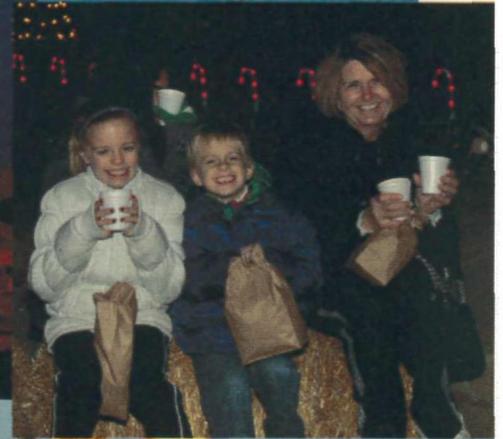
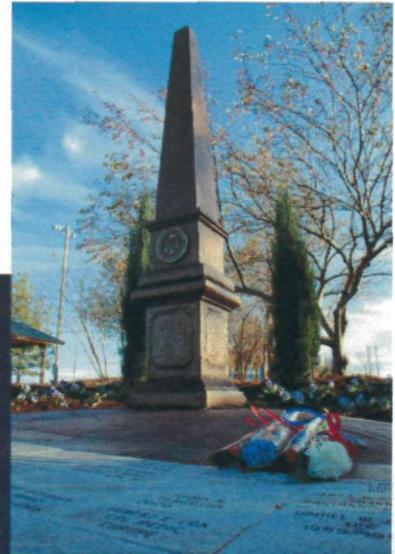
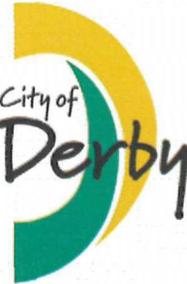


# City of Derby, Kansas Comprehensive Annual Financial Report

December 31, 2012



CITY OF DERBY, KANSAS

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COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

Prepared by:

Finance Department  
City of Derby, Kansas

CITY OF DERBY, KANSAS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

Year Ended December 31, 2012

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June 4, 2013



TO THE CITIZENS OF THE CITY OF DERBY, KANSAS  
HONORABLE MAYOR AND CITY COUNCIL

The Comprehensive Annual Financial Report of the City of Derby, Kansas (the City) for the fiscal year ended December 31, 2012 is hereby submitted for your review. Responsibility for the accuracy of the data presented, the completeness and fairness of the presentation, including all disclosures, rests with the City. A comprehensive framework of internal control has been established but because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

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. The firm of Berberich Trahan & Co., P.A. has performed the audit this year. Its report for the December 31, 2012 financial statements is located at the front of the Financial Section and in the compliance section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

The Reporting Entity and Its Services

The City of Derby, Kansas is in Sedgwick County, located approximately three and one-half miles south of Wichita in south central Kansas. The City encompassed approximately 9.2 square miles and had an estimated population in 2010 of 22,158.

The City was incorporated in 1869 and operates under the Mayor-Council-Manager form of government. The eight council members are elected by ward and serve four-year terms. The Mayor is elected at large for a four-year term, has veto power over certain Council action, presides over Council meetings and appoints certain City officials, subject to Council approval. The City Manager is appointed by the governing body and is charged with the efficient and effective administration of the City.

All funds and entities related to the City of Derby are included in the annual financial report. The City provides a full range of services, which include public safety (police and fire); public utilities (water distribution and wastewater collection and treatment); public works (streets, parks, and vehicle maintenance) and a variety of supportive administrative services.

The Derby Public Library, although a separate legal entity, is reported as a discrete component unit. A Board of Trustees, the appointees of which are approved by the City Council, governs the Library. The Library is not a separate taxing entity under state statutes, and the City levies taxes for the Library operation, which represents a significant portion of its total revenues.

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless exempted by a specific statute), debt service funds, and enterprise funds. Statutes require the budget to be *balanced*, meaning that estimated expenditures equal estimated revenues. A five-year Capital Improvement Plan is also adopted by the City Council, and the first year of that plan is included in the operating budget.

All budgets are prepared using the modified accrual basis further modified by the encumbrance method of accounting – that is, commitments evidenced by documents such as purchase orders and contracts in addition to disbursements and accounts payable are all recorded as expenditures although the actual funds have yet to be released to the billing source. Furthermore, the statutes provide for a public hearing on or before August 15<sup>th</sup> of each year and adoption of a final budget on or before August 25<sup>th</sup> of each year.

Supplemental appropriations and transfers among budget categories occasionally modify original appropriations, but in order to exceed the total appropriation of a fund, an amendment must be approved by the City Council. To amend the budget, the proposed amendment must appear in the official City newspaper at least 10 days prior to a public hearing. Citizens also may address the City Council prior to the hearing. After the hearing, the Council may then vote to amend the budget. Approved amendments are then submitted to the State Division of Accounts & Reports for recording.

### Economic Condition and Outlook

Derby, the 18<sup>th</sup> largest city in Kansas, is part of the Wichita Metropolitan Statistical Area (MSA) that includes Sedgwick, Butler, Harvey, Kingman and Sumner counties. Together this region's population totals nearly 644,000 residents.

Derby supports more than 560 businesses, ranging from modest home-based businesses to large manufacturing companies like BRG Precision Products, manufacturer of custom digital electronic clocks and time displays, and Mid Continent Controls, manufacturer of cabin management and in-flight entertainment systems for business jets. The City's economy is strongest in the construction industry, followed closely by retail, finance/insurance/real estate, and health-care related activities. Aircraft manufacturers Spirit AeroSystems, Cessna, Learjet and Beechcraft provide jobs for a significant portion of the community's residents, as does Derby Public Schools.

Derby's strong pattern of residential growth continues to attract restaurants, retailers, and educational institutions as well. 2013 will bring a new Walmart Neighborhood Market to Derby, along with a second Braum's Ice Cream and Dairy Store. Derby Marketplace continues to be anchored by major retailers

Target and Dillon's Marketplace, along with Petco, Hibbett Sports, Maurices, Dress Barn, Christopher & Banks and other retailers and service providers. In 2012, national restaurateurs Olive Garden and Panera Bread opened new stores at Derby Marketplace and was joined by Starbucks in May 2013. With nearly 600,000 square feet of retail space, the Derby Marketplace will continue to expand as leases are signed with restaurants and retailers. This growth will contribute to increased city-wide sales tax revenue in 2013, which is devoted to a new library opened in 2009, and stable property tax revenue in 2014 which helps fund most other City services, as well as programs of the Derby Recreation Commission. In 2009, Hampton Inn opened in Derby, and additional commercial development is expected in the future along Rock Road, Patriot, and K-15 Highway, as well as in the Derby Business Park and Derby Corporate Park.

The Great Recession continues to affect Derby as reflected in our projections of assessed valuation. Derby's 2012 assessed valuation grew only 1.6% and is expected to remain flat in 2013, which is better than many communities throughout the Midwest. Assessed valuation at the beginning of 2012 included the first phase of the Glen Carr House Memory Care facility, along with some single-family residential growth throughout the year. The value of new construction is offset by reductions in valuations of some existing homes and businesses, which when all transactions are taken into account, the assessed valuation should remain stable.

Just as we are experiencing the effect of the prolonged recession on assessed valuation, we are seeing growth in our share of the countywide retail sales tax. Sales tax collections for 2012 grew 3.1% and are projected to grow 2.5% in 2013. The city-wide retail sales tax grew 6.9% in 2012 primarily due to the timing of receipts which artificially lowered 2011 revenue, and then is projected to continue to grow at 2.5% due to inflation. Concerns surfaced in 2010 as attempts were made by other states to entice Wichita aircraft manufacturers to relocate. Fortunately, the State of Kansas, along with other local government entities, rose to the challenge and provided incentives for some aircraft manufacturers to remain and expand in the Wichita area. On the other hand, the Boeing Company announced that it will leave Wichita in 2013, just as Bombardier Learjet expands its workforce & facility to manufacture a new jet in 2014. Derby's economic outlook is brighter this month due to the announcement that McConnell Air Force Base will be the main operations base for the KC-46A tankers in 2016. The direct impact on Derby is unknown at this time, but it puts the base in a position to be a key factor in the Air Force's plans for decades to come, resulting in more than \$600 million in annual economic impact to the Wichita MSA. Employment in the Wichita MSA is expected to stabilize, and retail sales tax projections are now positive in 2013 and beyond.

### Major Initiatives

In 2013, the City will finance improvements of \$4.5 million to the Derby Recreation Center, plus renovate a recently acquired school gym into an event center at the new Madison Avenue Central Park. In 2011, the City acquired 9.6 acres of park land in the central corridor and is developing a cooperative agreement with the Derby Recreation Commission to provide recreation and meeting space for the community. Development of the remaining area on this parcel is to be funded by half of a ½ cent city-wide retail sales tax that will be voted upon in October 2013. If the sales tax question is authorized by the voters, the proceeds will fund \$6.5 million for Madison Avenue Central Park beginning in 2015 and \$4.0 million for a new ball field complex and dog park beginning in 2016. The other half of the city-wide retail sales tax will support the operation of the Derby Public Library and Derby Fire & Rescue Department.

In 2013, reconstruction of Madison Avenue west of Highway K-15 will occur with the assistance of a \$650,000 Kansas Department of Transportation grant and \$877,000 bond proceeds issued in 2012. Also included in the CIP is reconstruction of several intersections along Nelson Drive to improve traffic flow and safety, with more information in the following section. Due to the construction of a new middle school by the Derby School District, improvements of \$2.4 million are planned at the north end of Rock Road in 2014.

### Long-term Financial Planning

Because Derby is growing at a moderate yet steady pace, infrastructure to new growth areas is required on a continual basis. At the same time, reinvestment needs to be made into the existing infrastructure to ensure that systems operate at optimal levels.

With annual budget constraints, there are few opportunities to use operating budgets to finance the required investment in new and remedial infrastructure construction on an annual basis. The City finances construction of infrastructure to coordinate it with new growth.

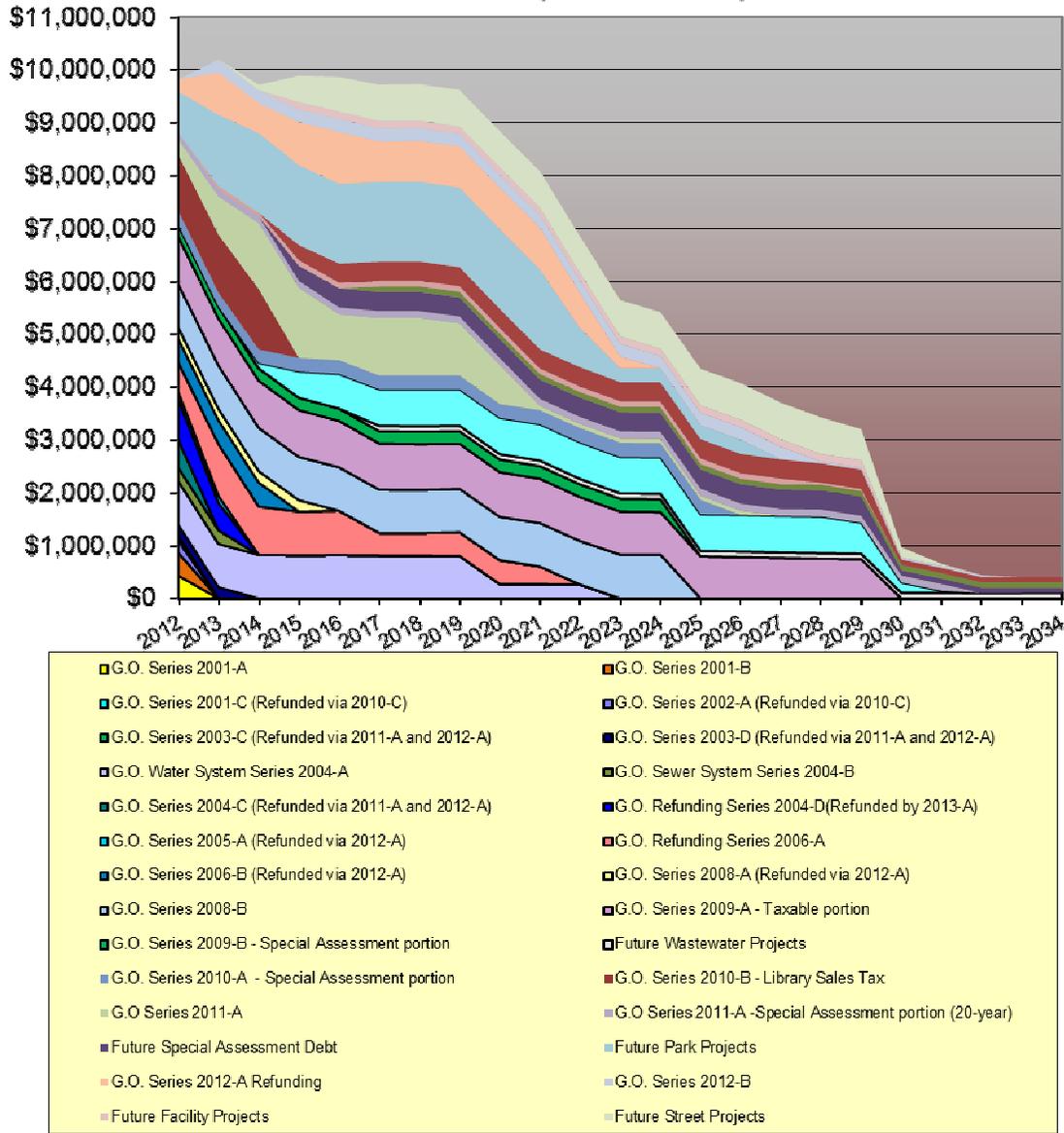
The primary method of financing infrastructure upgrades and new construction is issuance of long-term bonds. These bonds come in the form of General Obligation, Revenue, and Special Assessment bonds. The City has also used Certificates of Participation, a form of lease to purchase, to finance the cost of new facilities.

According to state law, cities of the Second Class, such as Derby, may issue longer-term debt not to exceed 30 percent of total assessed valuation; however, such projects as sanitary sewer and water lines and certain intersection improvements do not count against the total “debt lid.” As of December 31, 2012, Derby has outstanding debt of \$70,070,000. When exempt projects are taken into consideration, Derby has additional debt capacity of approximately \$20.8 million.

The City Council had for many years an unofficial policy that direct debt, as a percentage of Assessed Valuation should not exceed 20%. In 2009, that practice was ratified with adoption of the City’s Debt Management Policy. The City Council temporarily exceeded the 20% limit to issue financing for projects authorized by the voters, most recently a new public library. In 2007, the voters of Derby authorized renewal of a ½% citywide retail sales tax to pay for the debt service and operation of a new library, which upon issuance of the notes and bonds, kept the ratio of direct debt as a percentage of assessed valuation slightly above the 20% threshold at 21.82%. Derby’s ratio of direct debt as a percentage of assessed valuation has now dropped below 20% in compliance with city policy.

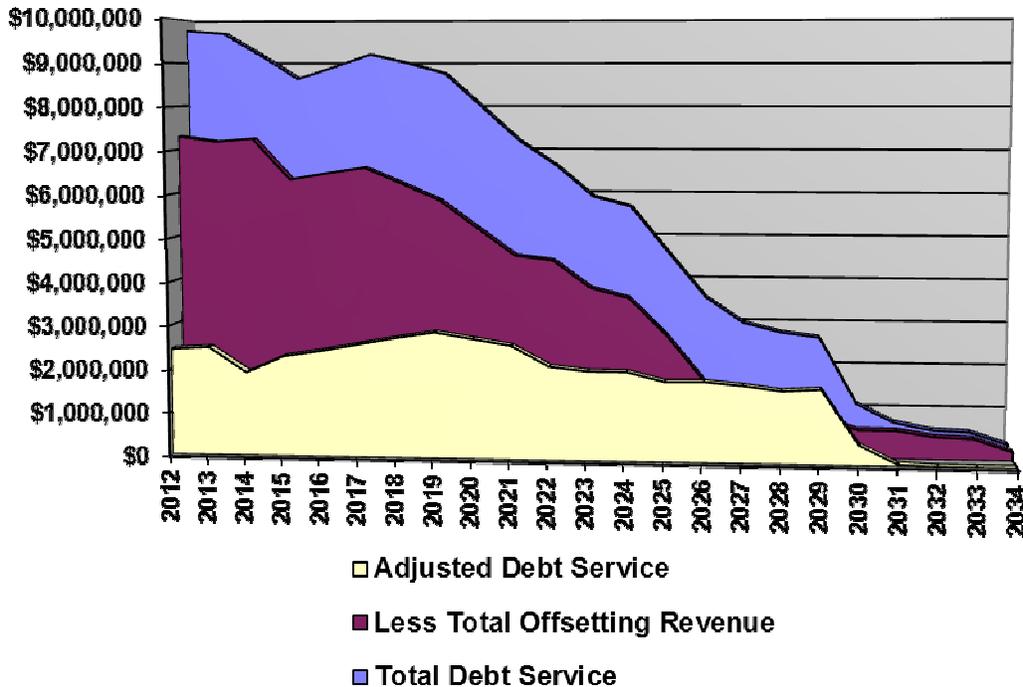
The following chart incorporates debt to be issued to finance CIP projects in 2013 and beyond with existing outstanding bond issues. This chart illustrates a slight increase in total debt followed by a gradual reduction after 2013. In 2014, an interchange is planned to be constructed at Nelson Drive and Patriot Avenue, which will enable more commercial development along Patriot and enhance traffic safety; however, this \$2.2 million project is dependent upon establishment of a Tax Increment Financing (TIF) District to finance the project. Reconstruction of the intersection of Nelson Drive and Meadowlark is planned for 2016 at an estimated cost of \$1.1 million. While there are several smaller infrastructure projects included in the chart below, the payment of debt is expected to outpace the issuance of new debt, which will allow the city’s debt load to diminish.

## General Obligation Debt Service Schedule (2012-2034)



Much of Derby’s outstanding debt has offsetting revenues that are paid through special assessments, Derby Recreation Commission rent payments and dividend transfers from El Paso Water Company. Dividends received from El Paso Water Company are a reimbursement for principal and interest paid out of the City’s Bond and Interest Fund. The chart on the following page shows a snapshot of the level of adjusted debt service which is the balance of the debt service once offsetting revenues are deducted.

## General Obligation Bonds Adjusted Debt Service Compared to Total Debt Service



### Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Derby for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2011. This is the 4th year that the City has achieved this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements, and we will submit it to GFOA to determine its eligibility for another certificate.

The City has also received the GFOA Association Distinguished Budget Presentation award for its annual budgets for the years 2005 through 2013. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

Preparation of this report would not have been possible without the efficient and dedicated service of the staff of the finance department. We wish to express our appreciation to all members of the department who assisted and contributed to preparation of this report. Credit also must be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Derby's finances.

Respectfully submitted,

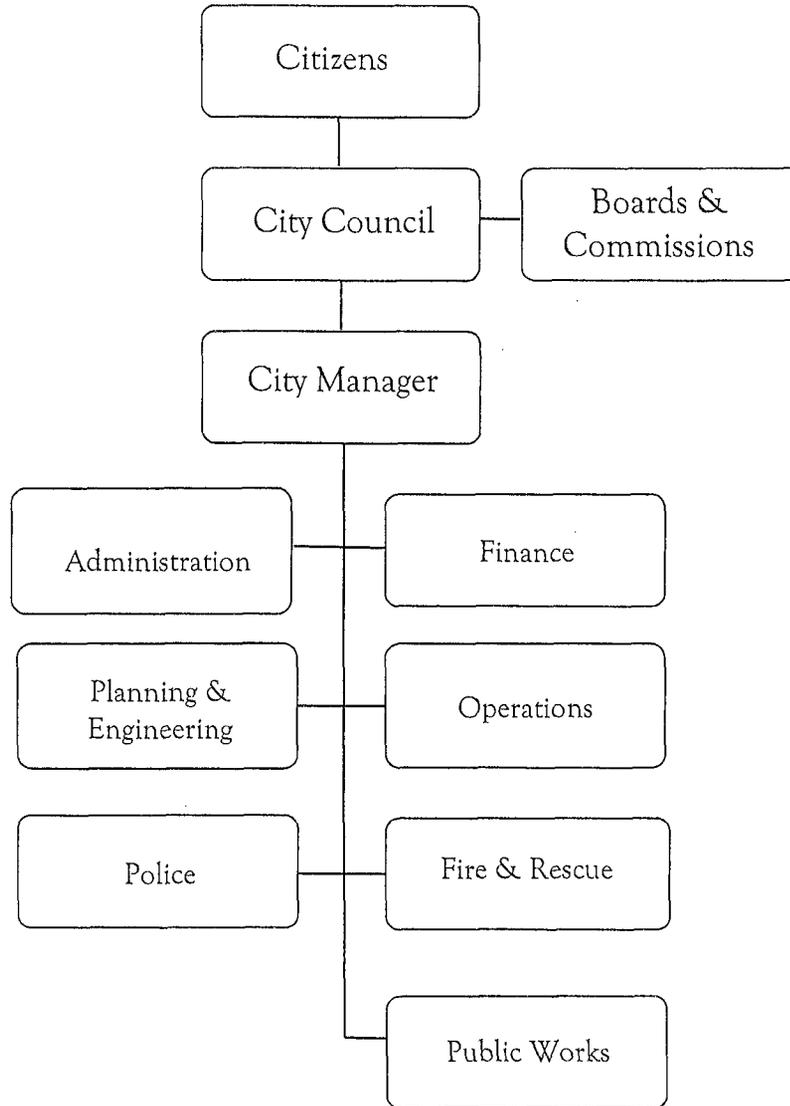


Kathleen B. Sexton  
City Manager



Jean Epperson  
Director of Finance/City Clerk

# CITY OF DERBY, KANSAS ORGANIZATIONAL STRUCTURE



City of Derby, Kansas  
List of Elected and Appointed Officials  
December 31, 2012

Elected Officials

		<u>Term of Office</u>
Mayor	Dion P. Avello	2011-2015
Council President	Vaughn G. Nun	2009-2013
Councilmember	Randy White	2011-2015
Councilmember	Cheryl Bannon	2011-2015
Councilmember	Thomas Haynes	2009-2013
Councilmember	Jim Craig	2009-2013
Councilmember	Chuck Warren	2009-2013
Councilmember	Mark Staats	2011-2015
Councilmember	Heath Horyna resigned	2011-2015
	October 29, 2012; Office vacant	
	at December 31, 2012	

Appointed Officials

City Manager	Kathleen B. Sexton
Assistant City Manager	Stephanie Knebel
Finance Director/City Clerk	Jean Epperson
City Attorney	Phil Alexander through December 31, 2012; Kevin O'Connor effective December 31, 2012
Director of Operations	Ted Austin
Chief of Police	Robert Lee
Director of Public Works	Robert Mendoza
City Engineer	Daniel J. Squires
Fire Chief	Brad Smith
Director of Economic Development	Allison Moeding
Director of Human Resources	Jenny Evans
Director of Community Marketing	Vacant

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Derby  
Kansas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2011

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



*Christopher P. Morrell*

President

*Jeffrey R. Emery*

Executive Director





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

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council  
City of Derby, Kansas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Derby, Kansas (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and applicable provisions of the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Derby Public Library (discretely presented) and El Paso Water Company, Inc. (blended) component units were not audited in accordance with *Government Auditing Standards*.

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

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

## **Opinions**

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

## **Emphasis of Matter**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 – 12 and the Schedule of Funding Progress on page 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedules and statements listed under supplementary information in the accompanying table of contents including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and other information, including the introductory and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

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

Topeka, Kansas  
June 4, 2013

## CITY OF DERBY, KANSAS

### Management's Discussion and Analysis

This section of the City of Derby's annual financial report is designed to provide an overview and analysis of the financial activities during the fiscal year that ended on December 31, 2012. Please read it in conjunction with the City's financial statements, which follow this section.

#### Financial Highlights

- Assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of 2012 by \$146,379,796. Of this amount, \$15,376,618 of unrestricted net position may be used to meet the City's ongoing obligations.
- The City's total net position increased by \$2,308,712, or 1.6 percent, from \$144,071,084 at year-end 2011.
- At year-end 2012, the City of Derby's governmental funds reported combined ending fund balances of \$22,014,547, an increase of \$3,680,971 or 20.08%.
- At the end of 2012 the budgetary fund balance for the general fund was \$6,240,670 or 43.6% of the general fund non-GAAP budgetary expenditures.
- The City's total bonded debt and capital leases increased by \$690,000 during 2012 to \$70,735,000.

#### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report contains other supplementary information in addition to the basic financial statements.

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities is focused on both the gross and net cost of various functions (including governmental, business-type and component unit), which are supported by the City of Derby's general tax and other revenues. This is intended to summarize and simplify the user's analysis of cost of various governmental services or subsidy to various business-type activities and/or component units.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Governmental Activities reflect the City's basic services, including general government, police, fire, public works, economic development and recreation. Property, sales, and gasoline taxes along with franchise fees and court fees, licenses and permits finance the majority of these services. The Business-Type Activities reflect

private sector type operations (sewer and water utilities), where the fee for service typically covers all or most of the cost of operation, including depreciation.

The government-wide financial statements include not only the City of Derby itself (known as the primary government), but also a legally separate Derby Public Library for which the City of Derby is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government. El Paso Water Company, Inc., although also legally separate, functions for all practical purposes as a division of the City and therefore has been included as an integral part of the primary government.

The government-wide statements can be found on pages 13-14 of the audited financial statements.

## **Fund Financial Statements**

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

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effects of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Derby maintains 16 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund and debt service fund which are considered to be major funds. In addition, 4 funds are presented in a combining statement of the General Fund on pages 65-67 of this report. Data from the other 10 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement is provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-22 of this report.

Proprietary Funds – Services for which the City charges customers a fee are generally reported in the proprietary funds. The sewer and water utilities and the health insurance internal service fund comprise the proprietary funds for the City of Derby. Proprietary funds, like the government-wide statement, provide both long- and short-term financial information. The basic proprietary fund financial statements can be found on pages 23-26 of this financial report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 – 63 of this financial report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City’s progress in funding its obligation to provide other post-employment benefits to its employees and *other supplementary information* such as the combining statements of the non-major governmental funds and the fund financial statements of the discretely presented component unit, the Derby Public Library.

### **Governmental-Wide Financial Analysis**

Net position may serve as a useful indicator over time of a government’s financial position. Assets and deferred outflows of resources of the City of Derby exceeded liabilities and deferred inflows of resources by \$146,379,796 as of December 31, 2012.

The City’s investment in capital assets consists of land, buildings, equipment, construction in progress and infrastructure, less any outstanding debt used to acquire those assets and accumulated depreciation of existing capital assets. The City of Derby uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The largest portion of net position, \$96,700,126 or 66.1% is the net investment in capital assets. The next largest portion, \$34,303,052 or 23.4% of the City’s net position, is restricted. The remaining balance of \$15,376,618 or 10.5% is unrestricted, which may be used to meet the city’s ongoing obligation to citizens and creditors.

Capital assets increased by \$3,815,137 or 2.5% due to the several major infrastructure projects in progress and the completion of a sanitary sewer interceptor. The decrease in total liabilities is due to the elimination of unearned revenue in 2012. In 2011, unearned revenue included in other liabilities was \$8,006,243 and consisted of property taxes levied for the following year. In 2012, property taxes levied for the following year is shown as a deferred inflow of resources of \$8,211,507.

**TABLE A-1  
CITY OF DERBY'S NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 69,095,438	\$ 68,162,899	\$ 7,886,464	\$ 11,083,304	\$ 76,981,902	\$ 79,246,203
Capital assets	126,830,827	126,535,420	25,688,815	22,169,085	152,519,642	148,704,505
Total assets	195,926,265	194,698,319	33,575,279	33,252,389	229,501,544	227,950,708
Total deferred outflow of resources	1,164,558	-	-	-	1,164,558	-
Long-term liabilities	63,195,233	60,650,947	10,513,727	13,181,601	73,708,960	73,832,548
Other liabilities	1,789,721	9,452,831	576,118	594,245	2,365,839	10,047,076
Total liabilities	64,984,954	70,103,778	11,089,845	13,775,846	76,074,799	83,879,624
Total deferred inflow of resources	8,211,507	-	-	-	8,211,507	-
Net position:						
Net investment in capital						
assets	80,525,898	79,858,992	16,174,228	12,648,185	96,700,126	92,507,177
Restricted	34,303,052	34,854,348	-	-	34,303,052	34,854,348
Unrestricted	9,065,412	9,881,201	6,311,206	6,828,358	15,376,618	16,709,559
Total net position	\$ 123,894,362	\$ 124,594,541	\$ 22,485,434	\$ 19,476,543	\$ 146,379,796	\$ 144,071,084

**Analysis of the City's Operations** – The following table (Table A-2) provides a summary of the City's operations for the year ended December 31, 2012. Derby's net position at year-end 2012 of \$146,379,796 reflects an increase of \$2,308,712, or 1.6% in the total amount. The majority of the change in net position is due to two capital grants for sewer improvements. One project enhanced the sewer plant for the handling of bio-solids and the second funded a portion of a sanitary sewer interceptor which expanded the collection system.

**TABLE A-2  
CITY OF DERBY'S CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 2,726,381	\$ 2,899,957	\$ 7,114,759	\$ 6,751,228	\$ 9,841,140	\$ 9,651,185
Operating grants & contributions	1,298,692	1,397,938	-	-	1,298,692	1,397,938
Capital grants & contributions	1,963,822	2,638,496	2,387,336	68,457	4,351,158	2,706,953
General revenues:						
Property taxes	9,550,403	9,464,138	-	-	9,550,403	9,464,138
Sales tax	5,591,910	5,351,941	-	-	5,591,910	5,351,941
Franchise taxes	1,796,443	1,821,500	-	-	1,796,443	1,821,500
Excise tax	17,118	14,744	-	-	17,118	14,744
Investment earnings	22,298	50,874	4,288	15,595	26,586	66,469
<b>Total revenues</b>	<b>22,967,067</b>	<b>23,639,588</b>	<b>9,506,383</b>	<b>6,835,280</b>	<b>32,473,450</b>	<b>30,474,868</b>
Expenses:						
General government	7,615,756	7,692,456	-	-	7,615,756	7,692,456
Public safety	4,617,464	4,435,262	-	-	4,617,464	4,435,262
Public works	6,590,225	6,109,047	-	-	6,590,225	6,109,047
Culture & recreation	1,394,238	1,392,517	-	-	1,394,238	1,392,517
Economic development	456,529	486,128	-	-	456,529	486,128
Interest on long-term debt	2,121,243	2,243,335	-	-	2,121,243	2,243,335
Water system	-	-	3,866,507	3,872,934	3,866,507	3,872,934
Sewer system	-	-	2,428,280	2,226,265	2,428,280	2,226,265
<b>Total expenses</b>	<b>22,795,455</b>	<b>22,358,745</b>	<b>6,294,787</b>	<b>6,099,199</b>	<b>29,090,242</b>	<b>28,457,944</b>
Increase in net position						
before transfers	171,612	1,280,843	3,211,596	736,081	3,383,208	2,016,924
Transfers	(1,720)	173,186	1,720	(173,186)	-	-
Increase in net position	<b>169,892</b>	<b>1,454,029</b>	<b>3,213,316</b>	<b>562,895</b>	<b>3,383,208</b>	<b>2,016,924</b>
Net position as previously stated	124,594,541	123,140,512	19,476,543	18,913,648	144,071,084	142,054,160
Change in accounting principle	(870,071)	-	(204,425)	-	(1,074,496)	-
Net position 12/31/2011	123,724,470	123,140,512	19,272,118	18,913,648	142,996,588	142,054,160
<b>Net position 12/31/2012</b>	<b>\$ 123,894,362</b>	<b>\$ 124,594,541</b>	<b>\$ 22,485,434</b>	<b>\$ 19,476,543</b>	<b>\$ 146,379,796</b>	<b>\$ 144,071,084</b>

Key elements of the change in net position are as follows:

- Charges for services overall increased by \$189,955 or 2.0% due to an increase in the business-type activity of the water utility. Business-type revenues increased by \$363,531 or 5.4% due to increased water rates precipitated by the increased wholesale cost of water from Wichita. Government-type revenues dropped by \$173,576 due to lower building permits and licenses, which offset the increase in business-type revenues above. Due to the recession, permits for construction of new homes dropped in 2012 to its lowest level in over a decade, plus contractor licenses were changed to a biennial term in 2011, so renewals did not occur in 2012.
- Operating grant revenues decreased by \$99,246 or 7.1% due to reduced gasoline tax receipts from the State of Kansas and American Recovery and Reinvestment Act (ARRA) reimbursement for debt associated with the 2009-A Build America Bonds.
- Capital grant revenues in 2011 consisted primarily of special assessments for infrastructure to serve properties throughout the City. In 2012, capital grant revenues, in addition to special assessments, include \$970,000 from the Environmental Protection Agency for construction of a sanitary sewer interceptor on the southeast edge of the City plus the addition of bio-solids handling equipment at the sewer treatment plant.

- Property tax revenue increased by \$86,265 or 0.9% due to increased assessed valuation while the mill levy remained level.
- Sales tax revenues consist of a county-wide and city-wide levy and increased in total 4.5% or \$239,969. County-wide sales tax receipts increased 3.1%, and city-wide receipts grew 6.9%. In 2011, city-wide retail sales tax receipts dropped 6.4% due to fluctuations in the timing of the remittance of the taxes, so the reverse has occurred in 2012. This pace of growth is not anticipated to continue in 2013 as it was a one-time occurrence.
- Franchise fees declined by \$25,057 or 1.4% primarily due to lower home heating costs of natural gas.
- Investment earnings declined 60% or \$39,883 due to further reductions in short-term interest rates.
- Public safety expenditures increased \$180,202 or 4.1% due to the upgrade of police records and court software in 2012.
- Public works expenditures increased \$481,178 or 7.9% due to pavement management rehabilitation expenses that were delayed from 2011.
- Interest on long-term debt decreased \$122,092 or 5.4% reflecting the decline in long-term interest rates as well as a reduction in government-type debt. The City has actively monitored its outstanding debt and refunded debt in both 2011 and 2012 to take advantage of the interest rate environment.

### **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

**Governmental funds** – The focus of the City of Derby's governmental funds is to provide information on near-term inflows, outflow, and balance of spendable resources. Such information is useful in assessing the City of Derby's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Derby itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Derby governing body.

At December 31, 2012, the combined fund balance for the governmental funds increased \$3,680,971 to \$22,014,547. This increase was largely due to the issuance of temporary notes in December of which the unspent proceeds remained in the capital projects fund at year end. Approximately 26% of this amount or \$5,722,859 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is (1) not in spendable form such as inventories of \$242,792, (2) restricted for particular purposes totaling \$12,287,506 or 55.8% and (3) assigned for particular purposes such as equipment or capital improvements of \$3,761,390 or 17.09%. The restricted fund balance is primarily designated for capital improvements, library operations, aquatic park operations and debt service.

Property taxes of \$9,550,403 represent the largest single source, comprising 37.4% of governmental activity revenue for the City of Derby. Taxes on retail sales in the amount of \$5,591,910 are the next largest source of revenue at 21.9% of the city's revenues. Special assessments of \$4,396,792 pay the debt service for infrastructure to serve various properties and represent 17.2% of the city's revenue in 2012. Franchise fees of \$1,796,443 represent 7.0% of the revenue stream, followed by intergovernmental payments of \$1,708,118 consisting of gasoline taxes, grant and ARRA reimbursements which represent 6.7% of the revenue stream.

The General Fund is the chief operating fund of the City of Derby. At the end of 2012, the unassigned fund balance of the General Fund was \$5,722,859. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to the total fund expenditures. The unassigned fund balance represents 36.4% of total General Fund expenditures, while the total fund balance represents 58.34% of that same amount. This percentage is unusually high due to capital projects that are planned in the near future and the assigned fund balance of \$3,190,253.

The Debt Service Fund has a restricted fund balance of \$1,182,878. The primary revenue source for this fund is special assessments, followed by ad valorem property taxes. Property taxes are levied to pay the debt associated with city-at-large improvements such as buildings and arterial roadways. The fund balance of the Debt Service Fund increased from \$941,109 in 2011 due to the monitoring efforts by the City to collect special assessments on properties owned by developers and to encourage development.

The Capital Projects Fund has a restricted fund balance of \$5,371,164. The primary source of revenue for the Capital Projects Fund is temporary financing to construct infrastructure which will be permanently financed with the issuance of long-term debt.

Eight funds make up the non-major funds, the largest of which are the Library Sales Tax Fund and Aquatic Park Fund. The primary source of revenue for the Library Sales Tax Fund is a city-wide retail sales tax designated for repayment of debt and operation of the new library that opened in 2009. The Aquatic Park Fund houses the reserve for operations of the City's aquatic park.

**Proprietary funds** – The City's proprietary funds' financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Utilities at the end of 2012 total \$6,314,653. As stated earlier, unrestricted net position is to be used for ongoing and future obligations and improvements to the utilities.

Total net position of the proprietary funds increased by \$3,012,338 from \$19,476,543 at year end 2011 to \$22,488,881. The net position of the sewer utility increased by \$2,479,329 due to a reduction of noncurrent liabilities in 2012. Principal forgiveness of \$1,350,000 was granted to the City which reduced the loan payable. More information concerning this balance can be found on page 60. In addition, bonds payable were reduced due to the reallocation of proceeds of General Obligation Build America Bonds Series 2009-A. The increase in net position in 2012 in the water utility is primarily due to increases in charges for services due to increases in water rates. Water rates increased in 2012 to cover increases in the cost of water purchased from the City of Wichita.

The decision was made in the fall of 2011 to partially self-fund the City's health insurance program beginning in 2012. The health insurance program activity is presented as the internal service fund included in the proprietary fund information. At year-end 2012, the unrestricted net position of the internal service fund was \$124,877.

### **General Fund Budgetary Highlights**

Careful monitoring of expenditures and revenues allowed Derby to carry over \$6,240,670 into 2013 (43.6%), an increase of \$506,864 over the prior year carryover. The increase in carryover occurred to provide funding for future operating needs. During the 2013 budget process, a five-year financial plan highlighted the need for new revenue sources to offset the flattening of the city's largest revenue source of property taxes. The city's fee resolution was revised in late 2011 which resulted in increased court fees in 2012, and again in 2012, which will result in higher park rental fees in 2013.

The largest budget variance in revenues is primarily due to higher than anticipated growth in court fines and fees, and the timing of capital grant reimbursements. Court fines and fees experienced favorable variance of \$177,092 due to a conservative budget and the increase in fees after the budget was established. Ad valorem property tax revenues were favorable by \$130,374 also due to a conservative budget estimate in anticipation of increased delinquencies which did not occur. Intergovernmental revenue consists of grant reimbursements and transient guest taxes. A favorable variance of \$144,410 is due to reimbursement of costs associated with the Buckner and Meadowlark intersection project closed out by KDOT after the budget was prepared.

The largest budget variance in expenditures is in contingencies which consist of cash reserves for the following year carryover balance of \$5,006,708. The next largest favorable variance is capital outlay of \$348,933 due the timing of projects between 2011 and 2012. The remaining favorable variances are due to personnel related costs as a result of managing vacant positions and careful monitoring of commodities and contractual expenditures. The unfavorable variances are minor, totaling less than 1% of expenditures. Changes in the property and liability insurance market along with higher utility costs, resulted in higher than anticipated costs. The \$40,269 unfavorable finance variance is primarily due to the payment of special assessments levied on city owned property. In prior years this expenditure was paid out of contingencies, but a revision was made mid-year to pay the expenses out of the finance department, a year after the original budget was established.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City of Derby's investment in capital assets for its governmental and business-type activities as of December 31, 2012 was \$152,519,642, net of depreciation. This investment in capital assets includes land, buildings, machinery and equipment, an aquatic park, water distribution and sewer collection systems, infrastructure and construction in progress.

Major projects undertaken during 2012 were reconstruction of Meadowlark Boulevard, an arterial along the edge of the Derby Marketplace to the east city limits, and construction of a \$3.9 million sanitary sewer interceptor on the southeast edge of Derby.

**Table A-3**  
**CITY OF DERBY'S CAPITAL ASSETS**  
**Net of Depreciation**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 32,910,676	\$ 32,323,826	\$ 725,966	\$ 725,966	\$ 33,636,642	\$ 33,049,792
Construction in progress	3,327,287	1,031,774	3,642,113	3,515,641	6,969,400	4,547,415
Buildings	17,724,851	18,020,950	5,456,697	5,794,870	23,181,548	23,815,820
Equipment and machinery	1,632,076	2,027,653	132,571	184,040	1,764,647	2,211,693
Improvements	3,092,955	3,191,436	-	-	3,092,955	3,191,436
Infrastructure	68,142,982	69,939,781	15,731,468	11,948,568	83,874,450	81,888,349
Total capital assets (net)	<u>\$ 126,830,827</u>	<u>\$ 126,535,420</u>	<u>\$ 25,688,815</u>	<u>\$ 22,169,085</u>	<u>\$ 152,519,642</u>	<u>\$ 148,704,505</u>

Additional information on the City's capital assets can be found in Note 5 to the financial statements.

### Debt Administration

At year-end, the City of Derby had \$70,735,000 in bonds, notes, and certificates of participation outstanding. This is an increase of \$690,000 from \$70,045,000 at the end of 2011. Although payment of \$6,875,000 bond principal occurred in 2012, bonds of \$3,165,000 were issued to provide permanent financing for the reconstruction of the west end of Madison Avenue, a main trafficway, an upgrade to the pumps in the water distribution system, plus infrastructure in several subdivisions. Temporary notes of \$5,480,000 were issued to provide interim financing for the renovation of the Derby Recreation Commission and several small infrastructure projects throughout the city. More detailed information about the City's long-term liabilities is presented in Note 10 to the financial statements.

**Table A-4  
City of Derby Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 55,739,380	\$ 57,445,000	\$ 8,850,620	\$ 10,075,000	\$ 64,590,000	\$ 67,520,000
Certificates of participation	665,000	960,000	-	-	665,000	960,000
Temporary notes	5,480,000	1,565,000	-	-	5,480,000	1,565,000
Total	<u>\$ 61,884,380</u>	<u>\$ 59,970,000</u>	<u>\$ 8,850,620</u>	<u>\$ 10,075,000</u>	<u>\$ 70,735,000</u>	<u>\$ 70,045,000</u>

The City's general obligation bond rating of AA- by Standard & Poor's was reaffirmed in 2012.

### ECONOMIC FACTORS

With more than 560 businesses operating inside its boundaries, the City of Derby benefits from an ideal mix of service, retail, medical and manufacturing companies. More than 4,200 workers are employed at Derby firms ranging in size from 1 to 100, and Derby's strongest business sectors include construction, finance and insurance, real estate, health care and retail.

In recent years, Derby's long history of steady growth has seen it develop into a major retail trade center serving residents from the surrounding communities. Derby's conveniently located retail shopping centers have proven to be a draw for new customers from Sedgwick County, Butler, Sumner and even Cowley counties, as well as from northern Oklahoma.

Not surprisingly, the continued growth of retail development in Derby has led to increased sales tax collections and total assessed valuation. Foremost among these retail developments is Derby Marketplace, a 600,000 square foot shopping center that opened in late 2008 and is anchored by Target and Dillons Marketplace. Along with the Stone Creek Commercial development at K-15 and Patriot Avenue, currently anchored by Lowe's (2004) and Kohl's (2007), Derby's retail areas continue to provide outstanding development opportunities for the community.

Derby is located just a few miles from McConnell Air Force Base, home of Team McConnell, one of three Supertanker KC-135 Stratotanker wings in the Air Force. Team McConnell is made up of the 22nd Air Refueling Wing, the 931st Air Refueling Group (Air Force Reserve) and the 184th Intelligence Wing (Kansas Air National Guard).

#### Derby's Profile

- Median Age (2010 Census) 34.7 years
- Median Family Income (2011) \$65,274
- Average Home Value (2011) \$143,900
- Average New Home Value (2011) \$136,800
- Housing Units (2010 Census) 8,774
- Unemployment (Sedgwick County March 2013) 6.8

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Finance Department, 611 Mulberry, Derby, KS 67037 or by phone at (316) 788-1519.

**Basic Financial  
Statements**

CITY OF DERBY, KANSAS

STATEMENT OF NET POSITION

December 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Library Board
Assets:				
Deposits and investments	\$ 22,044,246	\$ 6,859,305	\$ 28,903,551	\$ 343,786
Receivables, net of allowance for uncollectibles:				
Taxes	9,457,541	-	9,457,541	-
Intergovernmental	109,258	-	109,258	-
Special assessments	37,128,469	-	37,128,469	-
Accounts	102,934	857,866	960,800	-
Interest	6,751	-	6,751	-
Prepaid items	-	3,362	3,362	29,548
Inventories	242,792	169,378	412,170	-
Internal balances	3,447	(3,447)	-	-
Capital assets, net of accumulated depreciation, where applicable:				
Land	2,843,966	725,966	3,569,932	-
Land - right of way	30,066,710	-	30,066,710	-
Construction in progress	3,327,287	3,642,113	6,969,400	-
Buildings and systems	17,724,851	5,456,697	23,181,548	-
Improvements	3,092,955	-	3,092,955	-
Machinery and equipment	1,632,076	132,571	1,764,647	239,505
Infrastructure	68,142,982	15,731,468	83,874,450	-
Total assets	<u>195,926,265</u>	<u>33,575,279</u>	<u>229,501,544</u>	<u>612,839</u>
Deferred outflows of resources:				
Deferred charge on refunding	1,164,558	-	1,164,558	-
Liabilities:				
Accounts payable	872,675	489,412	1,362,087	12,703
Accrued liabilities	739,916	45,337	785,253	-
Accrued interest payable	177,130	41,369	218,499	-
Noncurrent liabilities:				
Due within one year	7,309,982	1,013,278	8,323,260	-
Due in more than one year	55,885,251	9,500,449	65,385,700	-
Total liabilities	<u>64,984,954</u>	<u>11,089,845</u>	<u>76,074,799</u>	<u>12,703</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	8,211,507	-	8,211,507	-
Net position:				
Net investment in capital assets	80,525,898	16,174,228	96,700,126	239,505
Restricted for:				
Debt service	23,198,424	-	23,198,424	-
Capital projects and streets	6,137,806	-	6,137,806	-
Law enforcement	141,210	-	141,210	-
Culture and recreation programs	1,681,690	-	1,681,690	-
Library operations	3,142,206	-	3,142,206	-
Other purposes	1,716	-	1,716	-
Unrestricted	9,065,412	6,311,206	15,376,618	360,631
Total net position	<u>\$ 123,894,362</u>	<u>\$ 22,485,434</u>	<u>\$ 146,379,796</u>	<u>\$ 600,136</u>

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Library Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary government:								
Governmental activities:								
General government	\$ 7,615,756	\$ 1,162,410	\$ 384,568	\$ 120,419	\$ (5,948,359)	\$ -	\$ (5,948,359)	\$ -
Public safety	4,617,464	767,224	27,550	-	(3,822,690)	-	(3,822,690)	-
Public works	6,590,225	500,981	830,059	1,843,403	(3,415,782)	-	(3,415,782)	-
Culture and recreation	1,394,238	295,766	56,515	-	(1,041,957)	-	(1,041,957)	-
Economic development	456,529	-	-	-	(456,529)	-	(456,529)	-
Interest on long-term debt	2,121,243	-	-	-	(2,121,243)	-	(2,121,243)	-
Total governmental activities	<u>22,795,455</u>	<u>2,726,381</u>	<u>1,298,692</u>	<u>1,963,822</u>	<u>(16,806,560)</u>	<u>-</u>	<u>(16,806,560)</u>	<u>-</u>
Business-type activities:								
Sewer	2,428,280	2,820,111	-	2,387,336	-	2,779,167	2,779,167	-
Water	3,866,507	4,294,648	-	-	-	428,141	428,141	-
Total business-type activities	<u>6,294,787</u>	<u>7,114,759</u>	<u>-</u>	<u>2,387,336</u>	<u>-</u>	<u>3,207,308</u>	<u>3,207,308</u>	<u>-</u>
Total primary government	<u>\$ 29,090,242</u>	<u>\$ 9,841,140</u>	<u>\$ 1,298,692</u>	<u>\$ 4,351,158</u>	<u>(16,806,560)</u>	<u>3,207,308</u>	<u>(13,599,252)</u>	<u>-</u>
Component unit:								
Library Board	<u>\$ 404,778</u>	<u>\$ 38,008</u>	<u>\$ 110,715</u>	<u>\$ -</u>				<u>(256,055)</u>
General revenues:								
Property taxes					9,550,403	-	9,550,403	350,000
Sales taxes					5,591,910	-	5,591,910	-
Franchise taxes					1,796,443	-	1,796,443	-
Excise taxes					17,118	-	17,118	-
Unrestricted investment earnings					22,298	4,288	26,586	620
Transfers					(1,720)	1,720	-	-
Total general revenues and transfers					<u>16,976,452</u>	<u>6,008</u>	<u>16,982,460</u>	<u>350,620</u>
Change in net position					<u>169,892</u>	<u>3,213,316</u>	<u>3,383,208</u>	<u>94,565</u>
Net position, beginning of year as previously stated					124,594,541	19,476,543	144,071,084	505,571
Change in accounting principle					(870,071)	(204,425)	(1,074,496)	-
Net position, beginning of year as restated					<u>123,724,470</u>	<u>19,272,118</u>	<u>142,996,588</u>	<u>505,571</u>
Net position, end of year					<u>\$ 123,894,362</u>	<u>\$ 22,485,434</u>	<u>\$ 146,379,796</u>	<u>\$ 600,136</u>

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS

BALANCE SHEET

GOVERNMENTAL FUNDS

December 31, 2012

	General*
Assets:	
Deposits and investments	\$ 8,885,811
Receivables (net of allowance for uncollectibles):	
Taxes	6,934,716
Special assessments	-
Grants	109,258
Accounts	102,934
Interest	6,751
Inventories	242,792
Total assets	\$ 16,282,262
Liabilities:	
Accounts payable	\$ 316,985
Accrued payroll	739,916
Total liabilities	1,056,901
Deferred inflows of resources:	
Unavailable revenue-property taxes	\$ 6,067,741
Unavailable revenue-special assessments	-
Total deferred inflows of resources	6,067,741
Fund balances:	
Nonspendable:	
Inventories	242,792
Restricted:	
Economic development	1,716
Capital projects	-
Substance abuse prevention	-
Culture and recreation programs	-
Crime prevention	-
Library operations	-
Aquatic park operations	-
Debt service	-
Streets and sidewalks	-
Assigned	3,190,253
Unassigned	5,722,859
Total fund balances	9,157,620
Total liabilities, deferred inflows of resources, and fund balances	\$ 16,282,262

\* See the General Fund Combining Balance Sheet on page 65.

See accompanying notes to basic financial statements.

Major Funds			
Debt Service	Capital Projects	Nonmajor Funds	Total Governmental
\$ 1,182,878	\$ 5,631,931	\$ 6,177,299	\$ 21,877,919
1,337,520	-	1,185,305	9,457,541
37,128,469	-	-	37,128,469
-	-	-	109,258
-	-	-	102,934
-	-	-	6,751
-	-	-	242,792
<u>\$ 39,648,867</u>	<u>\$ 5,631,931</u>	<u>\$ 7,362,604</u>	<u>\$ 68,925,664</u>
\$ -	\$ 260,767	\$ 253,473	\$ 831,225
-	-	-	739,916
-	260,767	253,473	1,571,141
\$ 1,337,520	\$ -	\$ 806,246	\$ 8,211,507
37,128,469	-	-	37,128,469
<u>38,465,989</u>	<u>-</u>	<u>806,246</u>	<u>45,339,976</u>
-	-	-	242,792
-	-	-	1,716
-	5,371,164	-	5,371,164
-	-	137,799	137,799
-	-	124,438	124,438
-	-	3,411	3,411
-	-	3,142,206	3,142,206
-	-	1,557,252	1,557,252
1,182,878	-	-	1,182,878
-	-	766,642	766,642
-	-	571,137	3,761,390
-	-	-	5,722,859
<u>1,182,878</u>	<u>5,371,164</u>	<u>6,302,885</u>	<u>22,014,547</u>
<u>\$ 39,648,867</u>	<u>\$ 5,631,931</u>	<u>\$ 7,362,604</u>	<u>\$ 68,925,664</u>

CITY OF DERBY, KANSAS

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

December 31, 2012

Total fund balances in Governmental Funds Balance Sheet	\$ 22,014,547
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	126,830,827
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable in the funds.	37,128,469
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(62,207,805)
An internal service fund is used by management to charge the cost of health insurance from the City's self-insured health plan to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	<u>128,324</u>
Net position of governmental activities	<u><u>\$ 123,894,362</u></u>

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS

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

Year Ended December 31, 2012

	General*
Revenues:	
Taxes:	
Property	\$ 6,683,013
Excise	11,300
Sales	3,512,419
Franchise	1,796,443
Special assessments	-
Intergovernmental	663,013
Licenses and permits	351,727
Charges for services	220,740
Fines and fees	857,092
Investment earnings	12,674
Other	488,868
Total revenues	14,597,289
Expenditures:	
Current:	
General government	5,594,403
Public works	2,736,766
Public safety	4,080,085
Culture and recreation	848,605
Economic development	456,529
Debt service:	
Principal	295,000
Interest and fiscal charges	37,013
Debt issuance costs	-
Capital outlay	1,648,914
Total expenditures	15,697,315
Excess (deficiency) of revenues over (under) expenditures	(1,100,026)
Other financing sources (uses):	
General obligation bonds issued	-
Discount on general obligation bonds issued	-
Premium on general obligation bonds issued	-
Temporary notes issued	-
Payment to refunding bond escrow agent	-
Payment to refund temporary notes	-
Transfers in	935,239
Transfers out	(158,121)
Total other financing sources	777,118
Net change in fund balances	(322,908)
Fund balances, beginning of year	9,480,528
Fund balances, end of year	\$ 9,157,620

\* See the General Fund Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) on pages 66 - 67.

See accompanying notes to basic financial statements.

Major Funds			Nonmajor	Total
Debt	Capital		Funds	Governmental
Service	Projects			
\$ 1,931,748	\$ -		\$ 935,642	\$ 9,550,403
4,144	-		1,674	17,118
-	-		2,079,491	5,591,910
-	-		-	1,796,443
4,358,337	38,455		-	4,396,792
102,016	-		943,089	1,708,118
-	-		-	351,727
-	-		19,491	240,231
-	-		-	857,092
5,288	-		4,336	22,298
269,078	7,424		248,383	1,013,753
<u>6,670,611</u>	<u>45,879</u>		<u>4,232,106</u>	<u>25,545,885</u>
-	-		1,342,323	6,936,726
-	-		664,539	3,401,305
-	-		-	4,080,085
-	-		253,791	1,102,396
-	-		-	456,529
5,016,250	-		945,000	6,256,250
1,735,573	15,650		119,623	1,907,859
-	237,126		-	237,126
-	3,376,094		180,572	5,205,580
<u>6,751,823</u>	<u>3,628,870</u>		<u>3,505,848</u>	<u>29,583,856</u>
(81,212)	(3,582,991)		726,258	(4,037,971)
-	11,060,630		-	11,060,630
-	(2,909)		-	(2,909)
-	46,859		-	46,859
-	5,480,000		-	5,480,000
-	(7,465,498)		-	(7,465,498)
-	(1,565,000)		-	(1,565,000)
322,981	-		20,000	1,278,220
-	(935,239)		(20,000)	(1,113,360)
<u>322,981</u>	<u>6,618,843</u>		<u>-</u>	<u>7,718,942</u>
<u>241,769</u>	<u>3,035,852</u>		<u>726,258</u>	<u>3,680,971</u>
<u>941,109</u>	<u>2,335,312</u>		<u>5,576,627</u>	<u>18,333,576</u>
<u>\$ 1,182,878</u>	<u>\$ 5,371,164</u>		<u>\$ 6,302,885</u>	<u>\$ 22,014,547</u>

CITY OF DERBY, KANSAS

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

Year Ended December 31, 2012

Amounts reported for governmental activities in the statement of activities  
are different because:

Net change in fund balances - total governmental funds	\$ 3,680,971
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.	300,982
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals, donations) is to decrease net position	(5,575)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,578,823)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long- term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,325,336)
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.	(30,651)
An internal service fund is used by management to charge the cost of health insurance from the City's self-insured health plan to individual funds. The net revenue of the internal service fund is reported with governmental activities.	<u>128,324</u>
Change in net position of governmental activities	<u><u>\$ 169,892</u></u>

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS

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

GENERAL FUND

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes:			
Ad valorem property tax	\$ 5,732,424	\$ 5,862,798	\$ 130,374
Delinquent tax	68,000	91,229	23,229
Motor vehicle tax	712,678	728,986	16,308
Excise tax	8,800	11,300	2,500
Sales tax	3,521,900	3,512,419	(9,481)
Franchise tax	1,762,990	1,796,443	33,453
Intergovernmental	443,889	588,299	144,410
Licenses and permits	374,547	351,727	(22,820)
Fines and fees	680,000	857,092	177,092
Investment earnings	30,000	12,674	(17,326)
Charges for services	216,800	220,740	3,940
Other	494,892	481,132	(13,760)
<b>Total revenues</b>	<b>14,046,920</b>	<b>14,514,839</b>	<b>467,919</b>
Expenditures:			
Administration	1,729,670	1,651,684	77,986
Employee benefits	3,087,164	2,926,527	160,637
Law enforcement	3,106,019	3,037,441	68,578
Finance	468,345	508,614	(40,269)
Fire	1,116,839	1,042,644	74,195
Community development	914,688	776,686	138,002
Public works	1,901,488	1,743,070	158,418
Operations	766,994	778,099	(11,105)
Utilities	652,704	688,802	(36,098)
Insurance recovery	30,000	27,614	2,386
Liability insurance	126,612	169,635	(43,023)
Equipment	229,030	104,878	124,152
Capital outlay	565,000	216,067	348,933
Reimburseables	369,300	219,440	149,860
Contingencies	5,006,708	-	5,006,708
Debt service:			
Principal	295,000	295,000	-
Interest and fiscal charges	33,859	37,013	(3,154)
<b>Total expenditures</b>	<b>\$ 20,399,420</b>	<b>\$ 14,223,214</b>	<b>\$ 6,176,206</b>

(Continued)

CITY OF DERBY, KANSAS

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

GENERAL FUND  
(Continued)

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Other financing sources (uses):			
Transfers in	\$ 350,000	\$ 935,239	\$ 585,239
Transfers out	-	(720,000)	(720,000)
Total other financing sources	<u>350,000</u>	<u>215,239</u>	<u>(134,761)</u>
Net change in fund balances	(6,002,500)	506,864	6,509,364
Fund balances, beginning of year	<u>6,002,500</u>	<u>5,733,806</u>	<u>(268,694)</u>
Fund balances, end of year	<u><u>\$ -</u></u>	<u><u>6,240,670</u></u>	<u><u>\$ 6,240,670</u></u>

Explanation of difference between budgetary and GAAP fund balances:

Encumbrances for equipment and supplies ordered but not received are  
not recorded for GAAP purposes until received

112,339

Fund balance on the basis of GAAP - General Fund only

6,353,009

Fund balances for separately budgeted funds included with the General Fund on GAAP basis financials:

    Derby Senior Activity Board 4,916

Fund balances for non-budgeted funds included with the General Fund on GAAP basis financials:

    Payroll Fund (273,301)

    Equipment Reserve 912,359

    Capital Improvement Reserve 2,160,637

\$ 9,157,620

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

December 31, 2012

	Business-Type Activities			Governmental
	Sewer	Water	Total	Internal Service Fund
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 4,359,308	\$ 2,499,997	\$ 6,859,305	\$ 166,327
Accounts receivable (net of allowance for uncollectibles)	358,041	499,825	857,866	-
Inventories	-	169,378	169,378	-
Prepaid items	-	3,362	3,362	-
<b>Total current assets</b>	<b>4,717,349</b>	<b>3,172,562</b>	<b>7,889,911</b>	<b>166,327</b>
<b>Noncurrent assets:</b>				
<b>Capital assets:</b>				
Land	48,777	677,189	725,966	-
Construction in progress	2,991,084	651,029	3,642,113	-
Buildings	6,224,542	4,476,326	10,700,868	-
Infrastructure	18,029,914	19,722,041	37,751,955	-
Machinery and equipment	1,238,352	319,607	1,557,959	-
Accumulated depreciation	(13,674,312)	(15,015,734)	(28,690,046)	-
<b>Total capital assets</b>	<b>14,858,357</b>	<b>10,830,458</b>	<b>25,688,815</b>	<b>-</b>
<b>Total noncurrent assets</b>	<b>14,858,357</b>	<b>10,830,458</b>	<b>25,688,815</b>	<b>-</b>
<b>Total assets</b>	<b>19,575,706</b>	<b>14,003,020</b>	<b>33,578,726</b>	<b>166,327</b>
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable	306,185	183,227	489,412	41,450
Accrued expenses	31,352	13,985	45,337	-
Compensated absences	33,221	-	33,221	-
Accrued interest payable	18,372	22,997	41,369	-
Current portion of bonds payable	373,750	606,307	980,057	-
<b>Total current liabilities</b>	<b>762,880</b>	<b>826,516</b>	<b>1,589,396</b>	<b>41,450</b>
<b>Noncurrent liabilities:</b>				
Loans payable	1,417,466	-	1,417,466	-
Bonds payable, net	2,549,383	5,533,600	8,082,983	-
<b>Total noncurrent liabilities</b>	<b>3,966,849</b>	<b>5,533,600</b>	<b>9,500,449</b>	<b>-</b>
<b>Total liabilities</b>	<b>4,729,729</b>	<b>6,360,116</b>	<b>11,089,845</b>	<b>41,450</b>
<b>Net position:</b>				
Net investment in capital assets	10,775,557	5,398,671	16,174,228	-
Unrestricted	4,070,420	2,244,233	6,314,653	124,877
<b>Total net position</b>	<b>\$ 14,845,977</b>	<b>\$ 7,642,904</b>	<b>22,488,881</b>	<b>\$ 124,877</b>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the enterprise funds over time.			(3,447)	
Net position of business-type activities			\$ 22,485,434	

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS

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

Year Ended December 31, 2012

	Business-Type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Operating revenues:				
Charges for sales and services	\$ 2,816,270	\$ 4,294,648	\$ 7,110,918	\$ 1,566,374
Miscellaneous	3,841	-	3,841	-
Total operating revenues	<u>2,820,111</u>	<u>4,294,648</u>	<u>7,114,759</u>	<u>1,566,374</u>
Operating expenses:				
Personnel services	704,144	336,075	1,040,219	1,599,618
Contractual services	566,757	2,361,687	2,928,444	-
Supplies	93,936	42,047	135,983	-
Utilities	245,605	20,206	265,811	-
Depreciation and amortization	629,606	813,781	1,443,387	-
Total operating expenses	<u>2,240,048</u>	<u>3,573,796</u>	<u>5,813,844</u>	<u>1,599,618</u>
Operating income (loss)	<u>580,063</u>	<u>720,852</u>	<u>1,300,915</u>	<u>(33,244)</u>
Nonoperating revenues (expenses):				
Interest revenue	2,135	2,153	4,288	-
Debt issuance cost	-	(18,212)	(18,212)	-
Loss on disposal of property	(17,897)	-	(17,897)	-
Interest expense	(185,944)	(273,340)	(459,284)	-
Total nonoperating expenses	<u>(201,706)</u>	<u>(289,399)</u>	<u>(491,105)</u>	<u>-</u>
Income (loss) before transfers and contributions	378,357	431,453	809,810	(33,244)
Capital contributions	2,505,627	224,307	2,729,934	-
Transfer in	-	-	-	158,121
Transfers out	<u>(322,981)</u>	<u>-</u>	<u>(322,981)</u>	<u>-</u>
Change in net position	2,561,003	655,760	3,216,763	124,877
Total net position, beginning of year as previously stated	12,366,648	7,109,895	19,476,543	-
Change in accounting principle	<u>(81,674)</u>	<u>(122,751)</u>	<u>(204,425)</u>	<u>-</u>
Total net position, beginning of year as restated	<u>12,284,974</u>	<u>6,987,144</u>	<u>19,272,118</u>	<u>-</u>
Total net position, end of year	<u>\$ 14,845,977</u>	<u>\$ 7,642,904</u>	<u>\$ 22,488,881</u>	<u>\$ 124,877</u>
Change in net position			\$ 3,216,763	
Adjustment for the net effect of the current year activity between the internal service fund and the enterprise funds.			<u>(3,447)</u>	
Change in net position of business-type activities			<u>\$ 3,213,316</u>	

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

Year Ended December 31, 2012

	Business-Type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Cash flows from operating activities:				
Receipts from customers	\$ 2,783,413	\$ 4,199,924	\$ 6,983,337	\$ 1,566,374
Other receipts	3,841	-	3,841	-
Payments to suppliers	(888,710)	(2,539,745)	(3,428,455)	(1,558,168)
Payments to employees	(701,926)	(338,859)	(1,040,785)	-
Net cash provided by operating activities	1,196,618	1,321,320	2,517,938	8,206
Cash flows from noncapital financing activities:				
Transfers from (to) other funds	(322,981)	-	(322,981)	158,121
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(3,330,194)	(1,329,835)	(4,660,029)	-
Proceeds from general obligation debt	-	708,120	708,120	-
Premium on general obligation debt issued	-	13,966	13,966	-
Issuance costs on general obligation debt issued	-	(18,212)	(18,212)	-
Payments on loan	(89,027)	-	(89,027)	-
Proceeds from loan	34,228	-	34,228	-
Principal paid on general obligation debt	(363,750)	(550,000)	(913,750)	-
Interest paid on general obligation debt	(185,944)	(273,340)	(459,284)	-
Debt and related proceeds reallocated to governmental activities	(1,018,750)	-	(1,018,750)	-
Capital grant proceeds	1,037,336	-	1,037,336	-
Net cash used in capital and related financing activities	(3,916,101)	(1,449,301)	(5,365,402)	-
Cash flows from investing activities:				
Interest received	2,135	2,153	4,288	-
Net increase (decrease) in cash and cash equivalents	(3,040,329)	(125,828)	(3,166,157)	166,327
Cash and cash equivalents, beginning of year	7,399,637	2,625,825	10,025,462	-
Cash and cash equivalents, end of year	\$ 4,359,308	\$ 2,499,997	\$ 6,859,305	\$ 166,327

(Continued)

CITY OF DERBY, KANSAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
(Continued)

Year Ended December 31, 2012

	Sewer	Water	Total	Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 580,063	\$ 720,852	\$ 1,300,915	\$ (33,244)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Items not requiring cash:				
Depreciation and amortization expense	629,606	813,781	1,443,387	-
Changes in:				
Accounts receivable	(32,857)	(94,725)	(127,582)	-
Inventories	-	(83,836)	(83,836)	-
Accounts payable - non-capital	17,588	(31,968)	(14,380)	41,450
Accrued expenses	2,218	(2,784)	(566)	-
Net cash provided by operating activities	<u>\$ 1,196,618</u>	<u>\$ 1,321,320</u>	<u>\$ 2,517,938</u>	<u>\$ 8,206</u>

Noncash capital financing activities:

Contributions of capital assets of \$ 118,291 and \$ 224,307 were acquired in the sewer fund and water fund, respectively, from other governmental funds.

ARRA loan forgiveness of \$ 1,350,000 was applied to the loan payable balance in the sewer fund.

See accompanying notes to basic financial statements.

## CITY OF DERBY, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2012

#### 1 - Summary of Significant Accounting Policies

##### Reporting Entity

The City of Derby, Kansas (the City) is a municipal corporation governed by an elected mayor, eight-member council, and city manager. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

*Blended Component Unit.* In January 1999 the City acquired 100% of the outstanding capital stock of the El Paso Water Company, Inc. (the Company). The Company has received a Private Letter Ruling stating that it is a public utility for purposes of the Internal Revenue Code, and, accordingly, is income tax-exempt. Although the Company is a legally separate organization, the City is financially accountable for the component unit. In addition, the Company's governing body is substantially the same as the governing body of the City. The financial statements of the Company have been included within the City's reporting entity as a proprietary fund. Separately issued financial statements for the Company are available from the Company's administrative offices.

*Discretely Presented Component Unit.* The Derby Public Library (the Library) is operated by a Library Board which is appointed by the City Council. The City levies and collects special library taxes. The Library's operating budget is subject to the approval of the City Council. The City must approve acquisition or disposition of real property by the Library. The City must also approve any bond issues. The Library is presented as a governmental fund type. Separately issued financial statements for the Library are not available.

##### Government-Wide and Fund Financial Statements

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

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are generally 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 except property taxes. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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

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

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

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This fund accounts for the general operating transactions of the City including public safety, public works, parks and recreation, and economic development.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The capital projects fund accounts for the acquisition and construction of major facilities other than those financed by the enterprise funds.

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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

The City reports the following major proprietary funds:

The sewer fund accounts for the operation and maintenance activities of the City's wastewater collection and treatment systems.

The water fund accounts for the operation and maintenance activities of the City's water distribution system.

Additionally, the City reports the following fund type:

The internal service fund accounts for the cost of health insurance from the City's self-insured health plan.

As a general rule the effect of interfold activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise 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.

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

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.

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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

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 water and sewer funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Pooled Cash and Investments

Cash and investments of the individual funds are combined to form a pool that is managed by the Finance Director. Each fund's equity in the pool is included in "deposits and investments" in the financial statements. These pooled deposits and investments consist of operating accounts, non-negotiable certificates of deposit which are recorded at cost because they are not affected by market rate changes, and investments in the Kansas Municipal Investment Pool (MIP) which is overseen by the State of Kansas. The fair value of the City's position in the MIP is the same as the pool value of the shares. Investment earnings, including interest income, are allocated based on management discretion and upon their average daily equity balances. If a fund is not required to account for its own earnings by law or regulation, the earnings are allocated to the General Fund.

Cash Flows Statement

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

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables

All trade accounts receivable are shown net of an allowance for uncollectibles. Management records a trade accounts receivable allowance based on percentages of collection estimated from the aging of the accounts receivable. At December 31, 2012, an allowance for uncollectible receivables of approximately \$ 293,000 has been recorded.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds unavailable revenue is reported as follows:

General fund property tax receivable	\$ 6,067,741
Debt service fund property tax receivable	1,337,520
Debt service fund special assessments receivable	37,128,469
Nonmajor governmental fund property tax receivable	<u>806,246</u>
	<u>\$ 45,339,976</u>

Property Taxes

The City's property tax is 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 Sedgwick County. The assessed value at January 1, 2011 upon which the 2012 levy was based was approximately \$ 178,302,000.

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 of each year. Property owners have the option of paying one-half of 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 following 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 Sedgwick County Treasurer is the tax collection agent for all taxing entities within the County. Property taxes levied in prior years that remain uncollected are recorded as receivables, net of estimated uncollectibles.

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Inventories and Prepaid Items

Inventories consist of expendable supplies and merchandise held for consumption. All inventories are valued at the lower of cost using the last-in/first-out (LIFO method), or market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g., roads, bridges, 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 as equipment assets with an individual cost of greater than \$ 1,000 and building, infrastructure and improvement assets with an individual cost of greater than \$ 25,000 and an estimated useful life in excess of one year. All costs of land are capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Buildings	25 – 40 years
Improvements	20 – 40 years
Infrastructure	15 – 40 years
Machinery and equipment	8 – 20 years

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

The City acquires right of way land assets which are reported in the governmental activities column in the government-wide financial statements as capital assets. The right of way assets are considered to have an indefinite life. As a result, no amortization is taken on the acquired assets.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

Compensated Absences

Under the terms of the City's personnel policy, City employees are granted vacation and sick leave in varying amounts. Varying amounts of hours are allowed to be carried over to subsequent years. This carryover is payable upon separation from service.

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Continued)

All vacation is accrued when incurred in the government-wide and proprietary fund financial statements. Sick pay is accrued when incurred only for employees hired prior to July 1, 1990. In the governmental fund financial statements, a liability for these amounts is reported only when they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

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

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

Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of December 31, 2012, fund balances for governmental funds are made up of the following:

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

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

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

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

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

*Unassigned fund balance* – is the residual classification for the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Change in Accounting Principle

In previous years, debt issuance costs were classified as assets and amortized over the lives of the underlying debt issuances. With the implementation of GASB Statement No. 65 in 2012, debt issuance costs are to be recognized as an expense in the period incurred. The provisions of this statement are to be applied retroactively to the earliest period presented in the financial statements. The beginning net position of the sewer fund, water fund, business-type activities, and governmental activities has been restated by \$ 81,674, \$ 122,751, \$ 204,425 and \$ 870,071, respectively, to retroactively apply the provisions of this statement. There was no effect on current year revenues or expenses as a result of this adjustment.

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Concentrations of Credit Risk

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 fees, sewer fees, and charges for certain other services.

Use of Estimates

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

Pending Governmental Accounting Standards Board Statements

At December 31, 2012, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements that might impact the City are as follows:

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

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

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

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$ (62,207,805) difference are as follows:

General obligation bonds payable	\$ (55,739,380)
Plus: Issuance premiums	(546,075)
Less: Issuance discounts	25,175
Less: Deferred charge on refunding	1,164,558
Certificates of participation	(665,000)
Temporary notes payable	(5,480,000)
Accrued interest payable	(177,130)
Compensated absences	(549,756)
Net OPEB obligation	<u>(240,197)</u>
 Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	 <u><u>\$ (62,207,805)</u></u>

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

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

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

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$ 300,982 difference are as follows:

Capital outlay	\$ 4,526,776
Depreciation expense	<u>(4,225,794)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u><u>\$ 300,982</u></u>

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

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

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

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$ 1,325,336 difference are as follows:

Debt issued or incurred:	
General obligation debt	\$ (11,060,630)
Issuance premiums	(46,858)
Issuance discounts	2,909
Deferred charge on refunding	632,993
Temporary notes	(5,480,000)
Principal repayments:	
General obligation debt	12,766,250
Certificates of participation	295,000
Temporary notes	<u>1,565,000</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u><u>\$ (1,325,336)</u></u>

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

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

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

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$ 30,651 difference are as follows:

Compensated absences	\$	36,702
Accrued interest		23,741
Amortization of deferred charge on refunding		(132,901)
Amortization of bond discounts		(3,929)
Amortization of bond premiums		108,404
Net OPEB obligation		<u>(62,668)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$	<u><u>(30,651)</u></u>

3 - Stewardship, Compliance and Accountability

Budgetary Information

Applicable Kansas statutes require an annual operating budget be legally adopted for the general fund, special revenue funds (unless exempted by a specific statute), debt service funds and proprietary funds. A legal operating budget is not prepared for the capital projects fund, the law enforcement trust fund, the equipment reserve fund, the payroll fund, and the capital improvement reserve fund. All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting – that is, commitments evidenced by documents such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures.

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

3 - Stewardship, Compliance and Accountability (Continued)

Budgetary Information (Continued)

The statutes provide for the following sequence and timetable in adoption of budgets:

- a. Preparation of budget for the succeeding calendar year on or before August 1<sup>st</sup>.
- b. Publication in a local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5<sup>th</sup>.
- c. Public hearing on or before August 15 but at least ten days after publication of notice of hearing.
- d. Adoption of final budget on or before August 25<sup>th</sup>.

Kansas statutes permit transferring budgeted amounts from one object or purpose to another within the same fund; however, such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures in an individual fund. The legal level of budgetary control is the fund level. Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the City. All unencumbered appropriations lapse at the end of the year. Encumbered appropriations are not reappropriated in the ensuing year's budget but are carried forward until liquidated or cancelled. Kansas statutes permit original budgets to be increased for previously unbudgeted increases in revenue other than ad valorem property taxes. The City must first publish, in the local newspaper, a notice of public hearing to amend the budget. At least ten days after publication, a public hearing is held and the governing body may amend the budget at that time. During 2012, the City amended the budget for the Library Sales Tax Fund, increasing budgeted expenditures from \$ 1,435,862 to \$ 1,482,430.

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

4 - Deposits and Investments

Deposits

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. Kansas statutes require that deposits of the City and the Library 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. At year-end, the carrying amounts of the City's deposits were \$ 28,128,044 and the bank balances totaled \$ 29,247,269. Of the bank balances, \$ 1,214,125 was secured by federal deposit insurance and \$ 28,033,144 was collateralized by pledged securities held under joint custody receipts issued by third party banks in the City's name. The Library's deposits were not exposed to custodial credit risk.

Investments

At December 31, 2012, the City had the following investment:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
State of Kansas Municipal Investment Pool	< 1 year	\$ 775,507

*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 State of Kansas Municipal Investment Pool, or to make direct investments. The City's investments in the Municipal Investment Pool were rated AA Af/S1+ by Standard & Poor's. The Library held no investments at December 31, 2012.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, but to the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. The City is not exposed to significant interest rate risk.

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

4 - Deposits and Investments (Continued)

Investments (Continued)

*Custodial Credit Risk-Investments*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2012, the City's investments were not exposed to custodial credit risk.

5 - Capital Assets

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

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,257,116	\$ 588,122	\$ (1,272)	\$ 2,843,966
Land - right of way	30,066,710	-	-	30,066,710
Construction in progress	1,031,774	3,835,581	(1,540,068)	3,327,287
Total capital assets not being depreciated	<u>33,355,600</u>	<u>4,423,703</u>	<u>(1,541,340)</u>	<u>36,237,963</u>
Capital assets being depreciated:				
Buildings	22,575,718	306,925	-	22,882,643
Improvements	3,974,235	-	-	3,974,235
Infrastructure	114,733,847	1,077,053	-	115,810,900
Machinery and equipment	9,506,885	259,163	(149,910)	9,616,138
Total capital assets being depreciated	<u>150,790,685</u>	<u>1,643,141</u>	<u>(149,910)</u>	<u>152,283,916</u>
Less accumulated depreciation for:				
Buildings	(4,554,768)	(603,024)	-	(5,157,792)
Improvements	(782,799)	(98,481)	-	(881,280)
Infrastructure	(44,794,066)	(2,873,852)	-	(47,667,918)
Machinery and equipment	(7,479,232)	(650,437)	145,607	(7,984,062)
Total accumulated depreciation	<u>(57,610,865)</u>	<u>(4,225,794)</u>	<u>145,607</u>	<u>(61,691,052)</u>
Total capital assets being depreciated, net	<u>93,179,820</u>	<u>(2,582,653)</u>	<u>(4,303)</u>	<u>90,592,864</u>
Governmental activities capital assets, net	<u>\$ 126,535,420</u>	<u>\$ 1,841,050</u>	<u>\$ (1,545,643)</u>	<u>\$ 126,830,827</u>

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

5 - Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 725,966	\$ -	\$ -	\$ 725,966
Construction in progress	3,515,641	4,929,784	(4,803,312)	3,642,113
Total capital assets not being depreciated	4,241,607	4,929,784	(4,803,312)	4,368,079
Capital assets being depreciated:				
Buildings	10,700,608	260	-	10,700,868
Infrastructure	32,900,782	4,851,173	-	37,751,955
Machinery and equipment	1,554,315	3,644	-	1,557,959
Total capital assets being depreciated	45,155,705	4,855,077	-	50,010,782
Less accumulated depreciation for:				
Buildings	(4,905,738)	(338,433)	-	(5,244,171)
Infrastructure	(20,952,214)	(1,068,273)	-	(22,020,487)
Machinery and equipment	(1,370,275)	(55,113)	-	(1,425,388)
Total accumulated depreciation	(27,228,227)	(1,461,819)	-	(28,690,046)
Total capital assets being depreciated, net	17,927,478	3,393,258	-	21,320,736
Business-type activities capital assets, net	\$ 22,169,085	\$ 8,323,042	\$ (4,803,312)	\$ 25,688,815

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

5 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 367,375
Public safety	464,642
Public works	3,129,632
Culture and recreation	264,145
	<u>264,145</u>

Total depreciation expense - governmental activities	<u>\$ 4,225,794</u>
--	---------------------

Business-type activities:

Sewer	\$ 629,916
Water	831,903
	<u>831,903</u>

Total depreciation expense - business-type activities	<u>\$ 1,461,819</u>
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Discretely Presented Component Unit

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Equipment and books	\$ 776,977	\$ 195,877	\$ (165,351)	\$ 807,503
Less accumulated depreciation for:				
Equipment and books	<u>(525,073)</u>	<u>(208,276)</u>	<u>165,351</u>	<u>(567,998)</u>
Library Board capital assets, net	<u>\$ 251,904</u>	<u>\$ (12,399)</u>	<u>\$ -</u>	<u>\$ 239,505</u>

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

6 - Capital Projects

The City has the following projects in progress at December 31, 2012:

	<u>Costs to Date</u>	<u>Amount Authorized</u>
Governmental improvements	\$ 3,068,958	\$ 7,301,413
Sewer improvements	2,935,814	3,256,911
Water improvements	550,659	619,626
	<u>\$ 6,555,431</u>	<u>\$ 11,177,950</u>

7 - Defined Benefit 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, Suite 100; Topeka, Kansas 66603-3803) or by calling 1-888-275-5737.

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

7 - Defined Benefit Pension Plan (Continued)

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for all employees hired prior to July 1, 2009. K.S.A. 74-49,210 establishes the KPERS member-employee contribution rate at 6% of covered salary for all employees hired after July 1, 2009. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets limitations on annual increases in the employer contribution rates. The KPERS employer rate established by statute for January through March and July through December 2012 was 8.34%. The KPERS employer rate established by statute for April through June 2012 was 7.34%. The employer contributions to KPERS for the years ended December 31, 2012, 2011 and 2010 were \$ 420,933, \$ 382,152, and \$ 346,711, respectively, equal to the statutory required contributions for each year. The KP&F employer rate established for calendar year 2012 was 16.54%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The City contributions to KP&F for the years ended December 31, 2012, 2011 and 2010 were \$ 511,095, \$ 432,513, and \$ 357,470, respectively, equal to the required contributions for each year.

8 - Other Postemployment Healthcare Benefits

Description. The City offers postemployment health, dental and vision insurance to retired employees. The benefits are provided through a single employer defined benefit postemployment healthcare plan administered by the City. Kansas statutes provide that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements until the individuals become eligible for Medicare coverage at age 65. The medical, dental and vision insurance benefit provides the same coverage for retirees and their dependents as for active employees and their dependents. The benefit is available for selection at retirement and is extended to retirees and their dependents until the individuals become eligible for Medicare at age 65. A retiring employee who waives continuing participation in the City's health insurance program at the time of retirement is not eligible to participate at a later date. The plan does not issue a stand-alone financial report.

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

8 - Other Postemployment Healthcare Benefits (Continued)

*Funding Policy.* The City provides health insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040). Kansas statutes, which may be amended by the state legislature, establish that participating retirees may be required to contribute to the employee group health benefits plan, including administrative costs at an amount not to exceed 125 percent of the premium cost for other similarly situated employees. The City requires participating retirees to contribute 100 percent of the blended premium cost of active employees to maintain coverage.

The City appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditures on a pay-as-you-go basis through the General Fund. In 2012, the City contributed \$ 4,711 to the plan and participating retirees contributed \$ 25,421.

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual OPEB (other post-employment benefit) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of not to exceed thirty years. The following table presents the components of the City's annual OPEB cost for the year, the amount contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 67,615
Interest on net OPEB obligation	7,989
Adjustment to annual required contribution	<u>(8,225)</u>
Annual OPEB cost (expense)	67,379
Contributions made	<u>(4,711)</u>
Increase in net OPEB obligation	62,668
Net OPEB obligation, January 1, 2012	<u>177,529</u>
Net OPEB obligation, December 31, 2012	<u><u>\$ 240,197</u></u>

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

8 - Other Postemployment Healthcare Benefits (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 50,320	31.42%	\$ 130,087
2011	67,442	29.66%	177,529
2012	67,379	6.99%	240,197

Funded Status and Funding Progress. As of January 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$ 546,530. The City's policy is to fund the benefits on a pay-as-you-go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 546,530. The covered payroll (annual payroll of active employees covered by the plan) was \$ 7,203,559 and the ratio of the UAAL to the covered payroll was 7.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the 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, will present in time, multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of 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 actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8 - Other Postemployment Healthcare Benefits (Continued)

In the January 1, 2011 actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 4.5 percent discount rate, which reflects the expected returns of asset classes stipulated in the investment policy underlying idle funds and recent return experience with cash flows that match the expected benefit payments to the City's current and future retirees. The valuation assumed annual healthcare cost trend rates of 8.5, 8.0, 7.5, 7.0, 6.5, 6.0, 5.5, and 5.0 percent in the first eight years and an ultimate rate of 5.0 percent thereafter. The valuation assumed no employer dental benefits for retirees. The valuation assumed a 3.0 percent inflation rate. The UAAL is being amortized using a level percent of pay over a period of 30 years with the remaining amortization period of 29 years.

9 - Risk Management

The City is exposed to various risks of loss related to torts; damage to and destruction of assets; business interruptions; 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. Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have not been significant reductions in coverage from prior years.

Self-funded Health Insurance

The City maintains a self-funded health insurance plan covering substantially all full-time employees. Funds are accumulated for payment of claims and insurance premiums through charges to the City's funds and to the employees of the various departments of the City. The plan is administered by a third party, which accumulates and processes claims. During 2012, the City's maximum responsibility for payment of health insurance claims was \$ 70,000 per occurrence (\$ 1,151,212 in the aggregate). The City purchases commercial insurance for claims in excess of the maximum and for all other risks of loss. 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 transactions of the health insurance plan are accounted for in the internal service fund. No amount has been reflected in the financial statements for a claims liability at December 31, 2012 as the amount is insignificant.

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

9 - Risk Management (Continued)

Self-funded Health Insurance (Continued)

The change in health care claims payable for the year ended December 31, 2012 is as follows:

Claims payable, beginning of year	\$	-
Incurred claims and change in estimate		1,304,711
Claim payments		<u>(1,304,711)</u>
Claims payable, end of year	\$	<u>-</u>

10 - 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 DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

General obligation bonds payable at December 31, 2012 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2012	Outstanding December 31, 2012
General Obligation Bonds:					
Governmental activities:					
2001A Improvement	3.55-4.70%	\$ 4,510,000	2012	\$ 301,039	\$ -
2001B Refunding and Improvement	3.80-5.50%	4,520,000	2012	10,000	-
2003D Improvement	3.0-4.4%	1,500,000	2019	443,700	104,400
2004D Refunding and Improvement	2.0-4.75%	5,560,000	2018	535,000	2,060,000
2005A Improvement	3.55-5.0%	749,700	2021	517,650	48,450
2006A Refunding and Improvement	3.55-4.25%	3,262,983	2021	30,000	3,007,983
2006B Improvement	3.55-5.0%	1,229,724	2022	852,692	158,553
2008A Improvement	3.0-4.0%	78,096	2023	52,819	14,583
2008B Improvement	3.80-4.35%	2,410,304	2024	134,832	2,119,790
2009A Improvement	1.75-6.0%	7,198,750	2029	291,250	6,477,500
2010A Improvement	2.0-3.75%	60,205	2025	3,389	54,523
2010B Improvement	1.0-2.55%	7,300,000	2017	945,000	5,530,000
2010C Refunding	2.0-2.8%	1,040,450	2021	108,150	865,100
2011A Refunding and Improvement	2.0-4.0%	1,465,700	2031	70,000	1,395,700
2012A Refunding	0.25-1.9%	2,418,743	2023	170,000	2,248,743
2012B Improvement	1.0-2.125%	877,860	2026	-	877,860
				<u>\$ 4,465,521</u>	<u>\$ 24,963,185</u>
Business-type activities:					
2004A Refunding and Improvement	1.10-5.0%	9,455,000	2022	\$ 550,000	\$ 5,240,000
2004B Refunding and Improvement	1.10-3.6%	3,255,000	2013	240,000	250,000
2009A Improvement	1.75-6.0%	3,056,250	2029	123,750	2,652,500
2012B Improvement	1.0-2.125%	708,120	2026	-	708,120
				<u>\$ 913,750</u>	<u>\$ 8,850,620</u>

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

The future annual debt service requirements to maturity for general obligation bonds outstanding are as follows:

	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2013	\$ 2,707,485	\$ 794,541	\$ 980,057	\$ 419,507
2014	2,723,080	761,168	760,774	383,455
2015	2,702,012	680,290	784,524	349,060
2016	2,871,178	456,113	825,241	312,877
2017	3,001,679	505,192	853,991	274,100
2018-2022	6,735,181	1,860,905	2,901,573	791,742
2023-2027	3,191,320	735,951	1,405,710	301,213
2028-2032	1,031,250	87,075	338,750	37,125
	<u>\$ 24,963,185</u>	<u>\$ 5,881,235</u>	<u>\$ 8,850,620</u>	<u>\$ 2,869,079</u>

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

Special Assessment Bonds

The City's special assessment debt was issued to provide funds for the construction of infrastructure in new residential developments. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. Special assessment bonds at December 31, 2012 are comprised of the following issues:

Special Assessment Bonds	Interest Rates	Original Issue	Final Maturity Date	Principal Payment During 2012	Outstanding December 31, 2012
Governmental activities:					
2001A Improvement	3.70-5.25%	\$ 2,355,000	2012	\$ 108,961	\$ -
2001B Refunding & Improvement	4.25-5.00%	5,270,000	2012	405,000	-
2002A Improvement	3.00-5.00%	2,925,000	2012	215,000	-
2003C Improvement	3.00-3.75%	1,215,000	2014	265,000	-
2003D Improvement	3.125-4.40%	1,080,000	2016	321,300	75,600
2004C Improvement	2.20-4.75%	7,470,000	2013	990,000	-
2004D Refunding & Improvement	2.20-4.75%	1,005,000	2013	110,000	115,000
2005A Improvement	3.55-5.00%	720,300	2021	497,350	46,550
2006A Refunding & Improvement	3.55-4.25%	3,117,017	2016	320,000	1,812,017
2006B Improvement	3.55-5.00%	3,695,276	2022	2,562,308	476,447
2008A Improvement	3.0-4.0%	2,331,904	2023	1,577,181	435,417
2008B Improvement	3.80-4.35%	6,259,696	2024	350,168	5,505,210
2009B Improvement	2.0-3.90%	2,680,000	2024	150,000	2,280,000
2010A Improvement	2.0-3.75%	2,959,795	2025	166,611	2,680,477
2010C Refunding	2.0-2.8%	2,944,550	2018	196,850	2,484,900
2011A Refunding & Improvement	2.0-4.0%	8,184,300	2031	65,000	8,119,300
2012A Refunding	0.25-1.9%	5,166,257	2023	-	5,166,257
2012B Improvement	1.0-2.125%	1,579,020	2026	-	1,579,020
				\$ 8,300,729	\$ 30,776,195

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

Special Assessment Bonds (Continued)

The future annual debt service requirements to maturity for special assessment bonds are as follows:

	Governmental Activities	
	Principal	Interest
2013	\$ 3,362,458	\$ 1,166,088
2014	3,376,146	951,772
2015	3,503,464	749,387
2016	3,068,581	763,238
2017	2,749,330	554,542
2018 - 2022	10,493,246	1,491,941
2023 - 2027	3,567,970	359,268
2028 - 2032	655,000	58,514
	<u>\$ 30,776,195</u>	<u>\$ 6,094,750</u>

Call Provisions

Call provisions at the option of the City included in the general obligation bonds, including special assessments, are as follows:

- Series 2003D: Callable December 1, 2013 at par plus accrued interest
- Series 2004A: Callable December 1, 2013 at par plus accrued interest
- Series 2004D: Callable December 1, 2012 at par plus accrued interest
- Series 2005A: Callable December 1, 2013 at par plus accrued interest
- Series 2006A: Callable December 1, 2014 at par plus accrued interest
- Series 2006B: Callable December 1, 2014 at par plus accrued interest
- Series 2008A: Callable December 1, 2015 at par plus accrued interest
- Series 2008B: Callable December 1, 2016 at par plus accrued interest
- Series 2009A: Callable December 1, 2019 at par plus accrued interest
- Series 2009B: Callable December 1, 2019 at par plus accrued interest
- Series 2010A: Callable December 1, 2018 at par plus accrued interest
- Series 2010B: Callable December 1, 2014 at par plus accrued interest
- Series 2010C: Callable December 1, 2017 at par plus accrued interest
- Series 2011A: Callable December 1, 2018 at par plus accrued interest
- Series 2012A: Callable December 1, 2019 at par plus accrued interest
- Series 2012B: Callable December 1, 2021 at par plus accrued interest

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

Future Installments

The installment ranges for the general obligation bonds, including special assessments, are the following:

	Installment Range	
	Low	High
Governmental activities:		
Series 2003D	\$ 180,000	\$ 180,000
Series 2004D	320,000	420,000
Series 2005A	95,000	95,000
Series 2006A	320,000	785,000
Series 2006B	310,000	325,000
Series 2008A	145,000	155,000
Series 2008B	505,000	795,000
Series 2009A	70,000	490,000
Series 2009B	155,000	235,000
Series 2010A	175,000	265,000
Series 2010B	990,000	1,235,000
Series 2010C	100,000	590,000
Series 2011A	110,000	1,270,000
Series 2012A	215,000	915,000
Series 2012B	30,000	171,891
Business-type activities:		
Series 2004A	235,000	730,000
Series 2004B	250,000	250,000
Series 2009A	123,750	210,000
Series 2012B	41,307	53,109

Refundings

In the current year, the City issued Series 2012A General Obligation Refunding Bonds in the amount of \$ 7,585,000 to advance refund \$ 180,000, \$ 590,000, \$ 505,000, \$ 920,000, \$ 3,120,000 and \$ 1,490,000 of the outstanding balances of the Series 2003C, 2003D, 2004C, 2005A, 2006B and 2008A General Obligation bonds, respectively. The reacquisition price exceeded the net carrying amount of the old debt by \$ 632,993. This amount is reported as a deferred outflow of resources on the government-wide statement of net position and amortized over the life of the old debt, which is shorter than the life of the new debt. The refunding transactions resulted in an economic gain of \$ 399,924 and a decrease in the future debt service payments of \$ 420,441.

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

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, 2012, \$ 6,785,000 of the bonds that are considered defeased remain outstanding.

Certificates of Participation

The City issued certificates of participation series 2005-2 in the original amount of \$ 1,990,000 with interest rates ranging from 3.6% to 4.2% and with a final maturity in 2015. Principal payments are scheduled annually ranging from \$ 210,000 to \$ 230,000. The balance at December 31, 2012 is \$ 665,000.

The future annual debt service requirements to maturity for the certificates of participation are as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 210,000	\$ 22,650
2014	225,000	14,160
2015	230,000	4,830
	<u>\$ 665,000</u>	<u>\$ 41,640</u>

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

Temporary Notes Payable

The City issues temporary notes to provide temporary financing for capital improvement projects. Temporary notes payable at December 31, 2012 were as follows:

Issue	Original Amount	Interest Rate	Maturity Date	Outstanding December 31, 2012
2012-1	\$ 570,000	0.50%	6/15/2014	\$ 570,000
2012-2	4,910,000	0.60%	6/15/2014	4,910,000
				\$ 5,480,000

The temporary notes issued by the City have an initial maturity 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 position.

Revolving Loan Payable

The City entered into a loan agreement with the Kansas Department of Health and Environment (KDHE) on November 12, 2009. According to the agreement, KDHE will loan an amount not to exceed \$ 3,371,000 to the City for the purpose of designing and constructing a new sludge dewatering system and a new biosolids storage system and upgrading the mixing and aeration systems in the existing aerobic digester. The interest rate on the loan is 2.60%. The City paid \$ 89,027 in principal on the loan as of December 31, 2012. Principal forgiveness of \$ 1,350,000 was granted to the City using American Recovery and Reinvestment Act (ARRA) funds as of December 31, 2012. A repayment schedule reflecting the amount of principal forgiven has not been finalized. As of December 31, 2012, \$ 2,856,493 of the loan was drawn down and project costs of \$ 2,856,493 were incurred.

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 25,113,353	\$ 4,315,353	\$ 4,465,521	\$ 24,963,185	\$ 2,707,485
Plus (less) deferred amounts:					
Issuance premiums	607,621	46,858	108,404	546,075	-
Issuance discounts	(26,195)	(2,909)	(3,929)	(25,175)	-
Special assessment debt with government commitment	32,331,647	6,745,277	8,300,729	30,776,195	3,362,458
Certificates of participation	960,000	-	295,000	665,000	210,000
Temporary notes	1,565,000	5,480,000	1,565,000	5,480,000	-
Compensated absences	586,458	993,337	1,030,039	549,756	1,030,039
Net OPEB obligation	177,529	67,379	4,711	240,197	-
Governmental activities long- term liabilities	<u>\$ 61,315,413</u>	<u>\$ 17,645,295</u>	<u>\$ 15,765,475</u>	<u>\$ 63,195,233</u>	<u>\$ 7,309,982</u>
<b>Business-type activities:</b>					
General obligation bonds	\$ 10,075,000	\$ 708,120	\$ 1,932,500	\$ 8,850,620	\$ 980,057
Plus (less) deferred amounts:					
Issuance premiums	218,064	13,966	19,048	212,982	-
Issuance discounts	(1,177)	-	(615)	(562)	-
Revolving loans	2,856,493	-	1,439,027	1,417,466	-
Compensated absences	33,221	41,322	41,322	33,221	33,221
Business-type activities long- term liabilities	<u>\$ 13,181,601</u>	<u>\$ 763,408</u>	<u>\$ 3,431,282</u>	<u>\$ 10,513,727</u>	<u>\$ 1,013,278</u>

For the governmental activities, compensated absences and the net OPEB obligation are generally liquidated by the General Fund.

11 - Subsequent Events

On May 9, 2013, the City issued \$ 6,200,000 of general obligation refunding and improvement bonds to finance the construction of certain internal improvements and to retire certain outstanding general obligation bonds and temporary notes. The interest rate on the bonds ranges from 2.0% - 2.9% and the maturity date is June 1, 2033.

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Special Assessments

Kansas statutes require special benefit district projects financed in part by special assessments to be financed through the issuance of general obligation bonds that are secured by the full faith and credit of the City. Further, state statutes permit levying additional general ad valorem taxes in the City's debt service fund to finance delinquent special assessments receivable. Accordingly, special assessments receivable are accounted for within the City's debt service fund. Special assessments are levied over the repayment period of the bonds and the annual installments are due and payable with annual ad valorem taxes. At December 31, 2012, the special assessment taxes levied are a lien on the property and are recorded as a special assessments receivable in the debt service fund with a corresponding amount recorded as unavailable revenue. Special assessments receivable at December 31, 2012 was \$ 37,128,469.

13 - Interfund Transactions

Interfund transfers for the year ended December 31, 2012 consisted of the following:

Transfers out	Transfers in			
	General fund	Debt service fund	Nonmajor governmental funds	Internal service fund
General fund	\$ -	\$ -	\$ -	\$ 158,121
Construction fund	935,239	-	-	-
Nonmajor governmental funds	-	-	20,000	-
Sewer fund	-	322,981	-	-
Total	<u>\$ 935,239</u>	<u>\$ 322,981</u>	<u>\$ 20,000</u>	<u>\$ 158,121</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Capital asset transfers of \$ 342,598 occurred from the governmental activities to the business-type activities and are reported within transfers on the statement of activities. Capital asset transfers of \$ 17,897 occurred from the business-type activities to the governmental activities and are reported within transfers on the statement of activities.

CITY OF DERBY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

14 - Commitments and Contingencies

Litigation

There are a number of claims and/or lawsuits to which the City is a party as a result of the ordinary course of City activities. The City management and legal counsel anticipate that the potential claims against the City not covered by insurance, if any, resulting from such matters would not materially affect the financial position of the City.

Industrial Revenue Bonds

The City has issued industrial revenue bonds to finance the purchase of land and construction of facilities leased to local businesses. The lease agreements provide for rentals sufficient to service the related bonds. The debt service on these issues is paid solely from lease agreements; these issues do not constitute a debt of the City. The lessees have the option of purchasing the leased properties at any time during the lease periods for amounts sufficient to retire the related outstanding bonds. At the end of the lease periods, which conform to bond maturity schedules, the lessees may either purchase the property for a nominal amount or renew the leases annually at nominal amounts. As of December 31, 2012, industrial revenue bonds of \$ 8,953,259 are outstanding.

15 - Commitments and Contingencies – Encumbrances

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities, but, rather, as restricted, committed, or assigned fund balance. At December 31, 2012, the City's recorded encumbrances in governmental funds were as follows:

General	\$	112,339
Capital projects		3,593,169
Nonmajor governmental funds		90,508
Other funds included in the combined general fund		84,622
		<hr/>
	\$	<u>3,880,638</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DERBY, KANSAS

SCHEDULE OF FUNDING PROGRESS

POST EMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$ 426,946	\$ 426,946	0.0%	\$ 7,390,373	6.00%
1/1/2011	\$ -	\$ 546,530	\$ 546,530	0.0%	\$ 7,203,559	7.60%

OTHER SUPPLEMENTARY INFORMATION

CITY OF DERBY, KANSAS  
COMBINING BALANCE SHEET

GENERAL FUND

December 31, 2012

	General	Derby Senior Activity Board	Payroll	Equipment Reserve	Capital Improvement Reserve	Total General Fund
<b>Assets:</b>						
Deposits and investments	\$ 5,205,441	\$ 5,417	\$ 569,213	\$ 912,359	\$ 2,193,381	\$ 8,885,811
Receivables (net of allowance for uncollectibles):						
Taxes	6,934,716	-	-	-	-	6,934,716
Grants	109,258	-	-	-	-	109,258
Accounts	102,934	-	-	-	-	102,934
Interest	6,751	-	-	-	-	6,751
Due from (to) other funds	102,598	-	(102,598)	-	-	-
Inventories	242,792	-	-	-	-	242,792
<b>Total assets</b>	<b>\$ 12,704,490</b>	<b>\$ 5,417</b>	<b>\$ 466,615</b>	<b>\$ 912,359</b>	<b>\$ 2,193,381</b>	<b>\$ 16,282,262</b>
<b>Liabilities:</b>						
Accounts payable	\$ 283,740	\$ 501	\$ -	\$ -	\$ 32,744	\$ 316,985
Accrued payroll	-	-	739,916	-	-	739,916
<b>Total liabilities</b>	<b>283,740</b>	<b>501</b>	<b>739,916</b>	<b>-</b>	<b>32,744</b>	<b>1,056,901</b>
<b>Deferred inflows of resources:</b>						
Unavailable revenue - property taxes	6,067,741	-	-	-	-	6,067,741
<b>Fund balances (deficits):</b>						
<b>Nonspendable:</b>						
Inventories	242,792	-	-	-	-	242,792
<b>Restricted:</b>						
Economic development	1,716	-	-	-	-	1,716
Assigned	112,340	4,916	-	912,359	2,160,637	3,190,252
Unassigned	5,996,161	-	(273,301)	-	-	5,722,860
<b>Total fund balances (deficits)</b>	<b>6,353,009</b>	<b>4,916</b>	<b>(273,301)</b>	<b>912,359</b>	<b>2,160,637</b>	<b>9,157,620</b>
<b>Total liabilities, deferred and fund inflows of resources and fund balances (deficits)</b>	<b>\$ 12,704,490</b>	<b>\$ 5,417</b>	<b>\$ 466,615</b>	<b>\$ 912,359</b>	<b>\$ 2,193,381</b>	<b>\$ 16,282,262</b>

CITY OF DERBY, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES (DEFICITS)

GENERAL FUND

Year Ended December 31, 2012

	General	Derby Senior Activity Board
Revenues:		
Taxes:		
Property	\$ 6,683,013	\$ -
Excise	11,300	-
Sales	3,512,419	-
Franchise	1,796,443	-
Intergovernmental	663,013	-
Licenses and permits	351,727	-
Charges for services	220,740	-
Fines and fees	857,092	-
Investment earnings	12,674	-
Other	481,132	7,735
Total revenues	<u>14,589,553</u>	<u>7,735</u>
Expenditures:		
Current:		
General government	5,522,983	8,498
Public works	2,736,766	-
Public safety	4,080,085	-
Culture and recreation	848,605	-
Economic development	456,529	-
Debt service:		
Principal	295,000	-
Interest and fiscal charges	37,013	-
Capital outlay	756,745	-
Total expenditures	<u>14,733,726</u>	<u>8,498</u>
Deficiency of revenues under expenditures	(144,173)	(763)
Other financing sources (uses):		
Transfers in	935,239	-
Transfers out	(720,000)	-
Total other financing sources (uses)	<u>215,239</u>	<u>-</u>
Net change in fund balances (deficits)	<u>71,066</u>	<u>(763)</u>
Fund balances (deficits), beginning of year	6,281,943	5,679
Fund balances (deficits), end of year	<u>\$ 6,353,009</u>	<u>\$ 4,916</u>

<u>Payroll</u>	<u>Equipment Reserve</u>	<u>Capital Improvement Reserve</u>	<u>Eliminations</u>	<u>Total General Fund</u>
\$ -	\$ -	\$ -	\$ -	\$ 6,683,013
-	-	-	-	11,300
-	-	-	-	3,512,419
-	-	-	-	1,796,443
-	-	-	-	663,013
-	-	-	-	351,727
-	-	-	-	220,740
-	-	-	-	857,092
-	-	-	-	12,674
1	-	-	-	488,868
<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,597,289</u>
62,922	-	-	-	5,594,403
-	-	-	-	2,736,766
-	-	-	-	4,080,085
-	-	-	-	848,605
-	-	-	-	456,529
-	-	-	-	295,000
-	-	-	-	37,013
-	147,220	744,949	-	1,648,914
<u>62,922</u>	<u>147,220</u>	<u>744,949</u>	<u>-</u>	<u>15,697,315</u>
(62,921)	(147,220)	(744,949)	-	(1,100,026)
-	-	720,000	(720,000)	935,239
(158,121)	-	-	720,000	(158,121)
<u>(158,121)</u>	<u>-</u>	<u>720,000</u>	<u>-</u>	<u>777,118</u>
(221,042)	(147,220)	(24,949)	-	(322,908)
<u>(52,259)</u>	<u>1,059,579</u>	<u>2,185,586</u>	<u>-</u>	<u>9,480,528</u>
<u>\$ (273,301)</u>	<u>\$ 912,359</u>	<u>\$ 2,160,637</u>	<u>\$ -</u>	<u>\$ 9,157,620</u>

CITY OF DERBY, KANSAS

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

DERBY SENIOR ACTIVITY BOARD

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues:			
Contributions	\$ 6,000	\$ 7,735	\$ 1,735
Expenditures:			
Board expenditures	6,000	8,498	(2,498)
Net change in fund balances	-	(763)	(763)
Fund balances, beginning of year	4,478	5,679	1,201
Fund balances, end of year	<u>\$ 4,478</u>	<u>\$ 4,916</u>	<u>\$ 438</u>

## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Special Street and Highway – This fund is used to account for county/city revenue sharing of a portion of the State’s motor fuel tax. These revenues are restricted to the construction and maintenance of streets, the repair and replacement of curbs, and the repair and construction of sidewalks within the City’s boundaries.

Special Parks and Recreation – This fund is used to account for special alcohol liquor tax revenues that are restricted to expenditures for the purchase, establishment, maintenance, or expansion of park and recreational services, programs, and facilities.

Special Drug and Alcohol – This fund is used to account for special alcohol liquor tax revenues that are restricted for the purpose of funding programs for the education, treatment, and intervention of alcohol and drug abuse.

Law Enforcement Trust – This fund accounts for seized monies to be used for the purchase of police department equipment and crime prevention expenses.

Library – Ad valorem taxes of approximately 4 mills are levied each year and passed on to the Library Board for the operation of the Derby Public Library. This fund is used to account for the payroll and transfer of appropriation funds to the Library.

Library Employee Benefits – This fund is used to account for the ad valorem taxes levied for the purpose of Derby Public Library staff employee benefits.

Library Sales Tax – This fund is used to account for the receipt of the City’s special sales taxes for the construction and maintenance of the library.

Aquatic Park – This fund accounts for the receipt of the City’s special sales taxes for the construction of an aquatic park and the operations of the aquatic park.

CITY OF DERBY, KANSAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS

December 31, 2012

	Special Street and Highway	Special Parks and Recreation	Special Drug and Alcohol
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,006,803	\$ 133,649	\$ 137,799
Receivables (net of allowance for uncollectibles):			
Taxes	-	-	-
Total assets	<u>\$ 1,006,803</u>	<u>\$ 133,649</u>	<u>\$ 137,799</u>
<b>Liabilities:</b>			
Accounts payable	\$ 240,161	\$ 9,211	\$ -
Total liabilities	<u>240,161</u>	<u>9,211</u>	<u>-</u>
<b>Deferred inflows of resources:</b>			
Unavailable revenue - property taxes	-	-	-
<b>Fund balances:</b>			
Restricted:			
Streets and sidewalks	766,642	-	-
Substance abuse prevention	-	-	137,799
Culture and recreation programs	-	124,438	-
Crime prevention	-	-	-
Library operations	-	-	-
Aquatic park operations	-	-	-
Assigned	-	-	-
Total fund balances	<u>766,642</u>	<u>124,438</u>	<u>137,799</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u><u>\$ 1,006,803</u></u>	<u><u>\$ 133,649</u></u>	<u><u>\$ 137,799</u></u>

Special Revenue Funds

Law Enforcement Trust	Library	Library Employee Benefits	Library Sales Tax	Aquatic Park	Total Nonmajor Governmental Funds
\$ 3,416	\$ 25,466	\$ 11,314	\$ 2,730,404	\$ 2,128,448	\$ 6,177,299
-	727,590	78,656	379,059	-	1,185,305
<u>\$ 3,416</u>	<u>\$ 753,056</u>	<u>\$ 89,970</u>	<u>\$ 3,109,463</u>	<u>\$ 2,128,448</u>	<u>\$ 7,362,604</u>
\$ -	\$ 2,070	\$ -	\$ 1,967	\$ 64	\$ 253,473
-	2,070	-	1,967	64	253,473
-	727,590	78,656	-	-	806,246
-	-	-	-	-	766,642
-	-	-	-	-	137,799
-	-	-	-	-	124,438
3,411	-	-	-	-	3,411
-	23,396	11,314	3,107,496	-	3,142,206
-	-	-	-	1,557,252	1,557,252
5	-	-	-	571,132	571,137
<u>3,416</u>	<u>23,396</u>	<u>11,314</u>	<u>3,107,496</u>	<u>2,128,384</u>	<u>6,302,885</u>
<u>\$ 3,416</u>	<u>\$ 753,056</u>	<u>\$ 89,970</u>	<u>\$ 3,109,463</u>	<u>\$ 2,128,448</u>	<u>\$ 7,362,604</u>

CITY OF DERBY, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2012

	Special Street and Highway	Special Parks and Recreation
Revenues:		
Taxes:		
Property	\$ -	\$ -
Excise	-	-
Sales	-	-
Intergovernmental	830,059	56,515
Charges for services	-	-
Investment earnings	-	-
Other	-	-
Total revenues	<u>830,059</u>	<u>56,515</u>
Expenditures:		
Current:		
General government	-	-
Public works	664,539	-
Culture and recreation	-	-
Debt service:		
Principal	-	-
Interest and fiscal charges	-	-
Capital outlay	43,217	22,122
Total expenditures	<u>707,756</u>	<u>22,122</u>
Excess (deficiency) of revenues over (under) expenditures	<u>122,303</u>	<u>34,393</u>
Other financing sources (uses):		
Transfers in	-	-
Transfers out	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balances	122,303	34,393
Fund balances, beginning of year	<u>644,339</u>	<u>90,045</u>
Fund balances, end of year	<u>\$ 766,642</u>	<u>\$ 124,438</u>

Special Revenue Funds

Special Drug and Alcohol	Law Enforcement Trust	Library	Library Employee Benefits	Library Sales Tax	Aquatic Park	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 844,413	\$ 91,229	\$ -	\$ -	\$ 935,642
-	-	1,511	163	-	-	1,674
-	-	-	-	2,079,491	-	2,079,491
56,515	-	-	-	-	-	943,089
-	-	-	-	-	19,491	19,491
-	5	-	-	2,073	2,258	4,336
100	-	-	884	-	247,399	248,383
<u>56,615</u>	<u>5</u>	<u>845,924</u>	<u>92,276</u>	<u>2,081,564</u>	<u>269,148</u>	<u>4,232,106</u>
47,126	-	845,501	115,801	333,895	-	1,342,323
-	-	-	-	-	-	664,539
-	-	-	-	-	253,791	253,791
-	-	-	-	945,000	-	945,000
-	-	-	-	119,623	-	119,623
31,324	-	-	-	83,909	-	180,572
<u>78,450</u>	<u>-</u>	<u>845,501</u>	<u>115,801</u>	<u>1,482,427</u>	<u>253,791</u>	<u>3,505,848</u>
(21,835)	5	423	(23,525)	599,137	15,357	726,258
-	-	-	20,000	-	-	20,000
-	-	(20,000)	-	-	-	(20,000)
-	-	(20,000)	20,000	-	-	-
(21,835)	5	(19,577)	(3,525)	599,137	15,357	726,258
159,634	3,411	42,973	14,839	2,508,359	2,113,027	5,576,627
<u>\$ 137,799</u>	<u>\$ 3,416</u>	<u>\$ 23,396</u>	<u>\$ 11,314</u>	<u>\$ 3,107,496</u>	<u>\$ 2,128,384</u>	<u>\$ 6,302,885</u>

CITY OF DERBY, KANSAS

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

SPECIAL STREET AND HIGHWAY FUND

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues:			
Gasoline tax	\$ 882,940	\$ 830,059	\$ (52,881)
Expenditures:			
Capital outlay	1,276,817	798,264	478,553
Net change in fund balances	(393,877)	31,795	425,672
Fund balances, beginning of year	393,877	644,339	250,462
Fund balances, end of year	<u>\$ -</u>	676,134	<u>\$ 676,134</u>
Explanation of difference between budgetary and GAAP fund balances:			
Encumbrances for equipment and supplies ordered but not received are not recorded for GAAP purposes until received		<u>90,508</u>	
Fund balance on the basis of GAAP		<u>\$ 766,642</u>	

CITY OF DERBY, KANSAS

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

SPECIAL PARKS AND RECREATION FUND

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Special alcohol tax	\$ 48,334	\$ 56,515	\$ 8,181
KDHE crumb rubber grant	25,000	-	(25,000)
Total revenues	<u>73,334</u>	<u>56,515</u>	<u>(16,819)</u>
Expenditures:			
Capital outlay	<u>119,000</u>	<u>22,122</u>	<u>96,878</u>
Net change in fund balances	(45,666)	34,393	80,059
Fund balances, beginning of year	<u>85,050</u>	<u>90,045</u>	<u>4,995</u>
Fund balances, end of year	<u><u>\$ 39,384</u></u>	<u><u>\$ 124,438</u></u>	<u><u>\$ 85,054</u></u>

CITY OF DERBY, KANSAS

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

SPECIAL DRUG AND ALCOHOL FUND

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Special alcohol tax	\$ 48,334	\$ 56,515	\$ 8,181
Other	-	100	100
Total revenues	<u>48,334</u>	<u>56,615</u>	<u>8,281</u>
Expenditures:			
Capital outlay	36,300	31,324	4,976
Community programs	50,000	-	50,000
DARE program	11,595	47,126	(35,531)
DARE prevention	33,475	-	33,475
Special fund expenditures	55,203	-	55,203
Total expenditures	<u>186,573</u>	<u>78,450</u>	<u>108,123</u>
Net change in fund balances	(138,239)	(21,835)	116,404
Fund balances, beginning of year	<u>138,239</u>	<u>159,634</u>	<u>21,395</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 137,799</u>	<u>\$ 137,799</u>

CITY OF DERBY, KANSAS

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

LIBRARY FUND

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	\$ 826,021	\$ 845,924	\$ 19,903
Other revenue	18,000	-	(18,000)
Total revenues	<u>844,021</u>	<u>845,924</u>	<u>1,903</u>
Expenditures:			
Personnel services	523,157	495,501	27,656
Library board appropriation	303,981	350,000	(46,019)
Other expenditures	18,000	-	18,000
Total expenditures	<u>845,138</u>	<u>845,501</u>	<u>(363)</u>
Excess (deficit) of revenues over (under) expenditures	(1,117)	423	1,540
Other financing uses:			
Transfers out	<u>(23,883)</u>	<u>(20,000)</u>	<u>3,883</u>
Net change in fund balances	(25,000)	(19,577)	5,423
Fund balances, beginning of year	<u>25,000</u>	<u>42,973</u>	<u>17,973</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 23,396</u>	<u>\$ 23,396</u>

CITY OF DERBY, KANSAS

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

LIBRARY EMPLOYEE BENEFITS FUND

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues:			
Taxes	\$ 89,046	\$ 91,392	\$ 2,346
Other revenue	600	884	284
	<u>89,646</u>	<u>92,276</u>	<u>2,630</u>
Total revenues			
Expenditures:			
Personnel services	119,148	115,801	3,347
	<u>119,148</u>	<u>115,801</u>	<u>3,347</u>
Excess (deficit) of revenues over (under) expenditures	(29,502)	(23,525)	5,977
Other financing sources:			
Transfers in	23,883	20,000	(3,883)
	<u>23,883</u>	<u>20,000</u>	<u>(3,883)</u>
Net change in fund balances	(5,619)	(3,525)	2,094
Fund balances, beginning of year	5,619	14,839	9,220
	<u>5,619</u>	<u>14,839</u>	<u>9,220</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 11,314</u>	<u>\$ 11,314</u>

CITY OF DERBY, KANSAS

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

LIBRARY SALES TAX FUND

Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Sales tax	\$ 2,056,671	\$ 2,056,671	\$ 2,079,491	\$ 22,820
Investment earnings	5,000	5,000	2,073	(2,927)
Total revenues	<u>2,061,671</u>	<u>2,061,671</u>	<u>2,081,564</u>	<u>19,893</u>
<b>Expenditures:</b>				
Personnel services	163,304	163,304	114,460	48,844
Contractual services	1,213,358	1,259,926	214,460	1,045,466
Commodities	9,200	9,200	4,975	4,225
Capital outlay	50,000	50,000	83,909	(33,909)
<b>Debt service:</b>				
Principal	-	-	945,000	(945,000)
Interest and fiscal charges	-	-	119,623	(119,623)
Total expenditures	<u>1,435,862</u>	<u>1,482,430</u>	<u>1,482,427</u>	<u>3</u>
Net change in fund balances	625,809	579,241	599,137	19,896
Fund balances, beginning of year	<u>2,460,664</u>	<u>2,460,664</u>	<u>2,508,359</u>	<u>47,695</u>
Fund balances, end of year	<u><u>\$ 3,086,473</u></u>	<u><u>\$ 3,039,905</u></u>	<u><u>\$ 3,107,496</u></u>	<u><u>\$ 67,591</u></u>

CITY OF DERBY, KANSAS

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

AQUATIC PARK FUND

Year Ended December 31, 2012

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Charges for services	\$ 20,000	\$ 19,491	\$ (509)
Investment earnings	10,500	2,258	(8,242)
Other	82,000	247,399	165,399
	<u>112,500</u>	<u>269,148</u>	<u>156,648</u>
Total revenues			
Expenditures:			
Contractual services	256,111	253,791	2,320
Capital outlay	3,700	-	3,700
Debt service	60,000	-	60,000
	<u>319,811</u>	<u>253,791</u>	<u>66,020</u>
Total expenditures			
Net change in fund balances	(207,311)	15,357	222,668
Fund balances, beginning of year	<u>2,002,663</u>	<u>2,113,027</u>	<u>110,364</u>
Fund balances, end of year	<u>\$ 1,795,352</u>	<u>\$ 2,128,384</u>	<u>\$ 333,032</u>

CITY OF DERBY, KANSAS

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

DEBT SERVICE FUND

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes:			
Ad valorem property tax	\$ 1,586,658	\$ 1,622,744	\$ 36,086
Delinquent tax	108,278	44,187	(64,091)
Motor vehicle tax	261,380	264,817	3,437
Excise tax	-	4,144	4,144
Special assessments	4,017,400	4,358,337	340,937
Intergovernmental	102,016	102,016	-
Investment earnings	15,000	5,288	(9,712)
Other	256,400	269,078	12,678
	<u>6,347,132</u>	<u>6,670,611</u>	<u>323,479</u>
Total revenues			
Expenditures:			
Principal	4,770,000	5,016,250	(246,250)
Interest	1,967,454	1,735,565	231,889
Commissions	200	8	192
Other	618,627	-	618,627
	<u>7,356,281</u>	<u>6,751,823</u>	<u>604,458</u>
Total expenditures			
Other financing sources:			
Transfers in	322,981	322,981	-
	<u>322,981</u>	<u>322,981</u>	<u>-</u>
Net change in fund balances			
	(686,168)	241,769	927,937
Fund balances, beginning of year			
	686,168	941,109	254,941
	<u>686,168</u>	<u>941,109</u>	<u>254,941</u>
Fund balances, end of year			
	\$ -	\$ 1,182,878	\$ 1,182,878
	<u>\$ -</u>	<u>\$ 1,182,878</u>	<u>\$ 1,182,878</u>

CITY OF DERBY, KANSAS  
BALANCE SHEET  
DISCRETELY PRESENTED COMPONENT UNIT

DERBY PUBLIC LIBRARY

December 31, 2012

Assets:	
Deposits and investments	\$ 343,786
Prepaid items	29,548
	<hr/>
Total assets	\$ 373,334
	<hr/> <hr/>
Liabilities:	
Accounts payable	\$ 12,703
	<hr/>
Fund balances:	
Nonspendable - prepaid items	29,548
Assigned	331,083
	<hr/>
Total fund balances	360,631
	<hr/>
Total liabilities and fund balances	\$ 373,334
	<hr/> <hr/>

CITY OF DERBY, KANSAS

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

DERBY PUBLIC LIBRARY

Year Ended December 31, 2012

Revenues:		
Taxes	\$	350,000
Fines and fees		38,008
Gifts and grants		110,715
Investment earnings		<u>620</u>
Total revenues		499,343
Expenditures:		
Current:		
Education		<u>392,379</u>
Net change in fund balance		106,964
Fund balance, beginning of year		<u>253,667</u>
Fund balance, end of year	\$	<u><u>360,631</u></u>



## STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</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.	83
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.	88
<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.	92
<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.	96
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.	98

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

CITY OF DERBY, KANSAS  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities										
Net investment in capital assets	\$ 17,014,949	\$ 21,901,502	\$ 16,700,736	\$ 20,317,425	\$ 2,460,474	\$ 3,219,616	\$ 73,974,575	\$ 77,267,850	79,858,992	80,525,898
Restricted	10,743,833	3,327,203	2,658,303	4,695,359	25,365,485	36,182,429	36,396,388	35,103,190	34,854,348	34,303,052
Unrestricted	4,471,452	5,877,348	7,932,868	9,374,863	9,236,969	9,991,845	9,960,303	10,754,074	9,881,201	9,065,412
Total governmental activities net position	<u>\$ 32,230,234</u>	<u>\$ 31,106,053</u>	<u>\$ 27,291,907</u>	<u>\$ 34,387,647</u>	<u>\$ 37,062,928</u>	<u>\$ 49,393,890</u>	<u>\$ 120,331,266</u>	<u>\$ 123,125,114</u>	<u>\$ 124,594,541</u>	<u>\$ 123,894,362</u>
Business-type activities										
Net investment in capital assets	\$ 3,920,445	\$ 9,587,315	\$ 11,666,137	\$ 12,493,073	\$ 11,095,864	\$ 13,017,185	\$ 8,187,266	\$ 11,221,505	\$ 12,648,185	\$ 16,174,228
Restricted	3,731,368	1,408,390	1,977,816	1,602,173	-	-	-	-	-	-
Unrestricted	4,544,419	5,545,666	5,535,662	7,419,251	5,868,702	5,510,784	9,580,949	7,624,983	6,828,358	6,311,206
Total business-type activities net position	<u>\$ 12,196,232</u>	<u>\$ 16,541,371</u>	<u>\$ 19,179,615</u>	<u>\$ 21,514,497</u>	<u>\$ 16,964,566</u>	<u>\$ 18,527,969</u>	<u>\$ 17,768,215</u>	<u>\$ 18,846,488</u>	<u>\$ 19,476,543</u>	<u>\$ 22,485,434</u>
Primary Government										
Net investment in capital assets	\$ 20,935,394	\$ 31,488,817	\$ 28,366,873	\$ 32,810,498	\$ 13,556,338	\$ 16,236,801	\$ 82,161,841	\$ 88,489,355	\$ 92,507,177	\$ 96,700,126
Restricted	14,475,201	4,735,593	4,636,119	6,297,532	25,365,485	36,182,429	36,396,388	35,103,190	34,854,348	34,303,052
Unrestricted	9,015,871	11,423,014	13,468,530	16,794,114	15,105,671	15,502,629	19,541,252	18,379,057	16,709,559	15,376,618
Total primary government net position	<u>\$ 44,426,466</u>	<u>\$ 47,647,424</u>	<u>\$ 46,471,522</u>	<u>\$ 55,902,144</u>	<u>\$ 54,027,494</u>	<u>\$ 67,921,859</u>	<u>\$ 138,099,481</u>	<u>\$ 141,971,602</u>	<u>\$ 144,071,084</u>	<u>\$ 146,379,796</u>

CITY OF DERBY, KANSAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS  
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
<b>Governmental Activities:</b>										
General government	\$ 2,933,312	\$ 3,097,161	\$ 1,624,054	\$ 3,158,621	\$ 6,528,065	\$ 6,914,324	\$ 6,907,535	\$ 6,504,927	\$ 7,692,456	\$ 7,615,756
Public safety	3,476,639	3,473,289	2,956,415	3,118,695	3,627,751	3,648,554	4,118,615	4,184,465	4,435,262	4,617,464
Public works	2,212,081	-	-	-	3,074,251	3,488,242	6,747,181	5,735,114	6,109,047	6,590,225
Engineering, operations and parks	-	1,762,390	4,644,701	3,757,690	-	-	-	-	-	-
Culture and recreation	1,273,060	1,133,832	-	-	1,391,811	1,520,850	1,471,358	1,575,639	1,392,517	1,394,238
Personnel benefits and services	-	-	2,531,680	2,355,619	-	-	-	-	-	-
Economic development	-	-	-	-	98,832	114,391	385,894	354,583	486,128	456,529
Interest on long-term debt	2,079,979	2,659,214	2,153,275	1,789,762	2,292,887	2,603,418	2,959,029	2,768,250	2,243,335	2,121,243
Other	-	-	422,743	397,316	-	-	-	-	-	-
<b>Total government activities expenses</b>	<b>11,975,071</b>	<b>12,125,886</b>	<b>14,332,868</b>	<b>14,577,703</b>	<b>17,013,597</b>	<b>18,289,779</b>	<b>22,589,612</b>	<b>21,122,978</b>	<b>22,358,745</b>	<b>22,795,455</b>
<b>Business-type activities:</b>										
Water	1,709,005	2,522,211	2,725,404	3,032,050	3,272,956	3,335,684	3,224,407	3,441,903	3,872,934	3,866,507
Sewer	1,407,506	1,488,600	1,342,472	1,530,518	1,587,971	1,618,462	1,913,485	2,277,017	2,226,265	2,428,280
Aquatic park	-	268,755	790,025	617,745	-	-	-	-	-	-
<b>Total business-type activities expenses</b>	<b>3,116,511</b>	<b>4,279,566</b>	<b>4,857,901</b>	<b>5,180,313</b>	<b>4,860,927</b>	<b>4,954,146</b>	<b>5,137,892</b>	<b>5,718,920</b>	<b>6,099,199</b>	<b>6,294,787</b>
<b>Total primary government expenses</b>	<b>\$ 15,091,582</b>	<b>\$ 16,405,452</b>	<b>\$ 19,190,769</b>	<b>\$ 19,758,016</b>	<b>\$ 21,874,524</b>	<b>\$ 23,243,925</b>	<b>\$ 27,727,504</b>	<b>\$ 26,841,898</b>	<b>\$ 28,457,944</b>	<b>\$ 29,090,242</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
<b>Charges for services:</b>										
General government	\$ 719,579	\$ 677,884	\$ 667,399	\$ 599,648	\$ 1,151,702	\$ 1,189,500	\$ 1,709,449	\$ 1,184,565	\$ 1,414,398	\$ 1,162,410
Public safety	410,528	462,507	412,595	493,627	223,984	214,660	703,230	817,255	743,245	767,224
Public works/services/engineering/parks	-	-	319,339	307,645	357,911	359,714	310,795	284,224	419,464	500,981
Culture and recreation	-	-	-	-	669,808	645,396	277,947	298,790	322,850	295,766
Other	-	-	274,914	-	-	-	-	-	-	-
Operating grants and contributions	86,204	253,051	-	55,713	1,108,702	1,199,082	1,172,734	1,436,287	1,397,938	1,298,692
Capital grants and contributions	100,000	100,000	533,782	-	77,014	12,523,125	4,261,052	3,920,673	2,638,496	1,963,822
<b>Total governmental activities program revenues</b>	<b>1,316,311</b>	<b>1,493,442</b>	<b>2,208,029</b>	<b>1,456,633</b>	<b>3,589,121</b>	<b>16,131,477</b>	<b>8,435,207</b>	<b>7,941,794</b>	<b>6,936,391</b>	<b>5,988,895</b>
<b>Business-type activities</b>										
<b>Charges for services:</b>										
Water	3,789,824	3,020,041	3,225,794	3,476,909	2,764,724	2,723,882	2,786,977	3,442,740	3,938,774	4,294,648
Sewer	2,112,574	2,055,306	2,060,332	2,203,799	2,300,870	2,240,450	2,286,388	2,899,676	2,812,454	2,820,111
Aquatic park	-	-	241,803	239,223	-	-	-	-	-	-
Sales Tax for aquatic park	-	1,489,378	1,658,805	1,584,841	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	-	91,679	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	68,457	2,387,336
<b>Total business-type activities program revenues</b>	<b>5,902,398</b>	<b>6,564,725</b>	<b>7,186,734</b>	<b>7,504,772</b>	<b>5,065,594</b>	<b>4,964,332</b>	<b>5,073,365</b>	<b>6,434,095</b>	<b>6,819,685</b>	<b>9,502,095</b>
<b>Total primary government program revenues</b>	<b>\$ 7,218,709</b>	<b>\$ 8,058,167</b>	<b>\$ 9,394,763</b>	<b>\$ 8,961,405</b>	<b>\$ 8,654,715</b>	<b>\$ 21,095,809</b>	<b>\$ 13,508,572</b>	<b>\$ 14,375,889</b>	<b>\$ 13,756,076</b>	<b>\$ 15,490,990</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (10,658,760)	\$ (10,632,444)	\$ (12,124,739)	\$ (13,121,070)	\$ (13,424,476)	\$ (2,158,302)	\$ (14,154,405)	\$ (13,181,184)	\$ (15,422,354)	\$ (16,806,560)
Business-type activities	2,785,887	2,285,159	2,328,833	2,324,459	204,667	10,186	(64,527)	715,175	720,486	3,207,308
<b>Total primary government net expense</b>	<b>\$ (7,872,873)</b>	<b>\$ (8,347,285)</b>	<b>\$ (9,795,906)</b>	<b>\$ (10,796,611)</b>	<b>\$ (13,219,809)</b>	<b>\$ (2,148,116)</b>	<b>\$ (14,218,932)</b>	<b>\$ (12,466,009)</b>	<b>\$ (14,701,868)</b>	<b>\$ (13,599,252)</b>

(Continued)

CITY OF DERBY, KANSAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS  
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental-Type Activities</b>										
<b>Taxes</b>										
Property taxes - general	\$ 4,734,042	\$ 5,198,008	\$ 5,796,069	\$ 6,184,970	\$ 7,658,300	\$ 8,196,080	\$ 8,870,181	\$ 9,181,649	\$ 9,464,138	\$ 9,550,403
Sales tax, vehicle, gasoline and other	3,927,899	4,541,053	4,538,190	4,961,890	-	-	-	-	-	-
Sales taxes	-	-	-	-	4,808,717	5,224,113	5,234,141	5,409,560	5,351,941	5,591,910
Franchise taxes	1,190,564	1,173,718	1,312,394	1,338,786	1,365,716	1,495,724	1,528,728	1,731,570	1,821,500	1,796,443
Excise taxes	-	-	-	-	21,282	15,649	13,148	11,778	14,744	17,118
Special assessments	2,493,717	2,500,764	2,459,857	2,812,053	-	-	-	-	-	-
Unrestricted Investment earnings	125,531	191,328	333,020	714,666	1,260,508	487,796	219,359	51,201	50,874	22,298
Reimbursements, etc	647,432	576,847	301,816	2,086,711	-	-	-	-	-	-
Transfers	1,031,965	1,217,734	261,529	400,000	(1,631,254)	(1,392,397)	(414,412)	(395,329)	173,186	(1,720)
Other	-	-	-	1,717,734	-	-	-	-	-	-
Gain on Sale of capital assets	-	-	-	-	-	462,299	17,015	-	-	-
Reclassifications/adjustments	-	(5,891,189)	(6,692,182)	-	-	-	-	-	-	-
<b>Total Governmental Activities</b>	<u>14,151,150</u>	<u>9,508,263</u>	<u>8,310,693</u>	<u>20,216,810</u>	<u>13,483,269</u>	<u>14,489,264</u>	<u>15,468,160</u>	<u>15,990,429</u>	<u>16,876,383</u>	<u>16,976,452</u>
<b>Business type activities:</b>										
Unrestricted Investment earnings	95,171	79,279	166,898	410,423	264,971	160,820	44,144	34,929	15,595	4,288
Reclassifications/adjustments	-	3,137,297	391,042	-	-	-	-	-	-	-
Transfers	(335,000)	(1,156,596)	(248,529)	(400,000)	1,631,254	1,392,397	414,412	395,329	(173,186)	1,720
<b>Total business-type activities</b>	<u>(239,829)</u>	<u>2,059,980</u>	<u>309,411</u>	<u>10,423</u>	<u>1,896,225</u>	<u>1,553,217</u>	<u>458,556</u>	<u>430,258</u>	<u>(157,591)</u>	<u>6,008</u>
<b>Total primary government</b>	<u>\$ 13,911,321</u>	<u>\$ 11,568,243</u>	<u>\$ 8,620,104</u>	<u>\$ 20,227,233</u>	<u>\$ 15,379,494</u>	<u>\$ 16,042,481</u>	<u>\$ 15,926,716</u>	<u>\$ 16,420,687</u>	<u>\$ 16,718,792</u>	<u>\$ 16,982,460</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 3,492,390	\$ (1,124,181)	\$ (3,814,046)	\$ 7,095,740	\$ 58,793	\$ 12,330,962	\$ 1,313,355	\$ 2,809,245	\$ 1,454,029	\$ 169,892
Business-type activities	2,546,058	4,345,139	2,638,244	2,334,882	2,100,892	1,563,403	394,029	1,145,433	562,895	3,213,316
<b>Total primary government</b>	<u>\$ 6,038,448</u>	<u>\$ 3,220,958</u>	<u>\$ (1,175,802)</u>	<u>\$ 9,430,622</u>	<u>\$ 2,159,685</u>	<u>\$ 13,894,365</u>	<u>\$ 1,707,384</u>	<u>\$ 3,954,678</u>	<u>\$ 2,016,924</u>	<u>\$ 3,383,208</u>

CITY OF DERBY, KANSAS  
FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ -	\$ 101,331	\$ -	\$ -	\$ 416,859	\$ 360,963	\$ 448,479	\$ 58,097	\$ -	\$ -
Unreserved	1,629,546	1,959,011	2,194,825	2,708,400	5,656,648	6,464,755	# 6,104,606	7,800,661	-	-
Nonspendable	-	-	-	-	-	-	-	-	209,459	242,792
Restricted	-	-	-	-	-	-	-	-	1,716	1,716
Assigned	-	-	-	-	-	-	-	-	3,798,981	3,190,252
Unassigned	-	-	-	-	-	-	-	-	5,470,372	5,722,860
Total general fund	<u>\$ 1,629,546</u>	<u>\$2,060,342</u>	<u>\$2,194,825</u>	<u>\$ 2,708,400</u>	<u>\$ 6,073,507</u>	<u>\$ 6,825,718</u>	<u>\$ 6,553,085</u>	<u>\$ 7,858,758</u>	<u>\$ 9,480,528</u>	<u>\$ 9,157,620</u>
All Other Governmental Funds										
Reserved	\$ 4,218,493	\$1,059,306	\$2,658,303	\$ 4,690,652	\$ 4,558,219	\$ 6,517,761	\$ 4,013,825	\$ 1,472,410	\$ -	\$ -
Unreserved reported in:										
Debt service fund	-	-	-	-	851,782	669,747	524,334	412,393	-	-
Special revenue funds	4,987,559	3,817,006	4,979,931	5,863,141	9,492,008	8,387,004	# 6,837,153	5,930,880	-	-
Capital projects fund	6,525,340	2,267,897	-	-	1,681,863	1,384,811	4,250,554	4,381,329	-	-
Restricted	-	-	-	-	-	-	-	-	8,551,064	12,285,790
Assigned	-	-	-	-	-	-	-	-	301,984	571,137
Total all other governmental funds	<u>\$ 15,731,392</u>	<u>\$7,144,209</u>	<u>\$7,638,234</u>	<u>\$ 10,553,793</u>	<u>\$ 16,583,872</u>	<u>\$ 16,959,323</u>	<u>\$ 15,625,866</u>	<u>\$ 12,197,012</u>	<u>\$ 8,853,048</u>	<u>\$ 12,856,927</u>

<sup>1</sup>The Aquatic Park Fund was reclassified as a Governmental - Special Revenue fund in 2007. In prior years it was classified as Business-Type.

NOTE: The City implemented GASB Statement No. 54 in 2011 which establishes new categories for reporting fund balance.

CITY OF DERBY, KANSAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Taxes:										
Property - general	\$ 3,692,184	\$ 4,042,374	\$ 4,638,040	\$ 4,944,060	\$ 7,658,300	\$ 8,196,080	\$ 8,870,181	\$ 9,181,649	\$ 9,464,138	\$ 9,550,403
Property - debt service	1,041,858	1,155,634	1,158,029	1,240,910	-	-	-	-	-	-
Excise	-	-	-	-	21,282	15,649	13,148	11,778	14,744	17,118
Sales	-	-	-	-	4,808,717	5,224,113	5,234,141	5,409,560	5,351,941	5,591,910
Sales, vehicle, gasoline & other	3,903,684	4,541,053	4,538,190	4,896,081	-	-	-	-	-	-
Franchise	1,190,564	1,173,718	1,312,394	1,370,703	1,365,716	1,495,724	1,528,728	1,731,570	1,821,500	1,796,443
Special assessments	2,493,717	2,500,764	2,459,857	2,812,053	2,822,282	3,456,086	3,271,171	3,946,741	4,274,204	4,396,792
Intergovernmental	-	-	-	-	1,122,390	1,215,731	1,535,086	2,022,573	1,936,287	1,708,118
Rents, licenses, fees, fines, reimbursements	1,174,788	2,104,437	2,969,279	2,065,595	-	-	-	-	-	-
License & permits	-	-	-	-	419,733	594,227	510,876	419,935	462,070	351,727
Charges for services	726,966	-	-	-	40,250	100,754	259,019	198,148	228,574	240,231
Fines & fees	-	-	-	-	756,687	740,564	737,583	799,227	795,731	857,092
State, county and other aid	-	-	808,696	179,353	-	-	-	-	-	-
Miscellaneous	-	-	333,020	1,535,139	1,121,723	1,174,915	1,378,551	807,353	957,048	1,013,753
Interest on investments	125,531	191,328	-	705,042	1,260,508	487,796	219,359	51,201	50,874	22,298
<b>Total Revenues</b>	<b>14,349,292</b>	<b>15,709,308</b>	<b>18,217,505</b>	<b>19,748,936</b>	<b>21,397,588</b>	<b>22,701,639</b>	<b>23,557,843</b>	<b>24,579,735</b>	<b>25,357,111</b>	<b>25,545,885</b>
<b>Expenditures</b>										
General Government	2,852,738	3,074,661	1,561,384	2,499,837	5,943,541	6,484,852	5,603,496	5,956,547	6,634,861	6,936,726
Public works	1,286,355	-	-	-	1,643,286	1,796,575	3,481,832	2,723,993	2,876,578	3,401,305
Public safety	3,032,043	3,206,664	2,554,141	2,801,331	3,128,064	3,369,950	3,687,352	3,878,726	4,008,579	4,080,085
Culture and recreation	1,210,919	1,125,142	-	-	-	-	-	-	-	-
Engineering, operations and parks	-	1,397,765	2,237,341	1,856,622	-	-	-	-	-	-
Parks and recreation	-	-	-	-	981,889	1,089,508	1,089,746	1,116,417	1,054,174	1,102,396
Economic development	-	-	-	-	98,832	114,391	385,894	354,583	486,128	456,529
Personnel benefits and services	-	-	2,531,680	2,355,619	-	-	-	-	-	-
Utilities	-	-	458,333	506,212	-	-	-	-	-	-
Other	-	-	400,531	397,316	-	-	-	-	-	-
Capital outlay	7,791,149	10,463,021	6,133,841	2,793,203	7,794,710	10,004,364	12,044,570	7,912,077	5,019,677	5,205,580
Debt service										
Principal	5,235,000	10,860,000	5,305,000	7,560,000	5,646,943	14,165,265	12,648,085	16,125,877	6,190,000	6,256,250
Interest	2,158,485	2,805,792	2,153,275	2,949,985	2,153,061	2,714,022	2,212,110	2,924,795	2,288,562	1,907,859
Bond Issuance costs	-	-	-	-	-	121,927	249,158	246,074	147,271	237,126
<b>Total Expenditures</b>	<b>23,566,689</b>	<b>32,933,045</b>	<b>23,335,526</b>	<b>23,720,125</b>	<b>27,390,326</b>	<b>39,860,854</b>	<b>41,402,243</b>	<b>41,239,089</b>	<b>28,705,830</b>	<b>29,583,856</b>
Excess of revenues over/(under) expenditures	(9,217,397)	(17,223,737)	(5,118,021)	(3,971,189)	(5,992,738)	(17,159,215)	(17,844,400)	(16,659,354)	(3,348,719)	(4,037,971)
<b>Other Financing Sources (Uses)</b>										
Sale of capital assets	-	-	-	-	-	88,699	23,632	99,296	-	-
Capital Leases	(328,197)	-	-	-	15,795	-	-	-	-	-
Proceeds of general obligation bonds	11,945,000	7,489,247	1,470,000	4,926,194	-	11,080,000	8,860,000	10,320,000	5,665,000	3,475,630
General obligation refunding bonds issued	-	-	-	-	-	-	-	3,985,000	3,985,000	7,585,000
Premium on general obligation bonds issued	-	-	-	-	-	43,178	61,499	147,110	265,106	46,859
Discount on general obligation bonds issued	-	-	-	-	-	-	-	(32,120)	-	(2,909)
Payment to refunding bond escrow agent	-	-	-	-	-	-	-	(4,099,291)	(7,058,518)	(7,465,498)
Payment to refund temporary notes	-	-	-	-	-	-	-	-	(1,895,000)	(1,565,000)
Transfers in (out), net	412,972	1,007,649	261,529	112,029	400,000	400,000	413,179	656,178	664,937	164,860
Proceeds from temporary notes	6,850,000	2,200,000	4,045,000	2,354,078	9,595,000	6,675,000	6,880,000	3,460,000	-	5,480,000
<b>Total other financing sources (uses)</b>	<b>18,879,775</b>	<b>10,696,896</b>	<b>5,776,529</b>	<b>7,392,301</b>	<b>10,010,795</b>	<b>18,286,877</b>	<b>16,238,310</b>	<b>14,536,173</b>	<b>1,626,525</b>	<b>7,718,942</b>
<b>Net change in fund balance</b>	<b>\$ 9,662,378</b>	<b>\$ (6,526,841)</b>	<b>\$ 658,508</b>	<b>\$ 3,421,112</b>	<b>\$ 4,018,057</b>	<b>\$ 1,127,662</b>	<b>\$ (1,606,090)</b>	<b>\$ (2,123,181)</b>	<b>\$ (1,722,194)</b>	<b>\$ 3,680,971</b>
Debt service as a percentage of noncapital expenditures	46.87%	60.82%	43.36%	50.22%	39.80%	56.53%	50.62%	54.98%	33.96%	32.58%

CITY OF DERBY, KANSAS  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS

Fiscal Year	Real Estate	Personal Property	Utilities	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Assessed to Total Estimated Actual Value
2003	\$ 185,287,256	\$ 6,379,490	\$ 3,924,824	\$ 85,414,650	\$ 110,176,920	\$ 45.790	\$ 773,809,392	14.24%
2004	195,189,983	5,919,174	4,403,424	89,765,620	115,746,961	48.331	870,949,863	13.29%
2005	210,729,712	7,033,631	4,549,508	93,380,010	128,932,841	48.352	955,817,018	13.49%
2006	224,979,865	7,068,330	4,651,299	99,961,630	136,737,864	48.176	1,017,592,407	13.44%
2007	242,117,250	6,423,097	4,642,803	105,529,310	147,653,840	48.155	1,107,256,740	13.34%
2008	259,980,197	5,850,981	4,439,197	107,436,050	162,834,325	47.756	1,203,426,406	13.53%
2009	269,830,706	4,292,806	4,186,682	107,390,270	170,919,924	47.773	1,249,943,795	13.67%
2010	289,422,334	4,245,958	4,396,296	121,419,510	176,645,078	47.818	1,425,888,138	12.39%
2011	296,920,674	3,815,980	4,454,954	126,889,967	178,301,641	47.340	1,445,290,924	12.34%
2012	306,068,880	3,402,511	4,470,862	132,831,042	181,111,211	47.153	1,468,295,455	12.33%

Source: Sedgwick County Clerk's Office

CITY OF DERBY, KANSAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES  
(PER \$1,000 OF ASSESSED VALUE)

LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rates			Overlapping Rates					
	General Rate	Debt Service	Misc	Total Direct Rate	El Paso Cemetery	USD 260	Sedgwick County	State of Kansas	Total
2003	\$ 13.837	\$ 9.561	\$ 22.392	\$ 45.790	\$ 0.640	\$ 49.555	\$ 28.817	\$ 1.500	\$126.302
2004	15.125	8.265	24.941	48.331	0.639	54.868	28.763	1.500	134.101
2005	15.216	9.369	23.767	48.352	1.627	52.082	28.758	1.500	132.319
2006	36.550	6.187	5.439	48.176	1.622	53.967	31.315	1.500	136.580
2007	36.502	6.203	5.450	48.155	1.272	51.405	31.333	1.500	133.665
2008	35.890	6.157	5.709	47.756	1.249	53.965	30.377	1.500	134.847
2009	33.772	8.912	5.089	47.773	1.031	54.122	29.868	1.500	134.294
2010	31.566	11.577	4.675	47.818	1.046	58.324	29.359	1.500	138.047
2011	33.436	9.255	4.649	47.340	1.040	57.631	29.428	1.500	136.939
2012	34.843	7.680	4.630	47.153	1.040	59.305	29.447	1.500	138.445

Source: Sedgwick County Clerk's Office

CITY OF DERBY, KANSAS  
 PRINCIPAL PROPERTY TAX PAYERS  
 CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Derby Marketplace LC	\$ 4,807,438	1	2.65%			
Wal-Mart Real Estate Business Trust	2,856,313	2	1.58%	\$ 2,656,923	1	2.41%
The Greens at Derby	3,500,142	3	1.93%			
Dillon Companies	2,171,085	4	1.20%			
Target Corporation	2,040,200	5	1.13%			
Kansas Gas Electric - A Westar Energy Co.	1,869,870	6	1.03%			
Fairways at Derby LP	1,750,865	7	0.97%			
Lowes Home Centers Inc	1,718,800	8	0.95%			
Kohl's Illinois Inc	1,562,000	9	0.86%			
Kansas Gas Service-A Division of Oneok	1,195,956	10	0.66%	497,918	7	0.45%
Kansas Gas Service - A Western Res				1,692,516	2	1.54%
Southwestern Bell Telephone (SBC)				1,418,749	3	1.29%
Derby Group I LLC				765,750	4	0.70%
Towne Center Shopping Center				539,450	5	0.49%
Bristol Square LLC				498,950	6	0.45%
Derby Family Med Center				472,524	8	0.43%
Warren Family LLC				342,923	9	0.31%
Family Health Clinic				338,406	10	0.31%
<b>Total</b>	<b>\$ 23,472,669</b>		<b>12.96%</b>	<b>\$ 9,224,109</b>		<b>8.37%</b>

CITY OF DERBY, KANSAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy	Current Tax Collections	Percentage of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as a Percent of Current Tax Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as a Percent of Current Levy
2003	\$ 4,702,164	\$ 4,596,806	97.76%	\$ 58,455	\$ 4,655,261	99.00%	\$ 105,358	2.24%
2004	5,046,150	4,953,417	98.16%	152,917	5,106,334	101.19%	92,733	1.84%
2005	5,590,594	5,487,092	98.15%	315,150	5,802,242	103.79%	103,502	1.85%
2006	6,241,170	6,089,477	97.57%	86,443	6,175,920	98.95%	151,693	2.43%
2007	6,596,052	6,446,254	97.73%	65,373	6,511,627	98.72%	149,798	2.27%
2008	7,115,921	6,963,855	97.86%	57,437	7,021,292	98.67%	152,066	2.14%
2009	7,730,746	7,562,210	97.82%	202,619	7,764,829	100.44%	168,536	2.18%
2010	8,114,419	7,903,509	97.40%	238,083	8,141,592	100.33%	210,910	2.60%
2011	8,306,414	8,175,848	98.43%	71,443	8,247,291	99.29%	130,566	1.57%
2012	8,445,103	8,300,693	98.29%	131,493	8,432,186	99.85%	144,410	1.71%

Source: Sedgwick County Treasurer's Office

CITY OF DERBY, KANSAS  
 LEGAL DEBT MARGIN INFORMATION  
 LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Legal debt limit	\$ 58,677,471	\$ 61,653,774	\$ 66,693,855	\$ 71,009,848	\$ 75,954,945	\$ 81,081,113	\$ 83,493,058	\$ 89,419,376	\$ 91,735,682	\$ 94,182,676
Total net debt applicable to debt limit	<u>46,395,758</u>	<u>43,058,035</u>	<u>42,106,374</u>	<u>44,313,245</u>	<u>46,918,218</u>	<u>62,790,253</u>	<u>65,480,666</u>	<u>59,917,607</u>	<u>56,503,891</u>	<u>63,407,122</u>
Legal debt margin	<u>\$ 12,281,713</u>	<u>\$ 18,595,739</u>	<u>\$ 24,587,481</u>	<u>\$ 26,696,603</u>	<u>\$ 29,036,727</u>	<u>\$ 18,290,860</u>	<u>\$ 18,012,392</u>	<u>\$ 29,501,769</u>	<u>\$ 35,231,791</u>	<u>\$ 30,775,554</u>
Legal debt margin as a percentage of debt limit	20.93%	30.16%	36.87%	37.60%	38.23%	22.56%	21.57%	32.99%	38.41%	32.68%

**Legal Debt Margin Calculation for Fiscal Year 2012**

Assessed value	\$ 181,111,211
Add back: exempt real property	<u>132,831,042</u>
Total assessed value	<u>\$ 313,942,253</u>
Debt limit (30% of total assessed value)	94,182,676
Debt applicable to limit:	
General obligation bonds	64,590,000
Less: amount set aside for repayment of general obligation debt	<u>(1,182,878)</u>
Total net debt applicable to limit	<u>\$ 63,407,122</u>

Note: Per Kansas Statutes Annotated ("K.S.A.") Section 10-308, "The authorized and outstanding bonded indebtedness of any city shall not exceed 30% of the assessed valuation of the city. K.S.A. Section 10-309 allows for certain exceptions to calculating the legal debt limit.

CITY OF DERBY, KANSAS  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita	Current Population
	General Obligation Bonds	Temp Notes	Certificates of Participation	Capital Leases	Revenue Bonds	General Obligation Bonds				
2003	\$ 46,765,000	\$ 6,850,000	\$ 3,540,000	\$ 186,749	\$ 13,395,000	\$ -	\$ 70,736,749	N/A	\$ 3,696	19,140
2004	43,620,000	1,450,000	3,230,000	137,515	-	19,710,000	68,147,515	N/A	3,356	20,309
2005	42,790,000	4,045,000	2,780,000	56,281	-	17,730,000	67,401,281	N/A	3,281	20,543
2006	45,035,000	2,360,000	2,415,000	17,555	-	16,450,000	66,277,555	N/A	3,193	20,759
2007	47,770,000	10,155,000	2,140,000	11,407	-	9,425,000	69,501,407	N/A	3,294	21,101
2008	54,960,000	6,840,000	1,860,000	6,142	-	8,500,000	72,166,142	N/A	3,272	22,058
2009	54,135,000	11,570,000	1,565,000	877	-	11,570,000	78,840,877	N/A	3,501	22,517
2010	60,330,000	3,460,000	1,265,000	-	-	11,000,000	76,055,000	N/A	3,432	22,158
2011	57,445,000	1,565,000	960,000	-	-	10,075,000	70,045,000	N/A	3,161	22,158
2012	55,739,380	5,480,000	665,000	-	-	8,850,620	70,735,000	N/A	3,175	22,279

Note: Percentage of personal income information not available.

CITY OF DERBY, KANSAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Taxable Value	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2003	\$ 46,765,000	\$ 369,242	\$ 46,395,758	\$ 110,176,920	42.11%	\$ 2,424.02
2004	43,620,000	561,965	43,058,035	115,746,961	37.20%	2,120.15
2005	42,790,000	683,626	42,106,374	128,932,841	32.66%	2,049.67
2006	45,035,000	721,755	44,313,245	136,737,864	32.41%	2,134.65
2007	47,770,000	851,782	46,918,218	147,653,840	31.78%	2,223.51
2008	63,460,000	669,747	62,790,253	162,834,325	38.56%	2,846.60
2009	66,005,000	524,334	65,480,666	170,919,924	38.31%	2,908.05
2010	71,330,000	412,393	70,917,607	176,645,078	40.15%	3,200.54
2011	57,445,000	941,109	56,503,891	178,301,641	31.69%	2,550.04
2012	64,590,000	1,182,878	63,407,122	181,111,211	35.01%	2,846.05

CITY OF DERBY, KANSAS  
 GOVERNMENTAL ACTIVITIES DIRECT AND OVERLAPPING DEBT  
 December 31, 2012

Taxing Body	Debt		City's Share		Per Capita
	Amount	As of	Percent	Amount	
Estimated Overlapping debt:					
Sedgwick County	\$ 68,940,000	12/31/2012	4.14%	\$ 2,857,161	128.24
USD No. 260	63,175,000	12/31/2012	5.28%	<u>3,337,818</u>	<u>149.82</u>
Total Overlapping Debt				6,194,979	278.06
City of Derby Direct Debt	61,884,380			61,884,380	2,778
Direct and estimated overlapping debt	193,999,380			68,079,359	3,056

Source: Assessed value data used to estimate applicable percentages provided by the Sedgwick County Clerk.

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 residents and businesses of the City of Derby. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

CITY OF DERBY, KANSAS  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN YEARS

<u>Fiscal Year</u>	<u>City Population<sup>1</sup></u>	<u>County Total Personal Income<sup>2</sup> (000's omitted)</u>	<u>County Population<sup>1</sup></u>	<u>County Per Capita Income<sup>2</sup></u>	<u>City School Enrollment<sup>3</sup></u>	<u>Unemployment Rate<sup>2</sup> (Sedgwick County)</u>
2003	19,140	\$ 14,267,019	461,526	\$ 30,913	6,729	6.9%
2004	20,309	15,313,398	462,646	33,100	6,694	6.2%
2005	20,543	16,540,366	465,305	35,547	6,680	5.5%
2006	20,759	17,014,763	469,321	36,254	6,597	4.5%
2007	21,101	18,664,979	476,026	39,210	6,598	4.0%
2008	22,058	19,396,855	478,982	40,496	6,554	4.9%
2009	22,517	19,218,845	490,864	39,847	6,671	7.6%
2010	22,158	19,241,873	498,365	38,610	6,753	7.9%
2011	22,158	Not Available	501,355	Not Available	6,258	7.1%
2012	22,279	19,368,100	503,889	Not Available	6,943	6.1%

Data Sources:

<sup>1</sup>Bureau of the Census

<sup>2</sup>US Bureau of Labor Statistics, Sedgwick County

<sup>3</sup>Kansas State Department of Education

<sup>4</sup>Bureau of Economic Analysis

CITY OF DERBY, KANSAS  
 PRINCIPAL EMPLOYERS  
 AS OF DECEMBER 31, 2012

Employer	Employees	Rank	Percentage of Total City Employment
USD 260	993	1	23.36%
Walmart	316	2	7.43%
Dillons	225	3	5.29%
City of Derby	171	4	4.02%
Shared Services, a division of Wal Mart	145	5	3.41%
Lowes	120	6	2.82%
Derby Health & Rehab, LLC	99	7	2.33%
Derby Recreation Commission	92	8	2.16%
Westview Manor	70	9	1.65%
Kohl's	68	10	1.60%
 Total City Employment (est.)	 4,251		

Note: Derby City Clerk's office  
 Information from 2003 not available.

CITY OF DERBY, KANSAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST SEVEN FISCAL YEARS

Function/Program	2006	2007	2008	2009	2010	2011	2012
General Government							
Administration	5	7.5	15.5	16.5	16.5	18.25	18.25
Finance	10	8	6.5	8.5	8.5	7.5	7.5
Law	5	4	1	1	1	0	0
Economic Development	2	2	1	1	1	0	0
Operations	9	9	8	10	4	4	4
Community Development/Engineering	10	12	13	12	12	12	12
Public Safety							
Police	51.5	51.5	51.5	54	57	61	61
Animal Control	1	1	1	1	1.5	1.5	1.5
Fire	10.5	11.5	14	14.5	15	16.15	16.15
Public Works	34	34	35	32	33	35	35
Water	8	8	8	7.5	7.5	8.75	8.75
Wastewater	13.3	11.3	11.3	11	11	11	11
Total	<u>159.3</u>	<u>159.8</u>	<u>165.8</u>	<u>169</u>	<u>168</u>	<u>175.15</u>	<u>175.15</u>

Data Source: City of Derby Operating Budgets

Note: Information from 2003 through 2005 not available. Beginning in 2011 the Law and Economic Development functions have moved to Administration.

CITY OF DERBY, KANSAS  
 OPERATING INDICATORS BY PROGRAMMING YEAR  
 LAST SEVEN FISCAL YEARS

Program/Function	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Fiscal Year</u> <u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Police							
Dispatched Calls	21,808	24,651	26,999	24,878	27,594	27,739	24,317
Offenses	2,653	2,845	2,982	2,878	3,022	2,879	2,192
Offenses Cleared	1,998	2,074	2,564	1,949	2,392	1,758	980
Arrests	1,864	1,924	1,996	2,525	1,857	2,077	955
Serious Offenses	787	831	820	775	784	750	561
Fire							
Emergency Responses	1,402	1,558	1,520	1,768	1,862	2,069	2,096
First Responder/Medical	1,030	1,113	1,254	1,414	1,454	1,422	1,470
Life Safety Inspections	450	464	477	576	644	773	663
Water							
New Connections	349	136	153	132	120	127	102
Water Main Breaks	17	12	9	7	9	25	30
Average Daily Consumption	2,175,595	2,003,162	1,902,481	1,968,976	2,287,457	2,570,113	2,780,825
Peak Daily Consumption	4,351,100	4,252,700	3,584,100	4,334,700	4,839,500	6,424,800	4,747,611
Wastewater							
Average Daily Sewage Treatment	1,800,000	1,840,000	1,834,000	1,788,000	1,600,000	1,581,000	1,510,000

Note: Information from 2003 through 2005 not available.  
 Source: Various city departments.

CITY OF DERBY, KANSAS

CAPITAL ASSET STATISTICS BY PROGRAM/FUNCTION

LAST SEVEN FISCAL YEARS

Program/Function	Fiscal Year						
	2006	2007	2008	2009	2010	2011	2012
Police							
Stations	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Patrol units	12.00	14.00	16.00	15.00	15.00	17.00	17.00
Fire Stations	2.00	2.00	3.00	3.00	3.00	3.00	3.00
Public Works							
Streets(lane miles)	274.80	286.10	293.50	299.50	302.50	427.78	429.64
Traffic Signals	15.00	15.00	16.00	16.00	17.00	17.00	17.00
Culture and Recreation							
Acreage	297.00	297.00	297.00	297.00	297.00	313.68	313.68
Playgrounds	18.00	18.00	18.00	18.00	18.00	19.00	19.00
Baseball/Softball diamonds	24.00	24.00	19.00	19.00	19.00	19.00	19.00
Aquatic Park	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Water							
Water Meter Station	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Water mains(miles)	120.60	124.40	127.90	130.80	132.50	133.00	134.79
Fire hydrants	880.00	919.00	936.00	960.00	975.00	976.00	997.00
Storage capacity(000's gallons)	2,500,000.00	2,500,000.00	2,500,000.00	2,500,000.00	2,500,000.00	2,500,000.00	2,500,000.00
Wastewater							
Sanitary Sewers(miles)	111.20	115.70	118.60	120.30	122.10	122.19	123.81
Storm Sewer(combined, miles)	32.10	33.30	35.90	37.90	46.10	46.84	47.47
Treatment capacity (gallons per day)	2,500,000.00	2,500,000.00	2,500,000.00	2,500,000.00	2,500,000.00	2,500,000.00	2,500,000.00

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Source: City of Derby GIS Department

Note: Information from 2003 through 2005 not available.



CITY OF DERBY, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Expenditures
U.S. Department of Housing and Urban Development:			
Passed through Kansas Housing Resources Corporation:			
Home Investment Partnerships Program	14.239	HR10-0082	<u>\$ 69,990</u>
U.S. Department of Transportation:			
Federal Transit Cluster:			
Passed through the City of Wichita:			
Federal Transit Formula Grants	20.507	605008/606008/716003/706008	45,703
Passed through the Kansas Department of Transportation:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	SP-1300-12	2,167
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	87 TE-0352-01	<u>102,838</u>
Total U.S. Department of Transportation			<u>150,708</u>
Environmental Protection Agency:			
Congressionally Mandated Projects	66.202	XP97717601	970,000
U.S. Department of Homeland Security:			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2007-FF-00487	<u>23,350</u>
Total expenditures of federal awards			<u><u>\$ 1,214,048</u></u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF DERBY, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2012

1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the City of Derby, Kansas (the City). The City's reporting entity is defined in Note 1 of 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 of the City's basic financial statements.

CITY OF DERBY, KANSAS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended December 31, 2012

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

**Financial Statements**

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

**Federal Awards**

Internal control over major program:	
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 program:	Unqualified
Any audit findings that are required to be reported in accordance with Section 510(a) of Circular A-133:	None

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
66.202	Congressionally Mandated Projects

CITY OF DERBY, 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: Yes

**Section II – Financial Statement Findings**

None

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

None

CITY OF DERBY, KANSAS

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2012

**Finding 2009-1 – Significant Deficiency (repeated from prior year)**

*Condition* – The financial statements are the responsibility of management. During the course of our audit, we made several adjusting journal entries to the trial balance presented to us at the beginning of the audit.

*Criteria* – The financial statements are the responsibility of management. As such, the City's internal control over the financial statements should identify and correct misstatements on a consistent basis.

*Cause* – The City's internal controls did not detect certain transactions that were required to more accurately present the City's financial statements.

*Effect* – Several significant journal entries were required which were not initially identified by the City's internal controls.

*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)* – A software conversion of the water utility occurred in 2011 which will enhance the transparency of the general ledger which should reduce future adjusting entries.

*Follow-up* – This finding is considered resolved in the current year.



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

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

The Honorable Mayor and City Council  
City of Derby, Kansas:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Derby, Kansas (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 4, 2013. The financial statements of the Derby Public Library and El Paso Water Company, Inc. component units were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not extend to those component units.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

Topeka, Kansas  
June 4, 2013



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

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

The Honorable Mayor and City Council  
City of Derby, Kansas:

**Report on Compliance for the Major Federal Program**

We have audited the City of Derby, Kansas's (the City's) 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 the City's major federal program for the year ended December 31, 2012. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

## **Opinion on the Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

## **Report on Internal Control Over Compliance**

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

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

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

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

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

Topeka, Kansas  
June 4, 2013