CITY OF DERBY, KANSAS
Comprehensive Annual Financial Report
For the fiscal year ended
December 31, 2007

CITY OF DERBY, KANSAS
Comprehensive Annual Financial Report
For the fiscal year ended
December 31, 2007

Prepared by:

Department of Finance

CITY OF DERBY, KANSAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Year Ended December 31, 2007

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION:	
Letter of Transmittal	i – v
Organizational Structure	vi
List of Elected and Appointed Officials	vii
FINANCIAL SECTION:	
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 11
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14 - 15
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17 - 18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	20 - 21
Statement of Net Assets – Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	23
Statement of Cash Flows – Proprietary Funds	24 - 25
Notes to Basic Financial Statements	26 - 58

CITY OF DERBY, KANSAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Year Ended December 31, 2007

TABLE OF CONTENTS
(Continued)

	Page
OTHER SUPPLEMENTARY INFORMATION:	
Combining Balance Sheet – Nonmajor Governmental Funds	59 - 60
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	61 - 62
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Special Street and Highway Fund	63
Special Parks and Recreation Fund	64
Law Enforcement Fund	65
Special Drug and Alcohol Fund	66
Law Enforcement Trust Fund	67
Library Fund	68
Library Employee Benefits Fund	69
Economic Development Reserve Fund	70
Equipment Reserve Fund	71
Risk Management Reserve Fund	72
Capital Improvement Reserve Fund	73
Aquatic Park Fund	74
Debt Service Fund	75
Balance Sheet – Discretely Presented Component Unit	76
Schedule of Revenues, Expenditures and Changes in Fund Balance – Discretely Presented Component Unit	77
OTHER:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	78 - 79
Schedule of Findings and Responses	80 - 81
Schedule of Prior Year Findings and Responses	82

CITY OF DERBY, KANSAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Year Ended December 31, 2007

TABLE OF CONTENTS
(Continued)

	Page
STATISTICAL SECTION:	
Net Assets by Component	83
Changes in Net Assets	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
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

Introductory Section

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, 2007 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. We believe the data presented is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of the operations of the City measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included.

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. Their report for the December 31, 2007 financial statements is located at the front of the financial 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 encompasses approximately 8.1 square miles and had an estimated population at the end of 2007 of 21,101.

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

All funds and entities related to the City of Derby are included in the annual financial report. The City provides a full range of services, which include public safety (police and fire); water distribution and wastewater collection and treatment; public works functions (street and vehicle maintenance); culture and recreation (parks and an aquatic park); 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, the appointees of which are approved by the City, 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 final budget on or before August 25th of each year.

Supplemental appropriations and transfer 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. In order 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 record.

Economic Condition and Outlook

Derby, the 17th largest city in Kansas, is part of the Wichita Metropolitan Statistical Area (MSA) that includes Sedgwick, Butler, Harvey and Sumner counties, and the surrounding population totals nearly 592,000 residents.

Derby supports more than 560 businesses, ranging from modest home-based businesses to large manufacturing companies like BRG Precision Products, manufacturer of custom digital electronic clocks and time displays, and Mid Continent Controls, manufacturer of cabin management and in-flight entertainment systems for business jets. However, 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 Aero Systems and Boeing Integrated Defense Systems provide jobs for a significant portion of the community's residents, as does Derby School District #260.

Derby's strong pattern of residential growth is attracting restaurants, retailers, and educational institutions as well. In October 2008, a new shopping center known as Derby Marketplace will open featuring major retailers Target and Dillon's Marketplace, along with Petco, Hibbett Sports, Maurice's, Dress Barn, and other retailers and providers of various services. With nearly 600,000 square feet of retail space available, the Derby Marketplace will continue building as leases are signed with restaurants and additional retail shops. This growth will result in increased sales tax revenue in 2009, which is devoted to the aquatic park and library projects, and increased property tax revenue in 2010, which helps fund most other City services, as well as programs of the Derby Recreation Commission. In 2009, a Hampton Inn will open in Derby, and additional commercial development is expected along Rock Road, Patriot, and K-15 Highway, as well as in the Derby Business Park.

According to Business Facilities magazine, the Wichita MSA is a hotbed of aviation activity. In 2007, aerospace sales growth broke records for the fourth year in a row according to the Aerospace Industries Association, making it one of the target industries on economic developers' lists. But Wichita already has a great aviation cluster in place. In fact, the south central Kansas region is one of the largest centers of composite aircraft component design and fabrication. Companies such as Boeing, Cessna and Hawker-Beechcraft have utilized these materials in aircraft for more than 25 years, and recent technological advances are increasing the use of advanced materials and polymers in commercial and general aviation manufacturing. The growth in composite structural aircraft is estimated to be 14% per year over the next 20 years. This is keeping the Wichita MSA pointed in the right direction for economic growth.

Major Initiatives

Major projects in the 2008 and 2009 Capital Improvements Program (CIP) are a $4.0 million public works and parks maintenance facility, an interceptor sewer on the southeast edge of Derby, and improvements to the wastewater plant for the handling of bio-solids. The design of the sewer projects was authorized in 2007 along with the assessment study of the need for the public works facility.

The CIP also contains a $9.435 million library which was authorized by vote of the city of Derby residents in October 2007. The design was underway by year end 2007 and construction will begin in 2008 for completion in 2009.

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 optimum levels.

With annual budget constraints, there are few opportunities to use operating budgets to finance the required investment in new and remedial infrastructure construction on an annual basis. Therefore, the City uses financial alternatives to make sure that infrastructure is coordinated with new growth, and that remedial needs are also addressed.

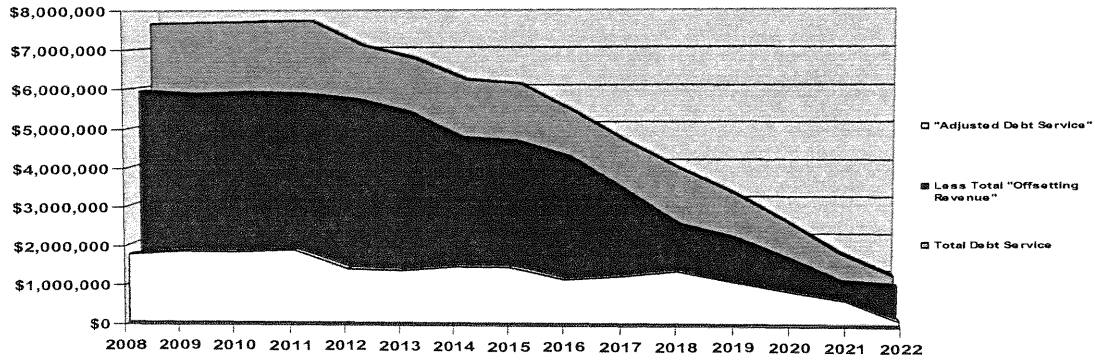
The primary method of financing infrastructure upgrades or new construction is issuance of long-term bonds. These bonds come in the form of General Obligation, Revenue, and Special Assessment bonds. The City has also used Certificates of Participation, a form of lease to purchase, to finance the cost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

According to State Law, cities of the Second Class 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". At December 31, 2007 Derby has outstanding debt of $67,350,000, but exempt projects reduce the direct debt to the $35,533,515 total, meaning that Derby has additional debt capacity of $16,115,363. The City Council has had an unofficial policy that direct debt, as a percentage of Assessed Valuation should not exceed 20%. At year end the direct debt as a percentage of Assessed Valuation equals 20.64% which is technically out of compliance with policy. The City Council has chosen to exceed the 20% limit to issue financing for projects authorized by the voters. In November 2002, the voters of Derby authorized the establishment of a ½% citywide retail sales tax to pay for the debt service and operation of an aquatic park in the amount not to exceed $7,000,000. Prior to issuance of the aquatic park related debt in 2003, Derby's direct debt as a percentage of Assessed Valuation was at 16.21% at year end 2002. In October 2007, the voters again authorized a ½% citywide retail sales tax to pay for the debt service and operation of a new $9,435,000 library. The library sales tax will become effective upon the sunset of the aquatic park tax which is projected in 2010. When the financing to construct the library is financed the direct debt as percentage of Assessed Valuation may rise temporarily until the defeasance of the aquatic park bonds is completed.

The impact of the voter approved aquatic park debt is reflected in the ratio of net general bonded debt to legal debt margin shown on page 92 of the statistical section. The ratio reached a high of 79.07% in 2003 when the aquatic park bonds were issued and has been steadily declining due to the growth in assessed valuation and repayment of outstanding debt.

Much of Derby's outstanding debt has offsetting revenues that are paid in 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 following chart shows a snapshot of the level adjusted debt service which is the balance of the debt service once the offsetting revenues are deducted.

General Obligation Bonds
Adjusted Debt Service Compared to Total Debt Service



Awards and Acknowledgments

The City has received the Government Finance Officers Association Distinguished Budget Presentation award for its annual budgets for the years 2005 through 2008. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,

Kathleen B. Sexton
City Manager

Jean Epperson
Director of Finance/City Clerk

City of Derby, Kansas
List of Elected and Appointed Officials
December 31, 2007

Elected Officials

		Term of Office
Mayor	Dion P. Avello	2005-2009
Council President	Charlie Schwarz	2005-2009
Councilmember	Jim Craig	2005-2009
Councilmember	Jim Meidinger	2007-2011
Councilmember	Chuck Warren	2007-2011
Councilmember	Vaughn Nun	2007-2009
Councilmember	Cheryl Bannon	2007-2011
Councilmember	Mark Staats	2007-2011
Councilmember	George Arnold	2007-2009

Appointed Officials

City Manager	Kathleen B. Sexton
Assistant City Manager	Stephanie Knebel
Finance Director/City Clerk	Jean Epperson
City Attorney	Phil Alexander
Director of Operations	Ted Austin
Police Chief	Jay Reyes
Public Works & Parks Director	Robert Mendoza
Community Development Director	Charles Brown
Fire Chief	Brad Smith
Director of Community Development	Allison Moeding
El Paso Water Company President	Pat Swaney

Financial Management

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

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
City of Derby, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Derby, Kansas (the City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and applicable provisions of the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Library Board (discretely presented) and El Paso Water Company, Inc. (blended) component units were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Derby, Kansas, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 btandcocpa.com

RSM McGladrey Network
An Independently Owned Member

In accordance with *Government Auditing Standards*, we have also issued a report dated October 30, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Berberich Trahan & Co., P.A.

October 30, 2008

CITY OF DERBY, KANSAS

Management's Discussion and Analysis

This section of the City of Derby's annual financial report is designed to provide readers an overview and analysis of the financial activities during the fiscal year that ended on December 31, 2007. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of 2007 by $54,027,494. Of this amount, $15,105,671 unrestricted net assets, may be used to meet the City's ongoing obligations.
- The City's total net assets increased by $2,159,685, or 4.2 percent, from $51,867,809 as restated at year-end 2006.
- At year end 2007, the City of Derby's governmental funds reported combined ending fund balances of $22,657,379, an increase of $4,018,057 or 21.56%.
- At the end of 2007, the budgetary fund balance for the general fund was $5,656,648 or 49.02 percent of the general fund non-GAAP budgetary expenditures.
- The City's total bonded debt and capital leases increased by $3,223,852 during 2007 to $69,501,407 to accommodate the demand for infrastructure to primarily serve the commercial growth of the city.

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 themselves.

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 Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 and or subsidy to various business-type activities and/or component units.

The Governmental Activities reflect the City's basic services, including general government, police, fire, public works, economic development, culture and recreation. Property, sales, and gasoline taxes along with franchise fees and court fees, licenses and permits finance the majority of these services. The Business-Type Activities reflect private sector type operations (Sewer and Water utilities), where the fee for service typically covers all or most of the cost of operation, including depreciation. Prior to 2007, the aquatic park was classified as an enterprise fund but management chose to re-classify this fund as a special revenue fund. This re-classification moved the aquatic park from a Business-Type Activity to a Governmental Activity in the 2007 report.

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 these component units is reported separately from the financial information presented for the primary government.

The government-wide statements can be found on pages 6 - 7 of this discussion and pages 12 - 13 of the audited financial statements.

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact 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 fifteen individual 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, the debt service and the capital projects fund, all of which are considered to be major funds. Data from the other twelve funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor 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 has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14 - 21 of this report.

Proprietary Funds – Services for which the City charges customers a fee are generally reported in the proprietary funds. The sewer and water utility 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 22 - 25 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 26 - 58 of this financial report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain *other supplementary information* such as the combining statements of the nonmajor governmental funds and the fund financial statements of the discretely presented component unit, the Derby Public Library.

Governmental-Wide Financial Analysis

Net assets serve as one useful indicator over time of a government's financial position. Net assets of the City of Derby exceeded liabilities by $54,027,494 as of December 31, 2007.

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. Due to an adjustment of the estimated value of capital assets, the investment in capital assets net of related debt dropped from $32,810,498 in 2006 to $13,556,338 in 2007. The largest portion, $25,365,485 or 46.95% of the City's net assets is restricted due to project financing or bond covenants. The remaining 27.96% or $15,105,671 is unrestricted net assets, which may be used to meet the city's ongoing obligation to citizens and creditors.

The reduction in other liabilities in 2007 is due to a change in the reporting of special assessments. Unearned revenue in the 2006 financial statements primarily consisted of special assessments of $35,493,120 whereas in 2007 a prior period adjustment was made to properly recognize special assessments receivable as revenue. Long-term liabilities reflect the reclassification of the aquatic park fund debt from a business-type activity to a governmental-type activity.

TABLE A-1
CITY OF DERBY'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	$63,927,765	$54,895,056	$6,204,331	$9,972,288	$70,132,096	$64,867,344
Capital assets	42,372,321	70,144,980	20,784,966	28,631,695	63,157,287	98,776,675
Total Assets	106,300,086	125,040,036	26,989,297	38,603,983	133,289,383	163,644,019
Other liabilities	7,997,340	40,824,834	302,408	639,486	8,296,748	41,464,320
Long-term liabilities	61,239,818	49,827,555	9,722,323	16,450,000	70,962,141	66,277,555
Total Liabilities	69,237,158	90,652,389	10,024,731	17,089,486	79,258,889	107,741,875
Net Assets:						
Invested in capital assets, net of related debt	2,460,474	20,317,425	11,095,864	12,493,073	13,556,338	32,810,498
Restricted	25,365,485	4,695,359	-	1,602,173	25,365,485	6,297,532
Unrestricted	9,236,969	9,374,863	5,868,702	7,419,251	15,105,671	16,794,114
Total Net Assets	**$37,062,928**	**$34,387,647**	**$16,964,566**	**$21,514,497**	**$54,027,494**	**$55,902,144**

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, 2007. Derby's net assets at year-end 2007 of $54,027,494 reflect a stable increase in total of $2,159,685, or 4.2%.

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	$2,403,405	$1,400,920	$5,065,594	$5,919,931	$7,468,999	$7,320,851
Operating grants & contributions	1,108,702	55,713	-	-	1,108,702	55,713
Capital grants & contributions	77,014	-	-	-	77,014	-
General revenues:						
Property taxes	7,658,300	6,184,970	-	-	7,658,300	6,184,970
Sales tax	4,808,717	3,017,634	-	1,584,841	4,808,717	4,602,475
Vehicle & gas taxes	-	1,944,256	-	-	-	1,944,256
Franchise taxes	1,365,716	1,338,786	-	-	1,365,716	1,338,786
Excise tax	21,282	-	-	-	21,282	-
Special assessments	-	2,812,053	-	-	-	2,812,053
Investment earnings	1,260,508	714,666	264,971	410,423	1,525,479	1,125,089
Fees, fines, reimbursements & other	-	3,804,445	-	-	-	3,804,445
Total Revenues	18,703,644	21,273,443	5,330,565	7,915,195	24,034,209	29,188,638
Expenses:						
General government	6,528,065	3,158,621	-	-	6,528,065	3,158,621
Public safety	3,627,751	3,118,695	-	-	3,627,751	3,118,695
Public works	3,074,251	-	-	-	3,074,251	-
Engineering, operations & parks	-	3,757,690	-	-	-	3,757,690
Culture and recreation	1,391,811		-	-	1,391,811	-
Economic development	98,832		-	-	98,832	-
Personnel benefits and services	-	2,355,619	-	-	-	2,355,619
Interest on long-term debt	2,292,887	1,789,762	-	-	2,292,887	1,789,762
Other	-	397,316	-	-	-	397,316
Water system	-	-	3,272,956	3,032,050	3,272,956	3,032,050
Sewer system	-	-	1,587,971	1,530,518	1,587,971	1,530,518
Aquatic park	-	-	-	617,745	-	617,745
Total expenses	17,013,597	14,577,703	4,860,927	5,180,313	21,874,524	19,758,016
Increases in net assets before transfers	1,690,047	6,695,740	469,638	2,734,882	2,159,685	9,430,622
Transfers	(1,631,254)	400,000	1,631,254	(400,000)	-	-
Increase/(Decrease) in net assets	58,793	7,095,740	2,100,892	2,334,882	2,159,685	9,430,622
Net assets as previously stated	37,851,603	27,291,907	17,242,623	19,179,615	55,094,226	46,471,522
Prior year adjustments	(847,468)	-	(2,378,949)	-	(3,226,417)	-
Net assets 12/31/2006 as restated	37,004,135		14,863,674		51,867,809	
Net assets 12/31/2007	**$37,062,928**	**$34,387,647**	**$16,964,566**	**$21,514,497**	**$54,027,494**	**$55,902,144**

A change in the independent audit firm for the 2007 financial report resulted in multiple prior year adjusting entries and a restatement of the prior year net assets. In addition, the revenues and expenses function classifications from year to year have changed to reflect the proper classifications within the governmental activities. The reclassification of the aquatic fund from a business-type activity to a governmental activity is reflected in the increase in sales tax in governmental activities and a reduction in expenses in the business-type activities when comparing 2006 with 2007 activities. Special assessments in the governmental activities negatively impact the total revenue as the City did not levy any new special assessment debt in 2007.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds - The combined fund balance for the governmental funds as of December 31, 2007 increased by $4,018,057 to $22,657,379. This was largely due to the carryover of cash and the issuance of temporary notes to be utilized for completion of capital projects in 2008.

Property taxes of $7,658,300 represent the largest single source of governmental fund revenue for the City of Derby. Taxes on retail sales in the amount of $4,808,717 are the next largest source of revenue at 23.0% of the City's revenues. Special assessments of $2,822,282 pay the debt service for infrastructure to serve various properties representing 13.19% of the city's revenue in 2007. Franchise fees of $1,365,716 represent 6.38% of the revenue stream.

The general fund is the chief operating fund of the City of Derby. At the end of the 2007, unreserved, undesignated fund balance of the general fund was $5,656,648. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and the total fund balance to the total fund expenditures. Unreserved, undesignated fund balance represents 50.79% of total general fund expenditures, while total fund balance represents 54.53% of that same amount. This percentage is unusually high due to capital projects that are planned in 2008 and 2009.

The debt service fund has a total unreserved fund balance of $851,782. 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 capital projects fund has a total fund balance of $5,746,242 of which $4,064,379 is reserved for encumbrances. The primary source of revenue for this fund is temporary financing to construct infrastructure which will be permanently financed with the issuance of long-term debt.

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 assets of the Water and Sewer Utilities at the end of 2007 total $5,868,702. As stated earlier, unrestricted net assets are to be used for ongoing and future obligations and improvements to the utilities.

Total net assets of the proprietary funds increased by $2,100,892 from $14,863,674 as restated at year end 2006 to $16,964,566 at year end 2007. This increase in net assets is primarily due to the contribution of capital assets from governmental funds.

General Fund Budgetary Highlights

Careful monitoring of expenditures and growth in local sales tax distributions allowed Derby to carry over $5,656,648 into 2008, an increase of $1,150,821 over the prior year carryover. The increase in carryover is to provide funding in the following year for capital projects that were not completed in 2007. Due to the consolidation of the employee benefits fund, two non-major ad valorem tax supported funds into the general fund in 2007, the largest source of revenue is ad valorem property tax. The next largest source of revenue is a county-wide retail sales tax which increased by 3.6% in 2007.

The largest variance of budget and actual revenue of investment earnings was due to conservative estimates of the downward trend of interest rates. Investment earnings exceeded the original budget by $469,439. The largest variance of budget and actual expenditures was capital outlay of $881,399 due to projects not completed in 2007.

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, 2007 was $63,157,287, net of depreciation. This investment in capital assets includes land, buildings, machinery and equipment, an aquatic park, water distribution and sewer collection systems, infrastructure and construction in progress.

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	$1,136,606	$1,093,109	$725,966	$725,966	$1,862,572	$1,819,075
Buildings	9,042,687	9,261,991	7,180,261	7,513,555	16,222,948	16,775,546
Equipment & Machinery	1,604,907	1,165,025	187,802	66,919	1,792,709	1,231,944
Improvements	3,592,093	3,691,636	-	-	3,592,093	3,691,636
Infrastructure	23,279,480	24,049,194	10,794,664	11,382,373	34,074,144	35,431,567
Construction in Progress	3,716,548	-	1,896,273	-	5,612,821	-
Total Capital Assets (Net)	**$42,372,321**	**$39,260,955**	**$20,784,966**	**$19,688,813**	**$63,157,287**	**$58,949,768**

Major projects undertaken during 2007 were the construction of infrastructure to serve The Oaks, Stone Creek, Spring Creek Plaza, Derby Marketplace and Tall Tree subdivisions. In addition, the reconstruction of Rock Road, a major arterial road through the east side of the City, was substantially completed during 2007.

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 $69,501,407 in bonds, notes, certificates of participation and capital leases outstanding. This is an increase of $3,233,852 from $66,277,555 at the end of 2006. This increase can be attributed to the issuance of $9,595,000 of temporary notes during 2007 to provide infrastructure for several subdivisions within the City and the reconstruction of Rock Road, net of principal payments made during the year.

More detailed information about the City's long-term liabilities is presented in Note 9 to the financial statements.

Table A-4
City of Derby Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
General Obligation Bonds	$47,770,000	$45,035,000	$9,425,000	$16,450,000	$57,195,000	$61,485,000
Certificates of Participation	2,140,000	2,415,000	-	-	2,140,000	2,415,000
Capital Leases	11,407	17,555	-	-	11,407	17,555
Temporary Notes	10,155,000	2,360,000	-	-	10,155,000	2,360,000
Total	$ 60,076,407	$49,827,555	$ 9,425,000	$ 16,450,000	$ 69,501,407	$ 66,277,555

During 2007, the Aquatic park was transferred to a governmental activity from business-type activities. General Obligation bonds of $6,285,000 are reclassified as governmental activities as a result of this fund reclassification.

The City's general obligation bonds have been rated A2 by Moody's Investors Services and the Standard & Poor's rating increased from A+ to AA- in the fall of 2007.

ECONOMIC FACTORS

Derby is home to over 500 businesses that employ more than 4,200 workers across a wide range of industries. Locally, the City's economy is strong in several business sectors that include construction, professional services, finance and insurance, real estate, health care and retail.

By monitoring the condition of the local, regional and national economies, City staff is able to estimate the impact of economic events on the city's revenues. The local aerospace industry has reported strong performance the first quarter of 2008 and is important to Derby as a major employer for Derby residents.

The addition of new retail development in Derby has increased sales tax collections and assessed valuation. Foremost among these developments is the Derby Marketplace, anchored by Target and offering more than 650,000 square feet of retail and restaurant space. Along with the Stone Creek Commercial development at K-15 and 63rd Street, currently anchored by Lowe's and Kohl's, these areas will continue to provide outstanding development opportunities for the community.

Derby is located just a few minutes from McConnell Air Force Base, which houses 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 Refueling Wing (Kansas Air National Guard). Besides being home to many military families and retirees, the base has a significant economic impact on the surrounding communities, injecting more than $350 million into the local economy.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to 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.

Basic Financial Statements

CITY OF DERBY, KANSAS

STATEMENT OF NET ASSETS

December 31, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Library Board
Assets:				
Deposits and investments	$ 17,815,356	$ 5,495,876	$ 23,311,232	$ 236,177
Restricted deposits and investments	4,028,529	-	4,028,529	-
Receivables, net of allowance for uncollectibles:				
Taxes	7,904,653	-	7,904,653	-
Special assessments	32,670,838	-	32,670,838	-
Accounts	270,991	443,120	714,111	-
Interest	390,941	-	390,941	-
Deferred charges	837,544	218,409	1,055,953	-
Prepaids	-	20,746	20,746	16,945
Inventories	-	35,093	35,093	-
Internal balances	8,913	(8,913)	-	-
Capital assets, net of accumulated depreciation, where applicable:				
Land	1,136,606	725,966	1,862,572	-
Construction in progress	3,716,548	1,896,273	5,612,821	-
Buildings and systems	9,042,687	7,180,261	16,222,948	-
Improvements	3,592,093	-	3,592,093	-
Machinery and equipment	1,604,907	187,802	1,792,709	220,514
Infrastructure	23,279,480	10,794,664	34,074,144	-
Total assets	106,300,086	26,989,297	133,289,383	473,636
Liabilities:				
Accounts payable	299,252	225,481	524,733	-
Accrued liabilities	441,360	49,390	490,750	-
Accrued interest payable	363,674	27,537	391,211	-
Unearned revenue	6,893,054	-	6,893,054	-
Noncurrent liabilities:				
Due within one year	9,977,761	934,599	10,912,360	-
Due in more than one year	51,262,057	8,787,724	60,049,781	-
Total liabilities	69,237,158	10,024,731	79,261,889	-
Net assets:				
Invested in capital assets, net of related debt	2,460,474	11,095,864	13,556,338	220,514
Restricted for:				
Other purposes	425,247	-	425,247	-
Library operations	13,667	-	13,667	-
Streets	537,157	-	537,157	-
Culture and recreation	5,194,011	-	5,194,011	-
Capital projects	245,682	-	245,682	-
Debt service	18,949,721	-	18,949,721	-
Unrestricted	9,236,969	5,868,702	15,105,671	253,122
Total net assets	$ 37,062,928	$ 16,964,566	$ 54,027,494	$ 473,636

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2007

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 Assets: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit: Library Board
Primary government:								
Governmental activities:								
General government	$ 6,528,065	$ 1,151,702	$ 123,113	$ 51,598	$ (5,201,652)	$ -	$ (5,201,652)	$ -
Public safety	3,627,751	223,984	680	-	(3,403,087)	-	(3,403,087)	-
Public works	3,074,251	357,911	950,112	25,416	(1,740,812)	-	(1,740,812)	-
Culture and recreation	1,391,811	669,808	34,797	-	(687,206)	-	(687,206)	-
Economic development	98,832	-	-	-	(98,832)	-	(98,832)	-
Interest on long-term debt	2,292,887	-	-	-	(2,292,887)	-	(2,292,887)	-
Total governmental activities	17,013,597	2,403,405	1,108,702	77,014	(13,424,476)	-	(13,424,476)	-
Business-type activities:								
Sewer	1,587,971	2,300,870	-	-	-	712,899	712,899	-
Water	3,272,956	2,764,724	-	-	-	(508,232)	(508,232)	-
Total business-type activities	4,860,927	5,065,594	-	-	-	204,667	204,667	-
Total primary government	$ 21,874,524	$ 7,468,999	$ 1,108,702	$ 77,014	(13,424,476)	204,667	(13,219,809)	-
Component unit:								
Library Board	$ 309,266	$ 46,777	$ 96,081	$ -				(166,408)
General revenues:								
Property taxes					7,658,300	-	7,658,300	215,000
Sales taxes					4,808,717	-	4,808,717	-
Franchise taxes					1,365,716	-	1,365,716	-
Excise taxes					21,282	-	21,282	-
Unrestricted investment earnings					1,260,508	264,971	1,525,479	2,562
Transfers					(1,631,254)	1,631,254	-	-
Total general revenues and transfers					13,483,269	1,896,225	15,379,494	217,562
Change in net assets					58,793	2,100,892	2,159,685	51,154
Net assets, beginning of year as previously stated					37,851,603	17,242,623	55,094,226	206,867
Prior period adjustments					(847,468)	(2,378,949)	(3,226,417)	215,615
Net assets, beginning of year as restated					37,004,135	14,863,674	51,867,809	422,482
Net assets, end of year					$ 37,062,928	$ 16,964,566	$ 54,027,494	$ 473,636

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS

BALANCE SHEET

GOVERNMENTAL FUNDS

December 31, 2007

	General
Assets:	
Deposits and investments	$ 5,433,505
Restricted deposits and investments	-
Receivables (net of allowance for uncollectibles):	
Taxes	5,921,806
Special assessments	-
Accounts	142,653
Interest	390,941
Due from other funds	8,913
Total assets	$ 11,897,818
Liabilities and fund balances:	
Liabilities:	
Accounts payable	$ 157,797
Accrued payroll	441,360
Deferred revenue	5,225,154
Total liabilities	5,824,311
Fund balances:	
Reserved for:	
Encumbrances	416,859
Unreserved, reported in:	
General fund	5,656,648
Debt service fund	-
Special revenue funds	-
Capital projects funds	-
Total fund balances	6,073,507
Total liabilities and fund balances	$ 11,897,818

See accompanying notes to basic financial statements.

Major Funds				
Debt Service	Capital Projects	Nonmajor Funds	Total Governmental	
$ 851,782	$ 5,832,692	$ 5,697,377	$ 17,815,356	
-	-	4,028,529	4,028,529	
887,863	-	1,094,984	7,904,653	
32,670,838	-	-	32,670,838	
-	-	-	142,653	
-	-	-	390,941	
-	-	-	8,913	
$ 34,410,483	$ 5,832,692	$ 10,820,890	$ 62,961,883	
$ -	$ 86,450	$ 55,005	$ 299,252	
-	-	-	441,360	
33,558,701	-	780,037	39,563,892	
33,558,701	86,450	835,042	40,304,504	
-	4,064,379	493,840	4,975,078	
-	-	-	5,656,648	
851,782	-	-	851,782	
-	-	9,492,008	9,492,008	
-	1,681,863	-	1,681,863	
851,782	5,746,242	9,985,848	22,657,379	
$ 34,410,483	$ 5,832,692	$ 10,820,890	$ 62,961,883	

CITY OF DERBY, KANSAS

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

December 31, 2007

Total fund balances in Governmental Funds Balance Sheet	$	22,657,379
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		42,372,321
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		32,799,176
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(60,765,948)
Net assets of governmental activities	$	37,062,928

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, 2007

	General
Revenues:	
Taxes:	
Property	$ 5,662,692
Excise	14,754
Sales	3,126,527
Franchise	1,365,716
Special assessments	-
Intergovernmental	133,562
Licenses and permits	419,733
Charges for services	25,554
Fines and fees	756,687
Investment earnings	769,539
Other	348,068
Total revenues	12,622,832
Expenditures:	
Current:	
General government	5,197,107
Public works	707,017
Public safety	3,122,749
Parks and recreation	671,140
Economic development	77,891
Debt service:	
Principal	296,943
Interest and fiscal charges	84,905
Capital outlay	979,693
Total expenditures	11,137,445
Excess (deficiency) of revenues over (under) expenditures	1,485,387
Other financing sources (uses):	
Temporary notes issued	-
Capital leases	15,795
Transfers in	300,000
Transfers out	(248,000)
Total other financing sources (uses)	67,795
Net change in fund balances	1,553,182
Fund balance, beginning of year as previously stated	3,325,866
Prior period adjustments	1,194,459
Fund balances, beginning of year as restated	4,520,325
Fund balance, end of year	$ 6,073,507

See accompanying notes to basic financial statements.

Major Funds				
Debt Service	Capital Projects	Nonmajor Funds	Total Governmental	
$ 1,142,497	$ -	$ 853,111	$ 7,658,300	
4,124	-	2,404	21,282	
-	-	1,682,190	4,808,717	
-	-	-	1,365,716	
2,822,282	-	-	2,822,282	
-	-	988,828	1,122,390	
-	-	-	419,733	
-	-	14,696	40,250	
-	-	-	756,687	
132,108	174,978	183,883	1,260,508	
400,029	38,614	335,012	1,121,723	
4,501,040	213,592	4,060,124	21,397,588	
-	-	746,434	5,943,541	
-	-	936,269	1,643,286	
-	-	5,315	3,128,064	
-	-	310,749	981,889	
-	-	20,941	98,832	
3,135,000	1,800,000	415,000	5,646,943	
1,707,979	155,368	204,809	2,153,061	
-	5,798,212	1,016,805	7,794,710	
4,842,979	7,753,580	3,656,322	27,390,326	
(341,939)	(7,539,988)	403,802	(5,992,738)	
-	9,595,000	-	9,595,000	
-	-	-	15,795	
471,965	-	419,319	1,191,284	
-	(461,319)	(81,965)	(791,284)	
471,965	9,133,681	337,354	10,010,795	
130,026	1,593,693	741,156	4,018,057	
721,756	3,968,896	9,244,692	17,261,210	
-	183,653	-	1,378,112	
721,756	4,152,549	9,244,692	18,639,322	
$ 851,782	$ 5,746,242	$ 9,985,848	$ 22,657,379	

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, 2007

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	$ 4,018,057
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.	5,142,621
Capital contributions are not recorded in the governmental funds because there has been no flow of current financial resources.	(2,031,254)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,693,944)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(3,963,852)
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.	(412,835)
Change in net assets of governmental activities	$ 58,793

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, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes:			
Ad valorem property tax	$ 4,897,821	$ 4,878,097	$ (19,724)
Delinquent tax	27,000	55,786	28,786
Motor vehicle tax	668,519	728,809	60,290
Sales tax	3,077,000	3,126,527	49,527
Excise tax	8,300	14,754	6,454
Intergovernmental	65,919	133,562	67,643
Franchise fees	1,357,267	1,365,716	8,449
Licenses and permits	260,800	419,733	158,933
Fines and fees	688,900	756,687	67,787
Investment earnings	300,100	769,539	469,439
Charges for services	24,600	25,554	954
Other	609,700	348,068	(261,632)
Total revenues	11,985,926	12,622,832	636,906
Expenditures:			
Administration	593,900	391,798	202,102
Employee benefits	2,149,908	2,174,140	(24,232)
Law enforcement	2,573,984	2,534,396	39,588
Finance	569,571	509,227	60,344
Fire	472,979	588,352	(115,373)
Engineering	570,500	591,033	(20,533)
Public works and parks	769,465	741,970	27,495
Law department	296,745	236,874	59,871
Operations	753,292	706,807	46,485
Utilities	573,000	423,302	149,698
Economic development	177,595	179,968	(2,373)
Insurance recovery	40,000	9,667	30,333
Liability insurance	248,000	218,607	29,393
Equipment	479,706	520,788	(41,082)
Capital outlay	1,678,167	796,768	881,399
Reimburseables	178,900	232,855	(53,955)
Contingencies	477,035	176,757	300,278
Transportation	-	124,649	(124,649)
Debt service:			
Principal	275,000	296,943	(21,943)
Interest and fiscal charges	86,088	84,905	1,183
Total expenditures	$ 12,963,835	$ 11,539,806	$ 1,424,029

(Continued)

CITY OF DERBY, KANSAS

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

GENERAL FUND

Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Other financing sources (uses):			
Capital leases	$ -	$ 15,795	$ 15,795
Transfers in	-	300,000	300,000
Transfers out	(1,535,000)	(248,000)	1,287,000
Total other financing sources (uses)	(1,535,000)	67,795	1,602,795
Net change in fund balances	(2,512,909)	1,150,821	3,663,730
Fund balances, beginning of year	2,512,909	4,505,827	1,992,918
Fund balances, end of year	$ -	5,656,648	$ 5,656,648

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	416,859
GAAP fund balance, end of year	$ 6,073,507

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

December 31, 2007

	Sewer	Water	Total
Assets:			
Current assets:			
Cash and cash equivalents	$ 2,613,371	$ 2,882,505	$ 5,495,876
Accounts receivable (net of allowance for uncollectibles)	200,685	242,435	443,120
Due from other funds	167,489	-	167,489
Inventories	-	35,093	35,093
Prepaids	-	20,746	20,746
Total current assets	2,981,545	3,180,779	6,162,324
Noncurrent assets:			
Deferred charges	50,682	167,727	218,409
Capital assets:			
Land	48,777	677,189	725,966
Construction in progress	1,021,976	874,297	1,896,273
Buildings	9,254,579	4,476,103	13,730,682
Infrastructure	7,582,064	17,153,497	24,735,561
Machinery and equipment	1,161,568	240,300	1,401,868
Accumulated depreciation	(12,344,080)	(9,361,304)	(21,705,384)
Total capital assets	6,724,884	14,060,082	20,784,966
Total noncurrent assets	6,775,566	14,227,809	21,003,375
Total assets	9,757,111	17,408,588	27,165,699
Liabilities:			
Current liabilities:			
Accounts payable	43,458	182,023	225,481
Due to other funds	-	176,402	176,402
Accrued expenses	-	49,390	49,390
Compensated absences	9,599	-	9,599
Accrued interest payable	4,540	22,997	27,537
Current portion of bonds payable	435,000	490,000	925,000
Total current liabilities	492,597	920,812	1,413,409
Noncurrent liabilities:			
Compensated absences	23,622	-	23,622
Bonds payable, net	1,156,363	7,607,739	8,764,102
Total noncurrent liabilities	1,179,985	7,607,739	8,787,724
Total liabilities	1,672,582	8,528,551	10,201,133
Net assets:			
Invested in capital assets, net of related debt	5,133,521	5,962,343	11,095,864
Unrestricted	2,951,008	2,917,694	5,868,702
Total net assets	$ 8,084,529	$ 8,880,037	$ 16,964,566

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended December 31, 2007

	Sewer	Water	Total
Cash flows from operating activities:			
Receipts from customers	$ 2,298,118	$ 2,967,652	$ 5,265,770
Payments to suppliers	(547,498)	(1,658,235)	(2,205,733)
Payments to employees	(578,171)	(332,142)	(910,313)
Other receipts	16,683	-	16,683
Net cash provided by operating activities	1,189,132	977,275	2,166,407
Cash flows from noncapital financing activities:			
Transfers to other funds	(400,000)	-	(400,000)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(166,047)	(213,803)	(379,850)
Principal paid on general obligation debt	(425,000)	(315,000)	(740,000)
Interest paid on general obligation debt	(54,488)	(523,127)	(577,615)
Net cash used in capital and related financing activities	(645,535)	(1,051,930)	(1,697,465)
Cash flows from investing activities:			
Interest received	138,904	126,067	264,971
Net increase in cash and cash equivalents	282,501	51,412	333,913
Cash and cash equivalents, beginning of year	2,330,870	2,831,093	5,161,963
Cash and cash equivalents, end of year	$ 2,613,371	$ 2,882,505	$ 5,495,876

(Continued)

CITY OF DERBY, KANSAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)

Year Ended December 31, 2007

	Sewer	Water	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ 767,387	$ (172,863)	$ 594,524
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Items not requiring cash:			
Depreciation and amortization expense	346,967	970,461	1,317,428
Changes in:			
Accounts receivable	181,420	26,526	207,946
Due from others	(167,489)	-	(167,489)
Prepaids	-	(853)	(853)
Inventories	-	4,138	4,138
Accounts payable	27,626	(75,926)	(48,300)
Accrued expenses	33,221	49,390	82,611
Due to others	-	176,402	176,402
Net cash provided by operating activities	$ 1,189,132	$ 977,275	$ 2,166,407

Noncash capital financing activities:
Contributions of capital assets of $ 1,114,137 and $ 917,117 were acquired in the sewer fund and water 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 (see note below for description) 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 accordance with GASB No. 14. 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 City of Derby Library Board's governing body is appointed by the City Council and operates the City's public library. The City levies and collects special library taxes to subsidize the Library operations. The Board's operating budget is subject to the approval of the City Council. The City must approve acquisition or disposition of real property by the Board. The City must also approve any bond issues. Separately issued financial statements for the Library Board are not available.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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 deferred 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.

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.

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

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

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 fund 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.

1 - Summary of Significant Accounting Policies (Continued)

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

Cash Flows Statement

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

Receivables and Payables

Outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade accounts receivable are shown net of an allowance for uncollectibles. Management records a trade accounts receivable allowance based on percentages of collection estimated from the aging of the accounts receivable. At December 31, 2007, an allowance for uncollectible receivables of approximately $ 140,000 has been recorded.

1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables (Continued)

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

General fund property tax receivable	$ 5,225,154
Debt service fund property tax receivable	887,863
Debt service fund special assesments receivable	32,670,838
Nonmajor governmental fund property tax receivable	780,037
	$ 39,563,892

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, 2006 upon which the 2007 levy was based was approximately $ 136,737,864.

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.

Inventories

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.

1 - Summary of Significant Accounting Policies (Continued)

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

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.

All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. 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.

1 - Summary of Significant Accounting Policies (Continued)

Long-Term Obligations

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

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

Fund Equity

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

Concentrations of Credit Risk

Credit is extended to citizens for special assessments levied by the City for capital improvements. These special assessments are secured by liens on the related properties. Unsecured credit is extended to customers for water fees, sewer fees, and charges for certain other services.

Use of Estimates

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

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements

At December 31, 2007, 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. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was issued in June 2004. This statement establishes standards for the measurement, recognition and display of other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The term "other postemployment benefits" refers to postemployment benefits other than pension benefits and includes (a) postemployment healthcare benefits and, (b) other types of postemployment benefits (i.e., life insurance) if provided separately from a pension plan. The provisions of this statement are effective for periods beginning after December 15, 2007.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* was issued in June 2007. This statement establishes standards for when and whether intangible assets should be considered capital assets for financial reporting purposes. It requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The provisions of this statement are effective for periods beginning after June 15, 2009.

Prior Period Adjustments

Beginning net assets for governmental activities on the statement of net assets were restated to reflect revised estimated historical costs of capital assets. The effect of this restatement on the beginning balance was a decrease of $ 37,386,637 in the governmental activities on the statement of net assets which resulted from net capital assets being decreased by $ 37,386,637. There was no effect on current or prior year revenue or expenditures as a result of this adjustment.

1 - Summary of Significant Accounting Policies (Continued)

Prior Period Adjustments (Continued)

Beginning net assets for governmental activities on the statement of net assets were restated to record compensated absences accrued. The effect of this restatement on the beginning balance was a decrease of $ 573,722 in the governmental activities on the statement of net assets which resulted from noncurrent liabilities being increased by $ 573,722. There was no effect on current revenue or expenditures as a result of this adjustment.

Beginning net assets for governmental activities on the statement of net assets were restated to record accrued interest payable. The effect of this restatement on the beginning balance was a decrease of $ 206,046 in the governmental activities on the statement of net assets which resulted from accrued interest payable being increased by $ 206,046. There was no effect on current revenue or expenditures as a result of this adjustment.

Beginning net assets for governmental activities on the statement of net assets were restated to record bond issuance costs. The effect of this restatement on the beginning balance was a increase of $ 866,775 in the governmental activities on the statement of net assets which resulted from deferred charges being increased by $ 866,775. There was no effect on current revenue or expenditures as a result of this adjustment.

Beginning net assets for governmental activities on the statement of net assets were restated to record bond issuance premiums. The effect of this restatement on the beginning balance was a decrease of $ 419,070 in the governmental activities on the statement of net assets which resulted from noncurrent liabilities being increased by $ 419,070. There was no effect on current revenue or expenditures as a result of this adjustment.

Beginning net assets for governmental activities on the statement of net assets were restated to properly recognize special assessments receivable as revenue. The effect of this restatement on the beginning balance was an increase of $ 35,493,120 in the governmental activities on the statement of net assets which resulted from deferred revenue being decreased by $ 35,493,120. There was no effect on current revenue or expenditures as a result of this adjustment.

Beginning net assets for governmental activities on the statement of net assets and beginning fund balance in the general fund on the balance sheet were restated to record taxes receivable. The effect of this restatement on the beginning balances was an increase of $ 750,451 in the governmental activities on the statement of net assets and the general fund on the balance sheet which resulted from taxes receivable being increased by $ 750,451. There was no effect on current revenue or expenditures as a result of this adjustment.

1 - Summary of Significant Accounting Policies (Continued)

Prior Period Adjustments (Continued)

Beginning net assets for governmental activities on the statement of net assets and beginning fund balance in the general fund on the balance sheet were restated to record accrued interest receivable. The effect of this restatement on the beginning balances was an increase of $ 313,664 in the governmental activities on the statement of net assets and the general fund on the balance sheet which resulted from interest receivable being increased by $ 313,664. There was no effect on current revenue or expenditures as a result of this adjustment.

Beginning net assets for governmental activities on the statement of net assets and beginning fund balance in the general fund were restated to record City court receivables. The effect of this restatement on the beginning balances was an increase of $ 115,846 in the governmental activities on the statement of net assets and the general fund on the balance sheet which resulted from accounts receivable being increased by $ 115,846. There was no effect on current revenue or expenditures as a result of this adjustment.

Beginning net assets for governmental activities on the statement of net assets and beginning fund balance in the general fund on the balance sheet were restated to eliminate encumbrances from accounts payable. The effect of this restatement on the beginning balance was an increase of $ 14,498 in the governmental activities on the statement of net assets and the general fund on the balance sheet which resulted from accounts payable being decreased by $ 14,498. There was no effect on current revenue or expenditures as a result of this adjustment.

Beginning net assets for governmental activities on the statement of net assets and beginning fund balance in the capital projects fund on the balance sheet were restated to eliminate encumbrances from accounts payable. The effect of this restatement on the beginning balance was an increase of $ 183,653 in the governmental activities on the statement of net assets and the capital projects fund on the balance sheet which resulted from accounts payable being decreased by $ 183,653. There was no effect on current revenue or expenditures as a result of this adjustment.

Beginning net assets for the sewer service major proprietary fund on the statement of net assets and for business-type activities on the statement of net assets were restated to reflect revised estimated historical costs of capital assets. The effect of this restatement on the beginning balance was a decrease of $ 5,365,929 in the sewer major proprietary fund on the statement of net assets and in the business-type activities on the statement of net assets which resulted from capital assets being decreased by $ 5,365,929. There was no effect on current revenue or expenses as a result of this adjustment.

1 - Summary of Significant Accounting Policies (Continued)

Prior Period Adjustments (Continued)

Beginning net assets for the sewer major proprietary fund on the statement of net assets and for business-type activities on the statement of net assets were restated to record bond issuance discounts. The effect of this restatement on the beginning balance was an increase of $ 4,252 in the sewer major proprietary fund on the statement of net assets and in the business-type activities on the statement of net assets which resulted from noncurrent liabilities being decreased by $ 4,252. There was no effect on current revenue or expenses as a result of this adjustment.

Beginning net assets for the sewer major proprietary fund on the statement of net assets and for business-type activities on the statement of net assets were restated to record additional customer accounts receivable and unbilled accounts receivable. The effect of this restatement on the beginning balance was an increase of $ 210,417 in the sewer major proprietary fund on the statement of net assets and in the business-type activities on the statement of net assets which resulted from accounts receivable being increased by $ 210,417. There was no effect on current revenue or expenses as a result of this adjustment.

Beginning net assets for the water major proprietary fund on the statement of net assets and for business-type activities on the statement of net assets were restated to reflect revised estimated historical costs of capital assets. The effect of this restatement on the beginning balance was an increase of $ 2,925,659 in the water major proprietary fund on the statement of net assets and in the business-type activities on the statement of net assets which resulted from capital assets being increased by $ 2,925,659. There was no effect on current revenue or expenses as a result of this adjustment.

Beginning net assets for the water major proprietary fund on the statement of net assets and for business-type activities on the statement of net assets were restated to record bond issuance premiums. The effect of this restatement on the beginning balance was a decrease of $ 285,688 in the water major proprietary fund on the statement of net assets and in the business-type activities on the statement of net assets which resulted from noncurrent liabilities being increased by $ 285,688. There was no effect on current revenue or expenses as a result of this adjustment.

Beginning net assets for the water major proprietary fund on the statement of net assets and for business-type activities on the statement of net assets were restated to record unbilled accounts receivable. The effect of this restatement on the beginning balance was an increase of $ 111,718 in the water major proprietary fund on the statement of net assets and in the business-type activities on the statement of net assets which resulted from accounts receivable being increased by $ 111,718. There was no effect on current revenue or expenses as a result of this adjustment.

1 - Summary of Significant Accounting Policies (Continued)

Prior Period Adjustments (Continued)

Beginning net assets for the water major proprietary fund on the statement of net assets and for business-type activities on the statement of net assets were restated to eliminate encumbrances from accounts payable. The effect of this restatement on the beginning balance was an increase of $ 20,622 in the water major proprietary fund on the statement of net assets and in the business-type activities on the statement of net assets which resulted from accounts payable being decreased by $ 20,622. There was no effect on current revenue or expenses as a result of this adjustment.

2 - Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $ 60,765,948 difference are as follows:

General obligation bonds payable	$ (47,770,000)
Less: Deferred charge for issuance costs	837,544
Plus: Issuance premiums	(382,769)
Certificates of participation	(2,140,000)
Capital leases payable	(11,407)
Temporary notes payable	(10,155,000)
Accrued interest payable	(363,674)
Compensated absences	(780,642)
Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities	$ (60,765,948)

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 assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $ 5,142,621 difference are as follows:

Capital outlay	$	7,464,299
Loss on disposal of capital assets		(21,428)
Depreciation expense		(2,300,250)
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	$	5,142,621

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

Another element of that reconciliation states that "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $ 3,963,852 difference are as follows:

Debt issued or incurred:		
Capital leases	$	(15,795)
Temporary notes		(9,595,000)
Principal repayments:		
General obligation debt		3,550,000
Certificates of participation		275,000
Capital leases		21,943
Temporary notes		1,800,000
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net assets of governmental activities	$	(3,963,852)

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 $ 412,835 difference are as follows:

Compensated absences	$	(206,920)
Accrued interest		(139,826)
Amortization of issuance costs		(102,390)
Amortization of bond premiums		36,301
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	$	(412,835)

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 required for the capital projects 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.

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 in 2007.

3 - Stewardship, Compliance and Accountability (Continued)

Excess of Expenditures Over Appropriations

For the year ended December 31, 2007, expenditures exceeded appropriations in the capital improvement reserve fund, law enforcement trust fund, and equipment reserve fund by $ 790,933, $ 5,315, and $ 353,721, respectively. These over expenditures were funded by excess reserves and available fund balance in the funds.

4 - Deposits and Investments

Deposits

Custodial Credit Risk
Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. Kansas statutes require that deposits of the City and the Library Board 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 $ 20,181,209 and the bank balances totaled $ 21,182,256. Of the bank balances, $ 400,000 was secured by federal deposit insurance and $ 20,272,948 was collateralized by pledged securities held under joint custody receipts issued by third party banks in the City's name, leaving an unsecured deposit balance of $ 509,308. The Library Board's deposits were not exposed to custodial credit risk.

Investments

At December 31, 2007, the City had the following investments:

Investment Type	Maturities	Fair Value
State of Kansas Municipal Investment Pool	< 1 year	$ 5,022,982
Repurchase agreements	< 1 year	2,135,570

4 - Deposits and Investments (Continued)

Investments (Continued)

Credit Risk
Kansas statutes authorize the City and the Library Board, with certain restrictions, to deposit or invest in temporary notes, no-fund warrants, open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury Bills and Notes, the State of Kansas Municipal Investment Pool, or to make direct investments. The City's investments in the Municipal Investment Pool were rated AAAf/S1+ by Standard & Poor's. The City's repurchase agreement was not exposed to credit risk. The Library Board held no investments at December 31, 2007.

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

Custodial Credit Risk-Investments
For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2007, the City's investments were not exposed to custodial credit risk.

5 - Capital Assets

Capital asset activity for the year ended December 31, 2007 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,093,109	$ 43,497	$ -	$ 1,136,606
Construction in progress	-	3,716,548	-	3,716,548
Total capital assets not being depreciated	1,093,109	3,760,045	-	4,853,154
Capital assets being depreciated:				
Buildings	11,714,960	114,995	-	11,829,955
Improvements	3,981,720	-	-	3,981,720
Infrastructure	37,623,148	417,929	-	38,041,077
Machinery and equipment	6,815,773	1,140,075	(209,220)	7,746,628
Total capital assets being depreciated	60,135,601	1,672,999	(209,220)	61,599,380
Less accumulated depreciation for:				
Buildings	(2,452,969)	(334,299)	-	(2,787,268)
Improvements	(290,084)	(99,543)	-	(389,627)
Infrastructure	(13,573,954)	(1,187,643)	-	(14,761,597)
Machinery and equipment	(5,650,748)	(678,765)	187,792	(6,141,721)
Total accumulated depreciation	(21,967,755)	(2,300,250)	187,792	(24,080,213)
Total capital assets being depreciated, net	38,167,846	(627,251)	(21,428)	37,519,167
Governmental activities capital assets, net	$ 39,260,955	$ 3,132,794	$ (21,428)	$42,372,321

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	-	1,896,273	-	1,896,273
Total capital assets not being depreciated	725,966	1,896,273	-	2,622,239
Capital assets being depreciated:				
Buildings	13,714,859	15,823	-	13,730,682
Infrastructure	24,418,606	318,612	(1,657)	24,735,561
Machinery and equipment	1,356,027	180,395	(134,554)	1,401,868
Total capital assets being depreciated	39,489,492	514,830	(136,211)	39,868,111
Less accumulated depreciation for:				
Buildings	(6,201,304)	(349,117)	-	(6,550,421)
Infrastructure	(13,036,233)	(906,321)	1,657	(13,940,897)
Machinery and equipment	(1,289,108)	(59,512)	134,554	(1,214,066)
Total accumulated depreciation	(20,526,645)	(1,314,950)	136,211	(21,705,384)
Total capital assets being depreciated, net	18,962,847	(800,120)	-	18,162,727
Business-type activities capital assets, net	$ 19,688,813	$ 1,096,153	$ -	$20,784,966

5 - Capital Assets (Continued)

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

Governmental activities:	
General government	$ 177,102
Public safety	343,127
Public works	1,370,099
Culture and recreation	409,922
Total depreciation expense - governmental activities	$ 2,300,250
Business-type activities:	
Water	977,164
Sewer	337,786
Total depreciation expense - business-type activities	$ 1,314,950

Discretely Presented Component Unit

Capital asset activity for the Library Board for the year ended December 31, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Equipment and books	$ 422,887	$ 188,503	$ -	$ 611,390
Less accumulated depreciation for:				
Equipment and books	(207,272)	(183,604)	-	(390,876)
Library Board capital assets, net	$ 215,615	$ 4,899	$ -	$ 220,514

6 - 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.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. 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 limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for January through December 2007 was 5.31%. The employer contributions to KPERS for the years ended December 31, 2007, 2006 and 2005 were $ 206,588, $ 153,689, and $ 139,353, respectively, equal to the statutory required contributions for each year. The KP&F employer rate established for calendar year 2007 is 14.02%. 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, 2007, 2006 and 2005 were $ 303,311, $ 274,464, and $ 197,332, respectively, equal to the required contributions for each year.

7 - 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.

8 - Capital Projects

The City has the following projects in progress at December 31, 2007:

	Costs to Date	Amount Authorized
Governmental improvements	$ 1,705,110	$ 4,468,210
Benefit districts	3,863,794	5,687,345
Sewer improvements	39,785	513,420
Water improvements	4,132	24,000
	$ 5,612,821	$ 10,692,975

9 - 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.

General obligation bonds payable at December 31, 2007 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2007	Outstanding December 31, 2007
General Obligation Bonds:					
Governmental activities:					
2001A improvement	3.55-4.70%	$ 4,510,000	12/1/2012	$ 14,240	$ 1,118,858
2001B refunding and improvement	3.80-5.50%	4,520,000	12/1/2015	425,000	1,715,000
2001C improvement	3.85-4.90%	1,100,000	12/1/2021	54,050	1,132,350
2002B refunding and improvement	1.75-3.45%	1,370,000	12/1/2018	22,400	100,800
2003A improvement	2.625-4.25%	7,000,000	6/1/2017	415,000	5,870,000
2003B improvement	2.0-4.0%	1,150,000	12/1/2013	105,000	760,000
2003D improvement	3.0-4.4%	1,500,000	12/1/2019	84,100	1,310,800
2004D refunding and improvement	2.0-4.75%	5,560,000	12/1/2018	470,000	4,585,000
2005A improvement	3.55-5.0%	750,000	12/1/2021	10,200	739,500
2006A refunding and improvement	3.55-4.25%	3,262,983	12/1/2021	25,000	3,147,983
2006B improvement	3.55-5.0%	4,925,000	12/1/2022	-	1,229,724
				$ 1,624,990	$ 21,710,015
Business-type activities:					
2004A refunding and improvement	1.10-5.0%	9,455,000	12/1/2022	$ 315,000	$ 7,830,000
2004B refunding and improvement	1.1-3.6%	3,255,000	12/1/2013	425,000	1,595,000
				$ 740,000	$ 9,425,000

9 - 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
2008	$ 1,806,428	$ 955,163	$ 925,000	$ 376,541
2009	2,087,601	753,230	705,000	355,727
2010	2,192,766	666,935	750,000	338,103
2011	2,304,803	600,324	765,000	315,602
2012	1,912,798	537,107	790,000	290,740
2013-2017	8,057,412	2,039,309	3,330,000	1,016,340
2018-2022	3,348,207	729,095	2,160,000	254,750
	$ 21,710,015	$ 6,281,163	$ 9,425,000	$ 2,947,803

9 - 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, 2007 are comprised of the following issues:

Special Assessment Bonds	Interest Rates	Original Issue	Final Maturity Date	Principal Payment During 2007	Outstanding December 31, 2007
Governmental activities:					
2000-B Improvement	4.60-6.00%	$ 3,755,000	12/16/2016	$ 230,000	$ 245,000
2001-A Improvement	3.70-5.25%	2,355,000	12/1/2021	85,760	496,142
2001-B Refunding & Improvement	4.25-5.00%	5,270,000	12/1/2015	330,000	3,260,000
2001-C Improvement	3.85-5.00%	1,250,000	12/1/2021	60,950	797,650
2002-A Improvement	3.00-5.00%	2,925,000	12/1/2017	175,000	2,220,000
2002-B Refunding & Improvement	1.75-5.00%	3,430,000	12/1/2018	237,600	1,939,200
2003-C Improvement	3.00-3.75%	1,215,000	12/1/2018	70,000	980,000
2003-D Improvement	3.125-4.40%	1,080,000	12/1/2019	60,900	949,200
2004-C Improvement	2.20-4.75%	7,470,000	12/1/2020	410,000	6,965,000
2004-D Refunding & Improvement	2.20-4.75%	1,005,000	12/1/2018	235,000	770,000
2005-A Improvement	3.55-5.00%	720,300	12/1/2021	9,800	710,500
2006-A Refunding & Improvement	3.55-4.25%	3,117,017	12/1/2021	20,000	3,032,017
2006-B Improvement	3.55-5.00%	3,695,276	12/1/2022	-	3,695,276
				$ 1,925,010	$ 26,059,985

9 - 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
2008	$ 2,083,572	$ 1,157,575
2009	2,167,399	1,024,322
2010	2,242,234	950,980
2011	2,320,197	847,506
2012	2,267,202	719,643
2013 - 2017	10,772,588	1,793,307
2018 - 2022	4,206,793	29,870
	$ 26,059,985	$ 6,523,203

Call Provisions

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

Series 2000B: Callable December 1, 2008 at par plus accrued interest
Series 2001A: Callable December 1, 2011 at par plus accrued interest
Series 2001B: Callable December 1, 2011 at par plus accrued interest
Series 2001C: Callable December 1, 2011 at par plus accrued interest
Series 2002A: Callable December 1, 2012 at par plus accrued interest
Series 2002B: Callable December 1, 2010 at par plus accrued interest
Series 2003A: Callable June 1, 2011 at par plus accrued interest
Series 2003B: Callable December 1, 2009 at par plus accrued interest
Series 2003C: Callable December 1, 2012 at par plus accrued interest
Series 2003D: Callable December 1, 2013 at par plus accrued interest
Series 2004C: Callable December 1, 2012 at par plus accrued interest
Series 2004D: Callable December 1, 2012 at par plus accrued interest
Series 2005A: Callable December 1, 2013 at par plus accrued interest
Series 2006A: Callable December 1, 2014 at par plus accrued interest
Series 2006B: Callable December 1, 2014 at par plus accrued interest

9 - 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 2000B	$ 245,000	$ 245,000
Series 2001A	125,000	410,000
Series 2001B	415,000	845,000
Series 2001C	125,000	225,000
Series 2002A	185,000	270,000
Series 2002B	120,000	290,000
Series 2003A	355,000	725,000
Series 2003B	110,000	140,000
Series 2003C	75,000	300,000
Series 2003D	155,000	235,000
Series 2004C	420,000	685,000
Series 2004D	320,000	720,000
Series 2005A	80,000	135,000
Series 2006A	50,000	785,000
Series 2006B	55,000	450,000
Business-type activities:		
Series 2004A	245,000	730,000
Series 2004B	205,000	435,000

Defeased Debt

In prior years, the City 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, 2007, $ 13,870,000 of the bonds that were considered defeased in prior years remained outstanding.

Certificates of Participation

The City issued certificates of participation series 2005-1 in the original amount of $ 985,000 with interest rates ranging from 2.5% to 3.75% and with a final maturity in 2012. Principal payments are scheduled annually ranging from $ 90,000 to $ 105,000. The balance at December 31, 2007 is $ 505,000.

9 - Long-Term Debt (Continued)

Certificates of Participation (Continued)

The City also issued certificates of participation series 2005-2 in the original amount of $ 1,990,000 with interest rates ranging from 2.7% to 4.2% and with a final maturity in 2015. Principal payments are scheduled annually ranging from $ 180,000 to $ 230,000. The balance at December 31, 2007 is $ 1,635,000.

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

	Governmental Activities	
	Principal	Interest
2008	$ 280,000	$ 74,023
2009	295,000	65,283
2010	300,000	55,568
2011	305,000	45,083
2012	295,000	33,859
2013 - 2017	665,000	41,640
	$ 2,140,000	$ 315,456

Capital Leases

The City has entered into the following capital lease:

	Copiers
Cost	$ 15,795
Accumulated depreciation	2,633
Interest rate	not stated
Dated	1/17/2007
Term	3 years

The remaining debt service requirements for the capital leases to be paid with governmental funds are twenty-six monthly payments of $ 439.

2007 amortization of $ 2,633 on the assets acquired through the capital leases has been included in depreciation expense in the governmental activities.

9 - 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, 2007 were as follows:

Issue	Original Amount	Interest Rate	Maturity Date
2006-2	$ 560,000	3.95%	6/1/2008
2007-1	5,020,000	3.65%	12/1/2008
2007-2	4,575,000	3.70%	6/1/2009

All temporary notes issued by the City have initial maturities of at least one year. Therefore, they are considered long-term debt and have been included in long-term liabilities on the statement of net assets.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	$ 23,335,005	$ -	$ 1,624,990	$ 21,710,015	$ 1,806,428
Plus deferred amounts:					
Issuance premiums	419,070	-	36,301	382,769	-
Special assessment debt with government commitment	27,984,995	-	1,925,010	26,059,985	2,083,572
Certificates of participation	2,415,000	-	275,000	2,140,000	280,000
Capital lease obligations	17,555	15,795	21,943	11,407	5,265
Temporary notes	2,360,000	9,595,000	1,800,000	10,155,000	5,580,000
Compensated absences	573,722	429,416	222,496	780,642	222,496
Governmental activities long-term liabilities	$ 57,105,347	$ 10,040,211	$ 5,905,740	$ 61,239,818	$ 9,977,761
Business-type activities:					
General obligation bonds	$ 10,165,000	$ -	$ 740,000	$ 9,425,000	$ 925,000
Plus (less) deferred amounts:				-	
Issuance premiums	285,688	-	17,949	267,739	-
Issuance discounts	(4,252)	-	(615)	(3,637)	-
Compensated absences	-	42,820	9,599	33,221	9,599
Business-type activities long-term liabilities	$ 10,446,436	$ 42,820	$ 766,933	$ 9,722,323	$ 934,599

9 - Long-Term Debt (Continued)

Changes in Long-Term Liabilities (Continued)

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

10 - 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, 2007, 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 deferred revenue. Special assessments receivable at December 31, 2007 was $ 32,670,838.

11 - Interfund Transactions

Interfund transfers for the year ended December 31, 2007 consisted of the following:

Transfers to general fund from:		
Capital projects fund	$	300,000
Transfers to debt service fund from:		
Sewer fund	$	400,000
Nonmajor governmental funds		71,965
	$	471,965
Transfers to nonmajor governmental funds from:		
General fund	$	248,000
Nonmajor governmental funds		10,000
Capital projects fund		161,319
	$	419,319

11 - Interfund Transactions (Continued)

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.

Due to and due from other funds are reported in the financial statements as follows:

Amounts owed from water fund to:		
Sewer fund	$	167,489
General fund		8,913
	$	176,402

The outstanding balance between proprietary funds reflects the balance owed for customer amounts billed by the water fund for sewer charges. The outstanding balance between the water fund and the general fund reflects the balance owed for franchise fees billed by the water fund.

Capital asset transfers of $ 2,031,254 occurred from the governmental activities to the business-type activities and are reported within transfers on the statement of activities.

12 - 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.

12 - Commitments and Contingencies (Continued)

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, 2007, industrial revenue bonds of $ 3,266,956 are outstanding.

13 - Subsequent Events

On May 15, 2008, the City issued $ 2,410,000 of general obligation bonds to finance the construction of certain internal improvements. The interest rate on the bonds ranges from 3% - 4% and the maturity date is December 1, 2016.

On May 15, 2008, the City issued $ 3,650,000 and $ 3,025,000 of Series 2008-1 and 2008-2 temporary notes, respectively, to finance the construction of certain internal improvements. The interest rates on the 2008-1 and 2008-2 temporary notes are 2.70% and 2.76%, respectively, and the maturity dates are March 1, 2009 and June 1, 2009, respectively.

OTHER SUPPLEMENTARY INFORMATION

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.

Law Enforcement – This fund is used to account for ad valorem tax revenue levied for the purchase of police and fire related equipment.

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 – to account 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 and stipend 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.

Economic Development Reserve – This fund is used to accumulate funds over multiple years and to account for various economic development activities.

Equipment Reserve – This fund is used to accumulate funds over multiple years and account for capital outlay purchases in the form of equipment.

Risk Management Reserve – This fund is used to account for monies that the City may transfer from other funds to cover any risk that would otherwise be uninsurable, such as deductibles, etc.

Capital Improvement Reserve – This fund is used to account for monies that the City may transfer from time to time from other funds to finance multi-year capital projects.

Aquatic Park Fund – This fund is used to account 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, 2007

	Special Street and Highway	Special Parks and Recreation	Law Enforcement	Special Drug and Alcohol	Law Enforcement Trust
Assets:					
Cash and cash equivalents	$ 547,579	$ 68,790	$ 37,965	$ 116,626	$ 12,694
Restricted deposits and investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles):					
Taxes	-	-	142,505	-	-
Total assets	$ 547,579	$ 68,790	$ 180,470	$ 116,626	$ 12,694
Liabilities and fund balances:					
Liabilities:					
Accounts payable	$ 10,422	$ -	$ -	$ 58	$ -
Deferred revenue	-	-	142,505	-	-
Total liabilities	10,422	-	142,505	58	-
Fund balances:					
Reserved for encumbrances	-	-	28,989	-	-
Unreserved, undesignated	537,157	68,790	8,976	116,568	12,694
Total fund balances	537,157	68,790	37,965	116,568	12,694
Total liabilities and fund balances	$ 547,579	$ 68,790	$ 180,470	$ 116,626	$ 12,694

Special Revenue Funds							
Library	Library Employee Benefits	Economic Development Reserve	Equipment Reserve	Risk Management Reserve	Capital Improvement Reserve	Aquatic Park	Total Nonmajor Governmental Funds
$ 9,072	$ 5,448	$ 174,230	$ 512,916	$ 15,000	$ 3,346,522	$ 850,535	$ 5,697,377
-	-	-	-	-	-	4,028,529	4,028,529
572,340	65,192	-	-	-	-	314,947	1,094,984
$ 581,412	$ 70,640	$ 174,230	$ 512,916	$ 15,000	3,346,522	$ 5,194,011	$ 10,820,890
$ 853	$ -	$ -	$ -	$ -	$ 43,672	$ -	$ 55,005
572,340	65,192	-	-	-	-	-	780,037
573,193	65,192	-	-	-	43,672	-	835,042
-	-	-	-	-	464,851	-	493,840
8,219	5,448	174,230	512,916	15,000	2,837,999	5,194,011	9,492,008
8,219	5,448	174,230	512,916	15,000	3,302,850	5,194,011	9,985,848
$ 581,412	$ 70,640	$ 174,230	$ 512,916	$ 15,000	$ 3,346,522	$ 5,194,011	$ 10,820,890

CITY OF DERBY, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2007

	Special Street and Highway	Special Parks and Recreation	Law Enforcement	Special Drug and Alcohol	Law Enforcement Trust
Revenues:					
Taxes:					
Property	$ -	$ -	$ 156,359	$ -	$ -
Excise	-	-	441	-	-
Sales	-	-	-	-	-
Intergovernmental	919,234	34,797	-	34,797	-
Charges for services	-	-	-	-	-
Investment earnings	-	-	5	-	58
Other	31,256	-	-	-	10,936
Total revenues	950,490	34,797	156,805	34,797	10,994
Expenditures:					
Current:					
General government	-	-	-	8,940	-
Public works	936,269	-	-	-	-
Public safety	-	-	-	-	5,315
Parks and recreation	-	-	-	-	-
Economic development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	170,802	-	-
Total expenditures	936,269	-	170,802	8,940	5,315
Excess (deficiency) of revenues over (under) expenditures	14,221	34,797	(13,997)	25,857	5,679
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	14,221	34,797	(13,997)	25,857	5,679
Fund balances, beginning of year	522,936	33,993	51,962	90,711	7,015
Fund balances, end of year	$ 537,157	$ 68,790	$ 37,965	$ 116,568	$ 12,694

Special Revenue Funds							
Library	Library Employee Benefits	Economic Development Reserve	Equipment Reserve	Risk Management Reserve	Capital Improvement Reserve	Aquatic Park	Total Nonmajor Governmental Funds
$ 625,406	$ 71,346	$ -	$ -	$ -	$ -	$ -	$ 853,111
1,761	202	-	-	-	-	-	2,404
-	-	-	-	-	-	1,682,190	1,682,190
-	-	-	-	-	-	-	988,828
-	-	-	-	-	-	14,696	14,696
-	-	-	-	-	-	183,820	183,883
47,262	600	-	-	-	-	244,958	335,012
674,429	72,148	-	-	-	-	2,125,664	4,060,124
659,703	77,791	-	-	-	-	-	746,434
-	-	-	-	-	-	-	936,269
-	-	-	-	-	-	-	5,315
-	-	-	-	-	-	310,749	310,749
-	-	20,941	-	-	-	-	20,941
-	-	-	-	-	-	415,000	415,000
-	-	-	-	-	-	204,809	204,809
-	-	-	478,721	-	367,282	-	1,016,805
659,703	77,791	20,941	478,721	-	367,282	930,558	3,656,322
14,726	(5,643)	(20,941)	(478,721)	-	(367,282)	1,195,106	403,802
-	10,000	75,000	73,000	-	261,319	-	419,319
(10,000)	-	(71,965)	-	-	-	-	(81,965)
(10,000)	10,000	3,035	73,000	-	261,319	-	337,354
4,726	4,357	(17,906)	(405,721)	-	(105,963)	1,195,106	741,156
3,493	1,091	192,136	918,637	15,000	3,408,813	3,998,905	9,244,692
$ 8,219	$ 5,448	$ 174,230	$ 512,916	$ 15,000	$ 3,302,850	$ 5,194,011	$ 9,985,848

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, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
State gasoline tax	$ 588,242	$ 610,800	$ 22,558
County gasoline tax	286,810	308,434	21,624
Fuel transfer revenue	26,500	30,878	4,378
Other revenue	-	378	378
Total revenues	901,552	950,490	48,938
Expenditures:			
Personnel services	383,000	396,594	(13,594)
Contractual services	70,100	82,197	(12,097)
Commodities	265,500	220,793	44,707
Capital outlay	487,000	236,685	250,315
Total expenditures	1,205,600	936,269	269,331
Net change in fund balances	(304,048)	14,221	318,269
Fund balances, beginning of year	304,048	522,936	218,888
Fund balances, end of year	$ -	$ 537,157	$ 537,157

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, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Special alcohol tax	$ 34,035	$ 34,797	$ 762
Expenditures:			
Capital outlay	68,495	-	68,495
Net change in fund balances	(34,460)	34,797	69,257
Fund balances, beginning of year	34,460	33,993	(467)
Fund balances, end of year	$ -	$ 68,790	$ 68,790

CITY OF DERBY, KANSAS

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

LAW ENFORCEMENT FUND

Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	$ 154,776	$ 156,800	$ 2,024
Investment earnings	-	5	5
Total revenues	154,776	156,805	2,029
Expenditures:			
Capital outlay	204,900	199,791	5,109
Net change in fund balances	(50,124)	(42,986)	7,138
Fund balances, beginning of year	50,124	51,962	1,838
Fund balances, end of year	$ -	8,976	$ 8,976

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	28,989
GAAP fund balance, end of year	$ 37,965

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, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Special alcohol tax	$ 34,035	$ 34,797	$ 762
Expenditures:			
DARE program	8,500	8,940	(440)
Special fund expenditures	106,268	-	106,268
Total expenditures	114,768	8,940	105,828
Net change in fund balances	(80,733)	25,857	106,590
Fund balances, beginning of year	80,733	90,711	9,978
Fund balances, end of year	$ -	$ 116,568	$ 116,568

CITY OF DERBY, KANSAS

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

LAW ENFORCEMENT TRUST FUND

Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Investment earnings	$ 80	$ 58	$ (22)
Other	-	10,936	10,936
Total revenues	80	10,994	10,914
Expenditures:			
Contractual services	-	5,315	(5,315)
Net change in fund balances	80	5,679	5,599
Fund balances, beginning of year	7,073	7,015	(58)
Fund balances, end of year	$ 7,153	$ 12,694	$ 5,541

CITY OF DERBY, KANSAS

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

LIBRARY FUND

Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	$ 620,129	$ 627,167	$ 7,038
Library stipend	35,000	35,000	-
Other revenue	10,000	12,262	2,262
Total revenues	665,129	674,429	9,300
Expenditures:			
Personnel services	434,000	409,703	24,297
Library stipend	35,000	35,000	-
Library board appropriation	201,200	215,000	(13,800)
Total expenditures	670,200	659,703	10,497
Excess (deficit) of revenues over (under) expenditures	(5,071)	14,726	19,797
Other financing uses:			
Transfers out	(10,000)	(10,000)	-
Net change in fund balances	(15,071)	4,726	19,797
Fund balances, beginning of year	15,071	3,493	(11,578)
Fund balances, end of year	$ -	$ 8,219	$ 8,219

CITY OF DERBY, KANSAS

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

LIBRARY EMPLOYEE BENEFITS FUND

Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	$ 70,776	$ 71,548	$ 772
Other	700	600	(100)
Total revenues	71,476	72,148	672
Expenditures:			
Personnel services	84,363	77,791	6,572
Excess (deficit) of revenues over (under) expenditures	(12,887)	(5,643)	7,244
Other financing sources:			
Transfers in	10,000	10,000	-
Net change in fund balances	(2,887)	4,357	7,244
Fund balances, beginning of year	2,887	1,091	(1,796)
Fund balances, end of year	$ -	$ 5,448	$ 5,448

CITY OF DERBY, KANSAS

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

ECONOMIC DEVELOPMENT RESERVE FUND

Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Expenditures:			
Capital outlay	$ 174,022	$ -	$ 174,022
Contractual	-	20,941	(20,941)
Total expenditures	174,022	20,941	153,081
Other financing sources (uses):			
Transfers in	75,000	75,000	-
Transfers out	(71,965)	(71,965)	-
Total other financing sources and (uses)	3,035	3,035	-
Net change in fund balances	(170,987)	(17,906)	(153,081)
Fund balances, beginning of year	170,987	192,136	21,149
Fund balances, end of year	$ -	$ 174,230	$ 174,230

CITY OF DERBY, KANSAS

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

EQUIPMENT RESERVE FUND

Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Expenditures:			
Capital outlay	$ 125,000	$ 478,721	$ (353,721)
Other financing sources:			
Transfers in	50,000	73,000	23,000
Net change in fund balances	(75,000)	(405,721)	(330,721)
Fund balances, beginning of year	363,637	918,637	555,000
Fund balances, end of year	$ 288,637	$ 512,916	$ 224,279

CITY OF DERBY, KANSAS

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

RISK MANAGEMENT RESERVE FUND

Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
Other financing sources:			
Transfers in	$ 10,000	$ -	$ (10,000)
Fund balances, beginning of year	15,000	15,000	-
Fund balances, end of year	$ 25,000	$ 15,000	$ (10,000)

CITY OF DERBY, KANSAS

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

CAPITAL IMPROVEMENT RESERVE FUND

Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Expenditures:			
Capital outlay	$ 41,200	$ 832,133	$ (790,933)
Other financing sources:			
Transfers in	1,400,000	261,319	(1,138,681)
Net change in fund balances	1,358,800	(570,814)	(1,929,614)
Fund balances, beginning of year	2,636,594	3,408,813	772,219
Fund balances, end of year	$ 3,995,394	2,837,999	$ (1,157,395)

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	464,851
GAAP fund balance, end of year	$ 3,302,850

CITY OF DERBY, KANSAS

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

AQUATIC PARK FUND

Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Sales tax	$ 1,611,620	$ 1,682,190	$ 70,570
Charges for services	30,000	14,696	(15,304)
Investment earnings	107,000	183,820	76,820
Other	74,000	244,958	170,958
Total revenues	1,822,620	2,125,664	303,044
Expenditures:			
Contractual services	270,218	310,749	(40,531)
Capital outlay	117,048	-	117,048
Sponsorship program	10,494	-	10,494
Debt service:			
Principal	415,000	415,000	-
Interest and fiscal charges	205,159	204,809	350
Total expenditures	1,017,919	930,558	87,361
Net change in fund balances	804,701	1,195,106	390,405
Fund balances, beginning of year	3,575,618	3,998,905	423,287
Fund balances, end of year	$ 4,380,319	$ 5,194,011	$ 813,692

CITY OF DERBY, KANSAS

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

DEBT SERVICE FUND

Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes:			
Ad valorem property tax	$ 829,072	$ 824,496	$ (4,576)
Delinquent tax	15,000	115,166	100,166
Motor vehicle tax	186,854	202,835	15,981
Excise tax	-	4,124	4,124
Special assessments	2,629,000	2,822,282	193,282
Investment earnings	75,000	132,108	57,108
Other	402,129	400,029	(2,100)
Total revenues	4,137,055	4,501,040	363,985
Expenditures:			
Principal	3,090,000	3,135,000	(45,000)
Interest	1,809,165	1,707,979	101,186
Commissions	400	-	400
Reserve	300,000	-	300,000
Total expenditures	5,199,565	4,842,979	356,586
Other financing sources:			
Transfers in	471,965	471,965	-
Net change in fund balances	(590,545)	130,026	(720,571)
Fund balances, beginning of year	590,545	721,756	(131,211)
Fund balances, end of year	$ -	$ 851,782	$ (851,782)

CITY OF DERBY, KANSAS

BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT

LIBRARY BOARD

December 31, 2007

Assets:		
Deposits and investments	$	236,177
Prepaid items		16,945
Total assets	$	253,122
Fund balances:		
Unreserved		236,177
Reserved for prepaid items		16,945
Total fund balances	$	253,122

CITY OF DERBY, KANSAS

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

Year Ended December 31, 2007

Revenues:		
Taxes	$	215,000
Fines and fees		46,777
Gifts and grants		61,081
Investment earnings		2,562
Total revenues		325,420
Expenditures:		
Current:		
Education		279,165
Excess of revenues over expenditures		46,255
Fund balance, beginning of year		206,867
Fund balance, end of year	$	253,122

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Derby, Kansas (the City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Library Board and El Paso Water Company, Inc. component units were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not extend to those component units.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 btandcocpa.com

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement on the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as Findings 2007-1 and 2007-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Finding 2007-1 to be a material weakness.

Compliance and Other Matters

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

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

This report is intended solely for the information and use of management and the City Council and is not intended to be and should not be used by anyone other than those specified parties.

Berberich Trahan & Co., P.A.

October 30, 2008

CITY OF DERBY, KANSAS

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2007

Finding 2007-1 – Material Weakness

Criteria – The City's general ledger system and internal controls should be designed to ensure the financial statements are reported in accordance with generally accepted accounting principles (GAAP).

Condition – The City does not maintain a general ledger system in accordance with GAAP. The system does not record significant asset and liability accounts which are required to be in conformity with GAAP.

Cause – The City's general ledger system is not capable of recording significant accrual entries.

Effect – Information in such areas as receivables, payables, deferred revenues, long-term debt, and capital assets is not available to elected officials and users within the City's management. As a result of the general ledger not being maintained in conformity with GAAP, there were many significant journal entries that were not identified by the City's internal controls.

Recommendation – We recommend the City record all transactions necessary to report the financial statements in accordance with GAAP.

Management's Response/Corrective Action Plan (Unaudited) – The governing body has authorized the purchase of new financial accounting software that will integrate the fixed asset inventory with the general ledger and accounts payable functions. In addition, the software includes an application to aid in the preparation of the adjusting entries and reports in compliance with GAAP. More importantly, the software will provide an audit trail for every financial number in the final reports.

Finding 2007-2 – Significant Deficiency

Condition – One employee has access to all levels of the accounting system, can make changes to or add vendors and employees, is a signer on the bank account and has the ability to write checks and initiate wire transfers out of the accounting system.

Criteria – Duties and rights within the accounting system should be segregated so that the opportunity to misappropriate assets is minimized to an acceptable level.

Cause – Inappropriate segregation of duties due to a limited number of employees.

Effect – There is the potential that fraud could be committed and not be detected in a timely manner.

Recommendation – We recommend that the City review its assignment of rights within the accounting system so that duties and rights are properly segregated.

Management's Response/Corrective Action Plan (Unaudited) – Due to internal controls outside of the accounting system, City staff does not concur that funds could be misappropriated without collusion of two or more employees, but management chose to add an additional accounting staff person in 2008 to initiate appropriate segregation of duties.

CITY OF DERBY, KANSAS

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Year Ended December 31, 2007

There were no prior year findings.

Statistical Section

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 ASSETS BY COMPONENT

LAST FIVE FISCAL YEARS
(accrual basis of accounting)

	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt	$ 17,014,949	$ 21,901,502	$ 16,700,736	$ 20,317,425	$ 2,460,474
Restricted	10,743,833	3,327,203	2,658,303	4,695,359	25,365,485
Unrestricted	4,471,452	5,877,348	7,932,868	9,374,863	9,236,969
Total governmental activities net assets	$ 32,230,234	$ 31,106,053	$ 27,291,907	$ 34,387,647	$ 37,062,928
Business-type activities					
Invested in capital assets, net of related debt	$ 3,920,445	$ 9,587,315	$ 11,666,137	$ 12,493,073	$ 11,095,864
Restricted	3,731,368	1,408,390	1,977,816	1,602,173	-
Unrestricted	4,544,419	5,545,666	5,535,662	7,419,251	5,868,702
Total business-type activites net assets	$ 12,196,232	$ 16,541,371	$ 19,179,615	$ 21,514,497	$ 16,964,566
Primary Government					
Invested in capital assets, net of related debt	$ 20,935,394	$ 31,488,817	$ 28,366,873	$ 32,810,498	$ 13,556,338
Restricted	14,475,201	4,735,593	4,636,119	6,297,532	25,365,485
Unrestricted	9,015,871	11,423,014	13,468,530	16,794,114	15,105,671
Total primary government net assets	$ 44,426,466	$ 47,647,424	$ 46,471,522	$ 55,902,144	$ 54,027,494

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

CITY OF DERBY, KANSAS

CHANGES IN NET ASSETS

LAST FIVE FISCAL YEARS
(accrual basis of accounting)

	2003	2004	2005	2006	2007
Expenses					
Governmental Activities:					
General government	$ 2,933,312	$ 3,097,161	$ 1,624,054	$ 3,158,621	$ 6,528,065
Public safety	3,476,639	3,473,289	2,956,415	3,118,695	3,627,751
Public works	2,212,081	-	-	-	3,074,251
Engineering,operations and parks	-	1,762,390	4,644,701	3,757,690	-
Culture and recreation	1,273,060	1,133,832	-	-	1,391,811
Personnel benefits and services	-	-	2,531,680	2,355,619	-
Economic development	-	-	-	-	98,832
Interest on long-term debt	2,079,979	2,659,214	2,153,275	1,789,762	2,292,887
Other	-	-	422,743	397,316	-
Total government activites expenses	11,975,071	12,125,886	14,332,868	14,577,703	17,013,597
Business-type activities:					
Water	1,709,005	2,522,211	2,725,404	3,032,050	3,272,956
Sewer	1,407,506	1,488,600	1,342,472	1,530,518	1,587,971
Aquatic park	-	268,755	790,025	617,745	-
Total business-type activities expenses	3,116,511	4,279,566	4,857,901	5,180,313	4,860,927
Total primary government expenses	$ 15,091,582	$ 16,405,452	$ 19,190,769	$ 19,758,016	$ 21,874,524
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	$ 719,579	$ 677,884	$ 667,399	$ 599,648	$ 1,151,702
Public safety	410,528	462,507	412,595	493,627	223,984
Public works	-	-	319,339	307,645	357,911
Culture and recreation	-		-	-	669,808
Other	-	-	274,914	-	-
Operating grants and contributions	86,204	253,051	-	55,713	1,108,702
Capital grants and contributions	100,000	100,000	533,782	-	77,014
Total governmental activities program revenues	1,316,311	1,493,442	2,208,029	1,456,633	3,589,121
Business-type activities					
Charges for services:					
Water	3,789,824	3,020,041	3,225,794	3,476,909	2,764,724
Sewer	2,112,574	2,055,306	2,060,332	2,203,799	2,300,870
Aquatic park	-	-	241,803	239,223	-
Sales Tax for aquatic park	-	1,489,378	1,658,805	1,584,841	-
Total business-type activities program revenues	5,902,398	6,564,725	7,186,734	7,504,772	5,065,594
Total primary government program revenues	$ 7,218,709	$ 8,058,167	$ 9,394,763	$ 8,961,405	$ 8,654,715
Net (Expense)/Revenue					
Governmental activities	$ (10,658,760)	$(10,632,444)	$(12,124,739)	$(13,121,070)	$(13,424,476)
Business-type activities	2,785,887	2,285,159	2,328,833	2,324,459	204,667
Total primary government net expense	$ (7,872,873)	$ (8,347,285)	$ (9,795,906)	$(10,796,611)	$(13,219,809)

CITY OF DERBY, KANSAS

CHANGES IN NET ASSETS
(Continued)

LAST FIVE FISCAL YEARS
(accrual basis of accounting)

	2003	2004	2005	2006	2007
General Revenues and Other Changes in Net Assets					
Governmental Activities					
Taxes					
Property taxes - general	$ 4,734,042	$ 5,198,008	$ 5,796,069	$ 6,184,970	$ 7,658,300
Sales tax, vehicle, gasoline and other	3,927,899	4,541,053	4,538,190	4,961,890	-
Sales taxes	-	-	-	-	4,808,717
Franchise taxes	1,190,564	1,173,718	1,312,394	1,338,786	1,365,716
Excise taxes		-	-	-	21,282
Special assessments	2,493,717	2,500,764	2,459,857	2,812,053	-
Investment earnings/interest	125,531	191,328	333,020	714,666	1,260,508
Reimbursements, etc	647,432	576,847	301,816	2,086,711	-
Transfers	1,031,965	1,217,734	261,529	400,000	(1,631,254)
Other	-	-	-	1,717,734	-
Reclassifications/adjustments	-	(5,891,189)	(6,692,182)	-	-
Total Governmental Activities	14,151,150	9,508,263	8,310,693	20,216,810	13,483,269
Business type activities:					
Investment earnings/interest	95,171	79,279	166,898	410,423	264,971
Reclassifications/adjustments	-	3,137,297	391,042	-	-
Transfers	(335,000)	(1,156,596)	(248,529)	(400,000)	1,631,254
Total business-type activities	(239,829)	2,059,980	309,411	10,423	1,896,225
Total primary government	$ 13,911,321	$ 11,568,243	$ 8,620,104	$ 20,227,233	$ 15,379,494
Change in Net Assets					
Governmental activities	$ 3,492,390	$ (1,124,181)	$ (3,814,046)	$ 7,095,740	$ 58,793
Business-type activities	2,546,058	4,345,139	2,594,570	2,295,582	2,100,892
Total primary government	$ 6,038,448	$ 3,220,958	$ (1,219,476)	$ 9,391,322	$ 2,159,685

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

CITY OF DERBY, KANSAS

FUND BALANCES, GOVERNMENTAL FUNDS

LAST FIVE FISCAL YEARS
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	
General Fund						
Reserved	$ -	$ 101,331	$ -	$ -	$ 416,859	
Unreserved	1,629,546	1,959,011	2,194,825	2,708,400	5,656,648	[1]
Total general fund	$ 1,629,546	$ 2,060,342	$ 2,194,825	$ 2,708,400	$ 6,073,507	
All Other Governmental Funds						
Reserved	$ 4,218,493	$ 1,059,306	$ 2,658,303	$ 4,690,652	$ 4,558,219	
Unreserved reported in:						
Debt service fund	-	-	-	-	851,782	
Special revenue funds	4,987,559	3,817,006	4,979,931	5,863,141	9,492,008	[1]
Capital projects fund	6,525,340	2,267,897	-	-	1,681,863	
Total all other governmental funds	$ 15,731,392	$ 7,144,209	$ 7,638,234	$ 10,553,793	$ 16,583,872	

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

CITY OF DERBY, KANSAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST FIVE FISCAL YEARS
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007
Revenues					
Taxes:					
Property - general	$ 3,692,184	$ 4,042,374	$ 4,638,040	$ 4,944,060	$ 7,658,300
Property - debt service	1,041,858	1,155,634	1,158,029	1,240,910	-
Excise	-	-	-	-	21,282
Sales	-	-	-	-	4,808,717
Sales, vehicle, gasoline & other	3,903,684	4,541,053	4,538,190	4,896,081	-
Franchise	1,190,564	1,173,718	1,312,394	1,370,703	1,365,716
Special assessments	2,493,717	2,500,764	2,459,857	2,812,053	2,822,282
Intergovernmental	-	-	-	-	1,122,390
Rents,licenses,fees,fines,reimbursements	1,174,788	2,104,437	2,969,279	2,065,595	-
License & permits	-	-	-	-	419,733
Charges for services	726,966	-	-	-	40,250
Fines & fees	-	-	-	-	756,687
State, county and other aid	-	-	808,696	179,353	-
Miscellaneous	-	-	333,020	1,535,139	1,121,723
Interest on investments	125,531	191,328	-	705,042	1,260,508
Total Revenues	14,349,292	15,709,308	18,217,505	19,748,936	21,397,588
Expenditures					
General Government	2,852,738	3,074,661	1,561,384	2,499,837	5,943,541
Public works	1,286,355	-	-	-	1,643,286
Public safety	3,032,043	3,206,664	2,554,141	2,801,331	3,128,064
Culture and recreation	1,210,919	1,125,142	-	-	-
Engineering,operations and parks	-	1,397,765	2,237,341	1,856,622	-
Parks and recreation	-	-	-	-	981,889
Economic development	-	-	-	-	98,832
Personnel benefits and services	-	-	2,531,680	2,355,619	-
Utilities	-	-	458,333	506,212	-
Other	-	-	400,531	397,316	-
Capital outlay	7,791,149	10,463,021	6,133,841	2,793,203	7,794,710
Debt service					
Principal	5,235,000	10,860,000	5,305,000	7,560,000	5,646,943
Interest	2,158,485	2,805,792	2,153,275	2,949,985	2,153,061
Total Expenditures	23,566,689	32,933,045	23,335,526	23,720,125	27,390,326
Excess of revenues over/(under) expenditures	(9,217,397)	(17,223,737)	(5,118,021)	(3,971,189)	(5,992,738)
Other Financing Sources (Uses)					
Capital Leases	(328,197)	-	-	-	15,795
Proceeds of general obligation bonds	11,945,000	7,489,247	1,470,000	4,926,194	-
Transfers in (out), net	412,972	1,007,649	261,529	112,029	400,000
Proceeds from temporary notes	6,850,000	2,200,000	4,045,000	2,354,078	9,595,000
Total other financing sources (uses)	18,879,775	10,696,896	5,776,529	7,392,301	10,010,795
Net change in fund balance	$ 9,662,378	$ (6,526,841)	$ 658,508	$ 3,421,112	$ 4,018,057
Debt service as a percentage of noncapital expenditures	46.87%	60.82%	43.36%	50.22%	39.80%

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
1998	$ 107,274,923	$ 3,604,578	$4,201,470	$ 38,593,150	$ 76,487,821	$ 40	$ 532,159,684	14.37%
1999	141,230,938	4,109,201	4,476,162	65,543,030	84,273,271	41	571,336,595	14.75%
2000	147,448,470	4,393,912	3,481,958	66,588,280	88,736,060	46	632,238,197	14.04%
2001	154,675,644	6,366,099	3,846,155	70,710,160	94,177,738	52	672,292,111	14.01%
2002	167,926,498	6,231,491	3,703,175	75,195,140	102,666,024	46	712,809,392	14.40%
2003	185,287,256	6,379,490	3,924,824	85,414,650	110,176,920	46	773,809,392	14.24%
2004	195,189,983	5,919,174	4,403,424	89,765,620	115,746,961	48	870,949,863	13.29%
2005	210,729,712	7,033,631	4,549,508	93,380,010	128,932,841	48	955,817,018	13.49%
2006	224,979,865	7,068,330	4,651,299	99,961,630	136,737,864	48	1,017,592,407	13.44%
2007	242,117,250	6,423,097	4,642,803	105,529,310	147,653,840	48	1,107,256,740	13.34%

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
1998	$ 14.572	$ 7.292	$ 18.320	$ 40.184	$ -	$ 46.218	$ 29.638	$ 1.500	$117.540
1999	7.182	13.206	20.442	40.830	0.870	40.983	28.699	1.500	112.882
2000	12.520	11.910	21.205	45.635	0.777	55.683	28.600	1.500	132.195
2001	18.004	8.131	26.140	52.275	0.727	57.751	28.654	1.500	140.907
2002	14.175	9.606	22.159	45.940	0.682	57.997	28.776	1.500	134.895
2003	13.837	9.561	22.392	45.790	0.640	49.555	28.817	1.500	126.302
2004	15.125	8.265	24.941	48.331	0.639	54.868	28.763	1.500	134.101
2005	15.216	9.369	23.767	48.352	1.627	52.082	28.758	1.500	132.319
2006	36.550	6.187	5.439	48.176	1.622	53.967	31.315	1.500	136.580
2007	36.502	6.203	5.450	48.155	1.272	51.405	31.333	1.500	133.665

Source: Sedgwick County Clerk's Office

CITY OF DERBY, KANSAS

PRINICPAL PROPERTY TAX PAYERS

CURRENT YEAR AND NINE YEARS AGO

	2007			1999		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Walmart	$ 2,874,205	1	1.95%	$ 2,119,021	1	2.51%
Lowes Home Center	2,659,723	2	1.80%			
KG& E Western Resources	1,721,660	3	1.17%	1,264,168	3	1.50%
The Greens at Derby	1,713,501	4	1.16%			
Southwestern Bell	1,664,038	5	1.13%	1,320,016	2	1.57%
Derby Gold & Country club	1,065,455	6	0.72%			
Bristol Square LLC	831,400	7	0.56%			
Warren Family LLC	778,441	8	0.53%			
Derby Group LLC.	695,000	9	0.47%	684,751	5	0.81%
Rockport PB Investments LP	604,300	10	0.41%			
El Paso Water Co				994,184	4	1.18%
Derby Partners				480,751	6	0.57%
Kansas Gas Service				426,855	7	0.51%
City of Derby				409,799	8	0.49%
Walmart Stores Inc				364,063	9	0.43%
Family Health Clinic				303,616	10	0.36%
Total	$ 14,607,723		9.89%	$ 8,367,224		9.93%

Source: Sedgwick County Clerk

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
1998	$ 2,632,193	$ 2,594,998	98.59%	$ 33,171	$ 2,628,169	99.85%	$ 33,171	1.26%
1999	2,820,272	2,776,794	98.46%	21,735	2,798,529	99.23%	21,735	0.77%
2000	3,397,085	3,321,756	97.78%	39,710	3,361,466	98.95%	39,710	1.17%
2001	4,064,929	3,988,027	98.11%	55,302	4,043,329	99.47%	55,302	1.36%
2002	4,314,533	4,208,822	97.55%	55,902	4,264,724	98.85%	55,902	1.30%
2003	4,702,164	4,596,806	97.76%	58,455	4,655,261	99.00%	58,455	1.24%
2004	5,046,150	4,953,417	98.16%	152,917	5,106,334	101.19%	152,917	3.03%
2005	5,590,594	5,487,092	98.15%	315,150	5,802,242	103.79%	315,150	5.64%
2006	6,241,170	6,089,477	97.57%	86,443	6,175,920	98.95%	86,443	1.39%
2007	6,596,052	6,446,254	97.73%	65,373	6,175,920	93.63%	65,373	0.99%

Source: Sedgwick County Treasurer's Office

CITY OF DERBY, KANSAS

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Legal debt limit	$ 34,524,291	$ 44,944,890	$ 46,597,302	$ 49,466,369	$ 53,358,349	$ 58,677,471	$ 61,653,774	$ 66,693,855	$ 71,009,848	$ 75,954,945
Total net debt applicable to debt limit	21,316,107	19,642,573	26,930,981	34,408,416	37,095,008	46,395,758	43,058,035	42,106,374	44,313,245	46,918,218
Legal debt margin	$ 13,208,184	$ 25,302,317	$ 19,666,321	$ 15,057,953	$ 16,263,341	$ 12,281,713	$ 18,595,739	$ 24,587,481	$ 26,696,603	$ 29,036,727
Legal debt margin as a percentage of debt limit	61.74%	43.70%	57.80%	69.56%	69.52%	79.07%	69.84%	63.13%	62.40%	61.77%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	$ 147,653,840
Add back: exempt real property	105,529,310
Total assessed value	$ 253,183,150
Debt limit (30% of total assessed value)	75,954,945
Debt applicable to limit:	
General obligation bonds	47,770,000
Less: amount set aside for repayment of general obligation debt	(851,782)
Total net debt applicable to limit	$ 46,918,218

Note: Per Kansas Statutes Annotated ("K.S.A.") Section 10-308, "The authorized and outstanding bonded indebedness 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	Revenue Bonds	General Obligation Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita	Current Population
1998	$ 21,405,000	$ 6,640,000	$ 1,190,000	$ 247,451	$ 5,750,000	$ -	$ 9,418	$ 35,241,869	N/A	$ 1,977.99	17,817
1999	19,725,000	12,440,000	1,297,000	344,983	12,255,000	-	-	46,061,983	N/A	2,442.96	18,855
2000	26,975,000	5,050,000	1,177,000	333,821	11,870,000	-	-	45,405,821	N/A	2,549.89	17,807
2001	34,805,000	6,060,000	4,182,000	623,075	11,360,000	-	-	57,030,075	N/A	3,087.88	18,469
2002	37,410,000	2,340,000	3,845,000	408,452	14,095,000	-	-	58,098,452	N/A	3,085.75	18,828
2003	46,765,000	6,850,000	3,540,000	186,749	13,395,000	-	-	70,736,749	N/A	3,695.75	19,140
2004	43,620,000	1,450,000	3,230,000	137,515	-	19,710,000	-	68,147,515	N/A	3,355.53	20,309
2005	42,790,000	4,045,000	2,780,000	56,281	-	17,730,000	-	67,401,281	N/A	3,280.99	20,543
2006	45,035,000	2,360,000	2,415,000	17,555	-	16,450,000	-	66,277,555	N/A	3,192.71	20,759
2007	47,770,000	10,155,000	2,140,000	11,407	-	9,425,000	-	69,501,407	N/A	3,293.75	21,101

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	Percentage of Estimated Actual Taxable Value of Property	Per Capita
1998	$ 21,405,000	$ 88,893	$ 21,316,107	27.87%	$ 1,130.53
1999	19,725,000	82,427	19,642,573	23.31%	1,041.77
2000	26,975,000	44,019	26,930,981	30.35%	1,512.38
2001	34,805,000	396,584	34,408,416	36.54%	1,863.04
2002	37,410,000	314,992	37,095,008	36.13%	1,970.20
2003	46,765,000	369,242	46,395,758	42.11%	2,424.02
2004	43,620,000	561,965	43,058,035	37.20%	2,120.15
2005	42,790,000	683,626	42,106,374	32.66%	2,049.67
2006	45,035,000	721,755	44,313,245	32.41%	2,134.65
2007	47,770,000	851,782	46,918,218	31.78%	2,223.51

CITY OF DERBY, KANSAS

GOVERNMENTAL ACTIVITIES DIRECT AND OVERLAPPING DEBT

December 31, 2007

Taxing Body	Debt Amount	Debt As of	City's Share Percent	City's Share Amount	Per Capita
Estimated Overlapping debt:					
Sedgwick County	$ 92,268,650	11/15/2007	4.20%	$ 3,875,283	$ 183.65
USD No. 260	16,585,000	11/15/2007	52.90%	8,773,465	415.78
Total Overlapping Debt				$ 12,648,748	$ 599.44
City of Derby Direct Debt	$ 67,350,000			$ 67,350,000	$ 3,191.79
Direct and estimated overlapping debt	$ 176,203,650			$ 92,647,496	$ 4,390.67

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]	School Enrollment[3]	Unemployment Rate[2] (Sedgwick County)
1998	17,817	$12,216,577	438,679	$ 27,271	6,857	3.3%
1999	18,855	12,274,100	448,050	27,167	6,997	3.3%
2000	17,807	12,900,403	452,869	28,444	6,824	4.2%
2001	18,469	14,062,119	456,372	30,813	6,800	4.1%
2002	18,828	14,083,819	460,318	30,596	6,743	6.0%
2003	19,140	14,267,019	461,526	30,913	6,729	6.9%
2004	20,309	15,313,398	462,646	33,100	6,694	6.2%
2005	20,543	16,540,366	465,305	35,547	6,680	5.5%
2006	20,759	18,211,277	469,321	38,803	6,597	4.5%
2007	21,101	17,502,523	476,026	36,768	6,598	4.0%

Data Sources:

[1]Bureau of the Census

[2]US Bureau of Labor Statistics

[3]Kansas State Department of Education

CITY OF DERBY, KANSAS

PRINCIPAL EMPLOYERS

AS OF DECEMBER 31, 2007

	2007		
Employer	Employees	Rank	Percentage of Total City Employment
USD 260	1,173	1	19.25%
Walmart	521	2	8.55%
Dillons	200	3	3.28%
Lowe's Home Improvement	200	4	3.28%
City of Derby	174	6	2.86%
Applebees	155	5	2.54%
Westview Manor	130	7	2.13%
Shared Services - Division of Wal Mart	115	8	1.89%
Kohl's	110	9	1.81%
Village Inn	65	10	1.07%
Total City Employment	6,093		

Note: Derby City Clerk's Office
Information from 1999 not available.

CITY OF DERBY, KANSAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TWO FISCAL YEARS

Function/Program	2006	2007
General Government		
City Manager	5	7.5
Community Services		
Finance	11.5	11
Municipal court	5	4
Human Resources		
Economic Development	2	2
Operations	9.5	9.5
Community Development/Engineering	23	23.5
Public Safety		
Police	52	52.5
Animal Control		
Fire	10.5	11.5
Community Resources		
Public Works	34	34
Total	152.5	155.5

Data Source: City of Derby 2007 Operating Budget

Note: Information from 1998 through 2005 not available.

CITY OF DERBY, KANSAS

OPERATING INDICATORS BY PROGRAMMING YEAR

LAST TWO FISCAL YEARS

Program/Function	Fiscal Year 2006	2007
Police		
Dispatched Calls	21,808	24,651
Offenses	2,653	2,845
Offenses Cleared	1,998	2,074
Arrests	1,864	1,901
Serious Offenses	787	831
Fire		
Emergency Responses	1,402	1,558
First Responder/Medical	1,030	1,113
Life Safety Inspections	450	464
Water		
New Connections	349	136
Water Main Breaks	17	12
Average Daily Consumption	2,175,595	2,003,162
Peak Daily Consumption	4,351,100	4,252,700
Wastewater		
Average Daily Sewage Treatment	1,800,000	1,840,000

Note: Information from 1998 through 2005 not available.

CITY OF DERBY, KANSAS

CAPITAL ASSET STATISTICS BY PROGRAM/FUNCTION

LAST TWO FISCAL YEARS

Program/Function	Fiscal Year 2006	2007
Police		
Stations	1	1
Patrol units	12	14
Fire Stations	2	2
Public Works		
Streets(lane miles)	276.2	287.3
Traffic Signals	15	15
Culture and Recreation		
Acreage	297	297
Playgrounds	18	18
Baseball/Softball diamonds	24	24
Aquatic Park	1	1
Water		
Water Meter Station	1	1
Water mains(miles)	119	123.4
Fire hydrants	856	893
Storage capacity(000's gallons)	2,500,000	2,500,000
Wastewater		
Sanitary Sewers(miles	111.2	115.7
Storm Sewer(combined,miles)	32.1	33.3
Treatment capacity (gallons per day)	2,500,000	2,500,000

Source: City of Derby GIS Department

Note: Information from 1998 through 2005 not available.