>2,787,062</b>	<b>55,285</b>
<b>Noncurrent liabilities:</b>					
Long-term portion of compensated absences payable	-	7,950	10,497	18,447	-
Long-term portion of general obligation bonds payable	445,093	792,955	-	1,238,048	-
Long-term portion of revolving loan note payable	-	9,568,917	-	9,568,917	-
Long-term portion of water storage space payable	44,706,888	-	-	44,706,888	-
<b>Total noncurrent liabilities</b>	<b>45,151,981</b>	<b>10,369,822</b>	<b>10,497</b>	<b>55,532,300</b>	<b>-</b>
<b>Total liabilities</b>	<b>46,908,063</b>	<b>11,235,540</b>	<b>175,759</b>	<b>58,319,362</b>	<b>55,285</b>
<b>Net assets:</b>					
Invested in capital assets, net of related debt	7,808,558	9,326,614	987,454	18,122,626	2,076
Unrestricted	(8,372,170)	2,389,049	187,593	(5,795,528)	111,866
<b>Total net assets</b>	<b>\$ (563,612)</b>	<b>\$ 11,715,663</b>	<b>\$ 1,175,047</b>	<b>12,327,098</b>	<b>\$ 113,942</b>

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

79,510

Net assets of business-type activities

\$ 12,406,608

CITY OF EL DORADO, KANSAS

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

December 31, 2010

	Business-Type Activities - Enterprise Funds				Business-Type Activities
	Waterworks System	Sewer System	Refuse	Total Enterprise Funds	Internal
					Service Fund (Data Processing Fund)
Operating revenues:					
Charges for services	\$ 3,621,176	\$ 1,963,314	\$ 1,172,847	\$ 6,757,337	\$ 575,000
Miscellaneous	114,762	388,499	273,540	776,801	2,792
Rents and royalties	17,160	49,532	-	66,692	-
Total operating revenues	<u>3,753,098</u>	<u>2,401,345</u>	<u>1,446,387</u>	<u>7,600,830</u>	<u>577,792</u>
Operating expenses:					
Costs of sales and services	1,929,770	442,282	547,730	2,919,782	724,217
Administration	396,320	573,993	691,304	1,661,617	-
Bad debt expense	92,719	50,560	11,798	155,077	-
Depreciation	325,200	693,549	85,519	1,104,268	175
Total operating expenses	<u>2,744,009</u>	<u>1,760,384</u>	<u>1,336,351</u>	<u>5,840,744</u>	<u>724,392</u>
Operating income (loss)	<u>1,009,089</u>	<u>640,961</u>	<u>110,036</u>	<u>1,760,086</u>	<u>(146,600)</u>
Nonoperating revenues (expense):					
Investment income	311,728	6,500	400	318,628	-
Interest expense	(1,563,744)	(259,222)	(844)	(1,823,810)	-
Loss on disposal of assets	(5,146)	(37,112)	(11,013)	(53,271)	(103)
Total nonoperating revenue (expense)	<u>(1,257,162)</u>	<u>(289,834)</u>	<u>(11,457)</u>	<u>(1,558,453)</u>	<u>(103)</u>
Income (loss) before transfers	<u>(248,073)</u>	<u>351,127</u>	<u>98,579</u>	<u>201,633</u>	<u>(146,703)</u>
Transfers from other funds	292,792	621,840	-	914,632	15,000
Transfers to other funds	<u>(778,423)</u>	<u>(122,610)</u>	<u>(68,000)</u>	<u>(969,033)</u>	<u>-</u>
Change in net assets	<u>(733,704)</u>	<u>850,357</u>	<u>30,579</u>	<u>147,232</u>	<u>(131,703)</u>
Net assets, beginning of year, as originally stated	15,527,608	10,877,790	1,144,468	27,549,866	245,645
Prior period adjustment	<u>(15,357,516)</u>	<u>(12,484)</u>	<u>-</u>	<u>(15,370,000)</u>	<u>-</u>
Net assets, beginning of year, as restated	<u>170,092</u>	<u>10,865,306</u>	<u>1,144,468</u>	<u>12,179,866</u>	<u>245,645</u>
Net assets, end of year	<u>\$ (563,612)</u>	<u>\$ 11,715,663</u>	<u>\$ 1,175,047</u>	<u>\$ 12,327,098</u>	<u>\$ 113,942</u>
Change in net assets per fund statements				\$ 147,232	
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain activities of the internal service fund is reported with business-type activities				<u>(82,647)</u>	
Change in net assets of business-type activities				<u>\$ 64,585</u>	

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS

December 31, 2010

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds	Business-Type Activities
	Waterworks System	Sewer System	Refuse		Internal Service Fund (Data Processing Fund)
Cash flows from operating activities:					
Receipts from customers and users	\$ 3,791,953	\$ 1,910,823	\$ 1,449,491	\$ 7,152,267	\$ 577,703
Payments to suppliers	(2,240,372)	(438,355)	(730,658)	(3,409,385)	(709,127)
Payments to employees	(389,470)	(561,197)	(678,377)	(1,629,044)	-
Net cash provided by (used in) operating activities	1,162,111	911,271	40,456	2,113,838	(131,424)
Cash flows from capital and related financing activities:					
Proceeds from general obligation bonds	-	546,738	-	546,738	-
Proceeds from revolving loan note	-	460,999	-	460,999	-
Proceeds from bond anticipation notes	1,260,000	-	-	1,260,000	-
Principal paid on general obligation bonds	(74,048)	(42,962)	-	(117,010)	-
Principal paid on revolving loan note	-	(590,557)	-	(590,557)	-
Principal paid on capital leases	(15,848)	-	(81,086)	(96,934)	-
Principal paid on water storage space payable	(113,611)	-	-	(113,611)	-
Interest paid on debt	(359,912)	(259,170)	(844)	(619,926)	-
Acquisition and construction of capital assets	(775,939)	(1,547,402)	-	(2,323,341)	-
Net cash used in capital and related financing activities	(79,358)	(1,432,354)	(81,930)	(1,593,642)	-
Cash flows from noncapital financing activities:					
Transfers (to) from other funds	(485,631)	499,230	(68,000)	(54,401)	15,000
Cash flows from investing activities:					
Investment income	311,728	6,500	400	318,628	-
Net increase (decrease) in cash and investments	908,850	(15,353)	(109,074)	784,423	(116,424)
Cash and investments, beginning of year	6,457,959	1,993,973	338,672	8,790,604	275,928
Cash and investments, end of year	\$ 7,366,809	\$ 1,978,620	\$ 229,598	\$ 9,575,027	\$ 159,504

(Continued)

CITY OF EL DORADO, KANSAS

STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUNDS  
 (Continued)

December 31, 2010

	Business-Type Activities - Enterprise Funds			Business-Type Activities
	Waterworks System	Sewer System	Refuse	Internal Service Fund (Data Processing Fund)
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 1,009,089	\$ 640,961	\$ 110,036	\$ 1,760,086
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	325,200	693,549	85,519	1,104,268
Decrease (increase) in accounts receivable	38,855	(490,522)	3,104	(448,563)
Decrease (increase) in inventories	14,517	(738)	7,652	21,431
Increase (decrease) in salaries and wages payable	1,360	2,998	2,915	7,273
Increase (decrease) in accounts payable	(232,400)	55,225	(178,782)	(355,957)
Increase (decrease) in compensated absences payable	5,490	9,798	10,012	25,300
Net cash provided by (used in) operating activities	\$ 1,162,111	\$ 911,271	\$ 40,456	\$ 2,113,838

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

STATEMENT OF FIDUCIARY NET ASSETS -  
FIDUCIARY FUNDS

December 31, 2010

	Retiree Health Care Benefit Plan Trust Fund	Agency Funds
	<u>                    </u>	<u>                    </u>
Assets:		
Cash and investments:		
Cash	\$ -	\$ 5,033
Common stocks	31,300	-
Fixed income securities	71,322	-
Accounts receivable	<u>-</u>	<u>3,008</u>
Total assets	102,622	8,041
Liabilities:		
Accounts payable	<u>-</u>	<u>8,041</u>
Net assets held in trust for other post employment benefits	<u>\$ 102,622</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS

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

Year Ended December 31, 2010

	Retiree Health Care Benefit Plan Trust Fund
Additions:	
Employer contributions	\$ 78,192
Investment earnings	2,880
	<hr/>
Total additions	81,072
Deductions:	
Benefits	-
	<hr/>
Change in net assets held in trust for other post employment benefits	81,072
Net assets held in trust for other post employment benefits, beginning of year	21,550
	<hr/>
Net assets held in trust for other post employment benefits, end of year	<u>\$ 102,622</u>

See accompanying notes to basic financial statements.

CITY OF EL DORADO, KANSAS  
NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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

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

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

1 - Summary of Significant Accounting Policies (Continued)

Government-Wide Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

1 - Summary of Significant Accounting Policies (Continued)

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

The City also reports the following fund types:

Internal Service Funds – The internal service fund is used to account for the financing of goods or services provided by one department to other departments of the City on a cost reimbursement basis. This fund accounts for the City's information technology activities.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Waterworks System Fund, the Sewer System Fund and the Refuse Fund are charges to customers for sales and services. Operating expenses for the Waterworks System Fund, Sewer System Fund and Refuse Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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

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

Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds. The pool has the general characteristics of demand deposit accounts, in that each fund may deposit additional cash at any time and also may withdraw cash at any time without prior notice or penalty. The pooled cash is invested to the extent available in authorized investments. These pooled investments consist of operating accounts and nonnegotiable certificates of deposit that are recorded at cost because they are not affected by market rate changes. Earnings from investments are allocated to the funds on the basis of the average monthly balance and in accordance with the adopted budget. For the fiscal year ended December 31, 2010, interest earnings allocated to various funds were \$ 43,782. Deposits are reported at their carrying amount which approximates fair value.

The investments consist of government bonds, common stock and fixed income securities which are recorded at fair value.

Receivables and Payables

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

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

1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables (Continued)

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

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

General fund property taxes receivable	\$ 2,208,483
Debt service fund property taxes receivable	1,136,869
Debt service fund special assessments receivable	2,369,699
Nonmajor funds property taxes receivable	175,581
Nonmajor funds special assessment receivable	<u>319,050</u>
	<u>\$ 6,209,682</u>

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 2010 levy was based was \$ 82,504,452.

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 2010 tax levy per \$ 1,000 of assessed valuation was as follows:

General Fund	\$	26.768
Debt Service Fund		13.779
Nonmajor funds		2.128
Component unit:		
Library		4.322
		<hr/>
	\$	46.997
		<hr/> <hr/>

Special Assessments Receivable

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

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

1 - Summary of Significant Accounting Policies (Continued)

Special Assessments Receivable (Continued)

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

Inventories

Inventories are valued at cost as determined by the first-in, first-out method. The purchase method is used to account for these inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of the respective fund. Reported inventories in the governmental funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are a component of reported assets. Inventories in the general fund consist of expendable supplies held for consumption.

Capital Assets

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

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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

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

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

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

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

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences

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

Long-Term Obligations

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

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

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

1 - Summary of Significant Accounting Policies (Continued)

Restricted Net Assets

The government-wide statement of net assets reports \$ 4,952,971 of restricted net assets, of which \$ 167,674 is restricted by enabling legislation. This enabling legislation authorized the collection of a sales tax from which the collection of these sales taxes is to be used for the explicit purpose of street rehab, property tax reduction and economic development.

Concentrations of Credit Risk

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

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

Use of Estimates

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

Pending Governmental Accounting Standards Board Statements

At December 31, 2010, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements that might impact the City are as follows:

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions was issued in February 2009. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The provisions of this statement are effective for periods beginning after June 15, 2010.

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

Prior Period Adjustments

Beginning net assets for governmental activities on the statement of net assets were restated to properly state construction in progress. The effect of this restatement on the beginning balance was a decrease of \$ 625,542 in the governmental activities on the statement of net assets which resulted from net capital assets being decreased by \$ 625,542. There was no effect on current year revenue or expenses as a result of this adjustment.

Beginning net assets for governmental activities on the statement of net assets and beginning fund balance in the general fund on the balance sheet were restated to record taxes receivable. The effect of this restatement on the beginning balances was an increase of \$ 290,395 in the governmental activities on the statement of net assets and the general fund on the balance sheet which resulted from taxes receivable being increased by \$ 290,395. There was no effect on current year revenue or expenditures as a result of this adjustment.

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

1 - Summary of Significant Accounting Policies (Continued)

Prior Period Adjustments (Continued)

Beginning net assets for governmental activities on the statement of net assets and beginning fund balance in the construction fund on the balance sheet were restated to properly record construction in progress in an enterprise fund. The effect of this restatement on the beginning balance was a decrease of \$ 203,232 in the governmental activities on the statement of net assets and the construction fund on the balance sheet which resulted from construction in process being decreased by \$ 203,232. There was no effect on current year revenue or expenditures as a result of this adjustment.

Beginning net assets for governmental activities on the statement of net assets and beginning fund balance in the major street improvement nonmajor fund on the balance sheet were restated to record taxes receivable. The effect of this restatement on the beginning balances was an increase of \$ 104,087 in the governmental activities on the statement of net assets and the other governmental funds on the balance sheet which resulted from taxes receivable being increased by \$ 104,087. There was no effect on current year revenue or expenditures as a result of this adjustment.

Beginning net assets for governmental activities on the statement of net assets and beginning fund balance in the tourism nonmajor fund on the balance sheet were restated to record taxes receivable. The effect of this restatement on the beginning balances was an increase of \$ 45,322 in the governmental activities on the statement of net assets and the other governmental funds on the balance sheet which resulted from taxes receivable being increased by \$ 45,322. There was no effect on current year revenue or expenditures as a result of this adjustment.

Beginning net assets for the waterworks system major proprietary fund on the statement of net assets and for business-type activities on the statement of net assets were restated to properly record the water storage space note payable and the related water storage space asset. The effect of this restatement on the beginning balance was a decrease of \$ 15,560,918 in the business-type activities on the statement of net assets which resulted from the water storage space note payable being increased by \$ 38,649,573 and the water storage space asset being increased by \$ 23,088,655. There was no effect on current revenue or expenses as a result of this adjustment.

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

1 - Summary of Significant Accounting Policies (Continued)

Prior Period Adjustments (Continued)

Beginning net assets for the waterworks system major proprietary fund on the statement of net assets and for business-type activities on the statement of net assets were restated to reflect revised estimated historical costs of capital assets. The effect of this restatement on the beginning balance was an increase of \$ 203,402 in the waterworks system major proprietary fund on the statement of net assets and in the business-type activities on the statement of net assets which resulted from capital assets being increased by \$ 203,402. There was no effect on current year revenue or expenses as a result of this adjustment.

Beginning net assets for the sewer major proprietary fund on the statement of net assets and for business-type activities on the statement of net assets were restated to reflect revised estimated historical costs of capital assets. The effect of this restatement on the beginning balance was a decrease of \$ 12,484 in the sewer major proprietary fund on the statement of net assets and in the business-type activities on the statement of net assets which resulted from capital assets being increased by \$ 12,484. There was no effect on current revenue or expenses as a result of this adjustment.

Beginning net assets for the discretely presented component unit on the balance sheet and for component unit activities on the statement of net assets were restated to properly record endowment investment to fair market value. The effect of this restatement on the beginning balance was a decrease of \$ 21,981 in the component unit activities on the statement of net assets which resulted from the endowment investment being increased by \$ 21,981. There was no effect on current or prior year revenue or expenditures as a result of this adjustment.

2 - Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$ (13,057,273) difference are as follows:

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

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

Bonds payable	\$ (10,028,293)
Temporary notes payable	(2,740,000)
Accrued interest payable	(53,721)
Compensated absences	<u>(235,259)</u>
 Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities	 <u><u>\$ (13,057,273)</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$ 4,323,715 difference are as follows:

Capital outlay	\$ 6,050,794
Depreciation expense	<u>(1,727,079)</u>
 Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	 <u><u>\$ 4,323,715</u></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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$ (2,150,062) difference are as follows:

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)

Debt issued or incurred:	
Issuance of bonds	\$ (1,648,262)
Issuance of temporary notes	(2,740,000)
Principal repayments:	
Bonds	2,182,990
Capital lease	<u>55,210</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ (2,150,062)</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$ (7,786) difference are as follows:

Compensated absences	\$ 10,221
Prepaid expenses	(24,321)
Accrued interest	<u>6,314</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ (7,786)</u>

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS  
(Continued)

3 - Stewardship, Compliance and Accountability

Budgetary Information

The City is required by State statute to legally adopt annual operating budgets for the general fund, special revenue funds (unless exempted by specific statute), and the debt service fund. The Equipment Reserve, Family Life Center, Youth Activity Donations, Fire Recovery 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 1<sup>st</sup>.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5<sup>th</sup>.
3. Public hearing on or before August 15<sup>th</sup>, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25<sup>th</sup>.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. This process requires a notice of public hearing to amend the budget to be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. During 2010, the governing body amended the originally adopted budget of expenditures for the following funds: The Special Alcohol fund budgeted expenditures increased from \$ 6,655 to \$ 7,700 and in the Prairie Trails Golf & Restaurant fund, which is combined with the General Fund, budgeted expenditures increased from \$ 0 to \$ 850,000.

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

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS  
(Continued)

3 - Stewardship, Compliance and Accountability (Continued)

Budgetary Information (Continued)

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

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

Deficit Fund Balances

The waterworks system fund had deficit net assets of \$ 563,612 at December 31, 2010 due to the recording of the water storage space payable.

4 - Budgetary Basis of Accounting

The General Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual is presented in accordance with the budget basis to provide a meaningful comparison of actual results with the budget. The following reconciliation is presented to provide a correlation between the different bases of accounting for reporting in accordance with GAAP and for reporting on the budget basis.

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

4 - Budgetary Basis of Accounting (Continued)

	General Fund
Excess of revenue over expenditures, GAAP basis	\$ 321,316
Add:	
Change in encumbrances	71,874
Change in grants receivable	9,722
Deduct:	
Change in accounts receivable	(29,349)
Change in taxes receivable	(58,446)
Excess of revenues over expenditures, budgetary basis	\$ 315,117

A Budget and Actual Statement was not prepared for the construction fund because it is not required to have a legally adopted budget.

5 - Deposits and Investments

Deposits

*Custodial Credit Risk*

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

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, 2010, the City's carrying amount of deposits, including certificates of deposit, was not exposed to custodial credit risk.

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

5 - Deposits and Investments (Continued)

Deposits (Continued)

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, 2010, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Federal National Mortgage Corporation	\$ 287,296	\$ 287,296	\$ -	\$ -	\$ -
Federal Home Loan Mortgage Corporation	265,927	265,927	-	-	-
Common stocks	31,300	31,300	-	-	-
Fixed income securities	71,322	71,322	-	-	-
	<u>\$ 655,845</u>	<u>\$ 655,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The City's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates, but state statutes do establish a two-year limitation on investment maturities. In practice, the City does not exceed a one year maturity when investing idle funds. The City is not exposed to significant interest rate risk.

*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.

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

5 - Deposits and Investments (Continued)

Investments (Continued)

*Credit Risk (Continued)*

The City's Federal Home Loan Mortgage Company investments are rated Aaa by Moody's and AAA by Standard & Poor's and the Federal National Mortgage Corporation investments are rated AAZ by Moody's and A by Standard & Poor's.

*Concentrations of Credit Risk*

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

*Custodial Credit Risk-Investments*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2010, the City's investments were not exposed to custodial credit risk.

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

6 - Capital Assets

Capital asset activity for the year ended December 31, 2010 was as follows:

Primary Government

	Balance January 1, 2010	Increase	Decrease	Balance December 31, 2010
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 5,447,213	\$ 8,146	\$ (39,602)	\$ 5,415,757
Construction in progress	708,453	3,820,663	(538,714)	3,990,402
Total capital assets not being depreciated	6,155,666	3,828,809	(578,316)	9,406,159
Capital assets being depreciated:				
Buildings	9,016,255	136,344	(249,487)	8,903,112
Improvements other than buildings	7,594,024	268,175	(3,852)	7,858,347
Infrastructure	27,078,527	3,047,236	-	30,125,763
Machinery and equipment	4,351,091	264,739	(220,174)	4,395,656
Total capital assets being depreciated	48,039,897	3,716,494	(473,513)	51,282,878
Less accumulated depreciation for:				
Buildings	3,001,400	166,838	(137,687)	3,030,551
Improvements other than buildings	1,998,685	207,063	(3,468)	2,202,280
Infrastructure	8,522,796	1,083,632	-	9,606,428
Machinery and equipment	1,391,012	269,546	(163,808)	1,496,750
Total accumulated depreciation	14,913,893	1,727,079	(304,963)	16,336,009
Total capital assets being depreciated, net	33,126,004	1,989,415	(168,550)	34,946,869
Governmental activities capital assets, net	\$ 39,281,670	\$ 5,818,224	\$ (746,866)	\$ 44,353,028

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

6 - Capital Assets (Continued)

	Balance January 1, 2010	Increase	Decrease	Balance December 31, 2010
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 755,667	\$ -	\$ (4,291)	\$ 751,376
Water storage space	28,951,577	-	-	28,951,577
Construction in progress	908,474	686,002	(815,537)	778,939
Total capital assets not being depreciated	30,615,718	686,002	(819,828)	30,481,892
Capital assets being depreciated:				
Buildings	16,553,212	-	(132,376)	16,420,836
Improvements other than buildings	20,788,510	2,498,794	(24,902)	23,262,402
Machinery and equipment	4,553,915	147,843	(108,718)	4,593,040
Total capital assets being depreciated	41,895,637	2,646,637	(265,996)	44,276,278
Less accumulated depreciation for:				
Buildings	4,050,515	442,431	(111,422)	4,381,524
Improvements other than buildings	8,188,601	297,170	(21,853)	8,463,918
Machinery and equipment	1,812,225	364,842	(83,148)	2,093,919
Total accumulated depreciation	14,051,341	1,104,443	(216,423)	14,939,361
Total capital assets being depreciated, net	27,844,296	1,542,194	(49,573)	29,336,917
Business-type activities capital assets, net	\$ 58,460,014	\$ 2,228,196	\$ (869,401)	\$ 59,818,809

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

6 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 146,127
Public safety	175,734
Public works (including depreciation of infrastructure assets)	1,288,051
Health and sanitation	17,520
Culture and recreation	99,458
Economic development	189
Total depreciation expense - governmental activities	<u>\$ 1,727,079</u>
Business-type activities:	
Waterworks utility	\$ 325,200
Sewer utility	693,549
Refuse	85,519
Capital assets held by the City's internal service fund is charged to the various functions based on their usage	175
Total depreciation expense - business-type activities	<u>\$ 1,104,443</u>

Capital asset activity for the Library component unit for the year ended December 31, 2010 was as follows:

	Balance January 1, 2010	Increase	Decrease	Balance December 31, 2010
<b>Discretely presented component unit:</b>				
Capital assets being depreciated:				
Buildings	\$ 752,696	\$ 5,849	\$ -	\$ 758,545
Machinery and equipment	43,745	200,689	-	244,434
Total capital assets being depreciated	<u>796,441</u>	<u>206,538</u>	<u>-</u>	<u>1,002,979</u>
Less accumulated depreciation for:				
Buildings	262,621	18,900	-	281,521
Machinery and equipment	42,460	133,185	-	175,645
Total accumulated depreciation	<u>305,081</u>	<u>152,085</u>	<u>-</u>	<u>457,166</u>
Total capital assets being depreciated, net	<u>491,360</u>	<u>54,453</u>	<u>-</u>	<u>545,813</u>
Discretely presented component unit capital assets, net	<u>\$ 491,360</u>	<u>\$ 54,453</u>	<u>\$ -</u>	<u>\$ 545,813</u>

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

7 - 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, 2010 for capital projects compared to the amount authorized:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitments</u>
Street improvements	\$ 240,470	\$ 196,394
Building improvements	27,061	23,648
Sidewalk improvements	187,800	31,764
Industrial park improvements	1,516,104	148,427
Sewer improvements	421,125	66,684
	<u>\$ 2,392,560</u>	<u>\$ 466,917</u>

8 - 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)

8 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

General obligation bonds payable at December 31, 2010 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2010	Outstanding December 31, 2010
General Obligation Bonds:					
Governmental activities:					
Series 2001	4.00%	\$ 4,040,000	11/1/2011	\$ 470,000	\$ 490,000
Series 2002	3.90 - 4.55%	1,940,000	11/1/2017	170,000	-
Series 2004	3.10 - 3.40%	3,742,628	11/1/2014	380,466	1,662,471
Series 2006	3.60 - 4.25%	3,932,239	11/1/2021	232,524	3,272,560
Series 2008	2.60 - 4.25%	3,310,000	11/1/2023	175,000	2,955,000
Series 2010	1.00 - 3.35%	1,648,262	11/1/2025	-	1,648,262
				<u>1,427,990</u>	<u>10,028,293</u>
Business-type activities:					
Series 2004	3.10 - 3.40%	782,372	11/1/2014	79,534	347,529
Series 2006	3.60 - 4.25%	633,761	11/1/2021	37,476	527,440
Series 2010	1.00 - 3.35%	546,738	11/1/2025	-	546,738
				<u>117,010</u>	<u>1,421,707</u>
				<u>\$ 1,545,000</u>	<u>\$ 11,450,000</u>

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

- Series 2001: Callable November 1, 2009 at par plus accrued interest
- Series 2004: Callable November 1, 2012 at par plus accrued interest
- Series 2006: Callable November 1, 2014 at par plus accrued interest
- Series 2008: Callable November 1, 2016 at par plus accrued interest
- Series 2010: Callable November 1, 2018 at par plus accrued interest

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

8 - 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 2001	\$ 490,000	\$ 490,000
Series 2004	392,873	438,363
Series 2006	241,136	361,704
Series 2008	180,000	290,000
Series 2010	119,025	211,172
Business-type activities:		
Series 2004	82,128	91,637
Series 2006	38,864	58,296
Series 2010	35,976	63,827

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

8 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

The future annual requirements for general obligation bonds outstanding as of December 31, 2010 are as follows:

Governmental activities	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,511,342	\$ 339,826	\$ 1,851,168
2012	1,055,335	233,921	1,289,256
2013	998,511	261,294	1,259,805
2014	1,040,184	230,877	1,271,061
2015	624,739	197,970	822,709
2016-2020	3,252,127	670,423	3,922,550
2021-2025	1,546,055	106,346	1,652,401
	<u>\$ 10,028,293</u>	<u>\$ 2,040,657</u>	<u>\$ 12,068,950</u>

Business-type activities	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 183,659	\$ 40,723	\$ 224,382
2012	189,665	26,853	216,518
2013	166,489	31,174	197,663
2014	174,816	26,380	201,196
2015	85,261	21,215	106,476
2016-2020	407,872	69,822	477,694
2021-2025	213,945	10,662	224,607
	<u>\$ 1,421,707</u>	<u>\$ 226,829</u>	<u>\$ 1,648,536</u>

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

8 - Long-Term Debt (Continued)

Refundings

In the current year, the City issued Series 2010 General Obligation Bonds in the amount of \$ 2,195,000 of which part was to currently refund the remaining \$ 755,000 balance of the Series 2002 General Obligation bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$ 2,621. The refunding transactions resulted in an economic gain of \$ 51,199 and a decrease in the future debt service payments of \$ 55,170.

Defeased Debt

The City has defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 2010, \$ 755,000 of the bonds that are considered defeased remain outstanding.

Construction Loans Payable

During 1999, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$ 1,182,869 to finance improvements to the wastewater treatment plant. The loan is being repaid over fourteen years at an interest rate of 3.00%. The outstanding balance of \$ 132,757 is shown as a liability in the sewer fund. The future annual debt service requirements for the construction loan payable as of December 31, 2010 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest and Service Fees</u>	<u>Total</u>
2011	\$ 107,820	\$ 3,180	\$ 111,000
2012	24,937	374	25,311
	<u>\$ 132,757</u>	<u>\$ 3,554</u>	<u>\$ 136,311</u>

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

8 - Long-Term Debt (Continued)

Construction Loans Payable (Continued)

During 2005, the City entered into a second loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$ 11,572,312 to finance the construction of a new activated sludge wastewater treatment plant and modification to the existing facility. The loan is being repaid over sixteen years at an interest rate of 2.68%. The outstanding balance of \$ 9,928,067 is shown as a liability in the sewer fund. The future annual debt service requirements for the construction loan payable as of December 31, 2010 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest and Service Fees</u>	<u>Total</u>
2011	\$ 384,087	\$ 263,169	\$ 647,256
2012	475,635	250,051	725,686
2013	514,077	236,579	750,656
2014	527,947	222,743	750,690
2015	542,191	208,534	750,725
2016-2020	2,938,431	815,746	3,754,177
2021-2025	3,356,792	398,402	3,755,194
2026-2030	1,188,907	29,466	1,218,373
	<u>\$ 9,928,067</u>	<u>\$ 2,424,690</u>	<u>\$ 12,352,757</u>

Capital Lease Obligations

During 2009, the City entered into a lease purchase agreement with a financial institution for the purchase of refuse utility equipment at a cost of \$ 155,850. The lease agreement provides for annual payments of \$ 81,929, including interest, through November 10, 2011.

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

8 - Long-Term Debt (Continued)

Capitalized Lease Obligations (Continued)

Assets acquired under capital leases are as follows:

Asset:	
Machinery and equipment	\$ 155,850
Less: Accumulated depreciation	<u>(22,264)</u>
Total	<u><u>\$ 133,586</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2010, were as follows:

Year ending December 31, 2011	\$ 81,929
Less: amount representing interest	<u>(7,165)</u>
Present value of minimum lease payments	<u><u>\$ 74,764</u></u>

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 2010 by \$ 1,203,832 representing accrued interest. At December 31, 2010 the liability including accrued interest is \$ 35,579,381. The amount to be owed in 2081, including accrued interest if the City does not accelerate payments for exceeding the minimum quantities for water usage, will be approximately \$ 410,000,000. As of December 31, 2010, the City has cash and investments of \$ 6,446,735 set aside to pay for the water storage space payable on July 1, 2081.

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

8 - Long-Term Debt (Continued)

Liability for Water Storage Space (Continued)

During 1992, water usage exceeded the minimum quantity causing the City to purchase additional storage space at a cost of \$ 3,046,527 with annual payments of \$ 125,535 due beginning July 15, 1993 and ending July 15, 2041 at an interest rate of 3.502%. The outstanding balance of \$ 2,351,470 is shown as a liability in the waterworks system fund.

The future annual debt service requirements for this water storage space payable as of December 31, 2010 are as follows:

	Principal	Interest	Total
2011	\$ 43,187	\$ 82,348	\$ 125,535
2012	44,699	80,836	125,535
2013	46,264	79,271	125,535
2014	47,884	77,651	125,535
2015	49,561	75,974	125,535
2016-2020	275,089	352,586	627,675
2021-2025	326,752	300,923	627,675
2026-2030	388,116	239,559	627,675
2031-2035	461,004	166,671	627,675
2036-2040	547,581	80,094	627,675
2041-2045	121,333	4,248	125,581
	\$ 2,351,470	\$ 1,540,161	\$ 3,891,631

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS  
(Continued)

8 - Long-Term Debt (Continued)

Liability for Water Storage Space (Continued)

During 2003, the water usage again exceeded the minimum quantity causing the City to purchase additional storage space at a cost of \$ 7,405,026 with annual payments of \$ 315,818 due on this portion of the excess usage beginning July 15, 2003 and ending July 15, 2051 at an interest rate of 3.502%. The outstanding balance of \$ 6,893,627 is shown as a liability in the waterworks system fund.

The future annual debt service requirements for this water storage space payable as of December 31, 2010 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 74,403	\$ 241,415	\$ 315,818
2012	77,008	238,810	315,818
2013	79,705	236,113	315,818
2014	82,496	233,322	315,818
2015	85,386	230,432	315,818
2016-2020	473,931	1,105,159	1,579,090
2021-2025	562,935	1,016,155	1,579,090
2026-2030	668,655	910,435	1,579,090
2031-2035	794,229	784,861	1,579,090
2036-2040	943,386	635,704	1,579,090
2041-2045	1,120,555	458,535	1,579,090
2046-2050	1,330,998	248,092	1,579,090
2051-2055	599,940	31,679	631,619
	<u>\$ 6,893,627</u>	<u>\$ 6,370,712</u>	<u>\$ 13,264,339</u>

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

8 - Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2010 was as follows:

	Outstanding January 1, 2010	Additions	Reductions	Outstanding December 31, 2010	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 10,563,021	\$ 1,648,262	\$ 2,182,990	\$ 10,028,293	\$ 1,511,342
Temporary notes payable	-	2,740,000	-	2,740,000	-
Capital lease obligations	55,210	-	55,210	-	-
Compensated absences	227,397	263,433	255,571	235,259	235,259
Total long-term liabilities - governmental activities	<u>\$ 10,845,628</u>	<u>\$ 4,651,695</u>	<u>\$ 2,493,771</u>	<u>\$ 13,003,552</u>	<u>\$ 1,746,601</u>
Business-type activities:					
General obligation bonds	\$ 991,979	\$ 546,738	\$ 117,010	\$ 1,421,707	\$ 183,659
Construction loans payable	10,190,382	460,999	590,557	10,060,824	491,907
Capital lease obligations	171,698	-	96,934	74,764	74,764
Water storage space payable	43,734,257	1,203,832	113,611	44,824,478	117,590
Compensated absences	111,851	153,176	122,544	142,483	124,036
Total long-term liabilities - business-type activities	<u>\$ 55,200,167</u>	<u>\$ 2,364,745</u>	<u>\$ 1,040,656</u>	<u>\$ 56,524,256</u>	<u>\$ 991,956</u>
Component unit:					
Compensated absences	<u>\$ 18,083</u>	<u>\$ 16,326</u>	<u>\$ 16,289</u>	<u>\$ 18,120</u>	<u>\$ 15,464</u>

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

Conduit Debt Obligations

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

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

8 - Long-Term Debt (Continued)

Conduit Debt Obligations (Continued)

Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2010, Industrial Revenue Bonds outstanding had an aggregate principal amount payable of approximately \$ 7,100,000.

9 - Temporary Notes Payable

During the year, the City issued temporary notes to fund various City improvements. Temporary note activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Temporary notes	\$ 655,000	\$ 2,740,000	\$ (655,000)	\$ 2,740,000
Business-type activities:				
Temporary notes	\$ -	\$ 1,260,000	\$ -	\$ 1,260,000

Issue	Amount	Interest Rate	Maturity
1881	\$ 1,260,000	1.64%	2/26/2014
1882	2,000,000	0.44%	4/15/2013
1883	740,000	0.41%	12/13/2012

The temporary notes issued by the City in governmental funds during the year ended December 31, 2010 have initial maturities of at least one year beyond the balance sheet date of the period in which they were issued. Therefore, they are considered long-term debt and have been included in long-term liabilities on the statement of net assets.

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

10 - Interfund Transfers

Interfund transfers reflect the flow of resources from one fund to another fund, generally from the fund in which the resources are received or reside to the fund in which the resources will be expended. Interfund transfers for the year ended December 31, 2010, consisted of the following:

	Transfers In	Transfers Out
Major governmental funds:		
General	\$ 961,549	\$ 1,609,362
Debt Service	75,067	-
Construction	1,224,239	1,000,512
Nonmajor governmental funds	470,940	82,520
Major proprietary funds:		
Waterworks System	292,792	778,423
Sewer System	621,840	122,610
Refuse	-	68,000
Internal Service Fund:		
Data Processing	15,000	-
Total Transfers	\$ 3,661,427	\$ 3,661,427

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)

11 - Pension Plan

Plan Description

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

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for all employees hired prior to July 1, 2009. K.S.A. 74-49,210 establishes the KPERS member-employee contribution rate at 6% of covered salary for all employees hired after July 1, 2009. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute from January through December 2010 was 7.14%. Included in this rate is the contribution for Group Death and Disability Insurance of 1.0%. There was a moratorium on the collection of Group Death and Disability Insurance premium from April 1, 2010 through June 30, 2010. The employer contributions to KPERS for the years ended December 31, 2010, 2009 and 2008 were \$ 303,485, \$ 327,095, and \$ 272,947, respectively, equal to the statutory required contributions for each year. The City's KP&F uniform participating employer rate established for fiscal years beginning in 2010 is 12.86%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The contributions to KP&F for the years ending December 31, 2010, 2009, and 2008 were \$ 239,942, \$ 0, and \$ 0, respectively, equal to the statutory required contributions for each year. The City did not participate in KP&F prior to January 1, 2010. As of January 1, 2010, the police and fire employees that were enrolled in KPERS were converted over to KP&F.

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS  
(Continued)

12 - Other Post-Employment Benefits

The City of El Dorado 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 2010, one retiree met those eligibility requirements. The Plan is considered part of the City's reporting entity and is presented solely in the accompanying basic financial statements as a post-employment benefit trust fund in the fiduciary fund type. The plan does not issue a stand-alone report.

The annual required contribution (ARC) is the basic annual expense recognized under Governmental Accounting Standards Board Statement No. 45, though there is no requirement to fund the ARC. 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 2010, the City contributed \$ 78,192 to the Plan. Plan members receiving benefits contributed \$ 6,303, or less than 1% of the total premiums.

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

12 - Other Post-Employment Benefits (Continued)

Other post-employment benefit cost expense is computed based on the ARC of the City. If funded on a regular basis, the ARC is an amount of funding that is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components that comprise the City of El Dorado's net OPEB obligation for 2010:

Annual required contribution	\$	78,192
Annual OPEB cost (expense)	\$	78,192
Contributions made		78,192
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 2010 are as follows:

Year	Annual OPEB Costs	Net Employer Contributions	Percentage Contributed	End of Year OPEB Obligation
2008	\$ 78,192	\$ 78,192	100%	\$ -
2009	78,192	78,192	100%	-
2010	78,192	78,192	100%	-

As of January 1, 2008, the most recent actuarial date, the Plan was 0% funded. The actuarial accrued liability for benefits was \$ 699,820 and the actuarial value of assets was \$ 0, resulting in an unfunded actuarial accrued liability of \$ 699,820. The covered payroll (annual payroll of active employees covered by the Plan) was \$ 4,344,648, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 16.1%.

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

12 - Other Post-Employment Benefits (Continued)

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

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

At December 31, 2010, 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, and the annual health care cost trend rate of 10 percent for medical claims, reduced by decrements of one-half of one percent to an ultimate rate of 5 percent after ten years. 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, 2010 was 27 years.

13 - Commitments and Contingencies

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

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

14 - Fund Balance Reserves

The governmental fund financial statements include a number of reserves that are maintained for specific purposes. The nature and purposes of the significant reserves are:

Reserved for Encumbrances

Represents segregated monies that have been appropriated but for which expenditures have not yet been incurred.

Reserved for Inventories

Represents inventory balances that are not available for spending.

Reserved for Self-insurance

An account to segregate monies that are reserved for health claims.

15 - Risk Management

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

CITY OF EL DORADO, KANSAS

NOTES TO FINANCIAL STATEMENTS  
(Continued)

15 - Risk Management (Continued)

Group Hospitalization

The City maintains a partially self-funded health insurance plan covering substantially all full-time employees. A monthly premium is paid to an insurance company for individual and aggregate stop-loss coverage and includes an amount for administrative costs. The maximum liability of the City for each individual covered is \$ 50,000 per plan year. Any claims paid in excess of this amount will be reimbursed to the City by the insurance company at the end of the plan year. The City's health plan includes Specific and Aggregate Stop Loss insurance. Specific Stop-Loss is the form of excess risk coverage that provides protection for the employer against a high claim on any one individual. This is protection against abnormal severity of a single claim rather than abnormal frequency of claims in total. Specific stop-loss is also known as individual stop-loss. Aggregate Stop-Loss provides a ceiling on the dollar amount of eligible expenses that an employer would pay, in total, during a contract period. The carrier reimburses the employer after the end of the contract period for aggregate claims. All City funds incurring payroll expenditures participate in the program and make payments to the program (which includes employee and employer contributions) based on actuarial estimates of the amounts needed to pay prior and current year claims. The claims liability of \$ 158,938 reported at December 31, 2010 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, 2010, the City had approximately \$ 816,000 reserved in the General Fund for payment of health claims. The changes in health care claims payable for the years ended December 31, 2010 and 2009 are as follows:

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

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF EL DORADO, KANSAS

SCHEDULE OF FUNDING PROGRESS

RETIREE HEALTH CARE BENEFIT PLAN TRUST

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
12/31/08	\$ -	\$ 699,820	\$ 699,820	0.0%	\$ 4,344,648	16.1%

**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 the proceeds of designated revenue sources which are used to finance specified activities as required by law or administrative regulation. 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.

**Special Alcohol Program Fund** – to account for the state shared tax for the prevention or treatment of alcohol and substance abuse.

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

**Cemetery Fund** – to account for the operations of the City owned cemeteries.

**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.

**Equipment Reserve Fund** – to account for the funding mechanism to secure the orderly acquisition and replacement of equipment for the efficient and effective operation of the City.

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

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

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

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

CITY OF EL DORADO, KANSAS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

December 31, 2010

	Airport	Major Street Improvement	Industrial Development	Special Parks and Recreation	Special Alcohol Program	Tourism Tax	Cemetery
\$ 93,430	\$ 90,471	\$ 518,281	\$ 55,020	\$ 2,000	\$ 204,503	\$ 117,318	
93,187	-	82,394	-	-	-	-	
-	-	-	-	-	-	-	
5,039	106,939	-	-	-	37,068	125	
\$ 191,656	\$ 197,410	\$ 600,675	\$ 55,020	\$ 2,000	\$ 241,571	\$ 117,443	

ASSETS

Cash and investments  
 Receivables (net of allowance for uncollectibles):  
     Property tax  
     Special assessment tax  
 Accounts  
 Total assets

LIABILITIES AND FUND BALANCES

Liabilities:							
Accounts payable	\$ 10,197	\$ 62,816	\$ 375	\$ 4,302	\$ 2,000	\$ 711	\$ 4,218
Accrued payroll	956	8,606	-	-	-	-	1,374
Deferred revenue	93,187	-	82,394	-	-	-	-
Total liabilities	104,340	71,422	82,769	4,302	2,000	711	5,592
Fund balances:							
Reserved for encumbrances	335	13,404	26,605	-	-	-	57
Unreserved:							
Undesignated	86,981	112,584	491,301	50,718	-	240,860	111,794
Total fund balances	87,316	125,988	517,906	50,718	-	240,860	111,851
Total liabilities and fund balances	\$ 191,656	\$ 197,410	\$ 600,675	\$ 55,020	\$ 2,000	\$ 241,571	\$ 117,443

(Continued)

CITY OF EL DORADO, KANSAS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
(Continued)

December 31, 2010

	Economic Develop- ment Sales Tax	Stormwater Utility	Equipment Reserve	Family Life Center	Youth Activity Donations	Fire Recovery	Law Enforcement Trust	Total Nonmajor Special Revenue Funds
Cash and investments	\$ 155,000	\$ 237,643	\$ 356,383	\$ -	\$ 35,546	\$ 2,525	\$ 1,534	\$ 1,869,654
Receivables (net of allowance for uncollectibles):								
Property tax	-	-	-	-	-	-	-	175,581
Special assessment tax Accounts	-	319,050	-	-	-	-	-	319,050
	-	564	-	-	6,660	-	-	156,395
Total assets	\$ 155,000	\$ 557,257	\$ 356,383	\$ -	\$ 42,206	\$ 2,525	\$ 1,534	\$ 2,520,680
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	\$ -	\$ 23,779	\$ -	\$ -	\$ 100	\$ -	\$ -	\$ 108,498
Accrued payroll	-	2,059	-	-	1,186	-	-	14,181
Deferred revenue	-	319,050	-	-	-	-	-	494,631
Total liabilities	-	344,888	-	-	1,286	-	-	617,310
Fund balances:								
Reserved for encumbrances	-	-	-	-	-	-	-	40,401
Unreserved:								
Undesignated	155,000	212,369	356,383	-	40,920	2,525	1,534	1,862,969
Total fund balances	155,000	212,369	356,383	-	40,920	2,525	1,534	1,903,370
Total liabilities and fund balances	\$ 155,000	\$ 557,257	\$ 356,383	\$ -	\$ 42,206	\$ 2,525	\$ 1,534	\$ 2,520,680

CITY OF EL DORADO, KANSAS

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

December 31, 2010

	Airport	Major Street Improvement	Industrial Development	Special Parks and Recreation	Special Alcohol Program	Tourism Tax	Cemetery
Revenues:							
Taxes:							
Property	\$ 90,152	\$ -	\$ 90,582	\$ -	\$ -	\$ -	\$ -
Tourism	-	-	-	-	-	141,187	-
Intergovernmental	-	468,364	-	33,270	-	-	657
Licenses and permits	-	1,025	-	2,400	-	-	-
Charges for services	107,407	-	-	-	-	-	77,723
Special assessments	-	-	-	-	-	-	-
Investment earnings	500	-	-	-	-	700	-
Miscellaneous	2,313	42,966	122,912	588	75	-	36,731
Total revenues	200,372	512,355	213,494	36,258	75	141,887	115,111
Expenditures:							
General government	158,631	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	901,613	-	-	-	-	-
Health and sanitation	-	-	-	-	7,631	-	205,233
Culture and recreation	-	-	-	32,289	-	-	-
Economic development	-	-	47,688	-	-	125,346	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay	-	39,424	-	16,336	-	-	25,913
Total expenditures	158,631	941,037	47,688	48,625	7,631	125,346	231,146
Excess (deficiency) of revenues over (under) expenditures	41,741	(428,682)	165,806	(12,367)	(7,556)	16,541	(116,035)
Other financing sources (uses):							
Transfers in	-	420,000	-	-	-	-	-
Transfers out	(57,160)	-	(6,910)	-	-	-	-
Total other financing sources (uses)	(57,160)	420,000	(6,910)	-	-	-	-
Net change in fund balances	(15,419)	(8,682)	158,896	(12,367)	(7,556)	16,541	(116,035)
Fund balances, beginning of year, as previously stated	102,735	30,583	359,010	63,085	7,556	178,997	227,886
Prior period adjustment	-	104,087	-	-	-	45,322	-
Fund balances, beginning of year, as restated	102,735	134,670	359,010	63,085	7,556	224,319	227,886
Fund balances, end of year	\$ 87,316	\$ 125,988	\$ 517,906	\$ 50,718	\$ -	\$ 240,860	\$ 111,851

(Continued)

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

December 31, 2010

	Economic Develop- ment Sales Tax	Stormwater Utility	Equipment Reserve	Family Life Center	Youth Activity Donations	Fire Recovery	Law Enforcement Trust	Total Nonmajor Special Revenue Funds
Revenues:								
Taxes:								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 180,734
Tourism	-	-	-	-	-	-	-	141,187
Intergovernmental	-	-	-	24,112	13,781	-	-	540,184
Licenses and permits	-	-	-	-	-	-	-	3,425
Charges for services	-	20,000	-	-	11,913	-	-	217,043
Special assessments	-	293,759	-	-	-	-	-	293,759
Investment earnings	-	900	1,300	-	-	-	-	3,400
Miscellaneous	-	1,192	-	-	3,416	37,192	-	247,385
Total revenues	-	315,851	1,300	24,112	29,110	37,192	-	1,627,117
Expenditures:								
General government	15,000	174,113	25,251	-	-	-	-	372,995
Public safety	-	-	-	-	1,601	-	-	1,601
Highways and streets	-	-	-	-	-	-	-	901,613
Health and sanitation	-	-	-	23,662	-	38,692	-	275,218
Culture and recreation	-	-	-	-	21,034	-	-	53,323
Economic development	-	-	-	-	425	-	-	173,459
Debt service:								
Principal	-	55,210	-	-	-	-	-	55,210
Interest	-	872	-	-	-	-	-	872
Capital outlay	-	25,000	-	-	-	-	-	106,673
Total expenditures	15,000	255,195	25,251	23,662	23,060	38,692	-	1,940,964
Excess (deficiency) of revenues over (under) expenditures	(15,000)	60,656	(23,951)	450	6,050	(1,500)	-	(313,847)
Other financing sources (uses):								
Transfers in	50,000	-	-	-	940	-	-	470,940
Transfers out	-	(18,000)	-	(450)	-	-	-	(82,520)
Total other financing sources (uses)	50,000	(18,000)	-	(450)	940	-	-	388,420
Net change in fund balances	35,000	42,656	(23,951)	-	6,990	(1,500)	-	74,573
Fund balances, beginning of year, as previously stated	120,000	169,713	380,334	-	33,930	4,025	1,534	1,679,388
Prior period adjustment	-	-	-	-	-	-	-	149,409
Fund balances, beginning of year, as restated	120,000	169,713	380,334	-	33,930	4,025	1,534	1,828,797
Fund balances, end of year	\$ 155,000	\$ 212,369	\$ 356,383	\$ -	\$ 40,920	\$ 2,525	\$ 1,534	\$ 1,903,370

CITY OF EL DORADO, KANSAS

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

AIRPORT FUND

Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 94,450	\$ 94,450	\$ 90,152	\$ (4,298)
Charges for services	110,000	110,000	107,407	(2,593)
Investment earnings	1,600	1,600	500	(1,100)
Miscellaneous	2,000	2,000	2,313	313
Total revenues	<u>208,050</u>	<u>208,050</u>	<u>200,372</u>	<u>(7,678)</u>
Expenditures:				
Personal services	54,772	54,772	55,633	(861)
Contractual services	30,885	30,885	36,700	(5,815)
Commodities	72,050	72,050	55,373	16,677
Capital outlay	90,146	90,146	10,892	79,254
Total expenditures	<u>247,853</u>	<u>247,853</u>	<u>158,598</u>	<u>89,255</u>
Excess of revenues over (under) expenditures	(39,803)	(39,803)	41,774	81,577
Other financing uses:				
Transfers out	(66,315)	(66,315)	(57,160)	9,155
Net change in fund balances	<u>(106,118)</u>	<u>(106,118)</u>	<u>(15,386)</u>	<u>90,732</u>
Fund balance, beginning of year	<u>106,118</u>	<u>106,118</u>	<u>102,367</u>	<u>(3,751)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,981</u>	<u>\$ 86,981</u>

CITY OF EL DORADO, KANSAS

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

MAJOR STREET IMPROVEMENT FUND

Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 488,185	\$ 488,185	\$ 468,364	\$ (19,821)
Licenses and permits	3,000	3,000	625	(2,375)
Miscellaneous	1,500	1,500	400	(1,100)
Reimbursements	15,000	15,000	42,966	27,966
Total revenues	507,685	507,685	512,355	4,670
Expenditures:				
Personal services	601,143	601,143	556,489	44,654
Contractual services	170,344	170,344	118,230	52,114
Commodities	218,550	218,550	220,798	(2,248)
Capital outlay	17,500	17,500	37,860	(20,360)
Total expenditures	1,007,537	1,007,537	933,377	74,160
Excess of revenues over (under) expenditures	(499,852)	(499,852)	(421,022)	78,830
Other financing sources:				
Transfers in	500,000	500,000	420,000	(80,000)
Net change in fund balances	148	148	(1,022)	(1,170)
Fund balance, beginning of year	3,146	3,146	113,606	110,460
Fund balance, end of year	\$ 3,294	\$ 3,294	\$ 112,584	\$ 109,290

CITY OF EL DORADO, KANSAS

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

INDUSTRIAL DEVELOPMENT FUND

Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 92,914	\$ 92,914	\$ 90,582	\$ (2,332)
Miscellaneous	25,000	25,000	122,912	97,912
Total revenues	117,914	117,914	213,494	95,580
Expenditures:				
Contractual services	82,108	82,108	59,033	23,075
Commodities	150	150	-	150
Capital outlay	449,256	449,256	-	449,256
Total expenditures	531,514	531,514	59,033	472,481
Excess of revenues over (under) expenditures	(413,600)	(413,600)	154,461	568,061
Other financing uses:				
Transfers out	-	-	(6,910)	(6,910)
Net change in fund balances	(413,600)	(413,600)	147,551	561,151
Fund balance, beginning of year	413,600	413,600	343,750	(69,850)
Fund balance, end of year	\$ -	\$ -	\$ 491,301	\$ 491,301

CITY OF EL DORADO, KANSAS

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

SPECIAL PARKS AND RECREATION FUND

Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Liquor tax	\$ 30,000	\$ 30,000	\$ 33,270	\$ 3,270
Fees	5,000	5,000	2,400	(2,600)
Miscellaneous	-	-	588	588
Total revenues	<u>35,000</u>	<u>35,000</u>	<u>36,258</u>	<u>1,258</u>
Expenditures:				
Contractual services	-	-	12,369	(12,369)
Commodities	4,500	4,500	19,920	(15,420)
Capital outlay	83,876	83,876	16,336	67,540
Total expenditures	<u>88,376</u>	<u>88,376</u>	<u>48,625</u>	<u>39,751</u>
Excess of revenues over (under) expenditures	(53,376)	(53,376)	(12,367)	41,009
Fund balance, beginning of year	<u>53,376</u>	<u>53,376</u>	<u>63,085</u>	<u>9,709</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,718</u>	<u>\$ 50,718</u>

CITY OF EL DORADO, KANSAS

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

SPECIAL ALCOHOL PROGRAM FUND

Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues and other sources:				
Miscellaneous	\$ -	\$ 144	\$ 75	\$ (69)
Expenditures and other uses:				
Contractual services	6,655	7,700	7,631	69
Excess of revenues over (under) expenditures	(6,655)	(7,556)	(7,556)	-
Fund balance, beginning of year	6,655	7,556	7,556	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF EL DORADO, KANSAS

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

TOURISM TAX FUND

Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Motel taxes	\$ 160,000	\$ 160,000	\$ 141,187	\$ (18,813)
Investment earnings	1,800	1,800	700	(1,100)
Total revenues	<u>161,800</u>	<u>161,800</u>	<u>141,887</u>	<u>(19,913)</u>
Expenditures:				
Contractual services	265,748	265,748	121,061	144,687
Commodities	1,400	1,400	4,285	(2,885)
Capital outlay	80,400	80,400	-	80,400
Total expenditures	<u>347,548</u>	<u>347,548</u>	<u>125,346</u>	<u>222,202</u>
Excess of revenues over (under) expenditures	(185,748)	(185,748)	16,541	202,289
Fund balance, beginning of year	<u>185,748</u>	<u>185,748</u>	<u>224,319</u>	<u>38,571</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240,860</u>	<u>\$ 240,860</u>

CITY OF EL DORADO, KANSAS

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

CEMETERY FUND

Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 657	\$ 657
Charges for services	83,000	83,000	77,723	(5,277)
Miscellaneous	-	-	36,731	36,731
Total revenues	83,000	83,000	115,111	32,111
Expenditures:				
Personal services	133,110	133,110	140,641	(7,531)
Contractual services	47,200	47,200	17,902	29,298
Commodities	31,350	31,350	33,082	(1,732)
Capital outlay	9,000	9,000	7,250	1,750
Total expenditures	220,660	220,660	198,875	21,785
Excess of revenues over (under) expenditures	(137,660)	(137,660)	(83,764)	53,896
Other financing sources:				
Transfers in	145,000	145,000	-	(145,000)
Net change in fund balances	7,340	7,340	(83,764)	(91,104)
Fund balance, beginning of year	195,919	195,919	195,558	(361)
Fund balance, end of year	\$ 203,259	\$ 203,259	\$ 111,794	\$ (91,465)

CITY OF EL DORADO, KANSAS

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

ECONOMIC DEVELOPMENT SALES TAX FUND

Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Contractual services	\$ 170,000	\$ 170,000	\$ 15,000	\$ 155,000
Other financing sources:				
Transfers in	50,000	50,000	50,000	-
Net change in fund balances	(120,000)	(120,000)	35,000	155,000
Fund balance, beginning of year	120,000	120,000	120,000	-
Fund balance, end of year	\$ -	\$ -	\$ 155,000	\$ 155,000

CITY OF EL DORADO, KANSAS

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

STORMWATER UTILITY FUND

Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special assessment taxes	\$ 320,185	\$ 320,185	\$ 293,759	\$ (26,426)
Charges for services	40,000	40,000	20,000	(20,000)
Investment earnings	-	-	900	900
Miscellaneous	34,991	34,991	1,192	(33,799)
Total revenues	395,176	395,176	315,851	(79,325)
Expenditures:				
Personal services	132,030	132,030	115,606	16,424
Contractual services	10,900	10,900	11,583	(683)
Commodities	36,000	36,000	46,924	(10,924)
Debt redemption	57,700	57,700	56,082	1,618
Capital outlay	-	-	25,000	(25,000)
Total expenditures	236,630	236,630	255,195	(18,565)
Excess of revenues over (under) expenditures	158,546	158,546	60,656	(97,890)
Other financing sources:				
Transfers out	(325,710)	(325,710)	(18,000)	307,710
Net change in fund balances	(167,164)	(167,164)	42,656	209,820
Fund balance, beginning of year	167,164	167,164	169,713	2,549
Fund balance, end of year	\$ -	\$ -	\$ 212,369	\$ 212,369

CITY OF EL DORADO, KANSAS

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

DEBT SERVICE FUND

Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,311,200	\$ 1,311,200	\$ 1,285,089	\$ (26,111)
Special assessments	508,992	508,992	506,931	(2,061)
Investment earnings	3,600	3,600	5,100	1,500
Miscellaneous	-	-	85,171	85,171
Total revenues	<u>1,823,792</u>	<u>1,823,792</u>	<u>1,882,291</u>	<u>58,499</u>
Expenditures:				
Debt redemption	4,141,512	4,141,512	1,822,581	2,318,931
Cash basis reserve	617,754	617,754	-	617,754
Total expenditures	<u>4,759,266</u>	<u>4,759,266</u>	<u>1,822,581</u>	<u>2,936,685</u>
Excess of revenues over (under) expenditures	<u>(2,935,474)</u>	<u>(2,935,474)</u>	<u>59,710</u>	<u>2,995,184</u>
Other financing sources (uses):				
Transfers in	75,000	75,000	75,067	67
Refunding bonds issued	-	-	757,621	757,621
Payment to refunded bond escrow agent	-	-	(755,000)	(755,000)
Total other financing sources (uses)	<u>75,000</u>	<u>75,000</u>	<u>77,688</u>	<u>2,688</u>
Net change in fund balances	<u>(2,860,474)</u>	<u>(2,860,474)</u>	<u>137,398</u>	<u>2,997,872</u>
Fund balance, beginning of year	<u>2,860,474</u>	<u>2,860,474</u>	<u>599,126</u>	<u>(2,261,348)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 736,524</u>	<u>\$ 736,524</u>

## FIDUCIARY FUNDS

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

### **AGENCY FUNDS**

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

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

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

CITY OF EL DORADO, KANSAS

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

Year Ended December 31, 2010

	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>SALES TAX FUND</u>				
Assets:				
Cash and investments	\$ 1,296	\$ 14,635	\$ 14,430	\$ 1,501
Accounts receivable	1,240	3,008	1,240	3,008
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 2,536</u>	<u>\$ 17,643</u>	<u>\$ 15,670</u>	<u>\$ 4,509</u>
Liabilities:				
Accounts payable	<u>\$ 2,536</u>	<u>\$ 17,643</u>	<u>\$ 15,670</u>	<u>\$ 4,509</u>
<u>REVOLVING LOAN FUND</u>				
Assets:				
Cash and investments	<u>\$ -</u>	<u>\$ 34,018</u>	<u>\$ 34,018</u>	<u>\$ -</u>
Liabilities:				
Accounts payable	<u>\$ -</u>	<u>\$ 34,018</u>	<u>\$ 34,018</u>	<u>\$ -</u>

(Continued)

CITY OF EL DORADO, KANSAS

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

Year Ended December 31, 2010

	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>PAYROLL WITHHOLDING FUND</u>				
Assets:				
Cash and investments	\$ 16,120	\$ -	\$ 12,588	\$ 3,532
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Liabilities:				
Accounts payable	\$ 16,120	\$ -	\$ 12,588	\$ 3,532
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
 <u>TOTALS - ALL AGENCY FUNDS</u>				
Assets:				
Cash and investments	\$ 17,416	\$ 48,653	\$ 61,036	\$ 5,033
Accounts receivable	1,240	3,008	1,240	3,008
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	\$ 18,656	\$ 51,661	\$ 62,276	\$ 8,041
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Liabilities:				
Accounts payable	\$ 18,656	\$ 51,661	\$ 62,276	\$ 8,041
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </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, 2010

ASSETS

Cash and investments	\$ 242,105
Endowment investment	225,523
Property tax receivable	356,600
Accounts receivable	468
	<hr/>
Total assets	<u>\$ 824,696</u>

LIABILITIES AND  
FUND BALANCES

Liabilities:	
Accounts payable	\$ 13,590
Accrued payroll	5,633
Deferred revenue	356,600
	<hr/>
Total liabilities	<u>375,823</u>
Fund balances:	
Reserved for encumbrances	440
Unreserved	448,433
	<hr/>
Total fund balances	<u>448,873</u>
	<hr/>
Total liabilities and fund balances	<u>\$ 824,696</u>

CITY OF EL DORADO, KANSAS

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

BRADFORD MEMORIAL LIBRARY

Year Ended December 31, 2010

Revenues:	
Property taxes	\$ 407,228
Intergovernmental	37,260
Charges for services	3,650
Fines and forfeitures	13,085
Investment earnings	35,276
Miscellaneous	23,489
	<hr/>
Total revenues	519,988
	<hr/>
Expenditures:	
Personal services	294,637
Contractual services	51,986
Commodities	126,736
Capital outlay	5,849
	<hr/>
Total expenditures	479,208
	<hr/>
Net change in fund balance	40,780
	<hr/>
Fund balances, beginning of year, as previously stated	430,074
	<hr/>
Prior period adjustment	(21,981)
	<hr/>
Fund balances, beginning of year, as restated	408,093
	<hr/>
Fund balances, end of year	\$ 448,873
	<hr/> <hr/>

CITY OF



EL DORADO  
KANSAS

THE FINE ART OF LIVING WELL

**STATISTICAL  
SECTION**

## STATISTICAL SECTION

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

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	<b>88 - 94</b>
<b>Revenue Capacity</b> 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.	<b>95 - 98</b>
<b>Debt Capacity</b> 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.	<b>99 - 103</b>
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	<b>104 - 105</b>
<b>Operating Information</b> 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.	<b>106 - 108</b>

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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

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

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

<sup>1</sup> Amounts have been restated due to a prior period adjustment in 2004.

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

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

**City of El Dorado**  
**Changes in Net Assets**  
**Last Eight Years (Continued)**

(accrual basis of accounting)

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

**City of El Dorado**  
**Changes in Net Assets**  
**Last Eight Years (Continued)**

(accrual basis of accounting)

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

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

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

<sup>2</sup> Amounts have been restated due to a prior period adjustment in 2004.

<sup>3</sup> In 2006, a \$1.4 million bike path was constructed, of which \$1,088,000 was funded by a federal grant and \$40,000 by a Kansas Wildlife and Parks grant. In 2009, a building in the industrial park was sold, and grants were received for the North Main bridge project and the West Central Avenue paving project.

**City of El Dorado**  
**Fund Balances, Governmental Funds**  
**Last Eight Years**

(modified accrual basis of accounting)

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

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

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

**City of El Dorado**  
**Changes in Fund Balances, Governmental Funds**  
**Last Eight Years**

(modified accrual basis of accounting)

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

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

**City of El Dorado**  
**Tax Revenues by Source, Governmental Funds**

**Last Eight Years**

(modified accrual basis of accounting)

Fiscal Year	Property Tax	Motor Vehicle Tax	Sales Tax	Franchise Tax	Transient Guest Tax	Total
2003	\$ 2,544,932	\$ 503,778	\$ 1,744,446	\$ 1,041,240	\$ 95,760	\$ 5,930,156
2004	2,578,603	537,483	1,955,602	1,120,969	93,698	6,286,355
2005	2,603,408	537,966	2,076,768	1,174,076	101,192	6,493,410
2006	2,702,223	531,307	2,186,737	1,248,377	111,064	6,779,708
2007 <sup>1</sup>	3,219,602	511,030	2,318,150	1,258,919	96,864	7,404,565
2008 <sup>2</sup>	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 <sup>3</sup>	3,377,300	479,769	2,149,953	1,090,324	141,187	7,238,533

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

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

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

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

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

<u>Fiscal Year<sup>2</sup></u>	<u>Total Tax Levy<sup>1</sup></u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>
2001	\$ 2,323,930	\$ 2,263,076	97.38 %	\$ 71,327	\$ 2,334,803	100.00 %
2002	2,412,536	2,243,536	92.99	98,116	2,341,651	97.06
2003	2,581,099	2,360,525	91.45	184,407	2,544,932	98.60
2004	2,587,625	2,448,475	94.62	130,128	2,578,603	99.65
2005 <sup>3</sup>	2,731,085	2,492,472	91.26	110,936	2,603,408	95.33
2006	2,771,416	2,590,007	93.45	112,216	2,702,223	97.50
2007 <sup>3,4</sup>	3,486,822	3,095,084	88.77	124,518	3,219,602	92.34
2008	3,658,934	3,357,533	91.76	148,580	3,506,113	95.82
2009	3,855,346	3,568,745	92.57	124,669	3,693,414	95.80
2010	3,877,440	3,329,764	85.87	177,149	3,506,913	90.44

Notes:

<sup>1</sup> As computed and certified by Butler County Clerk on November 1 of levy year.

<sup>2</sup> The year in which the tax was collected.

<sup>3</sup> 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.

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

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

Levy Year	Real Property	Personal Property <sup>1</sup>	Utilities <sup>2</sup>	Oil & Gas <sup>2</sup>	Total Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
2001	\$ 47,912,849	\$ 7,854,148			\$ 55,766,997	43.261	\$ 394,278,482	14.14 %
2002	51,299,878	8,415,988			59,715,866	43.223	384,617,537	15.53
2003	51,542,226	5,101,950	\$ 3,813,332	\$ 30,703	60,488,211	42.779	412,016,273	14.68
2004	54,825,872	6,875,466	3,832,969	22,223	65,556,530	41.660	442,708,893	14.81
2005	59,942,605	7,657,836	3,671,307	40,720	71,312,468	38.863	473,630,300	15.06
2006	63,532,483	9,180,146	3,753,209	81,813	76,547,651	45.551	502,246,861	15.24
2007	69,465,387	7,118,214	3,716,185	95,140	80,394,926	45.512	526,474,246	15.27
2008	72,305,376	5,575,066	3,894,863	146,999	81,922,304	47.061	543,546,896	15.07
2009	73,854,674	4,737,185	3,881,799	30,794	82,504,452	46.997	549,408,643	15.02
2010	74,505,823	3,939,697	4,043,772	17,350	82,506,642	48.990	547,503,613	15.07

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%.

<sup>1</sup> Assessed values for Personal Property do not include motor vehicle valuation.

<sup>2</sup> Assessed values for Utilities and Oil & Gas were included in the Real Property amount in years 2001 through 2002.

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

Year <sup>1</sup>	City of El Dorado							Other Overlapping Governments <sup>2</sup>					
	General	Library	Employee Benefits	Industrial Mill Levy	Debt Service	Airport	Total City	Butler County	Butler Community College	State of Kansas	Unified School District No. 490	Unified School District No. 375	Unified School District No. 205
2001	14.805	4.005	5.089	1.004	18.057	0.301	43.261	35.970	15.133	1.500	49.133	50.500	47.174
2002	15.492	3.997	4.997	0.999	17.440	0.298	43.223	35.701	16.088	1.500	44.449	50.327	53.602
2003	14.242	4.205	6.008	1.001	17.023	0.300	42.779	35.700	16.907	1.500	41.203	50.757	49.672
2004	13.847	4.118	5.851	0.974	16.578	0.292	41.660	35.481	16.802	1.500	43.528	50.293	50.812
2005	11.805	3.934	5.827	0.498	16.510	0.289	38.863	35.932	17.478	1.500	46.762	53.207	50.970
2006 <sup>3</sup>	19.643	4.745	0.000	1.002	19.872	0.289	45.551	35.723	17.363	1.500	48.177	52.209	49.169
2007 <sup>4</sup>	23.312	4.554	0.000	0.999	16.358	0.289	45.512	35.440	17.225	1.500	46.936	52.430	50.767
2008 <sup>5</sup>	24.784	4.675	0.000	1.012	16.298	0.292	47.061	36.434	18.195	1.500	49.865	53.001	51.181
2009 <sup>6</sup>	26.768	4.322	0.000	0.999	13.779	1.129	46.997	36.522	18.194	1.500	50.745	53.019	58.947
2010 <sup>7</sup>	29.207	4.771	0.000	1.042	13.321	0.649	48.990	35.822	18.002	1.500	51.443	55.790	61.609

Source: Butler County Clerk

Notes:

- <sup>1</sup> The year shown is the year in which taxes are levied for collection in the following fiscal year.
- <sup>2</sup> Overlapping rates are those of local and county governments that apply to property owners within the city limits of El Dorado. Not all overlapping rates apply to all property owners. The rates for Unified School District No. 490 and Unified School District No. 375 only apply to approximately 82.1% and 17.9%, respectively, of the property in El Dorado. The rates for Unified School District No. 205 only apply to two businesses located at the El Dorado municipal airport.
- <sup>3</sup> In 2006 the Employee Benefits fund was eliminated, which resulted in increases in the City of El Dorado's General and Library mill levies. The increase in the total City mill levy was due to several factors. In an effort to delay a mill levy increase, cash reserves in the Debt Service fund were decreased over the previous several years; however, an increase in the mill levy was necessary in 2006 to restore cash balance in the fund to an adequate level to fund the City's debt and maintain a prudent fund balance. Additionally, due to inadequate gas tax revenues to properly maintain the City's streets, the City had to begin supplementing the Major Street fund through transfers from the General fund. Due to increased activity in the recruitment of new businesses to El Dorado, the Industrial Mill Levy fund was also increased 1/2 mill.
- <sup>4</sup> 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.
- <sup>5</sup> The General mill levy was increased to accumulate funds for implementation of a new retirement plan for City employees in 2010.
- <sup>6</sup> A portion of the proceeds from the sale of a building was used to pay off two bonds previously issued to construct that facility; this allowed elimination of bond reserve accounts and a decrease in the Debt Service mill levy. This decrease allowed a mill increase in the Airport fund to build funds for the local match of future FAA grant projects and a General mill increase to provide funds to offset a possible decrease in revenues due to the current economic environment.
- <sup>7</sup> 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.

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

Taxpayer	2010			2001		
	Assessed Value	Rank	Percentage of Total Assessed Value	Assessed Value	Rank	Percentage of Total Assessed Value
Wal-Mart Real Estate	\$2,861,000	1	3.02%	---	---	---
Kansas Gas & Electric	1,231,668	2	1.30%	\$1,605,932	1	2.57%
Kansas Gas Service <sup>1</sup>	1,132,218	3	1.20%	544,227	6	0.87%
BG Real Estate Inc.	645,817	4	0.68%	---	---	---
Southwestern Bell Telephone	612,656	5	0.65%	1,282,425	2	2.05%
Vlomis Enterprises	1,055,500	6	1.12%	595,494	5	0.95%
Pioneer Balloon Co	563,991	7	0.60%	660,315	4	1.06%
Ted & Barbara Dankert LP	530,028	8	0.56%	---	---	---
Sutherland Lumber	496,851	9	0.53%	---	---	---
El Dorado Group II LLC	475,626	10	0.50%	347,416	7	0.56%
Wal-Mart Stores, Inc.	---	---	---	896,815	3	1.44%
J. Larry Fugate	---	---	---	284,047	10	0.45%
Edmund & Barbara Terry	---	---	---	337,854	8	0.54%
Kansas Dev. Corp	---	---	---	303,842	9	0.49%
<b>Total</b>	<u>\$9,605,355</u>		<u>10.15%</u>	<u>\$6,858,367</u>		<u>10.98%</u>
<b>Total Assessed Value <sup>2</sup></b>	\$94,612,685			\$62,439,845		

Source: Butler County 2010 tax roll

Notes:

<sup>1</sup> Formerly Western Resources - Gas Division

<sup>2</sup> Includes motor vehicle valuation

**City of El Dorado**  
**Ratios of Outstanding Debt by Type**  
**Last Eight Years**

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

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

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

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

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

<u>Fiscal Year</u>	<u>General Obligation Debt</u>	<u>Less Debt Service Funds</u>	<u>Net Bonded Debt</u>	<u>Net Bonded Debt Per Capita</u>	<u>Net Bonded Debt to Estimated Actual Value</u>
2001	\$ 13,095,000 <sup>1</sup>	\$ 917,453	\$ 12,177,547	\$ 957.73	3.09 %
2002	13,550,000	1,092,304	12,457,696	982.16	3.24
2003	12,025,000	863,472	11,161,528	878.38	2.71
2004	14,955,000 <sup>1</sup>	712,706	14,242,294	1,122.41	3.22
2005	13,125,000 <sup>1</sup>	261,816	12,863,184	1,016.13	2.72
2006	15,776,000 <sup>1</sup>	117,689	15,658,311	1,231.19	3.12
2007	14,191,000 <sup>1</sup>	503,723	13,687,277	1,086.64	2.60
2008	15,620,000 <sup>1</sup>	592,941	15,027,059	1,193.48	2.76
2009	11,555,000 <sup>1,2</sup>	599,126	10,955,874	866.56	1.99
2010	11,450,000	736,524	10,713,476	847.99	1.96

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.

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

<sup>2</sup> 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, 2010**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>1</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Overlapping Debt:</b>			
Butler County <sup>2</sup>	\$ 1,425,000	14.08%	\$ 200,640
Unified School District No. 490	54,865,000	31.71%	17,397,692
Unified School District No. 375	<u>32,365,000</u>	18.05%	<u>5,841,883</u>
	\$ 88,655,000		\$ 23,440,214
 <b>Direct Debt:</b>			
Net Bonded Debt	<u>10,713,476</u>		<u>10,713,476</u>
<b>Total direct and overlapping debt</b>	<u><u>\$ 99,368,476</u></u>		<u><u>\$ 34,153,690</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.

<sup>1</sup> 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.

<sup>2</sup> Butler County has \$21,205,000 outstanding in Public Building Commission revenue bonds that is not included in this debt outstanding figure.

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Assessed Valuation	\$ 55,766,997	\$ 59,715,866	\$ 60,488,211	\$ 65,556,530	\$ 71,312,468	\$ 76,547,651	\$ 80,394,926	\$ 81,922,304	\$ 82,504,452	\$ 82,506,642
Assessed Valuation on Motor Vehicles	6,672,848	7,920,865	12,276,663	12,592,448	12,687,701	12,811,634	13,124,330	13,404,428	13,020,077	12,106,043
Total Assessed Valuation <sup>1</sup>	\$ 62,439,845	\$ 67,636,731	\$ 72,764,874	\$ 78,148,978	\$ 84,000,169	\$ 89,359,285	\$ 93,519,256	\$ 95,326,732	\$ 95,524,529	\$ 94,612,685
Legal Debt Limit <sup>2</sup>	\$ 18,731,954	\$ 20,291,019	\$ 21,829,462	\$ 23,444,693	\$ 25,200,051	\$ 26,807,786	\$ 28,055,777	\$ 28,598,020	\$ 28,657,359	\$ 28,383,806
Bonded Indebtedness	\$ 15,160,000	\$ 15,315,000	\$ 13,475,000	\$ 16,080,000	\$ 13,900,000	\$ 16,176,000	\$ 14,191,000	\$ 15,620,000	\$ 11,555,000	\$ 11,450,000
Temporary Notes	-	1,200,000	3,484,000	-	4,789,228	395,305	2,511,305	95,000	655,000	4,000,000
Total Debt	15,160,000	16,515,000	16,959,000	16,080,000	18,689,228	16,571,305	16,702,305	15,715,000	12,210,000	15,450,000
Less:										
Assets in Debt Service Fund	\$ 917,453	\$ 1,092,304	\$ 863,472	\$ 712,706	\$ 261,816	\$ 117,689	\$ 503,723	\$ 592,941	\$ 599,126	\$ 736,524
Exempted Debt (KSA 10-309)-G.O. Bonds	2,582,877	1,983,045	1,675,473	3,499,721	3,053,370	4,830,905	4,408,652	3,853,726	4,034,440	4,658,939
Exempted Debt (KSA 10-309)-Temporary Notes	-	-	1,107,180	-	1,979,124	-	56,945	-	-	-
Waterworks Revenue Bonds	2,065,000	1,765,000	1,450,000	1,125,000	775,000	400,000	-	-	-	-
Sewer System Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Total Deductions	5,565,330	4,840,349	5,096,125	5,337,427	6,069,310	5,348,594	4,969,320	4,446,667	4,633,566	5,395,463
Total Amount Applicable to Debt Limit	9,594,870	11,674,651	11,862,875	10,742,573	12,619,918	11,222,711	11,733,985	11,268,333	7,576,434	10,054,537
Legal Debt Margin	\$ 9,137,884	\$ 8,616,368	\$ 9,966,587	\$ 12,702,120	\$ 12,580,133	\$ 15,585,075	\$ 16,322,792	\$ 17,329,687	\$ 21,080,925	\$ 18,329,269
Legal Debt Margin as a percentage of the Debt Limit	48.78%	42.46%	45.66%	54.18%	49.92%	58.14%	58.18%	60.60%	73.56%	64.58%

Notes:

<sup>1</sup> Computed in accordance with KSA 10-310.

<sup>2</sup> 30% of Assessed Valuation (KSA 10-308).

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

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Operating Expenses <sup>1</sup></u>	<u>Net Revenue Available for Debt Service</u>	<u>Principal <sup>2</sup> Requirements</u>	<u>Interest <sup>2</sup> Requirements</u>	<u>Total</u>	<u>Coverage</u>
2001	\$ 2,985,097	\$ 1,540,296	\$ 1,444,801	\$ 300,000	\$ 94,905	\$ 394,905	3.66
2002	2,815,405	1,875,022	940,383	315,000	81,705	396,705	2.37
2003	2,553,269	1,981,585	571,684	325,000	67,688	392,688	1.46
2004	2,699,797	2,045,171	654,626	350,000	52,900	402,900	1.62
2005	3,350,268	1,918,348	1,431,920	375,000	36,625	411,625	3.48
2006	3,881,436	2,011,828	1,869,608	400,000	19,000	419,000	4.46
2007	4,121,758	1,999,237	2,122,521	-	-	-	N/A
2008	3,988,284	2,271,883	1,716,401	-	-	-	N/A
2009	3,615,955	2,648,132	967,823	-	-	-	N/A
2010	4,064,826	2,418,809	1,646,017	-	-	-	N/A

Notes:

<sup>1</sup> Excludes depreciation.

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

**City of El Dorado**  
**Demographic and Economic Statistics**  
**Last Ten Years**

<b>Fiscal Year</b>	<b>Population <sup>1</sup></b>	<b>Personal Income</b>	<b>Per Capita Personal Income <sup>2</sup></b>	<b>Unemployment Rate % <sup>3</sup></b>
2001	12,715	\$ 237,630,635	\$ 18,689	3.2 %
2002	12,684	241,186,260	19,015	5.9
2003	12,707	245,816,915	19,345	5.4
2004	12,689	249,744,898	19,682	5.2
2005	12,659	253,483,816	20,024	4.8
2006	12,718	258,633,248	20,336	4.7
2007	12,596	244,488,360	19,410	3.9
2008	12,591	254,048,607	20,177	4.1
2009	12,643	261,785,958	20,706	7.2
2010	12,800	275,494,400	21,523	8.3

Sources:

<sup>1</sup> Population estimates, with the exception of the most recent year, 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.

<sup>2</sup> 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.

<sup>3</sup> 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**

<u>Employer</u>	<u>2010</u>			<u>2001</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
USD #490	1014	1	17.04%	628	1	10.05%
El Dorado Frontier Refining <sup>2</sup>	437	2	7.34%	460	3	7.36%
El Dorado Correctional Facility	428	3	7.19%	609	2	9.74%
Butler Community College	409	4	6.87%	306	5	4.90%
Butler County Government	360	5	6.05%	325	4	5.20%
Wal-Mart	292	6	4.91%	159	8	2.54%
SBA Memorial Hospital	273	7	4.59%	285	6	4.56%
Pioneer Balloon	180	8	3.02%	208	7	3.33%
City of El Dorado	138	9	2.32%	---	---	---
C-Tech <sup>3</sup>	136	10	2.29%	114	9	1.82%
Banks Construction	---	---	---	110	10	1.76%
<b>Total</b>	<u>3,667</u>		<u>61.62%</u>	<u>3,204</u>		<u>51.26%</u>
 Total Employment <sup>1</sup>	 5,951			 6,250		

Source: City of El Dorado Survey of Employers

Notes:

<sup>1</sup> 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.

<sup>2</sup> Formerly Texaco Refining & Marketing; then Equilon Enterprises

<sup>3</sup> Formerly Blackburn Construction

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

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

Source: City Budget Office

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

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

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

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

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

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

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

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

Source: Various City Departments

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

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

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

Source: Various City Departments

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

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

SINGLE AUDIT SECTION

CITY OF EL DORADO, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Commerce:		
Economic Development Administration:		
Investments for Public Works and Economic Development Facilities	11.300	\$ 499,999
U.S. Department of Housing and Urban Development:		
Passed through Kansas Department of Commerce:		
Community Development Block Grant	14.228	1,032,506
Emergency Shelter Grants Program	14.231	24,112
HOME Investment Partnerships Program	14.239	5,323
Total U.S. Department of Housing and Urban Development		1,061,941
U.S. Department of Justice		
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.804	25,000
U.S. Department of Transportation:		
Passed through Kansas Department of Transportation:		
State and Community Highway Safety	20.600	3,641
Airport Improvement Program	20.106	824,306
Total U.S. Department of Transportation		827,947
Environmental Protection Agency:		
Passed through the Kansas Department of Health and Environment:		
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458	460,999
U.S. Department of Energy		
Passed through Kansas Corporation Commission:		
ARRA - Renewable Energy Grant	81.128	48,786
ARRA - Energy Management Grant	81.128	75,031
Total U.S. Department of Energy		123,817
Total expenditures of federal awards		\$ 2,999,703

See accompanying notes to schedule of expenditures of federal awards.

CITY OF EL DORADO, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2010

1 - General

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

2 - Basis of Accounting

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

CITY OF EL DORADO, KANSAS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended December 31, 2010

**Section I – Summary of Independent Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified:	2010-1
Significant deficiencies identified that are not considered to be material weaknesses:	2010-2, 2010-3 and 2010-4
Noncompliance material to financial statements:	None

**Federal Awards**

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
11.300	Investments for Public Works and Economic Development Facilities
20.106	Airport Improvement Program
66.458	ARRA – Capitalization Grants for Clean Water State Revolving Funds

CITY OF EL DORADO, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

**Section II – Financial Statement Findings**

**Finding 2010-1 – Material Weakness**

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

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

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

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

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

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

CITY OF EL DORADO, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding 2010-2 – Significant Deficiency**

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

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

*Cause* – Inappropriate application of generally accepted accounting principles.

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

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

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

**Finding 2010-3 – Significant Deficiency**

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

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

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

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

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

CITY OF EL DORADO, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding 2010-3 – Significant Deficiency (Continued)**

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

**Finding 2010-4 – Significant Deficiency**

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

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

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

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

*Questioned Costs* – None.

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

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

**Section III – Federal Award Findings and Questioned Costs**

None

CITY OF EI DORADO, KANSAS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2010

None.



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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of El Dorado, Kansas (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2010-1 to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2010-2, 2010-3 and 2010-4 to be significant deficiencies.

### Compliance and Other Matters

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

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

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

*Berberich Trahan & Co., P.A.*

July 19, 2011



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

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

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

Compliance

We have audited the City of El Dorado, Kansas' (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

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## Internal Control Over Compliance

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

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

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

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

*Berberich Trahan & Co., P.A.*

July 19, 2011