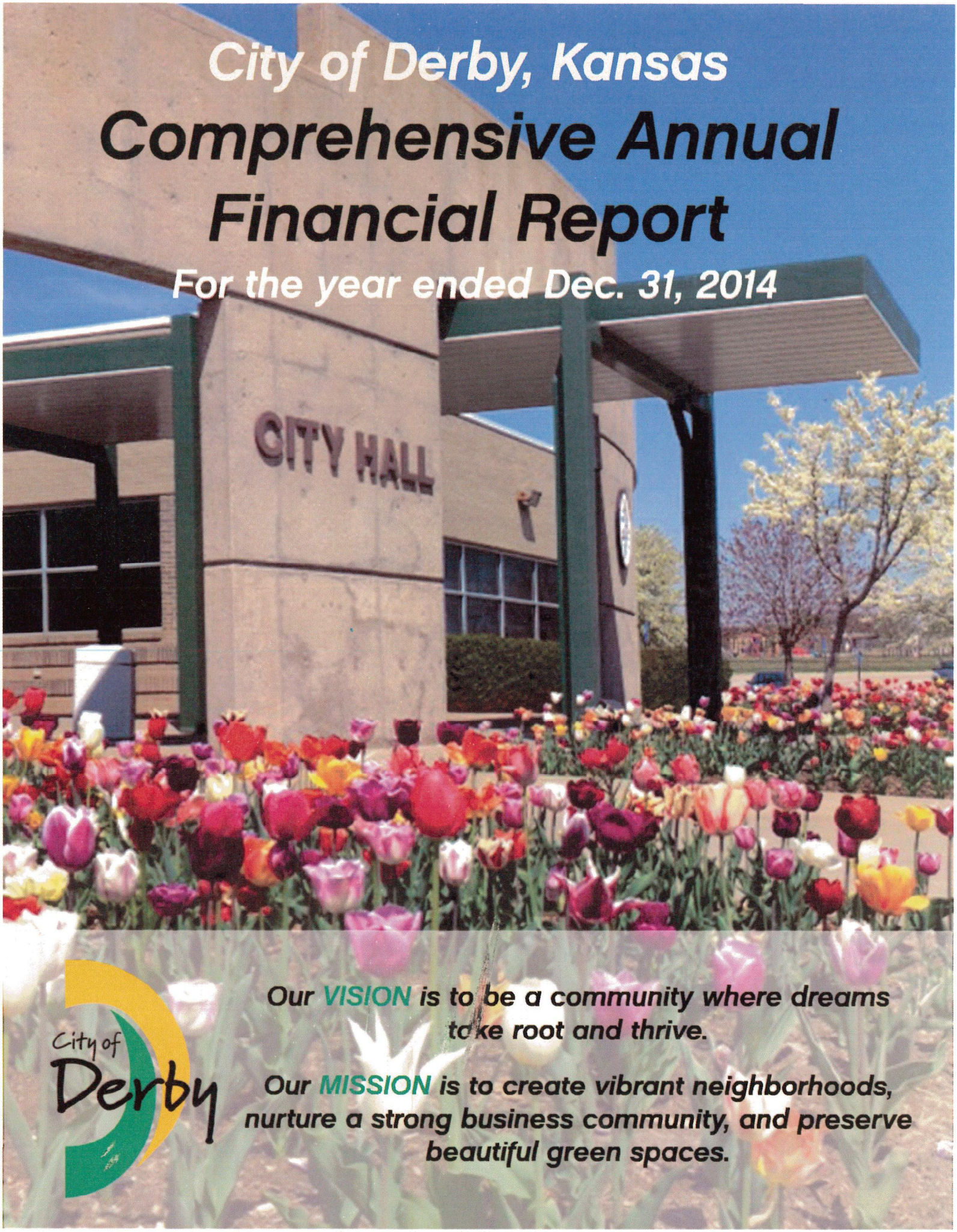
City of Derby, Kansas

Comprehensive Annual Financial Report

For the year ended Dec. 31, 2014



City of Derby

Our VISION is to be a community where dreams take root and thrive.

Our MISSION is to create vibrant neighborhoods, nurture a strong business community, and preserve beautiful green spaces.

CITY OF DERBY, KANSAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

Prepared by:

Finance Department
City of Derby, Kansas

CITY OF DERBY, KANSAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Year Ended December 31, 2014

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION:	
Letter of Transmittal	i - vii
Organizational Structure	viii
List of Elected and Appointed Officials	ix
Certificate of Achievement for Excellence in Financial Reporting	x
FINANCIAL SECTION:	
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 13
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16 - 17
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19 - 20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	22 - 23
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Library Sales Tax Fund	24
Statement of Net Position – Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	26
Statement of Cash Flows – Proprietary Funds	27 - 28
Notes to Basic Financial Statements	29 - 64
Required Supplementary Information:	
Schedule of Funding Progress – Post Employment Benefits	65

CITY OF DERBY, KANSAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Year Ended December 31, 2014

TABLE OF CONTENTS
(Continued)

	Page
Other Supplementary Information:	
Combining Balance Sheet – General Fund	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) – General Fund	67 - 68
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Derby Senior Activity Board	69
Combining Balance Sheet – Nonmajor Governmental Funds	70 - 71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	72 - 73
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Special Street and Highway Fund	74
Special Parks and Recreation Fund	75
Special Drug and Alcohol Fund	76
Library Fund	77
Library Employee Benefits Fund	78
Aquatic Park Fund	79
Debt Service Fund	80
Balance Sheet – Discretely Presented Component Unit	81
Schedule of Revenues, Expenditures and Changes in Fund Balance – Discretely Presented Component Unit	82
STATISTICAL SECTION:	
Net Position by Component	83
Changes in Net Position	84 - 85
Fund Balances, Governmental Funds	86
Changes in Fund Balances, Governmental Funds	87
Assessed Value and Estimated Actual Value of Taxable Property	88
Direct and Overlapping Property Tax Rates	89
Principal Property Tax Payers	90
Property Tax Levies and Collections	91
Legal Debt Margin Information	92
Ratios of Outstanding Debt by Type	93

CITY OF DERBY, KANSAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Year Ended December 31, 2014

TABLE OF CONTENTS
(Continued)

	Page
Ratios of General Bonded Debt Outstanding	94
Governmental Activities Direct and Overlapping Debt	95
Demographic and Economic Statistics	96
Principal Employers	97
Full-Time Equivalent City Government Employees by Function	98
Operating Indicators by Programming Year	99
Capital Asset Statistics by Program/Function	100

May 21, 2015

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 for the fiscal year ended December 31, 2014 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, 2014 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 2014 of 23,047.

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 actions, 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, stormwater system maintenance 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 15th of each year and adoption of a final budget on or before August 25th 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 18th 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 companies like BRG Precision Products, manufacturer of electronics and custom digital clocks, 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, Learjet and Textron Aviation (Cessna and Beechcraft) provide jobs for a significant portion of the community's residents, as does Derby Public Schools.

In 2014, Clearwater Engineering, a supplier of parts in the aerospace industry, moved to Derby to expand its CNC machining and assembly operations. While the company is small, employing 25 FTE employees, it has pledged to double its employment over ten years and now occupies a previously vacant building.

Derby's strong pattern of residential growth continues to attract restaurants, retailers, and educational institutions. In early 2015, Chick-Fil-A and Discount Tire opened new facilities. Derby Marketplace continues to be anchored by major retailers Target and Dillon's Marketplace, along with Petco, Hibbett Sports, Maurices, Hallmark and other retailers and service providers. Construction of a Hobby Lobby

retail store is poised to begin with an anticipated opening in late 2015. 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 2015 and stable property tax revenue in 2016 which helps fund most other City services, as well as programs of the Derby Recreation Commission. Additional commercial development is expected in the future along Rock Road, Patriot, and K-15 Highway, as well as in the West End Business Park and Derby Corporate Park.

Derby is beginning to see a turnaround from the Great Recession. The 2014 assessed valuation, which funds the 2015 operating budget, grew by 2.3% after several years of very little growth. Residential building permits are expected to continue with moderate growth and with the growth in commercial businesses mentioned above, the assessed valuation should continue to moderately increase.

We are seeing growth in our share of the countywide retail sales tax which is the second largest source of revenue for the General Fund. Countywide sales tax collections for 2014 grew 3.7% and are projected to grow 3.0% in 2015. The city-wide retail sales tax grew 2.1% in 2014 and is projected to continue to grow 2.5% per year due to inflation, population growth, and continued expansion of Derby's retail offerings.

In October 2013, Derby voters once again approved a ½-cent city-wide sales tax initiative, the Derby Difference Sales Tax. At that time, the ½ cent city-wide sales tax had been dedicated to operation of a public library constructed in 2009 and retirement of the associated debt. The Derby Difference sales tax became effective January 1, 2015, upon sunset of the library sales tax on December 31, 2014. The Derby Difference sales tax is now used for development of parks and operations of the public library and fire & rescue department.

Derby's economic outlook remains bright as McConnell Air Force Base will be the main operations base for KC-46A tankers in 2016. Facilities construction began in 2014 to prepare for arrival of the new planes. The base is in a position to be a key factor in the Air Force's plans for decades to come, which has a stabilizing effect on a major segment of the regional economy. MAFB contributes more than $600 million in annual economic activity to the Wichita MSA. Overall, employment in the Wichita MSA appears to have stabilized, and retail sales tax projections are positive in 2014 and beyond.

In 2014, Boeing completed its drawdown and closure of its Wichita operations. Its employees have relocated or found other work in the Wichita area. Textron Aviation, parent company of Cessna Aircraft, recently purchased Beechcraft, which is considered positive for the long-term viability of the general aviation sector overall, even though job reductions have been occurring in the short term. With hiring strong at Koch Industries and other employers in the metro area, the net effect of Textron's reductions is yet to be determined.

Major Initiatives

In 2014, reconstruction of Rock Road from Patriot to the new Derby North Middle School began and is estimated to cost $2.3 million. Rock Road is the arterial access to the new school and will accommodate increased traffic that will occur when the school opens in fall 2015. Construction of internal water lines, sanitary sewer, drainage and streets to serve the school campus also began in 2014 and will be paid for with special assessment bonds. Both projects are examples of the City's inter-governmental cooperation.

Construction of an event center at the new Madison Avenue Central Park, along with development of the park, is underway in 2015. In 2011, the City acquired 9.6 acres of park land in the central corridor and is developing the entire area with walking paths, a splash park, amphitheater and meeting space for the community. Development of this park is funded by half of a ½ cent city-wide retail sales tax, the Derby Difference, as mentioned in the previous section. Proceeds of this sales tax will fund $8.0 million for Madison Avenue Central Park and $2.4 million for a new ballfield complex and dog park at Decarsky Park in 2017. Design of Madison Avenue Central Park, design of Warren Riverview Park is underway in 2015 with construction of $2.7 million planned for 2016. The source of funding for Warren Riverview Park will be general obligation bond proceeds and donations from members of the Derby community.

In 2014, reconstruction of Madison Avenue west of Highway K-15 occurred with 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.

Long-term Financial Planning

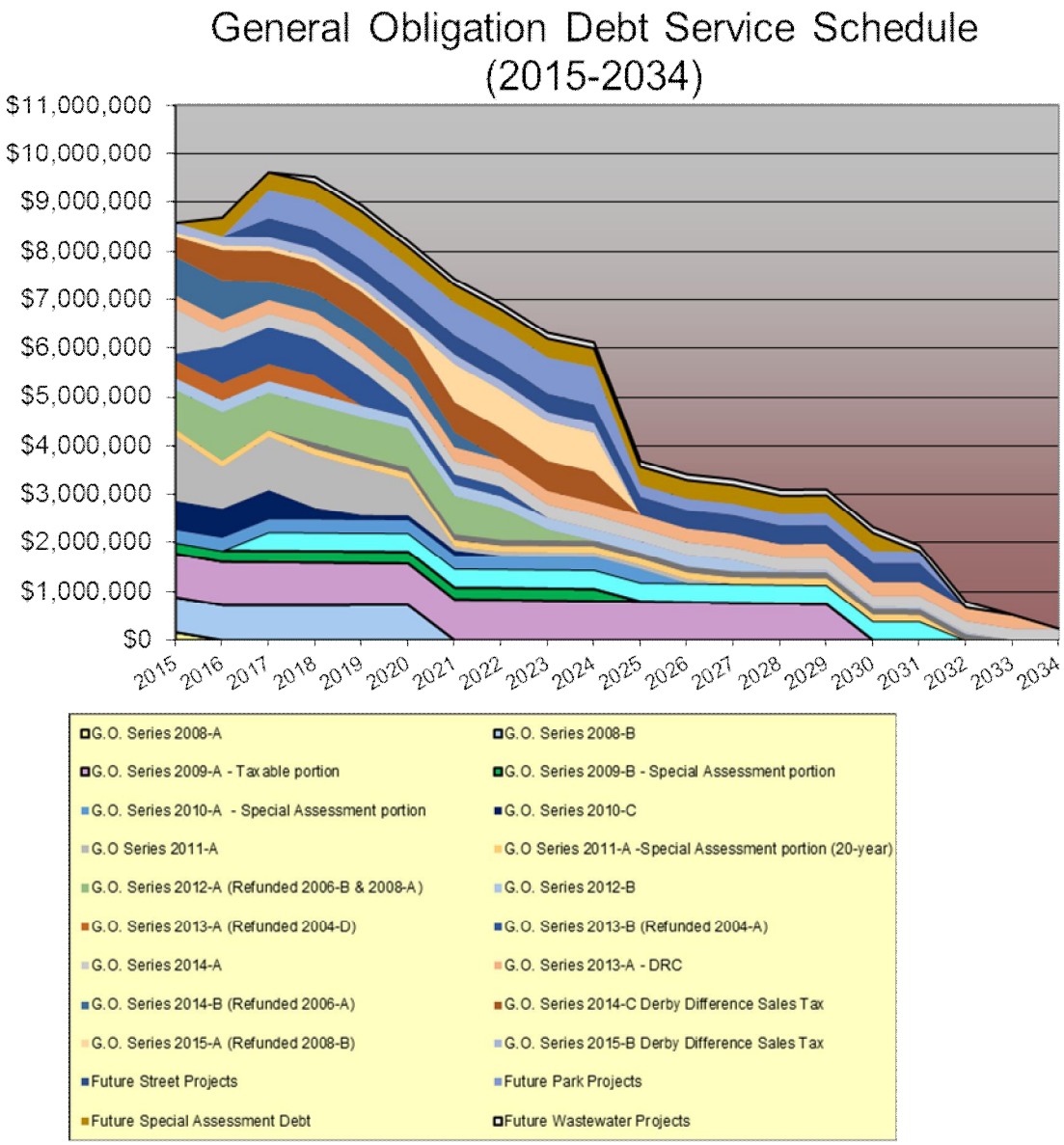
Because Derby is growing at a moderate yet steady pace, infrastructure to new growth areas is required on a continual basis. At the same time, reinvestment needs to be made into the existing infrastructure to ensure that systems operate at optimal levels.

With annual budget constraints, there are few opportunities to use the operating budget to finance the required investment in infrastructure construction. 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.

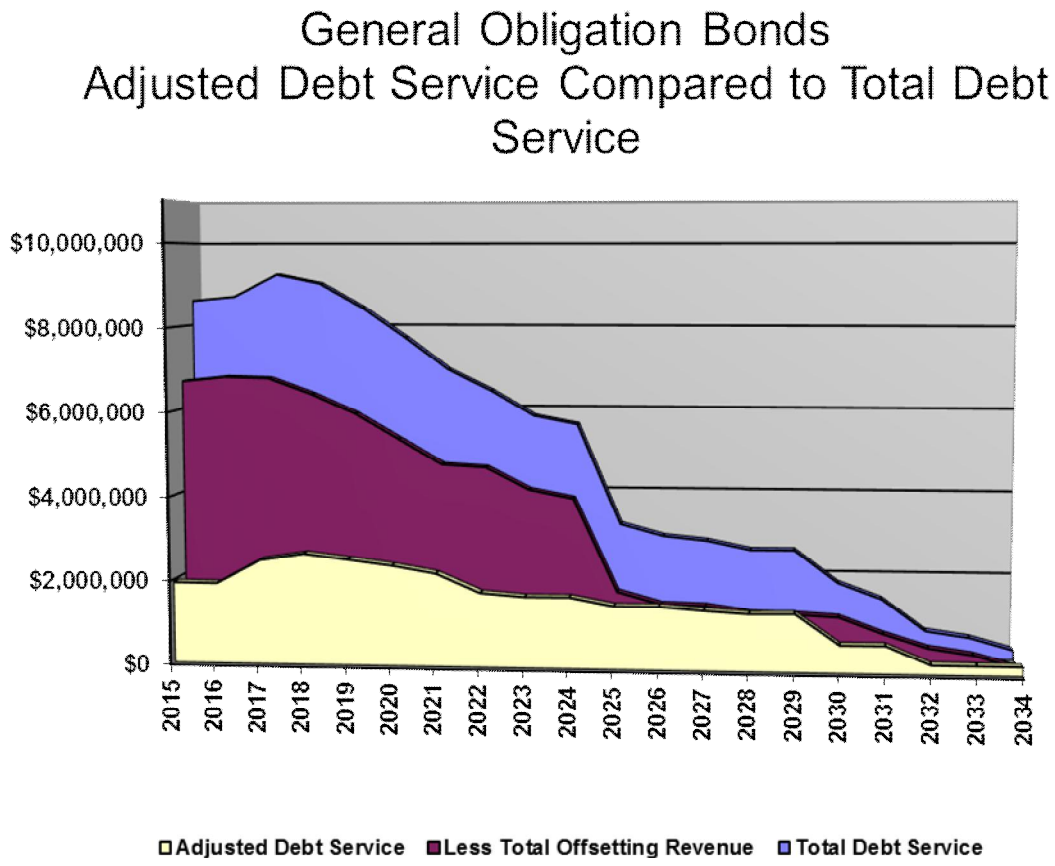
According to state law, cities of the Second Class, such as Derby, may issue longer-term debt not to exceed 30 percent of total assessed valuation; however, such projects as sanitary sewer and water lines and certain intersection improvements do not count against the total "debt lid." As of December 31, 2014, Derby had outstanding debt of $69,110,000. With the issuance of bonds in March 2015, outstanding debt increased to $71,025,000. When exempt projects are taken into consideration, Derby has additional debt capacity of approximately $19.7 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, such as construction of an aquatic park in 2003, a new public library in 2009 and most recently, construction of Madison Avenue Central Park. Derby's ratio of direct debt as a percentage of assessed valuation as of March 2015 is 20.76% due to issuance of bonds to finance construction of Madison Avenue Central Park. Once the 2015 principal payments are made, the ratio should drop below 20% in compliance with city policy.

The following chart incorporates debt to be issued to finance CIP projects in 2015 and beyond with existing outstanding bond issues. This chart illustrates a slight increase in total debt followed by a gradual reduction after 2017. In 2016, 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 $1.5 million. While there are several smaller infrastructure projects included in the chart below, payment of debt is expected to outpace issuance of new debt, which will allow the city's debt load to diminish.



Much of Derby's outstanding debt has offsetting revenues 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.



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, 2013. This is the 6th 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 program's requirements, and we will submit it to GFOA to determine its eligibility for another certificate.

The City also received the GFOA Distinguished Budget Presentation award for annual budgets for the years 2005 through 2015. In order to qualify for the award, the City's budget document was judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

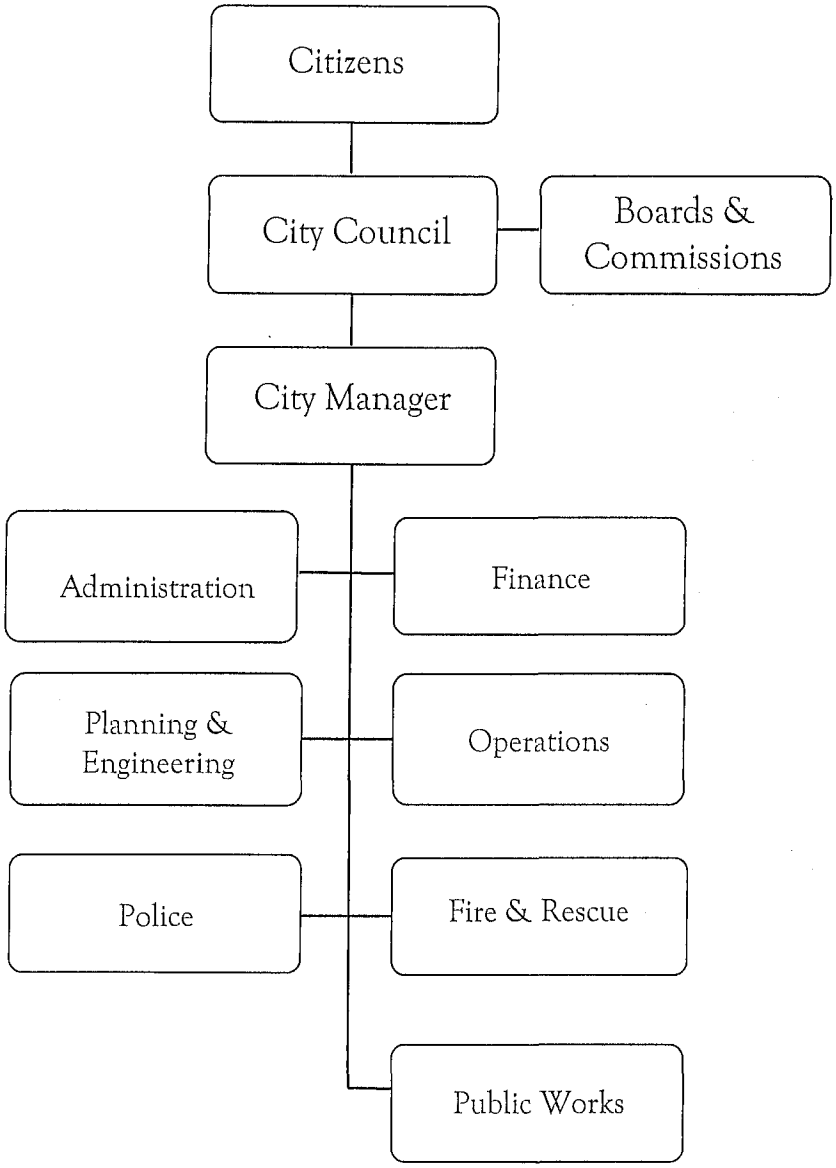
Preparation of this report would not have been possible without the dedicated service of the staff of the finance department. We wish to express our appreciation to all members of the department who assisted and contributed to preparation of this report. Credit also must be given to the Mayor and City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

Respectfully submitted,

Kathleen B. Sexton
City Manager

Jean Epperson
Director of Finance

CITY OF DERBY, KANSAS
ORGANIZATIONAL STRUCTURE



City of Derby, Kansas
List of Elected and Appointed Officials
December 31, 2014

Elected Officials

		Term of Office
Mayor	Dion P. Avello	2011-2015
Council President	Jim Craig	2013-2015
Councilmember	Darrell Downing	2013-2017
Councilmember	Randy White	2011-2015
Councilmember	Vaughn G. Nun	2013-2017
Councilmember	Chuck Warren	2013-2017
Councilmember	Cheryl Bannon	2011-2015
Councilmember	Thomas Haynes	2013-2017
Councilmember	Mark Staats	2011-2015

Appointed Officials

City Manager	Kathleen B. Sexton
Director of Finance	Jean Epperson
City Attorney	Jacqueline R. Butler
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 Human Resources	Jenny Turner
Director of Community Marketing	Jennifer Keller

Government Finance Officers Association

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, 2013

Executive Director/CEO

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

INDEPENDENT AUDITOR'S REPORT

BERBERICH TRAHAN & CO., P.A. 3630 SW Burlingame Rd., Topeka, KS 66611-2050 t 785.234.3427 toll-free 800.530.5526 f 785.233.1768 btandcopa.com

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

An Independently Owned Member
McGLADREY ALLIANCE | McGladrey

McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and library sales tax fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 – 13 and the Schedule of Funding Progress on page 65 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 and other information, including the introductory and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Berberich Trahan & Co., P.A.

Topeka, Kansas
May 21, 2015

CITY OF DERBY, KANSAS

Management's Discussion and Analysis

This section of the annual financial report provides an overview and analysis of the financial activities during the fiscal year that ended on December 31, 2014. 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 liabilities and deferred inflows of resources at the close of 2014 by $142,205,649. Of this amount, $17,758,181 of unrestricted net assets may be used to meet the City's ongoing obligations.
- The City's total net position decreased by $3,240,941, or 2.2 percent, from $145,446,590 at year-end 2013.
- At year-end 2014, the City of Derby's governmental funds reported combined ending fund balances of $24,358,071, an increase of $2,267,540 or 10.3%.
- At the end of 2014, the budgetary fund balance for the general fund was $7,627,404 or 51.6% of the general fund non-GAAP budgetary expenditures.
- The City's total bonded debt and capital leases increased by $440,000 during 2014 to $69,340,000.

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 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, water and stormwater 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 14-15 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 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 17 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, debt service fund, capital projects fund and library sales tax fund which are considered to be major funds. In addition, 4 funds are presented in a combining statement of the General Fund on pages 66-68 of this report. Data from the other 11 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 16 – 24 of this report.

Proprietary Funds – Services for which the City charges customers a fee are generally reported in proprietary funds. The sewer, water and stormwater utilities 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 25 – 28 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 29 – 64 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 $142,205,649 as of December 31, 2014.

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, $100,468,282 or 70.6% is the investment in capital assets net of related debt. The next largest portion, $23,979,186 or 16.9% of the City's net position, is restricted due to project financing or bond covenants. The remaining balance of $17,758,181 or 12.5% is unrestricted, which may be used to meet the city's ongoing obligation to citizens and creditors.

Current and other assets increased by $754,662 or 0.01% due to an increase in deposits and investments in business-type activities in the sewer and stormwater utilities as funds are accumulated for capital projects in 2015 and future years. Capital assets decreased by $2,584,671 or 1.7% due to the depreciation of assets outpacing the addition of assets in 2014. The increase in total liabilities in 2014 is primarily due to an increase in accounts payable in connection with infrastructure improvements in the Capital Projects Fund. Long-term liabilities increased slightly by $332,465 due to the issuance of more bonds and temporary notes than were redeemed.

TABLE A-1
CITY OF DERBY'S NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	$ 64,995,225	$ 65,122,800	$ 8,759,022	$ 7,876,785	$ 73,754,247	$ 72,999,585
Capital assets	119,650,897	122,131,018	32,068,441	32,172,991	151,719,338	154,304,009
Total assets	184,646,122	187,253,818	40,827,463	40,049,776	225,473,585	227,303,594
Total deferred outflows of resources	815,858	958,369	-	-	815,858	958,369
Long-term liabilities	64,053,853	62,505,572	8,476,863	9,692,679	72,530,716	72,198,251
Other liabilities	2,467,020	1,723,129	393,735	343,105	2,860,755	2,066,234
Total liabilities	66,520,873	64,228,701	8,870,598	10,035,784	75,391,471	74,264,485
Total deferred inflow of resources	8,562,017	8,424,593	130,306	126,295	8,692,323	8,550,888
Net position:						
Net investment in capital assets	76,973,789	74,929,343	23,494,493	22,590,541	100,468,282	97,519,884
Restricted	23,979,186	34,434,108	-	-	23,979,186	34,434,108
Unrestricted	9,426,115	6,195,442	8,332,066	7,297,156	17,758,181	13,492,598
Total net position	$ 110,379,090	$ 115,558,893	$ 31,826,559	$ 29,887,697	$ 142,205,649	$ 145,446,590

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, 2014. Derby's net position at year-end 2014 of $142,205,649 reflects a decrease of $3,240,941, or 2.2% of the total amount. The majority of the change in net position is due to higher culture and recreation expenses. Culture and recreation expense increased by $4,361,760 primarily as the renovation of the Derby Recreation Facility was completed in early 2014 and expensed. The City owns the facility and issued debt in 2013 to finance the renovation, however the capital asset resides on the financial statements of the Derby Recreation Commission (DRC) since payment of the debt service is in the form of rent paid to the City by the DRC.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	$ 2,526,073	$ 2,026,224	$ 7,816,187	$ 7,103,752	$ 10,342,260	$ 9,129,976
Operating grants & contributions	1,298,680	1,291,076	-	-	1,298,680	1,291,076
Capital grants & contributions	1,986,888	192,822	281,709	45,491	2,268,597	238,313
General revenues:						
Property taxes	9,622,171	9,600,347	-	-	9,622,171	9,600,347
Sales tax	6,035,167	5,854,328	-	-	6,035,167	5,854,328
Franchise taxes	2,020,693	1,862,477	-	-	2,020,693	1,862,477
Excise tax	15,918	15,520	-	-	15,918	15,520
Investment earnings	24,380	48,533	4,828	3,856	29,208	52,389
Gain on sale of capital assets	-	-	33,500	-	33,500	-
Total revenues	23,529,970	20,891,327	8,136,224	7,153,099	31,666,194	28,044,426
Expenses:						
General government	7,897,162	7,925,610	-	-	7,897,162	7,925,610
Public safety	4,673,971	4,496,414	-	-	4,673,971	4,496,414
Public works	6,679,417	5,692,678	-	-	6,679,417	5,692,678
Culture & recreation	5,825,829	1,464,069	-	-	5,825,829	1,464,069
Economic development	414,564	454,647	-	-	414,564	454,647
Interest on long-term debt	2,019,786	1,892,577	-	-	2,019,786	1,892,577
Water system	-	-	4,430,801	4,157,883	4,430,801	4,157,883
Sewer system	-	-	2,542,525	2,527,094	2,542,525	2,527,094
Stormwater system	-	-	423,080	366,660	423,080	366,660
Total expenses	27,510,729	21,925,995	7,396,406	7,051,637	34,907,135	28,977,632
Increases (decreases) in net position before transfers	(3,980,759)	(1,034,668)	739,818	101,462	(3,240,941)	(933,206)
Transfers	(1,199,044)	(7,300,801)	1,199,044	7,300,801	-	-
Increase (decrease) in net position	(5,179,803)	(8,335,469)	1,938,862	7,402,263	(3,240,941)	(933,206)
Net position 12/31/2013	115,558,893	123,894,362	29,887,697	22,485,434	145,446,590	146,379,796
Net position 12/31/2014	$ 110,379,090	$ 115,558,893	$ 31,826,559	$ 29,887,697	$ 142,205,649	$ 145,446,590

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

- Charges for services overall increased by $1,212,284 or 13.3%.
  - The increase in Government-type charges for services of $499,849 is made up primarily of the following variables:
    - Debt service reimbursed by the Derby Recreation Commission to the City in the form of rent, increased by $222,468 due to the payment of debt issued in 2013 for renovation of the recreation facility.
    - Aquatic Park revenue increased by $37,415 due to more favorable weather which allowed an increase in the hours of operation during the season.
    - An increase in court revenue generated an increase in public safety related charges for services. A net increase of $140,960 of court revenue occurred to more closely reflect the receivables.
    - Building permits and plan review fees decreased $77,783 due to construction of school facilities in 2013 that did not occur at the same level in 2014.
  - The increase in Business-type revenues of $712,435 or 10.0% occurred primarily due to an increase in water rates to offset the wholesale cost of water.

- Capital grant revenues of both governmental activities and business-type increased in 2014 by $2,030,284.
  - Governmental capital grant revenues consist of $1,038,649 of special assessments for infrastructure to serve properties throughout the City and a donation of land for a future park valued at $881,450. In 2013, no additional special assessments were levied, so the increase in capital grant revenues in 2014 is substantial.
  - Business-type capital grant revenues consist primarily of $237,037 loan forgiveness by the Kansas Department of Health and Environment in connection with bio-solids handling equipment at the sewer treatment plant.
- Property tax revenues, our largest source of tax revenue, increased $21,824, reflecting flat revenues in 2014.
- Sales tax revenues consist of a county-wide and city-wide levy and increased in total 3.09% or $180,839. County-wide sales tax receipts increased 3.7%, and city-wide receipts grew 2.1%.
- Franchise fees increased $158,216 or 8.5% primarily due to increased water usage and electric rates.
- Public safety expenditures increased $177,557 or 3.9% due to personnel-related expenses and equipment purchases.
- Public works expenditures increased $986,739 or 17.3% primarily due to pavement management rehabilitation expenses that were delayed from 2013.
- Culture and recreation expenses increased $4,361,760 primarily due to renovation of the recreation facility described on page 7.
- Interest on long-term debt increased $127,209 or 6.7% reflecting the increase in government-type debt and the cost to refinance debt. The City has actively monitored its outstanding debt and refunded debt in 2011, 2012, 2013 and 2014 to take advantage of the interest rate environment.
- Water utility expenses increased $272,918 or 6.6% due to the increased cost of wholesale water purchased from the City of Wichita.

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, outflows, and balances 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 eternal 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, 2014, the combined fund balance for governmental funds increased $2,267,540 to $24,358,071 or 10.3%. Approximately 27.4% of this amount or $6,664,396 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 $240,913, (2) restricted for particular purposes totaling $14,675,470 or 60.2%, and (3) assigned for particular purposes such as equipment or capital improvements of $2,777,292 or 12.4%. The restricted fund balance is primarily designated for capital improvements, park construction, library operations, debt service and maintenance and construction of streets and sidewalks.

Property taxes of $9,622,171 represent the largest single source, comprising 36.7% of governmental activity revenue for the City. Taxes on retail sales in the amount of $6,035,167 are the next largest source of revenue at 23.0% of the city's revenues. Special assessments of $4,554,121 pay the debt service for infrastructure to serve various properties and represent 17.4% of the city's revenue in 2014. Franchise fees of $2,020,693 represent 7.7% of the revenue stream, followed by intergovernmental payments of $1,396,754 consisting of gasoline and transient guest taxes, grant and ARRA reimbursements which represent 5.3% of the revenue stream.

The General Fund is the chief operating fund of the City of Derby. At the end of 2014, the unassigned fund balance of the General Fund was $6,664,396. 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 40.9% of total General Fund expenditures, while the total fund balance represents 53.1% 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 $1,740,418.

The Debt Service Fund has a restricted fund balance of $906,556. 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 decreased from $1,003,797 in 2013 due to a reduction in the required reserve to meet the city's debt obligations.

The Capital Projects Fund has a restricted fund balance of $5,830,436. 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.

The Library Sales Tax Fund has a restricted fund balance of $827,095. It became a major fund due to debt service expenditures in 2014. The primary source of revenue for the Library Sales Tax Fund is a ½-cent city-wide retailer's sales tax. The fund balance decreased from $3,834,224 in 2013 due to the defeasance of the bonds which financed the construction of the library in 2010. Upon defeasance of the bonds, the sales tax sunset at December 31, 2014.

Eight funds make up the non-major funds, the largest of which is the Derby Difference Sales Tax Fund followed by the Aquatic Park Fund. The primary source of revenue for the Derby Difference Sales Tax Fund in 2014 is bond proceeds issued for construction of Madison Avenue Central Park, which is currently under construction. A city-wide retail sales tax designated for repayment of debt and operation of parks, additional fire personnel and operation of the Derby library, became effective January 1, 2015. 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, Sewer and Stormwater Utilities at the end of 2014 totals $8,313,337. As stated earlier, unrestricted net assets are to be used for ongoing and future obligations and improvements to the utilities.

Total net position of the proprietary funds increased $1,921,351 from $29,886,479 at year end 2013 to $31,807,830. The increase in net position is primarily due to contribution of capital assets to the utilities. Capital contributions consist of sanitary sewer, water lines and stormwater infrastructure to serve the new Derby Middle School Addition and several residential projects. The Sewer utility also benefited from loan forgiveness of $237,037 of the City's revolving loan administered by the Kansas Department of Health & Environment.

Beginning in 2012, the City established an internal service fund for partial self-funding of the city's health insurance program. The health insurance program activity is presented as the Internal Service fund included with the proprietary fund information. At year end 2014, the unrestricted net position of the Internal Service Fund was $606,158, an increase of $288,209 to establish an adequate reserve for health and dental claims.

General Fund Budgetary Highlights

Careful monitoring of expenditures and revenues allowed Derby to carry over $7,627,404 into 2015 (45.4%), an increase of $1,052,612 over the prior year carryover. The increase in carryover occurred due to lower than anticipated expenses and to provide funding for future operating needs.

The largest budget variance in revenues is primarily due to higher than anticipated growth in building permit activity, lower than projected franchise fees and higher than anticipated collection of property and sales tax. Fines and fees were favorable by $249,907 due to higher than anticipated court revenues. Retail sales tax receipts of the county-wide sales tax were higher than anticipated by $147,411 for a total of $3,837,647. Ad valorem property tax revenues were favorable by $131,928 due to a conservative budget estimate in anticipation of increased delinquencies which did not occur. Licenses and permits were higher than initially projected by $135,816 due to increased residential building activity and new school facilities.

The largest budget variance in expenditures is in contingencies which consist of cash reserves for the following year carryover balance of $4,793,353. The next largest favorable variance is in employee benefits of $357,514 due to lower than expected health insurance cost. Health claims in the Self Insurance Fund were lower than budgeted, so the transfer of funds from the General Fund was not needed. The law enforcement variance of $357,514 is primarily due to lower than projected personnel related costs. The variance in public works of $262,346 is due to personnel savings from vacant positions and careful monitoring of commodities and contractual expenditures. The variance in capital outlay of $156,526 is due to project costs coming in lower than expected and delayed until 2015. Reimburseables are lower than budgeted by $97,936 due to movement of plan review expenses from this category to planning and engineering. The unfavorable variances are minor, totaling less than 1% of expenditures.

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, 2014 was $151,719,338, net of depreciation. This investment in capital assets includes land, buildings, machinery and equipment, an aquatic park, water distribution and sewer and stormwater collection systems, infrastructure and construction in progress.

Major projects undertaken during 2014 were the $1.5 million reconstruction of the west end of Madison Avenue and the $2.2 million reconstruction of north Rock Road to the new Derby North Middle School. In addition to the Rock Road improvements to accommodate increased traffic flow to the school, internal infrastructure of water lines, sanitary sewer, streets and drainage were initiated in 2014.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	$ 33,964,933	$ 33,083,483	$ 725,966	$ 725,966	$ 34,690,899	$ 33,809,449
Construction in progress	5,146,757	5,666,089	734,650	264,750	5,881,407	5,930,839
Buildings	16,534,917	17,124,243	4,424,232	4,863,829	20,959,149	21,988,072
Machinery and equipment	1,178,966	1,263,600	329,123	183,372	1,508,089	1,446,972
Improvements	2,987,167	3,093,902	-	-	2,987,167	3,093,902
Infrastructure	59,838,157	61,899,701	25,854,470	26,135,074	85,692,627	88,034,775
Total capital assets (net)	$ 119,650,897	$ 122,131,018	$ 32,068,441	$ 32,172,991	$ 151,719,338	$ 154,304,009

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 $69,340,000 in bonds, notes, and certificates of participation outstanding. This is an increase of $440,000 from $68,900,000 at the end of 2013 due to the issuance of bonds and temporary notes. Bonds of $5,380,000 were issued for construction of Madison Avenue Central Park, a project approved by voters and funded by a city-wide half-cent retail sales tax. Temporary notes of $3,885,000 were issued to provide interim financing for infrastructure to primarily serve residential phases in The Oaks. 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	
	2014	2013	2014	2013	2014	2013
General obligation bonds	$ 53,635,211	$ 54,114,437	$ 6,959,789	$ 7,770,563	$ 60,595,000	$ 61,885,000
Certificates of participation	230,000	455,000	-	-	230,000	455,000
Capital leases	-	-	-	-	-	-
Temporary notes	8,515,000	6,560,000	-	-	8,515,000	6,560,000
Total	$ 62,380,211	$ 61,129,437	$ 6,959,789	$ 7,770,563	$ 69,340,000	$ 68,900,000

The City's general obligation bond rating of AA- by Standard & Poor's was reaffirmed in 2014.

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 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 (MAFB), 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). In April 2014, the Air Force announced its decision for MAFB to be the main operations base for the new KC-46A tankers (Pegasus). Hangar construction is underway to prepare for airplanes to arrive in 2016.

Derby's Profile

➢ Median Age (2014)	34.7 years
➢ Median Household Income (2014)	$62,440
➢ Average Household Income (2014)	$65,721
➢ Average New Home Value (2014)	$208,341
➢ Housing Units (2014)	9,911
➢ Unemployment (Wichita MSA December 2014)	5.3%

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.

CITY OF DERBY, KANSAS

STATEMENT OF NET POSITION

December 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Library Board
Assets:				
Deposits and investments	$ 25,572,684	$ 7,578,674	$ 33,151,358	$ 340,165
Receivables, net of allowance for uncollectibles:				
Taxes	9,931,265	-	9,931,265	-
Intergovernmental	1,146	-	1,146	-
Special assessments	29,202,434	-	29,202,434	-
Accounts	64,539	1,068,189	1,132,728	-
Interest	973	-	973	-
Prepaid items	-	3,362	3,362	19,717
Inventories	240,913	90,068	330,981	-
Internal balances	(18,729)	18,729	-	-
Capital assets, net of accumulated depreciation, where applicable:				
Land	3,898,223	725,966	4,624,189	-
Land - right of way	30,066,710	-	30,066,710	-
Construction in progress	5,146,757	734,650	5,881,407	-
Buildings and systems	16,534,917	4,424,232	20,959,149	-
Improvements	2,987,167	-	2,987,167	-
Machinery and equipment	1,178,966	329,123	1,508,089	297,461
Infrastructure	59,838,157	25,854,470	85,692,627	-
Total assets	184,646,122	40,827,463	225,473,585	657,343
Deferred outflows of resources:				
Deferred charge on refunding	815,858	-	815,858	-
Liabilities:				
Accounts payable	1,477,656	286,208	1,763,864	15,768
Accrued liabilities	807,618	66,158	873,776	-
Accrued interest payable	181,746	41,369	223,115	-
Noncurrent liabilities:				
Due within one year	11,100,241	862,745	11,962,986	-
Due in more than one year	52,953,612	7,614,118	60,567,730	-
Total liabilities	66,520,873	8,870,598	75,391,471	15,768
Deferred inflows of resources:				
Unavailable revenue - property taxes	8,562,017	-	8,562,017	-
Deferred charge on refunding	-	130,306	130,306	-
Total deferred inflows of resources	8,562,017	130,306	8,692,323	-
Net position:				
Net investment in capital assets	76,973,789	23,494,493	100,468,282	297,461
Restricted for:				
Debt service	10,210,272	-	10,210,272	-
Capital projects and streets	6,584,930	-	6,584,930	-
Law enforcement	130,111	-	130,111	-
Culture and recreation programs	6,199,382	-	6,199,382	-
Library operations	854,491	-	854,491	-
Unrestricted	9,426,115	8,332,066	17,758,181	344,114
Total net position	$ 110,379,090	$ 31,826,559	$ 142,205,649	$ 641,575

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit: Library Board
Primary government:								
Governmental activities:								
General government	$ 7,897,162	$ 1,035,382	$ 365,484	$ 41,373	$ (6,454,923)	$ -	$ (6,454,923)	$ -
Public safety	4,673,971	905,643	21,068	-	(3,747,260)	-	(3,747,260)	-
Public works	6,679,417	395,668	854,131	1,064,065	(4,365,553)	-	(4,365,553)	-
Culture and recreation	5,825,829	189,380	57,997	881,450	(4,697,002)	-	(4,697,002)	-
Economic development	414,564	-	-	-	(414,564)	-	(414,564)	-
Interest on long-term debt	2,019,786	-	-	-	(2,019,786)	-	(2,019,786)	-
Total governmental activities	27,510,729	2,526,073	1,298,680	1,986,888	(21,699,088)	-	(21,699,088)	-
Business-type activities:								
Sewer	2,542,525	2,853,072	-	281,709	-	592,256	592,256	-
Water	4,430,801	4,430,777	-	-	-	(24)	(24)	-
Stormwater	423,080	532,338	-	-	-	109,258	109,258	-
Total business-type activities	7,396,406	7,816,187	-	281,709	-	701,490	701,490	-
Total primary government	$ 34,907,135	$ 10,342,260	$ 1,298,680	$ 2,268,597	(21,699,088)	701,490	(20,997,598)	-
Component unit:								
Library Board	$ 423,315	$ 47,413	$ 106,966	$ -				(268,936)
General revenues:								
Property taxes					9,622,171	-	9,622,171	287,000
Sales taxes					6,035,167	-	6,035,167	-
Franchise taxes					2,020,693	-	2,020,693	-
Excise taxes					15,918	-	15,918	-
Unrestricted investment earnings					24,380	4,828	29,208	437
Gain on sale of capital assets					-	33,500	33,500	-
Transfers					(1,199,044)	1,199,044	-	-
Total general revenues and transfers					16,519,285	1,237,372	17,756,657	287,437
Change in net position					(5,179,803)	1,938,862	(3,240,941)	18,501
Net position, beginning of year					115,558,893	29,887,697	145,446,590	623,074
Net position, end of year					$ 110,379,090	$ 31,826,559	$ 142,205,649	$ 641,575

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS

BALANCE SHEET

GOVERNMENTAL FUNDS

December 31, 2014

		General*
Assets:		
Deposits and investments	$	8,506,567
Receivables (net of allowance for uncollectibles):		
Taxes		6,798,671
Special assessments		-
Grants		1,146
Accounts		64,539
Interest		973
Inventories		240,913
Total assets	$	15,612,809
Liabilities:		
Accounts payable	$	310,085
Accrued payroll		807,618
Total liabilities		1,117,703
Deferred inflows of resources:		
Unavailable revenue-property taxes		5,849,379
Unavailable revenue-special assessments		-
Total deferred inflows of resources		5,849,379
Fund balances:		
Nonspendable:		
Inventories		240,913
Restricted:		
Capital projects		-
Substance abuse prevention		-
Culture and recreation programs		-
Crime prevention		-
Library operations		-
Aquatic park operations		-
Debt service		-
Streets and sidewalks		-
Assigned:		
Senior activities		13,564
Equipment purchases		205,628
Capital improvements		1,521,226
Aquatic park operations		-
Unassigned		6,664,396
Total fund balances		8,645,727
Total liabilities, deferred inflows of resources, and fund balances	$	15,612,809

* See the General Fund Combining Balance Sheet on page 66.

See accompanying notes to basic financial statements.

Major Funds				
Debt Service	Capital Projects	Library Sales Tax	Nonmajor Funds	Total Governmental
$ 906,556	$ 6,838,191	$ 419,077	$ 8,177,086	$ 24,847,477
1,870,868	-	419,956	841,770	9,931,265
29,202,434	-	-	-	29,202,434
-	-	-	-	1,146
-	-	-	-	64,539
-	-	-	-	973
-	-	-	-	240,913
$ 31,979,858	$ 6,838,191	$ 839,033	$ 9,018,856	$ 64,288,747
$ -	$ 1,007,755	$ 11,968	$ 28,799	$ 1,358,607
-	-	-	-	807,618
-	1,007,755	11,968	28,799	2,166,225
1,870,868	-	-	841,770	8,562,017
29,202,434	-	-	-	29,202,434
31,073,302	-	-	841,770	37,764,451
-	-	-	-	240,913
-	5,830,436	-	-	5,830,436
-	-	-	126,692	126,692
-	-	-	5,536,174	5,536,174
-	-	-	3,419	3,419
-	-	827,065	27,426	854,491
-	-	-	663,208	663,208
906,556	-	-	-	906,556
-	-	-	754,494	754,494
-	-	-	-	13,564
-	-	-	-	205,628
-	-	-	-	1,521,226
-	-	-	1,036,874	1,036,874
-	-	-	-	6,664,396
906,556	5,830,436	827,065	8,148,287	24,358,071
$ 31,979,858	$ 6,838,191	$ 839,033	$ 9,018,856	$ 64,288,747

CITY OF DERBY, KANSAS

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

December 31, 2014

Total fund balances in Governmental Funds Balance Sheet	$ 24,358,071
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.	119,650,897
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable in the funds.	29,202,434
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(63,419,741)
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.	587,429
Net position of governmental activities	$ 110,379,090

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, 2014

	General*
Revenues:	
Taxes:	
Property	$ 7,065,369
Excise	11,763
Sales	3,837,647
Franchise	2,020,693
Special assessments	-
Intergovernmental	321,500
Licenses and permits	445,416
Charges for services	262,349
Fines and fees	919,007
Investment earnings	10,702
Other	429,849
Total revenues	15,324,295
Expenditures:	
Current:	
General government	6,108,847
Public works	2,755,942
Public safety	4,263,425
Culture and recreation	787,081
Economic development	414,465
Debt service:	
Principal	225,000
Interest and fiscal charges	15,749
Debt issuance costs	-
Capital outlay	1,698,208
Total expenditures	16,268,717
Deficiency of revenues under expenditures	(944,422)
Other financing sources (uses):	
General obligation bonds issued	-
Premium on general obligation bonds issued	-
Temporary notes issued	-
Payment to refund temporary notes	-
Transfers in	525,472
Transfers out	-
Total other financing sources (uses)	525,472
Net change in fund balances	(418,950)
Fund balances, beginning of year	9,064,677
Fund balances, end of year	$ 8,645,727

* See the General Fund Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) on pages 67 - 68.

See accompanying notes to basic financial statements.

Major Funds				
Debt Service	Capital Projects	Library Sales Tax	Nonmajor Funds	Total Governmental
$ 1,611,293	$ -	$ -	$ 945,509	$ 9,622,171
2,593	-	-	1,562	15,918
-	-	2,197,520	-	6,035,167
-	-	-	-	2,020,693
4,273,558	280,563	-	-	4,554,121
105,128	-	-	970,126	1,396,754
-	-	-	-	445,416
-	-	-	17,210	279,559
-	-	-	-	919,007
6,473	-	5,092	2,113	24,380
279,321	7,800	-	157,069	874,039
6,278,366	288,363	2,202,612	2,093,589	26,187,225
-	-	353,102	1,007,313	7,469,262
-	-	-	1,113,200	3,869,142
-	-	-	-	4,263,425
-	-	-	336,896	1,123,977
-	-	-	-	414,465
5,239,226	3,285,000	4,540,000	-	13,289,226
1,495,381	62,566	96,808	-	1,670,504
-	229,368	-	88,257	317,625
-	4,604,440	34,389	401,407	6,738,444
6,734,607	8,181,374	5,024,299	2,947,073	39,156,070
(456,241)	(7,893,011)	(2,821,687)	(853,484)	(12,968,845)
-	7,205,000	-	5,380,000	12,585,000
-	233,427	-	103,958	337,385
-	3,885,000	-	-	3,885,000
-	(1,930,000)	-	-	(1,930,000)
359,000	-	-	44,000	928,472
-	(350,000)	(175,472)	(44,000)	(569,472)
359,000	9,043,427	(175,472)	5,483,958	15,236,385
(97,241)	1,150,416	(2,997,159)	4,630,474	2,267,540
1,003,797	4,680,020	3,824,224	3,517,813	22,090,531
$ 906,556	$ 5,830,436	$ 827,065	$ 8,148,287	$ 24,358,071

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, 2014

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	$ 2,267,540
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.	2,634,246
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals, donations) is to decrease net position.	(5,114,368)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(3,515,472)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,588,159)
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.	(134,288)
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.	270,698
Change in net position of governmental activities	$ (5,179,803)

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, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes:			
Ad valorem property tax	$ 6,013,681	$ 6,145,609	$ 131,928
Delinquent tax	66,830	64,875	(1,955)
Motor vehicle tax	808,134	854,885	46,751
Excise tax	8,800	11,763	2,963
Sales tax	3,690,236	3,837,647	147,411
Franchise tax	1,966,654	2,020,693	54,039
Intergovernmental	249,279	321,500	72,221
Licenses and permits	309,600	445,416	135,816
Fines and fees	669,100	919,007	249,907
Investment earnings	12,000	10,702	(1,298)
Charges for services	212,500	262,349	49,849
Other	640,659	422,185	(218,474)
Total revenues	14,647,473	15,316,631	669,158
Expenditures:			
Administration	1,695,440	1,654,216	41,224
Employee benefits	3,504,679	3,147,165	357,514
Law enforcement	3,408,777	3,157,507	251,270
Finance	567,911	511,978	55,933
Fire	1,127,950	1,105,918	22,032
Planning and engineering	633,384	736,495	(103,111)
Public works	2,068,851	1,806,505	262,346
Operations	829,813	799,873	29,940
Utilities	735,529	723,869	11,660
Insurance recovery	35,000	42,739	(7,739)
Liability insurance	199,500	212,404	(12,904)
Equipment	214,967	189,535	25,432
Capital outlay	400,000	243,474	156,526
Reimburseables	315,000	217,064	97,936
Contingencies	4,793,353	-	4,793,353
Debt service:			
Principal	225,000	225,000	-
Interest and fiscal charges	16,160	15,749	411
Total expenditures	$ 20,771,314	$ 14,789,491	$ 5,981,823

(Continued)

CITY OF DERBY, KANSAS

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

GENERAL FUND
(Continued)

Year Ended December 31, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Other financing sources:			
Transfers in	$ 526,472	$ 525,472	$ (1,000)
Net change in fund balances	(5,597,369)	1,052,612	6,649,981
Fund balances, beginning of year	5,597,369	6,574,792	977,423
Fund balances, end of year	$ -	7,627,404	$ 7,627,404

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	26,395
Fund balance on the basis of GAAP - General Fund only	7,653,799
Fund balances for separately budgeted funds included with the General Fund on GAAP basis financials:	
Derby Senior Activity Board	13,564
Fund balances for non-budgeted funds included with the General Fund on GAAP basis financials:	
Payroll Fund	(722,095)
Equipment Reserve	179,233
Capital Improvement Reserve	1,521,226
	$ 8,645,727

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS

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

LIBRARY SALES TAX FUND

Year Ended December 31, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Sales tax	$ 2,184,765	$ 2,197,520	$ 12,755
Investment earnings	1,500	5,092	3,592
Total revenues	2,186,265	2,202,612	16,347
Expenditures:			
Personnel services	190,355	194,380	(4,025)
Contractual services	157,026	156,440	586
Commodities	5,400	2,282	3,118
Capital outlay	235,000	35,989	199,011
Debt service:			
Principal	4,540,000	4,540,000	-
Interest and fiscal charges	264,935	96,808	168,127
Total expenditures	5,392,716	5,025,899	366,817
Other financing uses:			
Transfers out	(175,472)	(175,472)	-
Total other financing sources	(175,472)	(175,472)	-
Net change in fund balances	(3,381,923)	(2,998,759)	383,164
Fund balances, beginning of year	3,809,161	3,824,224	15,063
Fund balances, end of year	$ 427,238	825,465	$ 398,227
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		1,600	
Fund balance on the basis of GAAP		$ 827,065	

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2014

	Business-Type Activities				Governmental Activities
	Sewer	Water	Stormwater	Total	Internal Service Fund
Assets:					
Current assets:					
Cash and cash equivalents	$ 4,760,181	$ 2,252,432	$ 566,061	$ 7,578,674	$ 725,207
Accounts receivable (net of allowance for uncollectibles)	381,656	587,905	98,628	1,068,189	-
Inventories	-	90,068	-	90,068	-
Prepaid items	-	3,362	-	3,362	-
Total current assets	5,141,837	2,933,767	664,689	8,740,293	725,207
Noncurrent assets:					
Capital assets:					
Land	48,777	677,189	-	725,966	-
Construction in progress	373,831	315,212	45,607	734,650	-
Buildings	6,224,542	4,485,416	-	10,709,958	-
Infrastructure	21,668,721	20,909,177	11,428,704	54,006,602	-
Machinery and equipment	1,298,909	343,570	16,125	1,658,604	-
Accumulated depreciation	(15,247,620)	(16,589,100)	(3,930,619)	(35,767,339)	-
Total noncurrent assets	14,367,160	10,141,464	7,559,817	32,068,441	-
Total assets	19,508,997	13,075,231	8,224,506	40,808,734	725,207
Liabilities:					
Current liabilities:					
Accounts payable	44,111	229,361	12,736	286,208	119,049
Accrued expenses	36,701	24,604	4,853	66,158	-
Compensated absences	33,221	-	-	33,221	-
Accrued interest payable	18,372	22,997	-	41,369	-
Current portion of bonds payable	131,250	698,274	-	829,524	-
Total current liabilities	263,655	975,236	17,589	1,256,480	119,049
Noncurrent liabilities:					
Loans payable	1,286,181	-	-	1,286,181	-
Bonds payable, net	2,289,034	4,038,903	-	6,327,937	-
Total noncurrent liabilities	3,575,215	4,038,903	-	7,614,118	-
Total liabilities	3,838,870	5,014,139	17,589	8,870,598	119,049
Deferred inflows of resources:					
Deferred charge on refunding	-	130,306	-	130,306	-
Net position:					
Net investment in capital assets	10,660,695	5,273,981	7,559,817	23,494,493	-
Unrestricted	5,009,432	2,656,805	647,100	8,313,337	606,158
Total net position	$ 15,670,127	$ 7,930,786	$ 8,206,917	31,807,830	$ 606,158
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.				18,729	
Net position of business-type activities				$ 31,826,559	

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, 2014

	Business-Type Activities				Governmental Activities
	Sewer	Water	Stormwater	Total	Internal Service Fund
Operating revenues:					
Charges for sales and services	$ 2,850,444	$ 4,430,777	$ 532,338	$ 7,813,559	$ 1,978,464
Miscellaneous	2,628	-	-	2,628	-
Total operating revenues	2,853,072	4,430,777	532,338	7,816,187	1,978,464
Operating expenses:					
Personnel services	725,359	398,358	99,975	1,223,692	1,690,255
Contractual services	391,812	2,924,055	51,488	3,367,355	-
Supplies	90,772	72,662	5,567	169,001	-
Utilities	255,777	36,789	-	292,566	-
Depreciation and amortization	917,584	833,320	267,784	2,018,688	-
Total operating expenses	2,381,304	4,265,184	424,814	7,071,302	1,690,255
Operating income	471,768	165,593	107,524	744,885	288,209
Nonoperating revenues (expenses):					
Interest revenue	1,990	2,838	-	4,828	-
Interest subsidy and loan forgiveness	281,709	-	-	281,709	-
Gain on disposal of property	33,500	-	-	33,500	-
Debt issuance cost	-	(4,044)	-	(4,044)	-
Interest expense	(171,481)	(167,090)	-	(338,571)	-
Total nonoperating revenues (expenses)	145,718	(168,296)	-	(22,578)	-
Income (loss) before transfers and contributions	617,486	(2,703)	107,524	722,307	288,209
Capital contributions	396,826	611,083	550,135	1,558,044	-
Transfers out	(359,000)	-	-	(359,000)	-
Change in net position	655,312	608,380	657,659	1,921,351	288,209
Total net position, beginning of year	15,014,815	7,322,406	7,549,258	29,886,479	317,949
Total net position, end of year	$ 15,670,127	$ 7,930,786	$ 8,206,917	$ 31,807,830	$ 606,158
Change in net position				$ 1,921,351	
Adjustment for the net effect of the current year activity between the internal service fund and the enterprise funds.				17,511	
Change in net position of business-type activities				$ 1,938,862	

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended December 31, 2014

	Business-Type Activities				Governmental Activities
	Sewer	Water	Stormwater	Total	Internal Service Fund
Cash flows from operating activities:					
Receipts from customers	$ 2,843,350	$ 4,332,455	$ 529,023	$ 7,704,828	$ 1,978,464
Other receipts	2,628	-	-	2,628	-
Payments to suppliers	(732,440)	(3,005,019)	(50,161)	(3,787,620)	(1,670,031)
Payments to employees	(721,412)	(395,178)	(100,461)	(1,217,051)	-
Net cash provided by operating activities	1,392,126	932,258	378,401	2,702,785	308,433
Cash flows from noncapital financing activities:					
Transfers to other funds	(359,000)	-	-	(359,000)	-
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(152,741)	(245,571)	(16,125)	(414,437)	-
Proceeds from sale of capital assets	33,500	-	-	33,500	-
Proceeds from general obligation debt	-	605,000	-	605,000	-
Premium on general obligation debt issued	-	15,065	-	15,065	-
Issuance costs on general obligation debt issued	-	(4,045)	-	(4,045)	-
Proceeds from loan	408,008	-	-	408,008	-
Payments on loan	(120,715)	-	-	(120,715)	-
Principal paid on general obligation debt	(127,500)	(1,288,274)	-	(1,415,774)	-
Interest paid on debt	(171,481)	(167,090)	-	(338,571)	-
Interest subsidy proceeds	44,672	-	-	44,672	-
Net cash used in capital and related financing activities	(86,257)	(1,084,915)	(16,125)	(1,187,297)	-
Cash flows from investing activities:					
Interest received	1,990	2,838	-	4,828	-
Net increase (decrease) in cash and cash equivalents	948,859	(149,819)	362,276	1,161,316	308,433
Cash and cash equivalents, beginning of year	3,811,322	2,402,251	203,785	6,417,358	416,774
Cash and cash equivalents, end of year	$ 4,760,181	$ 2,252,432	$ 566,061	$ 7,578,674	$ 725,207

(Continued)

CITY OF DERBY, KANSAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)

Year Ended December 31, 2014

	Sewer	Water	Stormwater	Total	Internal Service Fund
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	$ 471,768	$ 165,593	$ 107,524	$ 744,885	$ 288,209
Adjustments to reconcile operating income to net cash provided by operating activities:					
Items not requiring cash:					
Depreciation and amortization expense	917,584	833,320	267,784	2,018,688	-
Changes in:					
Accounts receivable	(7,094)	(98,322)	(3,315)	(108,731)	-
Inventories	-	(2,687)	-	(2,687)	-
Accounts payable - non-capital	5,921	31,174	6,894	43,989	20,224
Accrued expenses	3,947	3,180	(486)	6,641	-
Net cash provided by operating activities	$ 1,392,126	$ 932,258	$ 378,401	$ 2,702,785	$ 308,433

Noncash capital financing activities:
Contributions of capital assets of $ 396,826, $ 611,083 and $ 550,135 were acquired in the sewer fund, water fund, and the stormwater fund, respectively, from other governmental funds.

See accompanying notes to basic financial statements.

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.

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.

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.

The library sales tax fund accounts for the receipt of the City's special sales taxes for the construction and maintenance of the library.

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.

The stormwater fund accounts for the operation and maintenance activities of the City's stormwater collection 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 interfund 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.

1 - Summary of Significant Accounting Policies (Continued)

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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 and non-negotiable certificates of deposit which are recorded at cost because they are not affected by market rate changes. 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.

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, 2014, an allowance for uncollectible receivables of approximately $ 250,000 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	$ 5,849,379
Debt service fund property tax receivable	1,870,868
Debt service fund special assessments receivable	29,202,434
Nonmajor governmental fund property tax receivable	841,770
	$ 37,764,451

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, 2013 upon which the 2014 levy was based was approximately $ 181,080,000.

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.

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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

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 two types of items that qualify 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 and the deferred charge on refunding is reported in the government-wide statement of net position and proprietary fund 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.

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, 2014, 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.

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 an action of (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 Manager. The Council has authorized by charter ordinance the City Manager to assign fund balance.

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.

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.

1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Pending Governmental Accounting Standards Board Statements

At December 31, 2014, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements that might impact the City are as follows:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, was issued in June 2012. The objective of this statement is to improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and to enhance its value for assessing accountability and interperiod 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.

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

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

GASB Statement No. 72, *Fair Value Measurement and Application*, was issued in February 2015. The objective of this statement is to address financial reporting issues related to fair value measurements. The statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this statement are effective for periods beginning after June 15, 2015.

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 $ (63,419,741) difference are as follows:

General obligation bonds payable	$ (53,635,211)
Plus: Issuance premiums	(846,920)
Less: Issuance discounts	17,193
Less: Deferred charge on refunding	815,858
Certificates of participation	(230,000)
Temporary notes payable	(8,515,000)
Accrued interest payable	(181,746)
Compensated absences	(469,765)
Net OPEB obligation	(374,150)
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	$ (63,419,741)

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 $ 2,634,246 difference are as follows:

Capital outlay	$ 6,446,584
Depreciation expense	(3,812,338)
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	$ 2,634,246

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 "The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals, donations) is to decrease net position." The details of this $ (5,114,368) difference are as follows:

Capital contribution	$ 881,450
Loss on disposal of capital assets	(39,338)
Net capital assets transferred to Derby Recreation Commission	(4,398,436)
Net capital assets transferred to business-type activities	(1,558,044)
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	$ (5,114,368)

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 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 $ (1,588,159) difference are as follows:

Debt issued or incurred:	
General obligation debt	$ (12,585,000)
Issuance premiums	(337,385)
Temporary notes	(3,885,000)
Principal repayments:	
General obligation debt	13,064,226
Certificates of participation	225,000
Temporary notes	1,930,000
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	$ (1,588,159)

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 $ (134,288) difference are as follows:

Compensated absences	$	42,898
Accrued interest		(31,656)
Amortization of deferred charge on refunding		(142,510)
Amortization of bond discounts		(3,991)
Amortization of bond premiums		71,013
Net OPEB obligation		(70,042)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$	(134,288)

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, Derby difference sales tax 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.

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 1st.
b. Publication in a local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
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 25th.

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. There were no budget amendments during the year ended December 31, 2014.

4 - 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 $ 33,151,358 and the bank balances totaled $ 33,534,797. Of the bank balances, $ 997,096 were secured by federal deposit insurance and $ 32,537,701 were 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.

5 - Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 3,016,773	$ 881,450	$ -	$ 3,898,223
Land - right of way	30,066,710	-	-	30,066,710
Construction in progress	5,666,089	4,477,158	(4,996,490)	5,146,757
Total capital assets not being depreciated	38,749,572	5,358,608	(4,996,490)	39,111,690
Capital assets being depreciated:				
Buildings	22,882,643	11,945	-	22,894,588
Improvements	4,099,461	18,044	-	4,117,505
Infrastructure	108,785,938	598,055	-	109,383,993
Machinery and equipment	9,685,380	381,393	(241,364)	9,825,409
Total capital assets being depreciated	145,453,422	1,009,437	(241,364)	146,221,495
Less accumulated depreciation for:				
Buildings	(5,758,400)	(601,271)	-	(6,359,671)
Improvements	(1,005,559)	(124,779)	-	(1,130,338)
Infrastructure	(46,886,237)	(2,659,599)	-	(49,545,836)
Machinery and equipment	(8,421,780)	(426,689)	202,026	(8,646,443)
Total accumulated depreciation	(62,071,976)	(3,812,338)	202,026	(65,682,288)
Total capital assets being depreciated, net	83,381,446	(2,802,901)	(39,338)	80,539,207
Governmental activities capital assets, net	$ 122,131,018	$ 2,555,707	$ (5,035,828)	$ 119,650,897

5 - Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 725,966	$ -	$ -	$ 725,966
Construction in progress	264,750	1,956,356	(1,486,456)	734,650
Total capital assets not being depreciated	990,716	1,956,356	(1,486,456)	1,460,616
Capital assets being depreciated:				
Buildings	10,709,958	-	-	10,709,958
Infrastructure	52,735,108	1,307,899	(36,405)	54,006,602
Machinery and equipment	1,646,922	194,682	(183,000)	1,658,604
Total capital assets being depreciated	65,091,988	1,502,581	(219,405)	66,375,164
Less accumulated depreciation for:				
Buildings	(5,846,129)	(439,597)	-	(6,285,726)
Infrastructure	(26,600,034)	(1,588,503)	36,405	(28,152,132)
Machinery and equipment	(1,463,550)	(48,931)	183,000	(1,329,481)
Total accumulated depreciation	(33,909,713)	(2,077,031)	219,405	(35,767,339)
Total capital assets being depreciated, net	31,182,275	(574,450)	-	30,607,825
Business-type activities capital assets, net	$ 32,172,991	$ 1,381,906	$ (1,486,456)	$ 32,068,441

5 - Capital Assets (Continued)

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

Governmental activities:	
General government	$ 328,048
Public safety	356,301
Public works	2,896,138
Culture and recreation	231,752
Economic development	99
Total depreciation expense - governmental activities	$ 3,812,338
Business-type activities:	
Sewer	$ 918,510
Water	890,737
Stormwater	267,784
Total depreciation expense - business-type activities	$ 2,077,031

Discretely Presented Component Unit

Capital asset activity for the Library Board for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Equipment and books	$ 897,885	$ 217,598	$ (195,514)	$ 919,969
Less accumulated depreciation for:				
Equipment and books	(587,088)	(230,934)	195,514	(622,508)
Library Board capital assets, net	$ 310,797	$ (13,336)	$ -	$ 297,461

6 - Capital Projects

The City has the following projects in progress at December 31, 2014:

	Costs to Date	Amount Authorized
Governmental improvements	$ 2,872,882	$ 3,835,875
Benefit districts	1,431,861	3,070,261
Stormwater improvements	16,756	36,590
Sewer improvements	113,072	119,472
Water improvements	164,008	178,622
	$ 4,598,579	$ 7,240,820

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.

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 December 2014 was 9.69%. The employer contributions to KPERS for the years ended December 31, 2014, 2013 and 2012 were $ 516,159, $ 448,654, and $ 420,933, respectively, equal to the statutory required contributions for each year. The KP&F employer rate established for calendar year 2014 was 19.92%. 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, 2014, 2013 and 2012 were $ 637,624, $ 542,855, and $ 511,095, 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.

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 2014, the City contributed $ 3,384 to the plan and participating retirees contributed $ 5,496.

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	$	75,209
Interest on net OPEB obligation		10,644
Adjustment to annual required contribution		(12,427)
Annual OPEB cost (expense)		73,426
Contributions made		(3,384)
Increase in net OPEB obligation		70,042
Net OPEB obligation, January 1, 2014		304,108
Net OPEB obligation, December 31, 2014	$	374,150

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 2014 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	$ 67,379	6.99%	$ 240,197
2013	67,295	5.03%	304,108
2014	73,426	4.61%	374,150

Funded Status and Funding Progress. As of January 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $ 524,414. 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 $ 524,414. The covered payroll (annual payroll of active employees covered by the plan) was $ 7,874,869 and the ratio of the UAAL to the covered payroll was 6.7%.

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.

8 - Other Postemployment Healthcare Benefits (Continued)

In the January 1, 2014 actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 3.5 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 7.0, 6.5, 6.0, 5.75, 5.5, 5.25, and 5.0 percent in the first seven years and an ultimate rate of 5.0 percent thereafter. The valuation assumed no employer dental benefits for retirees. The valuation assumed a 2.5 percent inflation rate. The UAAL is being amortized using a level percent-of-pay, open-period amortization basis over 30 years with the remaining amortization period of 30 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 2014, the City's maximum responsibility for payment of health insurance claims was $ 70,000 per occurrence ($ 1,788,300 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. The claims liability reported at December 31, 2014 is based on the requirements of Governmental Accounting Standard Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statement and the amount of the loss can be reasonably estimated.

9 - Risk Management (Continued)

Self-funded Health Insurance (Continued)

The change in health care claims payable for the year ended December 31, 2014 is as follows:

Claims payable, beginning of year	$	98,825
Incurred claims and change in estimate		1,371,753
Claim payments		(1,351,529)
Claims payable, end of year	$	119,049

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.

10 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

General obligation bonds payable at December 31, 2014 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2014	Outstanding December 31, 2014
General Obligation Bonds:					
Governmental activities:					
2006A Refunding and Improvement	3.55-4.25%	$ 3,262,983	2021	$ 2,667,291	$ -
2006B Improvement	3.55-5.00%	1,229,724	2022	81,149	-
2008A Improvement	3.00-4.00%	78,096	2023	4,861	5,023
2008B Improvement	3.80-4.35%	2,410,304	2024	145,953	1,833,444
2009A Improvement	1.75-6.00%	7,198,750	2029	302,500	5,883,750
2010A Improvement	2.00-3.75%	60,205	2025	3,489	47,545
2010B Improvement	1.00-2.55%	7,300,000	2017	4,540,000	-
2010C Refunding	2.00-2.80%	1,040,450	2021	105,200	649,400
2011A Refunding and Improvement	2.00-4.00%	1,465,700	2031	95,000	1,190,700
2012A Refunding	0.25-1.90%	2,418,743	2023	276,200	1,842,544
2012B Improvement	1.00-2.125%	877,860	2026	53,647	773,004
2013A Refunding and Improvement	2.00-2.90%	6,200,000	2033	505,000	5,695,000
2014A Refunding and Improvement	2.00-4.00%	3,146,914	2034	-	3,146,914
2014B Refunding	1.50-2.25%	2,428,520	2021	-	2,428,520
2014C Improvement	1.50-2.50%	5,380,000	2024	-	5,380,000
				$ 8,780,290	$ 28,875,844
Business-type activities:					
2004A Refunding and Improvement	1.10-5.00%	$ 9,455,000	2022	$ 1,200,000	$ -
2009A Improvement	1.75-6.00%	3,056,250	2029	127,500	2,401,250
2012B Improvement	1.00-2.125%	708,120	2026	43,274	623,539
2013B Refunding and Improvement	2.50-3.00%	3,375,000	2022	45,000	3,330,000
2014A Refunding and Improvement	2.00-4.00%	605,000	2034	-	605,000
				$ 1,415,774	$ 6,959,789

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
2015	$ 2,229,935	$ 784,193	$ 829,524	$ 234,360
2016	2,560,617	604,649	845,241	227,427
2017	2,590,039	708,456	853,991	204,275
2018	2,628,519	831,383	872,741	180,689
2019	2,329,565	612,253	886,491	155,819
2020-2024	9,674,774	2,205,924	1,444,441	413,971
2025-2029	4,699,817	915,021	1,087,360	239,026
2030-2034	2,162,578	166,005	140,000	12,600
	$ 28,875,844	$ 6,827,884	$ 6,959,789	$ 1,668,167

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, 2014 are comprised of the following issues:

Special Assessment Bonds	Interest Rates	Original Issue	Final Maturity Date	Principal Payment During 2014	Outstanding December 31, 2014
Governmental activities:					
2006A Refunding & Improvement	3.55-4.25%	$ 3,117,017	2021	$ 1,367,709	$ -
2006B Improvement	3.55-5.00%	3,695,276	2022	243,851	-
2008A Improvement	3.00-4.00%	2,331,904	2023	145,139	149,977
2008B Improvement	3.80-4.35%	6,259,696	2024	379,047	4,761,556
2009B Improvement	2.00-3.90%	2,680,000	2024	160,000	1,965,000
2010A Improvement	2.00-3.75%	2,959,795	2025	171,511	2,337,455
2010C Refunding	2.00-2.80%	2,944,550	2021	449,800	1,605,600
2011A Refunding & Improvement	2.00-4.00%	8,184,300	2031	1,060,000	6,549,300
2012A Refunding	0.25-1.90%	5,166,257	2023	218,800	4,352,456
2012B Improvement	1.00-2.125%	1,579,020	2026	88,079	1,408,457
2014A Refunding and Improvement	2.00-4.00%	758,086	2034	-	758,086
2014B Refunding	1.50-2.25%	871,480	2021	-	871,480
				$ 4,283,936	$ 24,759,367

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
2015	$ 3,540,541	$ 768,819
2016	3,109,142	780,117
2017	2,805,970	554,542
2018	2,533,740	312,874
2019	2,363,944	376,316
2020 - 2024	8,653,285	1,050,928
2025 - 2029	1,370,323	150,237
2030 - 2034	382,422	19,368
	$ 24,759,367	$ 4,013,201

Call Provisions

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

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 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
Series 2013A: Callable June 1, 2022 at par plus accrued interest
Series 2013B: Callable December 1, 2021 at par plus accrued interest
Series 2014A: Callable December 1, 2021 at par plus accrued interest
Series 2014B: Callable December 1, 2020 at par plus accrued interest
Series 2014C: Callable December 1, 2020 at par plus accrued interest

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 2008A	$ 155,000	$ 155,000
Series 2008B	545,000	795,000
Series 2009A	70,000	490,000
Series 2009B	165,000	235,000
Series 2010A	180,000	265,000
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
Series 2013A	205,000	555,000
Series 2014A	110,000	225,000
Series 2014B	290,000	760,000
Series 2014C	320,000	610,000
Business-type activities:		
Series 2009A	131,250	198,750
Series 2012B	43,274	53,109
Series 2013B	50,000	695,000
Series 2014A	605,000	605,000

Refundings

In the current year, the City issued Series 2014A General Obligation Refunding Bonds in the amount of $ 4,510,000 to currently refund $ 610,000 of the outstanding balance of the Series 2004A Water General Obligation bonds and to fund certain improvements. The net carrying amount exceeded the reacquisition price of the 2004A Water General Obligation bonds by $ 24,496. 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 $ 32,180 and a decrease in the future debt service payments of $ 32,970.

10 - Long-Term Debt (Continued)

Refundings (Continued)

In the current year, the City issued Series 2014B General Obligation Refunding Bonds in the amount of $ 3,300,000 to currently refund $ 3,285,000 of the outstanding balance of the Series 2006A General Obligation Refunding bonds. The refunding transactions resulted in an economic gain of $ 236,908 and a decrease in the future debt service payments of $ 248,162.

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, 2014, $ 11,960,000 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. The balance at December 31, 2014 is $ 230,000.

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

	Governmental Activities	
	Principal	Interest
2015	$ 230,000	$ 4,830

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, 2014 were as follows:

Issue	Original Amount	Interest Rate	Maturity Date	Outstanding December 31, 2014
2013-3	$ 4,630,000	0.90%	12/15/2015	$ 4,630,000
2014-1	3,885,000	1.45%	12/1/2017	3,885,000
				$ 8,515,000

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 $ 120,715 in principal on the loan and received principal forgiveness of $ 237,037 during the year ended December 31, 2014. A repayment schedule reflecting the amount of principal forgiven has not been finalized. As of December 31, 2014, $ 3,264,501 of the loan was drawn down and project costs of $ 3,264,501 were incurred.

10 - Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	$ 26,700,700	$ 10,955,434	$ 8,780,290	$ 28,875,844	$ 2,229,935
Plus (less) deferred amounts:					
Issuance premiums	580,548	337,385	71,013	846,920	-
Issuance discounts	(21,184)	-	(3,991)	(17,193)	-
Special assessment debt with government commitment	27,413,737	1,629,566	4,283,936	24,759,367	3,540,541
Certificates of participation	455,000	-	225,000	230,000	230,000
Temporary notes	6,560,000	3,885,000	1,930,000	8,515,000	4,630,000
Compensated absences	512,663	1,124,675	1,167,573	469,765	469,765
Net OPEB obligation	304,108	73,426	3,384	374,150	-
Governmental activities long-term liabilities	$ 62,505,572	$ 18,005,486	$ 16,457,205	$ 64,053,853	$ 11,100,241
Business-type activities:					
General obligation bonds	$ 7,770,563	$ 605,000	$ 1,415,774	$ 6,959,789	$ 829,524
Plus deferred amounts:					
Issuance premiums	244,962	15,065	62,355	197,672	-
Revolving loans	1,643,933	-	357,752	1,286,181	-
Compensated absences	33,221	76,322	76,322	33,221	33,221
Business-type activities long-term liabilities	$ 9,692,679	$ 696,387	$ 1,912,203	$ 8,476,863	$ 862,745

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

11 - Subsequent Events

On April 1, 2015, the City issued $ 3,165,000 of general obligation bonds to retire certain outstanding general obligation bonds. The interest rate on the bonds ranges from 1.4% - 2.5% and the maturity date is December 1, 2020.

On April 1, 2015, the City issued $ 1,725,000 of general obligation sales tax bonds to finance certain park improvements. The interest rate on the bonds ranges from 1.5% - 2.5% and the maturity date is December 1, 2024.

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, 2014, 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, 2014 was $ 29,202,434.

13 - Interfund Transactions

Interfund transfers for the year ended December 31, 2014 consisted of the following:

	Transfers in		
Transfers out	General fund	Debt service fund	Nonmajor governmental funds
Capital projects fund	$ 350,000	$ -	$ -
Library sales tax fund	175,472	-	-
Nonmajor governmental funds	-	-	44,000
Sewer fund	-	359,000	-
Total	$ 525,472	$ 359,000	$ 44,000

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 $ 1,558,044 occurred from the governmental activities to the business-type activities and are reported within transfers on the statement of activities.

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, 2014, industrial revenue bonds of $ 10,408,333 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, 2014, the City's recorded encumbrances in governmental funds were as follows:

General fund	$	26,395
Capital projects fund		2,222,167
Library sales tax fund		1,600
Nonmajor governmental funds		1,600
Other funds included in the combined general fund		26,447
	$	2,278,209

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	5.80%
1/1/2011	$ -	$ 546,530	$ 546,530	0.0%	$ 7,203,559	7.60%
1/1/2014	$ -	$ 524,414	$ 524,414	0.0%	$ 7,874,869	6.70%

OTHER SUPPLEMENTARY INFORMATION

CITY OF DERBY, KANSAS

COMBINING BALANCE SHEET

GENERAL FUND

December 31, 2014

	General	Derby Senior Activity Board	Payroll	Equipment Reserve	Capital Improvement Reserve	Total General Fund
Assets:						
Deposits and investments	$ 6,559,781	$ 13,564	$ 188,121	$ 185,560	$ 1,559,541	$ 8,506,567
Receivables (net of allowance for uncollectibles):						
Taxes	6,798,671	-	-	-	-	6,798,671
Grants	1,146	-	-	-	-	1,146
Accounts	64,539	-	-	-	-	64,539
Interest	973	-	-	-	-	973
Due from (to) other funds	102,598	-	(102,598)	-	-	-
Inventories	240,913	-	-	-	-	240,913
Total assets	$ 13,768,621	$ 13,564	$ 85,523	$ 185,560	$ 1,559,541	$ 15,612,809
Liabilities:						
Accounts payable	$ 265,443	$ -	$ -	$ 6,327	$ 38,315	$ 310,085
Accrued payroll	-	-	807,618	-	-	807,618
Total liabilities	265,443	-	807,618	6,327	38,315	1,117,703
Deferred inflows of resources:						
Unavailable revenue - property taxes	5,849,379	-	-	-	-	5,849,379
Fund balances (deficits):						
Nonspendable:						
Inventories	240,913	-	-	-	-	240,913
Assigned:						
Senior activities	-	13,564	-	-	-	13,564
Equipment purchases	26,395	-	-	179,233	-	205,628
Capital improvements	-	-	-	-	1,521,226	1,521,226
Unassigned	7,386,491	-	(722,095)	-	-	6,664,396
Total fund balances (deficits)	7,653,799	13,564	(722,095)	179,233	1,521,226	8,645,727
Total liabilities, deferred inflows of resources and fund balances (deficits)	$ 13,768,621	$ 13,564	$ 85,523	$ 185,560	$ 1,559,541	$ 15,612,809

CITY OF DERBY, KANSAS

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

GENERAL FUND

Year Ended December 31, 2014

	General	Derby Senior Activity Board
Revenues:		
Taxes:		
Property	$ 7,065,369	$ -
Excise	11,763	-
Sales	3,837,647	-
Franchise	2,020,693	-
Intergovernmental	321,500	-
Licenses and permits	445,416	-
Charges for services	262,349	-
Fines and fees	919,007	-
Investment earnings	10,702	-
Other	422,185	7,664
Total revenues	15,316,631	7,664
Expenditures:		
Current:		
General government	5,894,821	9,520
Public works	2,755,942	-
Public safety	4,263,425	-
Culture and recreation	787,081	-
Economic development	414,465	-
Debt service:		
Principal	225,000	-
Interest and fiscal charges	15,749	-
Capital outlay	406,613	-
Total expenditures	14,763,096	9,520
Excess (deficiency) of revenues over (under) expenditures	553,535	(1,856)
Other financing sources:		
Transfers in	525,472	-
Net change in fund balances (deficits)	1,079,007	(1,856)
Fund balances (deficits), beginning of year	6,574,792	15,420
Fund balances (deficits), end of year	$ 7,653,799	$ 13,564

Payroll	Equipment Reserve	Capital Improvement Reserve	Eliminations	Total General Fund
$ -	$ -	$ -	$ -	$ 7,065,369
-	-	-	-	11,763
-	-	-	-	3,837,647
-	-	-	-	2,020,693
-	-	-	-	321,500
-	-	-	-	445,416
-	-	-	-	262,349
-	-	-	-	919,007
-	-	-	-	10,702
-	-	-	-	429,849
-	-	-	-	15,324,295
204,506	-	-	-	6,108,847
-	-	-	-	2,755,942
-	-	-	-	4,263,425
-	-	-	-	787,081
-	-	-	-	414,465
-	-	-	-	225,000
-	-	-	-	15,749
-	624,692	666,903	-	1,698,208
204,506	624,692	666,903	-	16,268,717
(204,506)	(624,692)	(666,903)	-	(944,422)
-	-	-	-	525,472
(204,506)	(624,692)	(666,903)	-	(418,950)
(517,589)	803,925	2,188,129	-	9,064,677
$ (722,095)	$ 179,233	$ 1,521,226	$ -	$ 8,645,727

CITY OF DERBY, KANSAS

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

DERBY SENIOR ACTIVITY BOARD

Year Ended December 31, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Contributions	$ 7,582	$ 7,664	$ 82
Expenditures:			
Board expenditures	13,000	9,520	3,480
Net change in fund balances	(5,418)	(1,856)	3,562
Fund balances, beginning of year	5,418	15,420	10,002
Fund balances, end of year	$ -	$ 13,564	$ 13,564

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.

Derby Difference Sales Tax – This fund is used to account for the receipt of the City's special sales taxes for the construction of a new central park, a baseball/softball complex, and a dog park; add emergency response personnel and equipment; and fund Derby Public Library operating expenses.

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, 2014

	Special Street and Highway	Special Parks and Recreation	Special Drug and Alcohol
Assets:			
Cash and cash equivalents	$ 754,494	$ 140,473	$ 126,692
Receivables (net of allowance for uncollectibles):			
Taxes	-	-	-
Total assets	$ 754,494	$ 140,473	$ 126,692
Liabilities:			
Accounts payable	$ -	$ -	$ -
Total liabilities	-	-	-
Deferred inflows of resources:			
Unavailable revenue - property taxes	-	-	-
Fund balances:			
Restricted:			
Streets and sidewalks	754,494	-	-
Substance abuse prevention	-	-	126,692
Culture and recreation programs	-	140,473	-
Crime prevention	-	-	-
Library operations	-	-	-
Aquatic park operations	-	-	-
Assigned - aquatic park operations	-	-	-
Total fund balances	754,494	140,473	126,692
Total liabilities, deferred inflows of resources, and fund balances	$ 754,494	$ 140,473	$ 126,692

Special Revenue Funds					
Law Enforcement Trust	Library	Library Employee Benefits	Derby Difference Sales Tax	Aquatic Park	Total Nonmajor Governmental Funds
$ 3,419	$ 25,714	$ 1,712	$ 5,423,471	$ 1,701,111	$ 8,177,086
-	758,430	83,340	-	-	841,770
$ 3,419	$ 784,144	$ 85,052	$ 5,423,471	$ 1,701,111	$ 9,018,856
$ -	$ -	$ -	$ 27,770	$ 1,029	$ 28,799
-	-	-	27,770	1,029	28,799
-	758,430	83,340	-	-	841,770
-	-	-	-	-	754,494
-	-	-	-	-	126,692
-	-	-	5,395,701	-	5,536,174
3,419	-	-	-	-	3,419
-	25,714	1,712	-	-	27,426
-	-	-	-	663,208	663,208
-	-	-	-	1,036,874	1,036,874
3,419	25,714	1,712	5,395,701	1,700,082	8,148,287
$ 3,419	$ 784,144	$ 85,052	$ 5,423,471	$ 1,701,111	$ 9,018,856

CITY OF DERBY, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2014

	Special Street and Highway	Special Parks and Recreation
Revenues:		
Taxes:		
Property	$ -	$ -
Excise	-	-
Intergovernmental	854,131	57,998
Charges for services	-	-
Investment earnings	-	-
Other	-	-
Total revenues	854,131	57,998
Expenditures:		
Current:		
General government	-	-
Public works	1,113,200	-
Culture and recreation	-	-
Debt service:		
Debt issuance costs	-	-
Capital outlay	327,808	21,167
Total expenditures	1,441,008	21,167
Excess (deficiency) of revenues over (under) expenditures	(586,877)	36,831
Other financing sources (uses):		
General obligation bonds issued	-	-
Premium on general obligation bonds issued	-	-
Transfers in	-	-
Transfers out	-	-
Total other financing sources (uses)	-	-
Net change in fund balances	(586,877)	36,831
Fund balances, beginning of year	1,341,371	103,642
Fund balances, end of year	$ 754,494	$ 140,473

Special Revenue Funds						
Special Drug and Alcohol	Law Enforcement Trust	Library	Library Employee Benefits	Derby Difference Sales Tax	Aquatic Park	Total Nonmajor Governmental Funds
$ -	$ -	$ 852,396	$ 93,113	$ -	$ -	$ 945,509
-	-	1,410	152	-	-	1,562
57,997	-	-	-	-	-	970,126
-	-	-	-	-	17,210	17,210
-	1	-	-	-	2,112	2,113
17,569	-	23	-	-	139,477	157,069
75,566	1	853,829	93,265	-	158,799	2,093,589
60,982	-	809,529	136,802	-	-	1,007,313
-	-	-	-	-	-	1,113,200
-	-	-	-	-	336,896	336,896
-	-	-	-	88,257	-	88,257
-	-	-	-	-	52,432	401,407
60,982	-	809,529	136,802	88,257	389,328	2,947,073
14,584	1	44,300	(43,537)	(88,257)	(230,529)	(853,484)
-	-	-	-	5,380,000	-	5,380,000
-	-	-	-	103,958	-	103,958
-	-	-	44,000	-	-	44,000
-	-	(44,000)	-	-	-	(44,000)
-	-	(44,000)	44,000	5,483,958	-	5,483,958
14,584	1	300	463	5,395,701	(230,529)	4,630,474
112,108	3,418	25,414	1,249	-	1,930,611	3,517,813
$ 126,692	$ 3,419	$ 25,714	$ 1,712	$ 5,395,701	$ 1,700,082	$ 8,148,287

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, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Gasoline tax	$ 842,880	$ 854,131	$ 11,251
Expenditures:			
Capital outlay	1,491,722	814,862	676,860
Net change in fund balances	(648,842)	39,269	688,111
Fund balances, beginning of year	648,842	715,225	66,383
Fund balances, end of year	$ -	$ 754,494	$ 754,494

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, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Special alcohol tax	$ 57,080	$ 57,998	$ 918
Expenditures:			
Capital outlay	57,500	21,167	36,333
Special fund expenditures	84,783	-	84,783
Total expenditures	142,283	21,167	121,116
Net change in fund balances	(85,203)	36,831	122,034
Fund balances, beginning of year	85,203	103,642	18,439
Fund balances, end of year	$ -	$ 140,473	$ 140,473

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, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Special alcohol tax	$ 55,820	$ 57,997	$ 2,177
Other revenue	-	17,569	17,569
Total revenues	55,820	75,566	19,746
Expenditures:			
DARE program	49,473	40,982	8,491
DARE prevention	20,000	20,000	-
Special fund expenditures	82,923	-	82,923
Total expenditures	152,396	60,982	91,414
Net change in fund balances	(96,576)	14,584	111,160
Fund balances, beginning of year	96,986	112,108	15,122
Fund balances, end of year	$ 410	$ 126,692	$ 126,282

CITY OF DERBY, KANSAS

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

LIBRARY FUND

Year Ended December 31, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	$ 832,876	$ 853,806	$ 20,930
Other revenue	20,000	23	(19,977)
Total revenues	852,876	853,829	953
Expenditures:			
Personnel services	544,725	522,529	22,196
Library board appropriation	289,000	287,000	2,000
Total expenditures	833,725	809,529	24,196
Excess of revenues over expenditures	19,151	44,300	25,149
Other financing uses:			
Transfers out	(44,000)	(44,000)	-
Net change in fund balances	(24,849)	300	25,149
Fund balances, beginning of year	24,849	25,414	565
Fund balances, end of year	$ -	$ 25,714	$ 25,714

CITY OF DERBY, KANSAS

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

LIBRARY EMPLOYEE BENEFITS FUND

Year Ended December 31, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	$ 90,929	$ 93,265	$ 2,336
Intergovernmental	884	-	(884)
Total revenues	91,813	93,265	1,452
Expenditures:			
Personnel services	137,035	136,802	233
Deficit of revenues under expenditures	(45,222)	(43,537)	1,685
Other financing sources:			
Transfers in	44,000	44,000	-
Net change in fund balances	(1,222)	463	1,685
Fund balances, beginning of year	1,222	1,249	27
Fund balances, end of year	$ -	$ 1,712	$ 1,712

CITY OF DERBY, KANSAS

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

AQUATIC PARK FUND

Year Ended December 31, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Charges for services	$ 20,000	$ 17,210	$ (2,790)
Investment earnings	-	2,112	2,112
Other	76,000	139,477	63,477
Total revenues	96,000	158,799	62,799
Expenditures:			
Contractual services	319,995	336,896	(16,901)
Capital outlay	85,000	54,032	30,968
Total expenditures	404,995	390,928	14,067
Net change in fund balances	(308,995)	(232,129)	76,866
Fund balances, beginning of year	1,790,143	1,930,611	140,468
Fund balances, end of year	$ 1,481,148	1,698,482	$ 217,334
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		1,600	
Fund balance on the basis of GAAP		$ 1,700,082	

CITY OF DERBY, KANSAS

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

DEBT SERVICE FUND

Year Ended December 31, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes:			
Ad valorem property tax	$ 1,373,991	$ 1,404,132	$ 30,141
Delinquent tax	44,000	16,991	(27,009)
Motor vehicle tax	178,138	190,170	12,032
Excise tax	2,155	2,593	438
Special assessments	4,215,846	4,273,558	57,712
Intergovernmental	95,210	105,128	9,918
Investment earnings	5,000	6,473	1,473
Other	279,520	279,321	(199)
Total revenues	6,193,860	6,278,366	84,506
Expenditures:			
Principal	5,239,226	5,239,226	-
Interest	1,495,381	1,495,381	-
Other	673,463	-	673,463
Total expenditures	7,408,070	6,734,607	673,463
Other financing sources:			
Transfers in	359,000	359,000	-
Net change in fund balances	(855,210)	(97,241)	757,969
Fund balances, beginning of year	855,210	1,003,797	148,587
Fund balances, end of year	$ -	$ 906,556	$ 906,556

CITY OF DERBY, KANSAS

BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT

DERBY PUBLIC LIBRARY

December 31, 2014

Assets:		
Deposits and investments	$	340,165
Prepaid items		19,717
Total assets	$	359,882
Liabilities:		
Accounts payable	$	15,768
Fund balances:		
Nonspendable - prepaid items		19,717
Assigned		324,397
Total fund balances		344,114
Total liabilities and fund balances	$	359,882

CITY OF DERBY, KANSAS

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

DERBY PUBLIC LIBRARY

Year Ended December 31, 2014

Revenues:		
Taxes	$	287,000
Fines and fees		47,413
Gifts and grants		106,966
Investment earnings		437
Total revenues		441,816
Expenditures:		
Current:		
Education		409,979
Net change in fund balance		31,837
Fund balance, beginning of year		312,277
Fund balance, end of year	$	344,114

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.

Contents **Page**

Financial Trends
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. 83

Revenue Capacity
These schedules contain information to help the reader assess the City's most significant local revenue source, property tax. 88

Debt Capacity
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

Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. 96

Operating Information
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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	$ 16,700,736	$ 20,317,425	$ 2,460,474	$ 3,219,616	$ 73,974,575	$ 77,267,850	$ 79,858,992	$ 80,525,898	$ 74,929,343	$ 76,973,789
Restricted	2,658,303	4,695,359	25,365,485	36,182,429	36,396,388	35,103,190	34,854,348	34,303,052	31,377,673	23,979,186
Unrestricted	7,932,868	9,374,863	9,236,969	9,991,845	9,960,303	10,754,074	9,881,201	9,065,412	9,251,877	9,426,115
Total governmental activities net position	$ 27,291,907	$ 34,387,647	$ 37,062,928	$ 49,393,890	$120,331,266	$123,125,114	$124,594,541	$123,894,362	$115,558,893	$110,379,090
Business-type activities										
Net investment in capital assets	$ 11,666,137	$ 12,493,073	$ 11,095,864	$ 13,017,185	$ 8,187,266	$ 11,221,505	$ 12,648,185	$ 16,174,228	$ 22,590,541	$ 23,494,493
Restricted	1,977,816	1,602,173	-	-	-	-	-	-	-	-
Unrestricted	5,535,662	7,419,251	5,868,702	5,510,784	9,580,949	7,624,983	6,828,358	6,311,206	7,297,156	8,332,066
Total business-type activities net position	$ 19,179,615	$ 21,514,497	$ 16,964,566	$ 18,527,969	$ 17,768,215	$ 18,846,488	$ 19,476,543	$ 22,485,434	$ 29,887,697	$ 31,826,559
Primary Government										
Net investment in capital assets	$ 28,366,873	$ 32,810,498	$ 13,556,338	$ 16,236,801	$ 82,161,841	$ 88,489,355	$ 92,507,177	$ 96,700,126	$ 97,519,884	$ 89,685,561
Restricted	4,636,119	6,297,532	25,365,485	36,182,429	36,396,388	35,103,190	34,854,348	34,303,052	31,377,673	23,979,186
Unrestricted	13,468,530	16,794,114	15,105,671	15,502,629	19,541,252	18,379,057	16,709,559	15,376,618	16,549,033	28,540,902
Total primary government net position	$ 46,471,522	$ 55,902,144	$ 54,027,494	$ 67,921,859	$138,099,481	$141,971,602	$144,071,084	$146,379,796	$145,446,590	$142,205,649

CITY OF DERBY, KANSAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
General government	$ 1,624,054	$ 3,158,621	$ 6,528,065	$ 6,914,324	$ 6,907,535	$ 6,504,927	$ 7,692,456	$ 7,615,756	$ 7,925,610	$ 7,897,162
Public safety	2,956,415	3,118,695	3,627,751	3,648,554	4,118,615	4,184,465	4,435,262	4,617,464	4,496,414	4,673,971
Public works	-	-	3,074,251	3,488,242	6,747,181	5,735,114	6,109,047	6,590,225	5,692,678	6,679,417
Engineering, operations and parks	4,644,701	3,757,690	-	-	-	-	-	-	-	-
Culture and recreation	-	-	1,391,811	1,520,850	1,471,358	1,575,639	1,392,517	1,394,238	1,464,069	5,825,829
Personnel benefits and services	2,531,680	2,355,619	-	-	-	-	-	-	-	-
Economic development	-	-	98,832	114,391	385,894	354,583	486,128	456,529	454,647	414,564
Interest on long-term debt	2,153,275	1,789,762	2,292,887	2,603,418	2,959,029	2,768,250	2,243,335	2,121,243	1,892,577	2,019,786
Other	422,743	397,316	-	-		-	-	-	-	-
Total government activities expenses	14,332,868	14,577,703	17,013,597	18,289,779	22,589,612	21,122,978	22,358,745	22,795,455	21,925,995	27,510,729
Business-type activities:										
Sewer	1,342,472	1,530,518	1,587,971	1,618,462	1,913,485	2,277,017	2,226,265	2,428,280	2,527,094	2,542,525
Water	2,725,404	3,032,050	3,272,956	3,335,684	3,224,407	3,441,903	3,872,934	3,866,507	4,157,883	4,430,801
Stormwater	-	-	-	-	-	-	-	-	366,660	423,080
Aquatic park	790,025	617,745	-	-	-	-	-	-	-	-
Total business-type activities expenses	4,857,901	5,180,313	4,860,927	4,954,146	5,137,892	5,718,920	6,099,199	6,294,787	7,051,637	7,396,406
Total primary government expenses	$ 19,190,769	$ 19,758,016	$ 21,874,524	$ 23,243,925	$ 27,727,504	$ 26,841,898	$ 28,457,944	$ 29,090,242	$ 28,977,632	$ 34,907,135
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	$ 667,399	$ 599,648	$ 1,151,702	$ 1,189,500	$ 1,709,449	$ 1,184,565	$ 1,414,398	$ 1,162,410	$ 771,990	$ 1,035,382
Public safety	412,595	493,627	223,984	214,660	703,230	817,255	743,245	767,224	585,885	905,643
Public works/services/engineering/park	319,339	307,645	357,911	359,714	310,795	284,224	419,464	500,981	530,670	395,668
Culture and recreation	-	-	669,808	645,396	277,947	298,790	322,850	295,766	137,679	189,380
Other	274,914	-	-	-	-	-	-	-	-	-
Operating grants and contributions	-	55,713	1,108,702	1,199,082	1,172,734	1,436,287	1,397,938	1,298,692	1,291,076	1,298,680
Capital grants and contributions	533,782	-	77,014	12,523,125	4,261,052	3,920,673	2,638,496	1,963,822	192,822	1,986,888
Total governmental activities program revenues	2,208,029	1,456,633	3,589,121	16,131,477	8,435,207	7,941,794	6,936,391	5,988,895	3,510,122	5,811,641
Business-type activities										
Charges for services:										
Sewer	2,060,332	2,203,799	2,300,870	2,240,450	2,286,388	2,899,676	2,812,454	2,820,111	2,820,305	2,853,072
Water	3,225,794	3,476,909	2,764,724	2,723,882	2,786,977	3,442,740	3,938,774	4,294,648	3,759,431	4,430,777
Stormwater	-	-	-	-	-	-	-	-	524,016	532,338
Aquatic park	241,803	239,223	-	-	-	-	-	-	-	-
Sales Tax for aquatic park	1,658,805	1,584,841	-	-	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	91,679	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	68,457	2,387,336	45,491	281,709
Total business-type activities program revenues	7,186,734	7,504,772	5,065,594	4,964,332	5,073,365	6,434,095	6,819,685	9,502,095	7,149,243	8,097,896
Total primary government program revenues	$ 9,394,763	$ 8,961,405	$ 8,654,715	$ 21,095,809	$ 13,508,572	$ 14,375,889	$ 13,756,076	$ 15,490,990	$ 10,659,365	13,909,537
Net (Expense)/Revenue										
Governmental activities	$(12,124,839)	$(13,121,070)	$(13,424,476)	$ (2,158,302)	$(14,154,405)	$(13,181,184)	$(15,422,354)	$(16,806,560)	$(18,415,873)	$(21,699,088)
Business-type activities	2,328,833	2,324,459	204,667	10,186	(64,527)	715,175	720,486	3,207,308	97,606	701,490
Total primary government net expense	$ (9,796,006)	$(10,796,611)	$(13,219,809)	$ (2,148,116)	$(14,218,932)	$(12,466,009)	$(14,701,868)	$(13,599,252)	$(18,318,267)	$(20,997,598)

(Continued)

CITY OF DERBY, KANSAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position										
Governmental-Type Activities										
Taxes										
Property taxes - general	$ 5,796,069	$ 6,184,970	$ 7,658,300	$ 8,196,080	$ 8,870,181	$ 9,181,649	$ 9,464,138	$ 9,550,403	$ 9,600,347	$ 9,622,171
Sales tax, vehicle, gasoline and other	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	5,854,328	6,035,167
Franchise taxes	1,312,394	1,338,786	1,365,716	1,495,724	1,528,728	1,731,570	1,821,500	1,796,443	1,862,477	2,020,693
Excise taxes	-	-	21,282	15,649	13,148	11,778	14,744	17,118	15,520	15,918
Special assessments	2,459,857	2,812,053	-	-	-	-	-	-	-	-
Unrestricted Investment earnings	333,020	714,666	1,260,508	487,796	219,359	51,201	50,874	22,298	48,533	24,380
Reimbursements, etc.	301,816	2,086,711	-	-	-	-	-	-	-	-
Transfers	261,529	400,000	(1,631,254)	(1,392,397)	(414,412)	(395,329)	173,186	(1,720)	(7,300,801)	(1,199,044)
Other	-	1,717,734	-		-	-	-	-	-	-
Gain on sale of capital assets	-	-	-	462,299	17,015	-	-	-	-	-
Reclassifications/adjustments	(6,692,182)	-	-	-	-	-	-	-	-	-
Total Governmental Activities	8,310,693	20,216,810	13,483,269	14,489,264	15,468,160	15,990,429	16,876,383	16,976,452	10,080,404	16,519,285
Business type activities:										
Unrestricted Investment earnings	166,898	410,423	264,971	160,820	44,144	34,929	15,595	4,288	3,856	4,828
Reclassifications/adjustments	391,042	-	-	-	-	-	-	-	-	-
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	33,500
Transfers	(248,529)	(400,000)	1,631,254	1,392,397	414,412	395,329	(173,186)	1,720	7,300,801	1,199,044
Total business-type activities	309,411	10,423	1,896,225	1,553,217	458,556	430,258	(157,591)	6,008	7,304,657	1,237,372
Total primary government	$ 8,620,104	$ 20,227,233	$ 15,379,494	$ 16,042,481	$ 15,926,716	$ 16,420,687	$ 16,718,792	$ 16,982,460	$ 17,385,061	$ 17,756,657
Change in Net Position										
Governmental activities	$ (3,814,046)	$ 7,095,740	$ 58,793	$ 12,330,962	$ 1,313,755	$ 2,809,245	$ 1,454,029	$ 169,892	$ (8,335,469)	$ (5,179,803)
Business-type activities	2,638,244	2,334,882	2,100,892	1,563,403	394,029	1,145,433	562,895	3,213,316	7,402,263	1,938,862
Total primary government	$ (1,175,802)	$ 9,430,622	$ 2,159,685	$ 13,894,365	$ 1,707,784	$ 3,954,678	$ 2,016,924	$ 3,383,208	$ (933,206)	$ (3,240,941)

CITY OF DERBY, KANSAS

FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	$ -	$ -	$ 416,859	$ 360,963	$ 448,479	$ 58,097	$ -	$ -	$ -	$ -
Unreserved	2,194,825	2,708,400	5,656,648	6,464,755 [1]	6,104,606	7,800,661	-	-	-	-
Nonspendable	-	-	-	-	-	-	209,459	242,792	218,990	240,913
Restricted	-	-	-	-	-	-	1,716	1,716	1,834	-
Assigned	-	-	-	-	-	-	3,798,981	3,190,251	3,007,474	1,740,418
Unassigned	-	-	-	-	-	-	5,470,372	5,722,861	5,836,379	6,664,396
Total general fund	$ 2,194,825	$ 2,708,400	$ 6,073,507	$ 6,825,718	$ 6,553,085	$ 7,858,758	$ 9,480,528	$ 9,157,620	$ 9,064,677	$ 8,645,727
All Other Governmental Funds										
Reserved	$ 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	4,979,931	5,863,141	9,492,008	8,387,004 [1]	6,837,153	5,930,880	-	-	-	-
Capital projects fund	-	-	1,681,863	1,384,811	4,250,554	4,381,329	-	-	-	-
Restricted	-	-	-	-	-	-	8,551,064	12,285,790	12,336,780	14,675,470
Assigned	-	-	-	-	-	-	301,984	571,137	689,074	1,036,874
Total all other governmental funds	$ 7,638,234	$10,553,793	$16,583,872	$16,959,323	$15,625,866	$12,197,012	$ 8,853,048	$12,856,927	$13,025,854	$15,712,344

[1]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
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes:										
Property - general	$ 4,638,040	$ 4,944,060	$ 7,658,300	$ 8,196,080	$ 8,870,181	$ 9,181,649	$ 9,464,138	$ 9,550,403	$ 9,600,347	$ 9,622,171
Property - debt service	1,158,029	1,240,910	-	-	-	-	-	-	-	-
Excise	-	-	21,282	15,649	13,148	11,778	14,744	17,118	15,520	15,918
Sales	-	-	4,808,717	5,224,113	5,234,141	5,409,560	5,351,941	5,591,910	5,854,328	6,035,167
Sales, vehicle, gasoline & other	4,538,190	4,896,081	-	-	-	-	-	-	-	-
Franchise	1,312,394	1,370,703	1,365,716	1,495,724	1,528,728	1,731,570	1,821,500	1,796,443	1,862,477	2,020,693
Special assessments	2,459,857	2,812,053	2,822,282	3,456,086	3,271,171	3,946,741	4,274,204	4,396,792	4,410,563	4,554,121
Intergovernmental	-	-	1,122,390	1,215,731	1,535,086	2,022,573	1,936,287	1,708,118	1,417,910	1,396,754
Rents, licenses, fees, fines, reimbursements	2,969,279	2,065,595	-	-	-	-	-	-	-	-
Licenses & permits	-	-	419,733	594,227	510,876	419,935	462,070	351,727	516,908	445,416
Charges for services	-	-	40,250	100,754	259,019	198,148	228,574	240,231	255,227	279,559
Fines & fees	-	-	756,687	740,564	737,583	799,227	795,731	857,092	728,104	919,007
State, county and other aid	808,696	179,353	-	-	-	-	-	-	-	-
Investment earnings	-	705,042	1,260,508	487,796	219,359	51,201	50,874	22,298	48,533	24,380
Miscellaneous	333,020	1,535,139	1,121,723	1,174,915	1,378,551	807,353	957,048	1,013,753	633,469	874,039
Total Revenues	18,217,505	19,748,936	21,397,588	22,701,639	23,557,843	24,579,735	25,357,111	25,545,885	25,343,386	26,187,225
Expenditures										
General Government	1,561,384	2,499,837	5,943,541	6,484,852	5,603,496	5,956,547	6,634,861	6,936,726	7,481,897	7,469,262
Public works	-	-	1,643,286	1,796,575	3,481,832	2,723,993	2,876,578	3,401,305	2,799,674	3,869,142
Public safety	2,554,141	2,801,331	3,128,064	3,369,950	3,687,352	3,878,726	4,008,579	4,080,085	4,148,474	4,263,425
Culture and recreation	-	-	-	-	-	-	-	1,102,396	1,129,603	1,123,977
Engineering, operations and parks	2,237,341	1,856,622	-	-	-	-	-	-	-	-
Parks and recreation	-	-	981,889	1,089,508	1,089,746	1,116,417	1,054,174	-	-	-
Economic development	-	-	98,832	114,391	385,894	354,583	486,128	456,529	454,647	414,465
Personnel benefits and services	2,531,680	2,355,619	-	-	-	-	-	-	-	-
Utilities	458,333	506,212	-	-	-	-	-	-	-	-
Other	400,531	397,316	-	-	-	-	-	-	-	-
Debt service										
Principal	5,305,000	7,560,000	5,646,943	14,165,265	12,648,085	16,125,877	6,190,000	6,256,250	8,034,943	13,289,226
Interest and fiscal charges	2,153,275	2,949,985	2,153,061	2,714,022	2,212,110	2,924,795	2,288,562	1,907,859	1,767,365	1,670,504
Debt issuance costs				121,927	249,158	246,074	147,271	237,126	152,252	317,625
Capital outlay	6,133,841	2,793,203	7,794,710	10,004,364	12,044,570	7,912,077	5,019,677	5,205,580	7,073,178	6,738,444
Total Expenditures	23,335,526	23,720,125	27,390,326	39,860,854	41,402,243	41,239,089	28,705,830	29,583,856	33,042,033	39,156,070
Excess of revenues over/(under) expenditures	(5,118,021)	(3,971,189)	(5,992,738)	(17,159,215)	(17,844,400)	(16,659,354)	(3,348,719)	(4,037,971)	(7,698,647)	(12,968,845)
Other Financing Sources (Uses)										
Sale of capital assets	-	-	-	88,699	23,632	99,296	-	-	-	-
Capital Leases	-	-	15,795	-	-	-	-	-	-	-
General obligation bonds issued	1,470,000	4,926,194	-	11,080,000	8,860,000	10,320,000	5,665,000	3,475,630	4,500,000	9,285,000
General obligation refunding bonds issued	-	-	-	-	-	3,985,000	3,985,000	7,585,000	1,700,000	3,300,000
Premium on general obligation bonds issued	-	-	-	43,178	61,499	147,110	265,106	46,859	167,968	337,385
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)	-	-
Temporary notes issued	4,045,000	2,354,078	9,595,000	6,675,000	6,880,000	3,460,000	-	5,480,000	4,630,000	3,885,000
Payment to refund temporary notes	-	-	-	-	-	-	(1,895,000)	(1,565,000)	(3,550,000)	(1,930,000)
Transfers in (out), net	261,529	112,029	400,000	400,000	413,179	656,178	664,937	164,860	326,663	359,000
Total other financing sources (uses)	5,776,529	7,392,301	10,010,795	18,286,877	16,238,310	14,536,173	1,626,525	7,718,942	7,774,631	15,236,385
Net change in fund balance	$ 658,508	$ 3,421,112	$ 4,018,057	$ 1,127,662	$ (1,606,090)	$ (2,123,181)	$ (1,722,194)	$ 3,680,971	$ 75,984	$ 2,267,540
Debt service as a percentage of noncapital expenditures	43.36%	50.22%	39.80%	56.53%	50.62%	54.98%	33.96%	32.58%	37.43%	45.74%

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
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%
2013	304,037,825	3,061,261	4,396,534	130,415,949	181,079,671	47.054	1,466,077,942	12.35%
2014	314,043,786	3,541,887	4,380,760	136,737,947	185,228,486	47.149	1,501,702,109	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

	City Direct Rates				Overlapping Rates				
Fiscal Year	General Rate	Debt Service	Misc.	Total Direct Rate	El Paso Cemetery	USD 260	Sedgwick County	State of Kansas	Total
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
2013	34.539	7.891	4.624	47.054	1.058	60.082	29.377	1.500	139.071
2014	32.211	10.302	4.636	47.149	1.057	56.294	29.478	1.500	135.478

Source: Sedgwick County Clerk's Office

CITY OF DERBY, KANSAS

PRINCIPAL PROPERTY TAX PAYERS

CURRENT YEAR AND TEN YEARS AGO

	2014			2005		
Taxpayer	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	$ 5,108,228	1	2.76%			
Wal-Mart Real Estate Business Trust	4,660,250	2	2.52%	$ 2,851,298	2	2.21%
The Greens At Derby	3,500,142	3	1.89%	1,713,501	5	1.33%
Dillon Companies	2,166,788	4	1.17%			
Kansas Gas Electric - A Westar Energy Co.	2,009,237	5	1.08%	1,763,300	4	1.37%
Target Corp	1,851,750	6	1.00%			
Fairways at Derby LP	1,782,410	7	0.96%			
Lowes Home Centers Inc.	1,718,800	8	0.93%	2,906,757	1	2.25%
Kohl's Illinois Inc.	1,562,000	9	0.84%			
Kansas Gas Service - Div. of Oneok	1,285,477	10	0.69%	630,621	8	0.49%
Southwestern Bell Telephone (SBC)				1,819,702	3	1.41%
Derby Golf & Country Club				1,096,725	6	0.85%
Derby Group I LLC				765,750	7	0.59%
Warren Family LLC				588,629	9	0.46%
Town Center Shopping Center LLC				567,502	10	0.44%
Total	$ 25,645,082		13.84%	$ 14,703,785		11.40%

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
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%
2013	8,543,051	8,356,145	97.81%	158,989	8,515,134	99.67%	186,906	2.19%
2014	8,524,135	8,388,967	98.41%	90,694	8,479,661	99.48%	135,168	1.59%

Source: Sedgwick County Treasurer's Office

CITY OF DERBY, KANSAS

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Legal debt limit	$66,693,855	$71,009,848	$75,954,945	$81,081,113	$83,493,058	$89,419,376	$91,557,482	$94,182,676	$ 90,448,686	$ 96,589,930
Total net debt applicable to debt limit	42,106,374	44,313,245	46,918,218	62,790,253	65,480,666	59,917,607	56,503,891	63,407,122	60,881,203	59,688,444
Legal debt margin	$24,587,481	$26,696,603	$29,036,727	$18,290,860	$18,012,392	$29,501,769	$35,053,591	$30,775,554	$ 29,567,483	$ 36,901,486
Legal debt margin as a percentage of debt limit	36.87%	37.60%	38.23%	22.56%	21.57%	32.99%	38.29%	32.68%	32.69%	38.20%

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value	$ 185,228,486
Add back: exempt real property	136,737,947
Total assessed value	$ 321,966,433
Debt limit (30% of total assessed value)	96,589,930
Debt applicable to limit:	
General obligation bonds	60,595,000
Less: amount set aside for repayment of general obligation debt	(906,556)
Total net debt applicable to limit	$ 59,688,444

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

	Governmental Activities				Business-type Activities					
Fiscal Year	General Obligation Bonds	Temp Notes	Certificates of Participation	Capital Leases	Revolving Loan	General Obligation Bonds	Total Primary Government	Percentage of Personal Income	Per Capita	Current Population
2005	$ 42,790,000.00	$ 4,045,000.00	$ 2,780,000.00	$ 56,281.00	$ -	$ 17,730,000.00	$ 67,401,281.00	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	-	2,856,493	11,000,000	78,911,493	N/A	3,561	22,158
2011	57,445,000	1,565,000	960,000	-	2,856,493	10,075,000	72,901,493	N/A	3,290	22,158
2012	55,739,380	5,480,000	665,000	-	1,417,466	8,850,620	72,152,466	N/A	3,239	22,279
2013	54,673,801	6,560,000	455,000	-	1,643,933	8,015,525	71,348,259	N/A	3,110	22,943
2014	54,464,938	8,515,000	230,000	-	1,286,181	7,157,461	71,653,580	N/A	3,109	23,047

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
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
2013	61,885,000	1,003,797	60,881,203	181,079,671	33.62%	2,732.67
2014	60,595,000	906,556	59,688,444	185,228,486	32.22%	2,589.86

CITY OF DERBY, KANSAS

GOVERNMENTAL ACTIVITIES DIRECT AND OVERLAPPING DEBT

December 31, 2014

Taxing Body	Debt		City's Share		
	Amount	As of	Percent	Amount	Per Capita
Estimated Overlapping debt:					
Sedgwick County	$ 64,515,000	12/31/2014	4.21%	$ 2,716,141	118.39
USD No. 260	63,450,000	12/31/2014	45.68%	28,983,171	1,263.27
Total Overlapping Debt				31,699,312	1,381.66
City of Derby Direct Debt	63,209,938			63,209,938	2,755
Direct and estimated overlapping debt	191,174,938			94,909,250	4,118

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

Note: Overlapping governments are those that coincide, at least inpart, 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

Fiscal Year	City Population[1]	County Total Personal Income[2] (000's omitted)	County Population[1]	County Per Capita Income[2]	City School Enrollment[3]	Unemployment Rate[2] (Sedgwick County)
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%
2013	22,943	21,393,206	505,415	42,328	6,336	6.3%
2014	23,047	Not Available	508,803	49,865	7,069	5.3%

[1]Bureau of the Census
[2]US Bureau of Labor Statistics, Sedgwick County
[3]Kansas State Department of Education
[4]Bureau of Economic Analysis

CITY OF DERBY, KANSAS

PRINCIPAL EMPLOYERS

AS OF DECEMBER 31, 2014

	2014		
Employer	Employees	Rank	Percentage of Total City Employment
USD 260	996	1	19.35%
Walmart	318	2	6.18%
Dillons	230	3	4.47%
City of Derby	180	4	3.50%
Lowes	133	5	2.59%
Shared Services, a division of Wal Mart	112	6	2.18%
Derby Health & Rehab, LLC	100	7	1.94%
Derby Recreation Commission	99	8	1.92%
Westview Manor	80	9	1.56%
Kohl's	63	10	1.22%
Total City Employment (est.)	5,144		

Note: Derby City Clerk's Office
Information from 2005 not available.

CITY OF DERBY, KANSAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST NINE FISCAL YEARS

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government									
Administration	5	7.5	15.5	16.5	16.5	18.25	18.25	20	20
Finance	10	8	6.5	8.5	8.5	7.5	7.5	8.31	9.5
Law	5	4	1	1	1	0	0	0	0
Economic Development	2	2	1	1	1	0	0	0	0
Operations	9	9	8	10	4	4	4	4	4
Planning & Engineering	10	12	13	12	12	12	12	8.5	9.5
Public Safety									
Police	51.5	51.5	51.5	54	57	61	61	61	61
Animal Control	1	1	1	1	1.5	1.5	1.5	1.5	1.5
Fire	10.5	11.5	14	14.5	15	16.15	16.15	16.15	16.15
Public Works	34	34	35	32	33	35	35	35	35
Stormwater	0	0	0	0	0	0	0	1.5	1.5
Water	8	8	8	7.5	7.5	8.75	8.75	9.69	10.69
Wastewater	13.3	11.3	11.3	11	11	11	11	11	11
Total	159.3	159.8	165.8	169	168	175.15	175.15	176.65	179.84

Data Source: City of Derby Operating Budgets

Note: Information from 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 NINE FISCAL YEARS

Program/Function	Fiscal Year 2006	2007	2008	2009	2010	2011	2012	2013	2014
Police									
Dispatched Calls	21,808	24,651	26,999	24,878	27,594	27,739	24,317	24,444	24,452
Offenses	2,653	2,845	2,982	2,878	3,022	2,879	2,192	2,412	2,676
Offenses Cleared	1,998	2,074	2,564	1,949	2,392	1,758	980	1,067	1,027
Arrests	1,864	1,924	1,996	2,525	1,857	2,077	955	1,201	1,179
Serious Offenses	787	831	820	775	784	750	561	586	583
Fire									
Emergency Responses	1,402	1,558	1,520	1,768	1,862	2,069	2,096	2,034	2,186
First Responder/Medical	1,030	1,113	1,254	1,414	1,454	1,422	1,470	1,431	1,539
Life Safety Inspections	450	464	477	576	644	773	663	553	523
Water									
New Connections	349	136	153	132	120	127	102	74	93
Water Main Breaks	17	12	9	7	9	25	30	12	18
Average Daily Consumption	2,175,595	2,003,162	1,902,481	1,968,976	2,287,457	2,570,113	2,780,825	2,168,525	2,172,832
Peak Daily Consumption	4,351,100	4,252,700	3,584,100	4,334,700	4,839,500	6,424,800	4,747,611	7,150,000	4,005,070
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	1,520,000	1,532,000

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

CITY OF DERBY, KANSAS

CAPITAL ASSET STATISTICS BY PROGRAM/FUNCTION

LAST NINE FISCAL YEARS

Program/Function	Fiscal Year 2006	2007	2008	2009	2010	2011	2012	2013	2014
Police									
Stations	1.00	1.00	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	17.00	17.00
Fire Stations	2.00	2.00	3.00	3.00	3.00	3.00	3.00	2.00	2.00
Public Works									
Streets(lane miles)	274.80	286.10	293.50	299.50	302.50	427.78	429.64	429.64	430.80
Traffic Signals	15.00	15.00	16.00	16.00	17.00	17.00	17.00	17.00	19.00
Culture and Recreation									
Acreage	297.00	297.00	297.00	297.00	297.00	313.68	313.68	313.68	313.68
Playgrounds	18.00	18.00	18.00	18.00	18.00	19.00	19.00	19.00	19.00
Baseball/Softball diamonds	24.00	24.00	19.00	19.00	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	1.00	1.00
Water									
Water Meter Station	1.00	1.00	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	136.20	137.90
Fire hydrants	880.00	919.00	936.00	960.00	975.00	976.00	997.00	999.00	1,031.00
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	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	124.40	125.80
Storm Sewer(combined, miles)	32.10	33.30	35.90	37.90	46.10	46.84	47.47	49.00	50.70
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	2,500,000.00	2,500,000.00

Source: City of Derby GIS Department

Note: Information from 2005 not available.