

PRELIMINARY OFFICIAL STATEMENT

NEW ISSUE – BOOK-ENTRY ONLY

**RATING (S&P): “AA”
See “Ratings” herein**

*In the opinion of Gilmore & Bell, P.C., Bond Counsel to the Issuer, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”): (1) the interest on the Bonds [(including any original issue discount properly allocable to an owner thereof)] is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; (2) the interest on the Bonds is exempt from income taxation by the State of Kansas; and (3) the Bonds have **not** been designated as “qualified tax-exempt obligations” within the meaning of Code § 265(b)(3). Bond Counsel notes that for tax years beginning after December 31, 2022, interest on the Bonds may be included in adjusted financial statement income of applicable corporations for purposes of determining the applicability and amount of the federal corporate alternative minimum tax. See “TAX MATTERS” in this Official Statement.*

\$19,685,000*
CITY OF DERBY, KANSAS
GENERAL OBLIGATION BONDS
SERIES 2024-A

Dated: November 13, 2024

Due: December 1, As shown on the inside cover

The General Obligation Bonds, Series 2024-A (the “Bonds”) will be issued by the City of Derby, Kansas (the “Issuer”), as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denominations of \$5,000 or any integral multiple thereof (the “Authorized Denomination”). Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bond owners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as herein defined) of the Bonds. Principal will be payable annually on December 1, beginning in 2026, and semiannual interest will be payable on June 1 and December 1, beginning on June 1, 2025 (the “Interest Payment Dates”). Principal will be payable upon presentation and surrender of the Bonds by the registered owners thereof at the office of the Treasurer of the State of Kansas, Topeka, Kansas, as paying agent and bond registrar (the “Paying Agent” and “Bond Registrar”). Interest payable on each Bond shall be paid to the persons who are the registered owners of the Bonds as of the close of business on the fifteenth day (whether or not a business day) of the calendar month preceding each interest payment date by check or draft of the Paying Agent mailed to such registered owner, or in the case of an interest payment to a registered owner of \$500,000 or more in aggregate principal amount of Bonds, by electronic transfer. So long as DTC or its nominee, Cede & Co., is the Owner of the Bonds, such payments will be made directly to DTC. DTC is expected, in turn, to remit such principal and interest to the DTC Participants (herein defined) for subsequent disbursement to the Beneficial Owners.

The Bonds and the interest thereon will constitute general obligations of the Issuer, payable in part from special assessments levied upon the property benefited by the construction of certain public improvements, and if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer, with the balance payable from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer.

MATURITY SCHEDULE LISTED ON INSIDE COVER PAGE

At the option of the Issuer, Bonds maturing on December 1, 2034, and thereafter will be subject to redemption and payment prior to maturity on December 1, 2033, or thereafter as described herein. [The Term Bonds are also subject to mandatory redemption as described herein.] See “THE BONDS - Redemption Provisions” herein.

The Bonds are offered when, as and if issued by the Issuer, subject to the approval of legality by Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel to the Issuer. Certain other legal matters will be passed upon by Jacqueline Kelly, Esq., counsel for the Issuer. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about November 13, 2024.

**BIDS WILL BE RECEIVED ON OCTOBER 17, 2024
UNTIL 11:00 A.M., APPLICABLE CENTRAL TIME**

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. THE COVER PAGE IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. “APPENDIX C – SUMMARY OF FINANCING DOCUMENTS” CONTAINS DEFINITIONS USED IN THIS OFFICIAL STATEMENT.

The date of this Preliminary Official Statement is October 3, 2024.

* Subject to change

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\$19,685,000*
CITY OF DERBY, KANSAS
GENERAL OBLIGATION BONDS
SERIES 2024-A

MATURITY SCHEDULE

[SERIAL BONDS]

<u>Stated Maturity</u> <u>December 1</u>	<u>Principal</u> <u>Amount*</u>	<u>Annual Rate</u> <u>of Interest</u>	<u>Initial Offering</u> <u>Price</u>	<u>CUSIP ¹</u> <u>Base 249776</u>
2026	\$440,000	____%	____%	
2027	465,000			
2028	480,000			
2029	500,000			
2030	515,000			
2031	535,000			
2032	550,000			
2033	575,000			
2034	595,000			
2035	615,000			
2036	535,000			
2037	550,000			
2038	575,000			
2039	595,000			
2040	620,000			
2041	645,000			
2042	665,000			
2043	700,000			
2044	730,000			
2045	765,000			
2046	640,000			
2047	675,000			
2048	705,000			
2049	740,000			
2050	775,000			
2051	815,000			
2052	855,000			
2053	895,000			
2054	945,000			
2055	990,000			

[TERM BONDS]

<u>Stated Maturity</u> <u>December 1</u>	<u>Principal</u> <u>Amount*</u>	<u>Annual Rate</u> <u>of Interest</u>	<u>Initial Offering</u> <u>Price</u>	<u>CUSIP ¹</u> <u>Base 249776</u>
2055	\$	____%	____%	

(All plus accrued interest, if any)

¹ CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc., and is included solely for the convenience of the Owners of the Bonds. Neither the Issuer nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

* Subject to change

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE BONDS ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE SAFETY OF THE BONDS AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS THAT ARE "FORWARD-LOOKING STATEMENTS" AS DEFINED IN THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. WHEN USED IN THIS OFFICIAL STATEMENT, THE WORDS "ESTIMATE," "INTEND," "EXPECT" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTEMPLATED IN SUCH FORWARD-LOOKING STATEMENTS. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF.

THIS PRELIMINARY OFFICIAL STATEMENT IS DEEMED TO BE FINAL (EXCEPT FOR PERMITTED OMISSIONS) BY THE ISSUER FOR PURPOSES OF COMPLYING WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

CITY OF DERBY, KANSAS

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611 N. Mulberry
Derby, Kansas 67037
(316) 788-1519

GOVERNING BODY

Mark A. Staats, Mayor
Mike Neel, Councilmember
Kristi Truitt, Councilmember
Elizabeth Stanton, Councilmember
Wayne Molt, Jr., Councilmember
Rick Coleman, Councilmember
Nick Engle, Councilmember
Chris Unkel, Councilmember
Jenny Webster, Councilmember

ADMINISTRATIVE OFFICERS

CITY MANAGER

Kiel Mangus

DEPUTY CITY MANAGER

Dan Bronson

DIRECTOR OF FINANCE

Megan Sneller

CITY CLERK

Lynn Ciarleglio

DEVELOPMENT DIRECTOR

Daniel J. Squires, P.E.

CITY ATTORNEY

Jacqueline Kelly, Esq.

MUNICIPAL ADVISOR

Baker Tilly Municipal Advisors, LLC
Saint Paul, Minnesota, and
Overland Park, Kansas

BOND COUNSEL

Gilmore & Bell, P.C.
Wichita, Kansas

CERTIFIED PUBLIC ACCOUNTANTS

BT & Co., P.A.
Topeka, Kansas

UNDERWRITER

To be determined at public sale

No dealer, broker, salesperson or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein concerning the Issuer has been furnished by the Issuer and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof. This Official Statement does not constitute a contract between the Issuer or the Underwriter and any one or more of the purchasers, Owners or Beneficial Owners of the Bonds.

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OFFICIAL STATEMENT

\$19,685,000
CITY OF DERBY, KANSAS
GENERAL OBLIGATION BONDS
SERIES 2024-A

INTRODUCTION

General Matters

The purpose of this Official Statement is to furnish information relating to the City of Derby, Kansas (the “Issuer” or the “City”), and the General Obligation Bonds, Series 2024-A (the “Bonds”), of the Issuer, dated November 13, 2024 (the “Dated Date”).

The Appendices to this Official Statement are integral parts of this document, to be read in their entirety.

The Issuer is a municipal corporation duly organized and existing under the laws of the State of Kansas (the “State”). Additional information regarding the Issuer is contained in *APPENDIX A* to this Official Statement.

The materials contained on the cover page, in the body and in the Appendices to this Official Statement are to be read in their entirety. All financial and other information presented herein has been compiled by the Issuer. The presentation of information herein, including tables of receipts from various taxes, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the Issuer. No representation is made that past experience, as might be shown by such financial or other information, will necessarily continue or be repeated in the future. Except to the extent described under the section captioned “LEGAL MATTERS,” Bond Counsel expresses no opinion as to the accuracy or sufficiency of any other information contained herein.

Definitions

Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in “*APPENDIX C – SUMMARY OF FINANCING DOCUMENTS.*”

Continuing Disclosure

The Securities and Exchange Commission (the “SEC”) has promulgated amendments to Rule 15c2-12 (the “Rule”), requiring continuous secondary market disclosure. In connection with the issuance of the Bonds, the Issuer will enter into a continuing disclosure undertaking (the “Disclosure Undertaking”) wherein the Issuer covenants to annually provide certain financial information and operating data (collectively the “Annual Report”) and other information necessary to comply with the Rule, and to transmit the same to the MSRB. Pursuant to the Disclosure Undertaking, the Issuer has agreed to file its Annual Report with the national repository (“EMMA”) not later than the July 31st immediately following the end of the Issuer’s Fiscal Year, commencing with the year ending December 31, 2024. In the Bond Resolution, hereinafter defined, the Issuer covenants with the Underwriter and the Beneficial Owners to apply the provisions of the Disclosure Undertaking to the Bonds. This covenant is for the benefit of and is enforceable by the Beneficial Owners of the Bonds.

The Issuer has previously entered into disclosure undertakings pursuant to the Rule (the “Prior Undertakings”). For the past five years the Issuer has filed its Annual Report within the time period prescribed by the Disclosure Undertaking and Prior Undertakings and believes it has complied in all material respects with its Prior Undertakings. In 2014 the Issuer hired a third-party firm to assist the Issuer in meeting its continuing disclosure obligations.

In addition, the Issuer issued numerous series of general obligation bonds and general obligation temporary notes in 2018 through 2024 payable from the same source of revenue as the Bonds. The official statements for such general obligation bonds and general obligation temporary notes were filed with the MSRB and have the base CUSIP number 249775 and 249776. The Issuer has also issued three series of its Sales Tax Special Obligation Revenue Bonds, which have the base CUSIP number 24978T. The Issuer believes that it has complied in all material respects with the continuing disclosure undertakings relating to those bonds.

For more information regarding the Disclosure Undertaking, see “*APPENDIX D – FORM OF DISCLOSURE UNDERTAKING.*”

Additional Information

Additional information regarding the Issuer or the Bonds may be obtained from the Director of Finance of the Issuer at the address set forth in the preface to this Official Statement, or from the Municipal Advisor, Baker Tilly Municipal Advisors, LLC, Saint Paul, Minnesota and Overland Park, Kansas, Attention: Ben Hart, by phone ((651) 223-3000) or e-mail (bids@bakertilly.com).

THE BONDS

Authority for the Bonds

The Bonds are being issued pursuant to and in full compliance with the Constitution and statutes of the State, including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-620 *et seq.*, K.S.A. 12-6a01 *et seq.* and K.S.A. 13-1024a, as amended by Charter Ordinance No. 56, as amended and supplemented from time to time (collectively the “Act”), an ordinance passed by the governing body of the Issuer and a resolution adopted by the governing body of the Issuer on October 22, 2024 (collectively the “Bond Resolution”).

Security for the Bonds

The Bonds shall be general obligations of the Issuer payable as to both principal and interest in part from special assessments levied upon the property benefitted by the construction of certain public improvements, and if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The balance of the principal and interest on the Bonds is payable from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The full faith, credit and resources of the Issuer are irrevocably pledged for the prompt payment of the principal of and interest on the Bonds as the same become due.

Levy and Collection of Annual Tax, Transfer to Debt Service Account

The governing body of the Issuer shall annually make provision for the payment of principal of, premium, if any, and interest on the Bonds as the same become due by, to the extent necessary, levying and collecting the necessary taxes and/or assessments upon all of the taxable tangible property within the Issuer in the manner provided by law. Such taxes and/or assessments shall be extended upon the tax rolls in each of the several years, respectively, and shall be levied and collected at the same time and in the same manner as the other ad valorem taxes of the Issuer are levied and collected. The proceeds derived from said taxes shall be deposited in the Bond and Interest Fund, shall be kept separate and apart from all other funds of the Issuer, shall thereafter be transferred to the Debt Service Account and shall be used solely for the payment of the principal of and interest on the Bonds as and when the same become due, taking into account any scheduled mandatory redemptions, and the fees and expenses of the Paying Agent.

Description of the Bonds

The Bonds shall consist of fully registered book-entry-only bonds in an Authorized Denomination and shall be numbered in such manner as the Bond Registrar shall determine. All of the Bonds shall be dated as of the Dated Date, shall become due in the amounts on the Stated Maturities, subject to redemption and payment prior to their Stated Maturities, and shall bear interest at the rates per annum set forth on the inside cover page of this Official Statement (computed on the basis of twelve 30-day months) from the later of the Dated Date or the most recent Interest Payment Date to which interest has been paid, on the Interest Payment Dates in the manner hereinafter set forth.

Designation of Paying Agent and Bond Registrar

The Issuer will at all times maintain a paying agent and bond registrar meeting the qualifications set forth in the Bond Resolution. The Issuer reserves the right to appoint a successor paying agent or bond registrar. No resignation or removal of the paying agent or bond registrar shall become effective until a successor has been appointed and has accepted the duties of paying agent or bond registrar. Every paying agent or bond registrar appointed by the Issuer shall at all times meet the requirements of Kansas law [and shall be approved by the Bond Insurer].

The Treasurer of the State of Kansas, Topeka, Kansas (the “Bond Registrar” and “Paying Agent”) has been designated by the Issuer as paying agent for the payment of principal of and interest on the Bonds and bond registrar with respect to the registration, transfer and exchange of Bonds.

Method and Place of Payment of the Bonds

The principal of, or Redemption Price, and interest on the Bonds shall be payable in any coin or currency which, on the respective dates of payment thereof, is legal tender for the payment of public and private debts. The principal or Redemption Price of each Bond shall be paid at Maturity to the Person in whose name such Bond is registered on the Bond Register at the Maturity thereof, upon presentation and surrender of such Bond at the principal office of the Paying Agent.

The interest payable on each Bond on any Interest Payment Date shall be paid to the Owner of such Bond as shown on the Bond Register at the close of business on the Record Date for such interest (a) by check or draft mailed by the Paying Agent to the address of such Owner shown on the Bond Register or at such other address as is furnished to the Paying Agent in writing by such Owner; or (b) in the case of an interest payment to Cede & Co. or any Owner of \$500,000 or more in aggregate principal amount of Bonds, by electronic transfer to such Owner upon written notice given to the Bond Registrar by such Owner, not less than 15 days prior to the Record Date for such interest, containing the electronic transfer instructions including the bank, ABA routing number and account number to which such Owner wishes to have such transfer directed.

Notwithstanding the foregoing, any Defaulted Interest with respect to any Bond shall cease to be payable to the Owner of such Bond on the relevant Record Date and shall be payable to the Owner in whose name such Bond is registered at the close of business on the Special Record Date for the payment of such Defaulted Interest, which Special Record Date shall be fixed as hereinafter specified. The Issuer shall notify the Paying Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be at least 30 days after receipt of such notice by the Paying Agent) and shall deposit with the Paying Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest. Following receipt of such funds the Paying Agent shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment. The Paying Agent shall notify the Issuer of such Special Record Date and shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, by first class mail, postage prepaid, to each Owner of a Bond entitled to such notice not less than 10 days prior to such Special Record Date.

SO LONG AS CEDE & CO., REMAINS THE REGISTERED OWNER OF THE BONDS, THE PAYING AGENT SHALL TRANSMIT PAYMENTS TO THE SECURITIES DEPOSITORY, WHICH SHALL REMIT SUCH PAYMENTS IN ACCORDANCE WITH ITS NORMAL PROCEDURES. See “THE BONDS – Book-Entry Bonds; Securities Depository.”

Payments Due on Saturdays, Sundays and Holidays

In any case where a Bond Payment Date is not a Business Day, then payment of principal, Redemption Price or interest need not be made on such Bond Payment Date but may be made on the next succeeding Business Day with the same force and effect as if made on such Bond Payment Date, and no interest shall accrue for the period after such Bond Payment Date.

Book-Entry Bonds; Securities Depository

The Bonds shall initially be registered to Cede & Co., the nominee for the Securities Depository, and no Beneficial Owner will receive certificates representing their respective interests in the Bonds, except in the event the Bond Registrar issues Replacement Bonds. It is anticipated that during the term of the Bonds, the Securities Depository will make book-entry transfers among its Participants and receive and transmit payment of principal of, premium, if any, and interest on, the Bonds to the Participants until and unless the Bond Registrar authenticates and delivers Replacement Bonds to the Beneficial Owners as described in the following paragraphs.

The Issuer may decide, subject to the requirements of the Operational Arrangements of DTC (or a successor Securities Depository), and the following provisions of this section to discontinue use of the system of book-entry transfers through DTC (or a successor Securities Depository):

(a) If the Issuer determines (1) that the Securities Depository is unable to properly discharge its responsibilities, or (2) that the Securities Depository is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, or (3) that the continuation of a book-entry system to the exclusion of any Bonds being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Bonds; or

(b) if the Bond Registrar receives written notice from Participants having interest in not less than 50% of the Bonds Outstanding, as shown on the records of the Securities Depository (and certified to such effect by the Securities Depository), that the continuation of a book-entry system to the exclusion of any Bonds being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Bonds, then the Bond Registrar shall notify the Owners of such determination or such notice and of the availability of certificates to owners requesting the same, and the Bond

Registrar shall register in the name of and authenticate and deliver Replacement Bonds to the Beneficial Owners or their nominees in principal amounts representing the interest of each, making such adjustments as it may find necessary or appropriate as to accrued interest and previous calls for redemption; provided, that in the case of a determination under (a)(1) or (a)(2) of this paragraph, the Issuer, with the consent of the Bond Registrar, may select a successor securities depository in accordance with the following paragraph to effect book-entry transfers.

In such event, all references to the Securities Depository herein shall relate to the period of time when the Securities Depository has possession of at least one Bond. Upon the issuance of Replacement Bonds, all references herein to obligations imposed upon or to be performed by the Securities Depository shall be deemed to be imposed upon and performed by the Bond Registrar, to the extent applicable with respect to such Replacement Bonds. If the Securities Depository resigns and the Issuer, the Bond Registrar or Owners are unable to locate a qualified successor of the Securities Depository, then the Bond Registrar shall authenticate and cause delivery of Replacement Bonds to Owners, as provided herein. The Bond Registrar may rely on information from the Securities Depository and its Participants as to the names of the Beneficial Owners of the Bonds. The cost of printing, registration, authentication, and delivery of Replacement Bonds shall be paid for by the Issuer.

In the event the Securities Depository resigns, is unable to properly discharge its responsibilities, or is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, the Issuer may appoint a successor Securities Depository provided the Bond Registrar receives written evidence satisfactory to the Bond Registrar with respect to the ability of the successor Securities Depository to discharge its responsibilities. Any such successor Securities Depository shall be a securities depository which is a registered clearing agency under the Securities and Exchange Act of 1934, as amended, or other applicable statute or regulation that operates a securities depository upon reasonable and customary terms. The Bond Registrar upon its receipt of a Bond or Bonds for cancellation shall cause the delivery of the Bonds to the successor Securities Depository in appropriate denominations and form as provided in the Bond Resolution.

Registration, Transfer and Exchange of Bonds

As long as any of the Bonds remain Outstanding, each Bond when issued shall be registered in the name of the Owner thereof on the Bond Register. Bonds may be transferred and exchanged only on the Bond Register as hereinafter provided. Upon surrender of any Bond at the principal office of the Bond Registrar, the Bond Registrar shall transfer or exchange such Bond for a new Bond or Bonds in any Authorized Denomination of the same Stated Maturity and in the same aggregate principal amount as the Bond that was presented for transfer or exchange. Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in a form and with guarantee of signature satisfactory to the Bond Registrar, duly executed by the Owner thereof or by the Owner's duly authorized agent.

In all cases in which the privilege of transferring or exchanging Bonds is exercised, the Bond Registrar shall authenticate and deliver Bonds in accordance with the provisions of the Bond Resolution. The Issuer shall pay the fees and expenses of the Bond Registrar for the registration, transfer and exchange of Bonds. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Bond Registrar, are the responsibility of the Owners of the Bonds. In the event any Owner fails to provide a correct taxpayer identification number to the Paying Agent, the Paying Agent may make a charge against such Owner sufficient to pay any governmental charge required to be paid as a result of such failure.

The Issuer and the Bond Registrar shall not be required (a) to register the transfer or exchange of any Bond that has been called for redemption after notice of such redemption has been mailed by the Paying Agent and during the period of 15 days next preceding the date of mailing of such notice of redemption; or (b) to register the transfer or exchange of any Bond during a period beginning at the opening of business on the day after receiving written notice from the Issuer of its intent to pay Defaulted Interest and ending at the close of business on the date fixed for the payment of Defaulted Interest.

Mutilated, Lost, Stolen or Destroyed Bonds

If (a) any mutilated Bond is surrendered to the Bond Registrar or the Bond Registrar receives evidence to its satisfaction of the destruction, loss or theft of any Bond, and (b) there is delivered to the Issuer and the Bond Registrar such security or indemnity as may be required by each of them, then, in the absence of notice to the Issuer or the Bond Registrar that such Bond has been acquired by a bona fide purchaser, the Issuer shall execute and, upon the Issuer's request, the Bond Registrar shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount. If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the Issuer, in its discretion, may pay such Bond instead of issuing a new Bond. Upon the issuance of any new Bond, the Issuer may require the payment by the Owner of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Paying Agent) connected therewith.

Nonpresentment of Bonds

If any Bond is not presented for payment when the principal thereof becomes due at Maturity, if funds sufficient to pay such Bond have been made available to the Paying Agent all liability of the Issuer to the Owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such funds, without liability for interest thereon, for the benefit of the Owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Bond Resolution or on, or with respect to, said Bond. If any Bond is not presented for payment within four (4) years following the date when such Bond becomes due at Maturity, the Paying Agent shall repay to the Issuer the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Issuer, and the Owner thereof shall be entitled to look only to the Issuer for payment, and then only to the extent of the amount so repaid to it by the Paying Agent, and the Issuer shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Redemption Provisions

Optional Redemption. At the option of the Issuer, Bonds maturing on December 1 in the years 2034, and thereafter, will be subject to redemption and payment prior to their Stated Maturity on December 1, 2033, and thereafter, as a whole or in part (selection of maturities and the amount of Bonds of each maturity to be redeemed to be determined by the Issuer in such equitable manner as it may determine) at any time, at the Redemption Price of 100% (expressed as a percentage of the principal amount), plus accrued interest to the Redemption Date.

[**Mandatory Redemption.** [(a) [] Term Bonds.]The [] Term Bonds shall be subject to mandatory redemption and payment prior to Stated Maturity pursuant to the mandatory redemption requirements hereinafter set forth at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date. The payments which are to be deposited into the Debt Service Account shall be sufficient to redeem, and the Issuer shall redeem on December 1 in each year, the following principal amounts of such [] Term Bonds:

<u>Principal Amount</u> \$	<u>Year</u>
	*

*Final Maturity

[(b) 2055 Term Bonds.]The 2055 Term Bonds shall be subject to mandatory redemption and payment prior to Stated Maturity pursuant to the mandatory redemption requirements hereinafter set forth at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date. The payments which are to be deposited into the Debt Service Account shall be sufficient to redeem, and the Issuer shall redeem on December 1 in each year, the following principal amounts of such 2055 Term Bonds:

<u>Principal Amount</u> \$	<u>Year</u>
	2055*

*Final Maturity

Selection of Bonds to be Redeemed. Bonds shall be redeemed only in an Authorized Denomination. When less than all of the Bonds are to be redeemed and paid prior to their Stated Maturity, such Bonds shall be redeemed in such manner as the Issuer shall determine. Bonds of less than a full Stated Maturity shall be selected by the Bond Registrar in a minimum Authorized Denomination in such equitable manner as the Bond Registrar may determine. In the case of a partial redemption of Bonds by lot when Bonds of denominations greater than a minimum Authorized Denomination are then Outstanding, then for all purposes in connection with such redemption each minimum Authorized Denomination of face value shall be treated as though it were a separate Bond of a minimum Authorized Denomination. If it is determined that one or more, but not all, of the minimum Authorized Denomination of face value represented by any Bond is selected for redemption, then upon notice of intention to redeem such minimum Authorized Denomination, the Owner or the Owner's duly authorized agent shall forthwith present and surrender such Bond to the Bond Registrar: (1) for payment of the Redemption Price and interest to the Redemption Date of such minimum Authorized Denomination of face value called for redemption, and (2) for exchange, without charge to the Owner thereof, for a new Bond or Bonds of the aggregate principal amount of the unredeemed portion of the principal

amount of such Bond. If the Owner of any such Bond fails to present such Bond to the Paying Agent for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the redemption date to the extent of the minimum Authorized Denomination of face value called for redemption (and to that extent only).

Notice and Effect of Call for Redemption. Unless waived by any Owner of Bonds to be redeemed, if the Issuer shall call any Bonds for redemption and payment prior to the Stated Maturity thereof, the Issuer shall give written notice of its intention to call and pay said Bonds to the Bond Registrar[, the Bond Insurer] and the Underwriter. In addition, the Issuer shall cause the Bond Registrar to give written notice of redemption to the Owners of said Bonds. Each of said written notices shall be deposited in the United States first class mail not less than 30 days prior to the Redemption Date.

All official notices of redemption shall be dated and shall contain the following information: (a) the Redemption Date; (b) the Redemption Price; (c) if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption of any Bonds, the respective principal amounts) of the Bonds to be redeemed; (d) a statement that on the Redemption Date the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after the Redemption Date; and (e) the place where such Bonds are to be surrendered for payment of the Redemption Price, which shall be the principal office of the Paying Agent. The failure of any Owner to receive notice given as heretofore provided or an immaterial defect therein shall not invalidate any redemption.

Prior to any Redemption Date, the Issuer shall deposit with the Paying Agent an amount of money sufficient to pay the Redemption Price of all the Bonds or portions of Bonds that are to be redeemed on such Redemption Date. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds to be redeemed shall become due and payable on the Redemption Date, at the Redemption Price therein specified, and from and after the Redemption Date (unless the Issuer defaults in the payment of the Redemption Price) such Bonds or portion of Bonds shall cease to bear interest.

For so long as the Securities Depository is effecting book-entry transfers of the Bonds, the Bond Registrar shall provide the notices specified to the Securities Depository. It is expected that the Securities Depository shall, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of the Securities Depository or a Participant, or failure on the part of a nominee of a Beneficial Owner of a Bond (having been mailed notice from the Bond Registrar, the Securities Depository, a Participant or otherwise) to notify the Beneficial Owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

In addition to the foregoing notice, the Issuer shall provide such notices of redemption as are required by the Disclosure Undertaking. The Paying Agent is also directed to comply with any mandatory or voluntary standards then in effect for processing redemptions of municipal securities established by the State or the Securities and Exchange Commission. Failure to comply with such standards shall not affect or invalidate the redemption of any Bond.

THE DEPOSITORY TRUST COMPANY

1. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each scheduled maturity of the Bonds, and will be deposited with DTC.

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Paying Agent, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of the Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

11. The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

THE PROJECTS

The Bonds are being issued to finance certain public improvements (collectively the “Improvements”), more specifically described as follows:

<u>Project Description</u>	<u>Res. No.</u>	<u>Authority (K.S.A.)</u>	<u>Amount</u>
Foxfire Addition – Paving Phase 1	11-2022	12-6a01 <i>et seq.</i>	\$ 557,993.79
Foxfire Addition – Sanitary Sewer Phase 1	14-2022	12-6a01 <i>et seq.</i>	751,154.36
Foxfire Addition – Storm Water Drain Phase 1	21-2022	12-6a01 <i>et seq.</i>	553,407.19
Foxfire Addition – Water Line Phase 1	23-2022	12-6a01 <i>et seq.</i>	250,635.00
Rock & Kay Addition – Sanitary Sewer	51-2023	12-6a01 <i>et seq.</i>	41,981.67
Rock & Kay Addition – Water Distribution System	52-2023	12-6a01 <i>et seq.</i>	57,777.72
Street Improvements – K-15 and Nelson Drive Construction	77-2023/ 17-2024	13-1024a/ Charter No. 56	857,542.03
Wastewater Master Plan Improvements – Phase 1A	20-2024	13-1024a/ Charter No. 56	<u>16,614,508.24</u>
Total:			\$19,685,000.00

A portion of the costs of the Improvements have been financed by the Refunded Notes, which will be retired from the proceeds of the Bonds.

SOURCES AND USES OF FUNDS

The following table summarizes the sources and uses of funds associated with the issuance of the Bonds:

Sources of Funds:

Principal Amount of the Bonds	\$19,685,000.00
[Available funds of the Issuer]	
[Original Issue Premium]	
[Original Issue Discount]	-
Total	\$

Uses of Funds:

Deposit to Improvement Fund-Project Costs	\$
Deposit to Improvement Fund-Capitalized Interest	
Deposit to Redemption Fund	
Deposit to Costs of Issuance Account	
Underwriter’s Discount	
Total	\$

RISK FACTORS AND INVESTMENT CONSIDERATIONS

A PROSPECTIVE PURCHASER OF THE BONDS DESCRIBED HEREIN SHOULD BE AWARE THAT THERE ARE CERTAIN RISKS ASSOCIATED WITH THE BONDS WHICH MUST BE RECOGNIZED. THE FOLLOWING STATEMENTS REGARDING CERTAIN RISKS ASSOCIATED WITH THE OFFERING SHOULD NOT BE CONSIDERED AS A COMPLETE DESCRIPTION OF ALL RISKS TO BE CONSIDERED IN THE DECISION TO PURCHASE THE BONDS. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD ANALYZE CAREFULLY THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT AND ADDITIONAL INFORMATION IN THE FORM OF THE COMPLETE DOCUMENTS SUMMARIZED HEREIN, COPIES OF WHICH ARE AVAILABLE AND MAY BE OBTAINED FROM THE ISSUER OR THE UNDERWRITER.

Legal Matters

Various state and federal laws, regulations and constitutional provisions apply to the obligations created by the Bonds. There is no assurance that there will not be any change in, interpretation of, or addition to such applicable laws, provisions and regulations which would have a material effect, either directly or indirectly, on the Issuer or the taxing authority of the Issuer.

Limitations on Remedies Available to Owners of Bonds

The enforceability of the rights and remedies of the owners of Bonds, and the obligations incurred by the Issuer in issuing the Bonds, are subject to the following: the federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the United States Constitution; and the reasonable and necessary exercise, in certain unusual situations, of the police power inherent in the State of Kansas and its governmental subdivisions in the interest of serving a legitimate and significant public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy and otherwise, and consequently may involve risks of delay, limitation or modification of their rights.

Debt Service Source

The Bonds are general obligations of the Issuer payable as to both principal and interest, if necessary, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The Legislature may from time to time adopt changes in the property tax system or method of imposing and collecting property taxes within the State. Taxpayers may also challenge the fair market value of property assigned by the county appraiser. The effects of such legislative changes and successful challenges to the appraiser's determination of fair market value could affect the Issuer's property tax collections. If a taxpayer valuation challenge is successful, the liability of the Issuer to refund property taxes previously paid under protest may have a material impact on the Issuer's financial situation. See "**APPENDIX A – FINANCIAL INFORMATION – Property Valuations and Property Tax Levies and Collections.**"

Kansas Public Employees Retirement System

As described in "**APPENDIX A – FINANCIAL INFORMATION – Pension and Employee Retirement Plans,**" the Issuer participates in the Kansas Public Employees Retirement System ("KPERs"), as an instrumentality of the State to provide retirement and related benefits to public employees in Kansas. KPERs administers three statewide defined benefit retirement plans for public employees which are separate and distinct with different membership groups, actuarial assumptions, experience, contribution rates and benefit options. The Issuer participates in the Police and Firemen's Retirement System ("KP&F") and the Public Employees Retirement System – Local Group (the "Plan"). Under existing law, employees make contributions and the Issuer makes all employer contributions to the Plan; neither the employees nor the Issuer are directly responsible for any unfunded accrued actuarial liability ("UAAL"). However, the Plan contribution rates may be adjusted by legislative action over time to address any UAAL. According to KPERs' Valuation Reports, the Local Group had an UAAL of approximately \$2.089 billion in calendar year 2023 and KP&F had an UAAL of approximately \$1.381 billion.

Taxation of Interest on the Bonds

An opinion of Bond Counsel will be obtained to the effect that interest earned on the Bonds is excludable from gross income for federal income tax purposes under current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable rulings and regulations under the Code; however, an application for a ruling has not been made and an opinion of counsel is not binding upon the Internal Revenue Service. There can be no assurance that the present provisions of the Code, or the rules and regulations thereunder, will not be adversely amended or modified, thereby rendering the interest earned on the Bonds includable in gross income for federal income tax purposes.

The Issuer has covenanted in the Bond Resolution and in other documents and certificates to be delivered in connection with the issuance of the Bonds to comply with the provisions of the Code, including those which require the Issuer to take or omit to take certain actions after the issuance of the Bonds. Because the existence and continuation of the excludability of the interest on the Bonds depends upon events occurring after the date of issuance of the Bonds, the opinion of Bond Counsel described under "TAX MATTERS" assumes the compliance by the Issuer with the provisions of the Code described above and the regulations relating thereto. No opinion is expressed by Bond Counsel with respect to the excludability of the interest on the Bonds in the event of noncompliance with such provisions. The failure of the Issuer to comply with the provisions described above may cause the interest on the Bonds to become includable in gross income as of the date of issuance.

Premium on Bonds

[The initial offering prices of certain maturities of the Bonds that are subject to optional redemption are in excess of the respective principal amounts thereof.]Any person who purchases a Bond in excess of its principal amount, whether during the initial offering or in a secondary market transaction, should consider that the Bonds are subject to redemption at par under the various circumstances described under "THE BONDS – Redemption Provisions."

No Additional Interest or Mandatory Redemption upon Event of Taxability

The Bond Resolution does not provide for the payment of additional interest or penalty on the Bonds or the mandatory redemption thereof if the interest thereon becomes includable in gross income for federal income tax purposes. Likewise, the Bond Resolution does not provide for the payment of any additional interest or penalty on the Bonds if the interest thereon becomes subject to income taxation by the State.

Suitability of Investment

The tax exempt feature of the Bonds is more valuable to high tax bracket investors than to investors who are in low tax brackets, and so the value of the interest compensation to any particular investor will vary with individual tax rates. Each prospective investor should carefully examine this Official Statement, including the Appendices hereto, and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment.

Market for the Bonds

Bond Rating. The Bonds have been assigned the financial rating set forth in the section hereof entitled “RATINGS.” There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse affect on the market price of the Bonds.

Secondary Market. There is no assurance that a secondary market will develop for the purchase and sale of the Bonds. Prices of bonds traded in the secondary market, though, are subject to adjustment upward and downward in response to changes in the credit markets. From time to time it may be necessary to suspend indefinitely secondary market trading in the Bonds as a result of financial condition or market position of broker-dealers, prevailing market conditions, lack of adequate current financial information about the Issuer, or a material adverse change in the financial condition of the Issuer, whether or not the Bonds are in default as to principal and interest payments, and other factors which may give rise to uncertainty concerning prudent secondary market practices.

Cybersecurity Risks

Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches could create disruptions or shutdowns of the Issuer and the services it provides, or the unauthorized disclosure of confidential personal, health-related, credit and other information. If a security breach occurs, the Issuer may incur significant costs to remediate possible injury to the affected persons, and the Issuer may be subject to sanctions and civil penalties. Any failure to maintain proper functionality and security of information systems could interrupt the Issuer’s operations, delay receipt of revenues, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its operations, financial condition and results of operations.

In 2023, the Issuer suffered a cybersecurity incident, which has since been resolved. The incident did not result in disruptions to the Issuer’s operations. The Issuer has taken remedial actions, including instituting revised cybersecurity policies and procedures.

Natural Disasters or Terrorist Attacks

The occurrence of a terrorist attack in the Issuer, or natural disasters, such as fires, tornados, earthquakes, floods or droughts, could damage the Issuer and its systems and infrastructure, and interrupt services or otherwise impair operations of the Issuer.

Potential Impacts Resulting from Epidemics or Pandemics

The Issuer’s finances may be materially adversely affected by unforeseen impacts of future epidemics and pandemics, such as the Coronavirus (COVID-19) pandemic. The Issuer cannot predict future impacts of epidemics or pandemics, any similar outbreaks, or their impact on travel, on assemblies or gatherings, on the local, State, national or global economy, or on securities markets, or whether any such disruptions may have a material adverse impact on the financial condition or operations of the Issuer, including but not limited to the payment of debt service on any of its outstanding debt obligations.

[BOND INSURANCE

This section to be included only if the winning bidder for the Bonds purchases a bond insurance policy for the Bonds.]

RATINGS

S&P Global Ratings, a division of S&P Global Inc. has assigned an independent rating of “AA” to the Bonds. If the successful bidder elects to purchase the Bonds with municipal bond insurance, the rating agencies will assign their ratings to this issue with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by the Bond Insurer.

Such rating reflects only the view of such rating agency, and an explanation of the significance of such rating may be obtained therefrom. No such rating constitutes a recommendation to buy, sell, or hold any bonds, including the Bonds, or as to the market price or suitability thereof for a particular investor. The Issuer furnished such rating agency with certain information and materials relating to the Bonds that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse affect on the market price of the Bonds.

ABSENCE OF LITIGATION

The Issuer, in the ordinary course of business, is a party to various legal proceedings. In the opinion of management of the Issuer, any judgment rendered against the Issuer in such proceedings would not materially adversely affect the financial position of the Issuer.

The Issuer certifies that there is no controversy, suit or other proceeding of any kind pending or threatened wherein or whereby any question is raised or may be raised, questioning, disputing or affecting in any way the legal organization of the Issuer or its boundaries, or the right or title of any of its officers to their respective offices, or the legality of any official act or the constitutionality or validity of the indebtedness represented by the Bonds or the validity of said Bonds, or any of the proceedings had in relation to the authorization, issuance or sale thereof, or the levy and collection of a tax to pay the principal and interest thereof.

LEGAL MATTERS

Approval of Bonds

All matters incident to the authorization and issuance of the Bonds are subject to the approval of Gilmore & Bell, P.C., Wichita, Kansas (“Bond Counsel”), bond counsel to the Issuer. The factual and financial information appearing herein has been supplied or reviewed by certain officials of the Issuer and its certified public accountants, as referred to herein. Bond Counsel has participated in the preparation of the Official Statement but expresses no opinion as to the accuracy or sufficiency thereof, except for the matters appearing in the sections of this Official Statement captioned “THE BONDS,” “LEGAL MATTERS,” “TAX MATTERS” and “*APPENDIX C* – SUMMARY OF FINANCING DOCUMENTS.” Payment of the legal fee of Bond Counsel is contingent upon the delivery of the Bonds. Certain legal matters have been passed on for the Issuer by Jacqueline Kelly, Esq., City Attorney.

TAX MATTERS

The following is a summary of the material federal and State of Kansas income tax consequences of holding and disposing of the Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of holders subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Kansas, does not discuss the consequences to an owner under state, local or foreign tax laws. The summary does not deal with the tax treatment of persons

who purchase the Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Bonds.

Opinion of Bond Counsel

In the opinion of Bond Counsel, under the law existing as of the issue date of the Bonds:

Federal Tax Exemption. The interest on the Bonds [(including any original issue discount properly allocable to an owner thereof)] is excludable from gross income for federal income tax purposes.

Alternative Minimum Tax. The interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

Bank Qualification. The Bonds have **not** been designated as “qualified tax-exempt obligations” for purposes of Code § 265(b).

Kansas Tax Exemption. The interest on the Bonds is exempt from income taxation by the State of Kansas.

Bond Counsel’s opinions are provided as of the date of the original issue of the Bonds, subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds.

Other Tax Consequences

[**Original Issue Discount.** For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Bond over its issue price. The stated redemption price at maturity of a Bond is the sum of all payments on the Bond other than “qualified stated interest” (*i.e.*, interest unconditionally payable at least annually at a single fixed rate). The issue price of a Bond is generally the first price at which a substantial amount of the Bonds of that maturity have been sold to the public. Under Code § 1288, original issue discount on tax-exempt obligations accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Bond during any accrual period generally equals (1) the issue price of that Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Bond during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner’s tax basis in that Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.]

[**Original Issue Premium.** For federal income tax purposes, premium is the excess of the issue price of a Bond over its stated redemption price at maturity. The stated redemption price at maturity of a Bond is the sum of all payments on the Bond other than “qualified stated interest” (*i.e.*, interest unconditionally payable at least annually at a single fixed rate). The issue price of a Bond is generally the first price at which a substantial amount of the Bonds of that maturity have been sold to the public. Under Code § 171, premium on tax-exempt obligations amortizes over the term of the Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Bond prior to its maturity. Even though the owner’s basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of premium.]

Sale, Exchange or Retirement of Bonds. Upon the sale, exchange or retirement (including redemption) of a Bond, an owner of the Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property actually or constructively received on the sale, exchange or retirement of the Bond (other than in respect of accrued and unpaid interest) and such owner’s adjusted tax basis in the Bond. To the extent a Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Bond has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on Bonds, and to the proceeds paid on the sale of Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a

taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, certain applicable corporations subject to the corporate alternative minimum tax, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Bonds, including the possible application of state, local, foreign and other tax laws.

Bond Counsel notes that for tax years beginning after December 31, 2022, the interest on the Bonds may be included in adjusted financial statement income of applicable corporations for purposes of determining the applicability and amount of the federal corporate alternative minimum tax.

MUNICIPAL ADVISOR

The City has retained Baker Tilly Municipal Advisors, LLC (the "Municipal Advisor" or "BTMA") as municipal advisor in connection with certain aspects of the issuance of the Obligations. BTMA is a municipal advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. BTMA is a subsidiary of Baker Tilly Advisory Group, LP ("BTAG") which is indirectly owned by (a) H&F Waterloo Holdings, L.P., an affiliate of Hellman & Friedman LLC ("H&F"), an investment adviser registered with the Securities and Exchange Commission (the "SEC"), (b) Valeas Capital Partners Fund I Waterloo Aggregator LP, an affiliate of Valeas Capital Partners Management LP ("Valeas"), an investment adviser registered with the SEC, and (c) individuals who are principals of BTAG. None of these parties own a majority interest in BTAG, or indirectly, BTMA. Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, operate under an alternative practice structure and are members of the global network of Baker Tilly International, Ltd. Baker Tilly US, LLP ("BTUS") is a licensed CPA firm providing assurance services to its clients. BTAG and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

BTMA has been retained by the City to provide certain municipal advisory services to City and, in that capacity, has assisted the City in preparing this Official Statement. The information contained in the Official Statement has been compiled from the sources stated or, if not otherwise sourced, from records and other materials provided by the City. The Municipal Advisor makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Official Statement, and its assistance in preparing this Official Statement should not be construed as a representation that it has independently verified such information.

The Municipal Advisor's duties, responsibilities and fees arise solely as Municipal Advisor to the City, and it has no secondary obligations or other responsibility.

Other Financial Industry Activities and Affiliations

Baker Tilly Wealth Management, LLC ("BTWM"), an SEC registered investment adviser, and Baker Tilly Capital, LLC ("BTC"), a broker/dealer registered with the SEC and member of the Financial Industry Regulatory Authority ("FINRA"), are controlled subsidiaries of BTAG. Both H&F and Valeas, are registered with the SEC as investment advisers and serve as managers of, or advisers to, certain private investment funds, some of which indirectly own BTAG.

BTWM and other subsidiaries of BTAG may provide advisory services to the clients of BTMA. BTMA has no other activities or arrangements that are material to its municipal advisory business or its clients with a related person who is a broker-dealer, investment company, other investment adviser or financial planner, bank, law firm or other financial entity.

UNDERWRITING

The Bonds have been sold at public sale by the Issuer to [Purchaser], [City, State] (the "Underwriter") on the basis of lowest true interest cost. [] bids were received by the Issuer. The Underwriter has agreed, subject to certain conditions, to purchase the Bonds at a price equal to the principal amount of the Bonds, plus accrued interest from the Dated Date to the Issue Date[, plus a net reoffering premium of \$ _____], less an underwriting discount of \$ _____].

The Bonds will be offered to the public initially at the prices set forth on the inside cover page of this Official Statement. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices other than the price stated on the inside cover page hereof and may change the initial offering price from time to time subsequent to the date hereof. In connection with the offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

AUTHORIZATION OF OFFICIAL STATEMENT

The preparation of this Official Statement and its distribution has been authorized by the governing body of the Issuer as of the date on the cover page hereof. This Official Statement is submitted in connection with the issuance of the Bonds and may not be reproduced or used as a whole or in part for any other purpose. This Official Statement does not constitute a contract between the Issuer or the Underwriter and any one or more of the purchasers, Owners or Beneficial Owners of the Bonds.

CITY OF DERBY, KANSAS

Mark A. Staats, Mayor
Megan Sneller, Director of Finance

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APPENDIX A

INFORMATION CONCERNING THE ISSUER

GENERAL

Size and Location

The City of Derby, Kansas (the “City”) is in Sedgwick County, Kansas, and is located approximately three and one-half miles south of Wichita, Kansas. The City encompasses approximately 9.2 square miles and has a current estimated population of 26,233 persons.

Government and Organization of the Issuer

The City was incorporated in 1869 and is a city of the first class.

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

The following tables list the principal elected and appointed executive officers of the City:

Elected Officials

<u>Name</u>	<u>Title</u>	<u>Term of Office</u>
Mark Staats	Mayor	01/2024 to 12/2027
Mike Neel	Councilmember	04/2022 to 12/2025
Kristi Truitt	Councilmember	01/2024 to 12/2027
Elizabeth Stanton	Councilmember	01/2022 to 12/2026
Wayne Molt, Jr.	Councilmember	01/2024 to 12/2027
Rick Coleman	Councilmember	01/2022 to 12/2026
Nick Engle	Councilmember	01/2020 to 12/2027
Chris Unkel	Councilmember	01/2022 to 12/2026
Jenny Webster	Councilmember	01/2020 to 12/2027

Appointed Officials

<u>Name</u>	<u>Title</u>
Kiel Mangus	City Manager
Dan Bronson	Deputy City Manager
Daniel J. Squires, P.E.	Development Director
Megan Sneller	Director of Finance
Lynn Ciarleglio	City Clerk
Jacqueline Kelly, Esq.	City Attorney

Municipal Services and Utilities

The City owns and operates its own sewer utility system. In addition, the City owns 100% of the capital stock of the El Paso Water Co., which provides water service to the City and is operated by the City through a management agreement. Everygy supplies electricity and Kansas Gas Service supplies natural gas to the City. Telephone service is provided by SBC and other local service providers. Cox Communications, Inc. operates a cable television system under franchise with the City. Waste Connections Inc. provides recycling and trash collection services to residential properties through an agreement with the City.

The City has 51 full-time and 1 part-time sworn police officers. The fire department consists of 31 full-time career firefighters, 14 part-time, and 11 volunteers that provide protection to the City. Sedgwick County Emergency Medical Service operates an emergency ambulance service for the City and surrounding area.

Transportation and Communication Facilities

The area is served by four major highways: I-135, U.S. Highway 54 (400) and Kansas Highway 15, and the Kansas Turnpike (I-35). Federal Express, Emery, Purolator, Airborne, Flying Tigers, Greyhound, U.P.S. and the U.S. Post Office are freight lines serving the City. Rail service is provided by the BNSF Railroad. Colonel James Jabara Airport is located within 10 miles of the City and provides a runway capable of handling private and corporate aircraft. Regularly scheduled air service is available at Wichita Dwight D. Eisenhower National Airport, located 10 miles from the City.

Educational Institutions and Facilities

Derby Public Schools (USD 260) operates nine elementary schools, two middle schools, and one high school in the City and surrounding area. During the 2023-24 school year, the district had a total enrollment of approximately 6,940 students. In addition to the public school system, two parochial schools are located in the City. Wichita State University, Friends University and Newman University are each located within 10 miles of the City.

Medical and Health Facilities

Two major medical facilities, Wesley Medical Center and Via Christi Hospitals, are located within 12 miles of the City. In addition, Wesley Medical Center opened Wesley Derby ER in 2016. The \$10 million facility has 11 patient rooms, imaging capabilities and an on-site laboratory. Rock Regional Hospital, a 90,000 square-foot acute care hospital, opened in the City in April 2019. The \$41 million facility includes 24 medical/surgical beds, 7 ICU beds, 6 emergency department beds, 4 operating rooms, and 2 heart catheterization labs.

The City is also home to numerous medical practices with a variety of medical specialties, including family medicine, pediatrics, occupational health, internal medicine, physical therapy, orthopedics, and diagnostics. The City has two skilled nursing care facilities, Westview of Derby and Derby Health & Rehabilitation, and several assisted living and independent living facilities for seniors. In addition, Glen Carr House provides assisted living services for memory care patients.

Recreational, Cultural and Religious Facilities

In 1980, voters of the City formed the Derby Recreation Commission (the “DRC”), a board which administers more than 200 leisure programs and activities in and around the City. City recreation facilities include Garrett Park, High Park, the Derby Recreation Center and Rock River Rapids aquatic park. The 75,000-square foot Derby Recreation Center houses a fitness center, gymnasiums, running track, swimming pool, racquetball courts and locker room facilities. The aquatic park features a lap swimming pool, shallow pool, diving area, water slides and a lazy river. In 2020, the DRC opened its new Hubbard Arts Center to expand its arts and culinary classes and programs. In 2013, the voters authorized construction of three new signature parks, and in 2014, the City accepted a donation of 63 acres for one of those parks (Decarsky Park) which houses a ballfield complex and dog park and opened in 2021. Madison Avenue Central Park provides two event buildings for weddings and meetings along with an all-access playground, walking paths and amphitheater. Warren Riverview Park offers access to the Arkansas River, an event lodge, and playground. Movie theaters, tennis courts, the Derby golf and Country Club, an outdoor skate park, a City library, and league recreation are available in the City. Cultural opportunities such as music theater, symphony and museums are available within 12 miles of the City. Twenty churches serve the community.

Sales Tax Special Obligation Revenue Bonds (“STAR Bonds”) were issued in March 2017 for land acquisition, infrastructure and construction of a dinosaur themed park with miniature golf and a climbing attraction on the City’s north edge. Additional STAR Bonds were issued in June 2020 for an indoor rock-climbing facility for training and regional competitions and an outdoor covered BMX bike facility and related infrastructure improvements on the City’s north edge. Both bond issues included funding for Derby Sports Zone, a multi-sport attraction featuring indoor and outdoor courts for racquet sports and volleyball. The City issued a third series of STAR Bonds in July 2022 for, among other things, an outdoor adventure sports complex. These privately owned and operated destination attractions are located in a STAR Bond District approved by the Kansas Department of Commerce that also includes restaurants, a hotel, and a regional hospital, and are anticipated to include additional restaurants, apartments, an additional hotel, and a senior living facility.

ECONOMIC INFORMATION

The City is a modern, progressive community owning a water company, a complete system of sanitary sewers and sewage disposal facilities, public library, various City park facilities and approximately 347 miles of paved streets. The surrounding farm area is devoted principally to the production of wheat, corn, cotton, sorghum, soybeans and cattle. The City is in close proximity to large industries including Spirit AeroSystems, Textron Aviation, and Koch Industries.

Major Employers

Listed below are the major employers located in City and the number employed by each:

<u>Major Employers</u>	<u>Product/Service</u>	<u>FTE Employment</u>
1. Unified School District No. 260	Education	1,241
2. Wal-Mart	Retail Sales	308
3. Dillons	Grocery	280
4. City of Derby	Government	236
5. Rock Regional Hospital	Healthcare	177
6. Derby Recreation Commission	Recreation	161
7. Lowes	Retail	150
8. Buffalo Wild Wings	Food	110
9. Chick-fil-A	Food	107
10. Derby Sports Zone	Food/Recreation	100

Source: Director of Finance

Labor Force

The following table sets forth labor force figures for Sedgwick County and the State of Kansas:

SEDGWICK COUNTY				
<u>Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployed Rate</u>
2019	255,012	246,179	8,833	3.5%
2020	259,084	236,433	22,651	8.7%
2021	255,502	243,576	11,926	4.7%
2022	255,008	247,091	7,917	3.1%
2023	258,378	250,765	7,613	2.9%

STATE OF KANSAS				
<u>Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployed Rate</u>
2019	1,504,415	1,456,662	47,753	3.2%
2020	1,501,827	1,414,596	87,231	5.8%
2021	1,498,226	1,448,294	49,932	3.3%
2022	1,502,603	1,463,010	39,593	2.6%
2023	1,510,988	1,470,936	40,052	2.7%

Source: Kansas Department of Labor

Retail Sales Tax Collections

The following table lists State of Kansas sales and use tax collections for the years indicated for sales occurring in Sedgwick County, Kansas:

<u>Year</u>	<u>Sales and Use Tax Collections</u>	<u>Per Capita Sales and Use Tax</u>
2019	\$656,724,476	\$1,234.11
2020	666,114,395	1,271.20
2021	762,214,079	1,360.99
2022	846,942,027	1,531.27
2023	833,909,688	1,607.64

The State sales and use tax increased to 6.50%, effective July 1, 2015. For sales of food and food ingredients, beginning January 1, 2023, the State sales and use tax rate was reduced to 4%, beginning January 1, 2024, such rate was reduced to 2%, and beginning January 1, 2025, such rate is scheduled to be reduced to 0%. During such times, the State sales and use tax rate on non-food and non-food ingredients sales is scheduled to remain at 6.50%.

Source: Kansas Statistical Abstract

Local Option Sales Tax

Sedgwick County. In 1985, Sedgwick County voters approved a sales tax on retail sales within the County limits (the “County Sales Tax”). Pursuant to State law, the City receives a portion of the County Sales Tax. The City uses its portion of the County Sales Tax receipts to provide operating funds and to pay a portion of the debt service on the City’s outstanding STAR Bonds. The following table provides the amount of County Sales Tax received by the City during the years indicated:

<u>Year</u>	<u>Receipts</u>
2019	\$4,402,848
2020	4,603,201
2021	5,230,048
2022	5,809,492
2023	6,051,881
2024 ¹	4,045,024

¹ Partial, amounts through and including August 2024 distributions.

Source: Director of Finance

City of Derby. On October 8, 2013, City electors approved a one-half percent Citywide retailer’s sales tax (the “Derby Difference Sales Tax”) for the purpose of financing the development of new and existing public parks and payment of operating and maintenance costs of the Derby Fire and Rescue Department and the Derby Public Library. The Derby Difference Sales Tax began collection on January 1, 2015, upon the termination of the then-existing one-half percent sales tax for the Derby Public Library, and is expected to terminate on December 31, 2024. On November 7, 2023, City electors approved a one percent Citywide retailer’s sales tax (the “2025 Sales Tax”) the proceeds of which shall be used only for the following purposes, including the payment of financing costs related thereto: (1) public safety equipment and capital improvements; (2) streets and sidewalks maintenance and improvements; and (3) parks and trails maintenance and improvements. Collection of the 2025 Sales Tax is expected to commence on January 1, 2025, or as soon thereafter as permitted by law, and shall terminate ten years after its commencement. The following table provides the amount of the Derby Difference Sales Tax collected and received by the City during the years indicated:

<u>Year</u>	<u>Receipts</u>
2019	\$2,960,455
2020	3,118,815
2021	3,448,112
2022	3,673,979
2023	3,819,305
2024 ¹	2,561,064

¹ Partial, amounts through and including August 2024 distributions.

Source: Director of Finance

Oil Production

The oil production (in number of barrels) for Sedgwick County for the years listed is indicated in the following table:

<u>Year</u>	<u>Oil Production</u>
2019	111,958
2020	98,374
2021	94,739
2022	91,176
2023	84,322

Source: Kansas Geological Survey

Financial and Banking Institutions

There are currently 38 banks located in Sedgwick County. As of June 30 for each of the years listed, bank deposits of the County's banks are as follows:

<u>Year</u>	<u>Total Bank Deposits</u>
2019	\$13,633,610,000
2020	16,661,846,000
2021	18,605,019,000
2022	17,990,588,000
2023	19,077,135,000

Source: FDIC

Building Permits

The following table indicates the number of building permits and total valuation of these permits issued within the City for the years indicated. These numbers reflect permits issued in the respective years either for new construction (residential and commercial) or for major renovation (commercial only), but do not include permits issued for residential renovations.

<u>Year</u>	<u>Number of Permits Issued</u>	<u>Amount</u>
2019 ¹	135	\$93,695,837
2020	123	46,453,807
2021 ²	169	65,825,909
2022	277	48,930,918
2023	88	29,475,498

¹ Permits issued in 2019 include \$52,279,463 of school facilities and city park that are exempt from property taxes.

² Permits issued in 2021 include \$13,115,000 of school and church facilities that are exempt from property taxes.

Source: City of Derby/Planning & Engineering Department

Population Trends

The following table shows the approximate population of City and Sedgwick County in the years indicated:

<u>Year</u>	<u>City Population</u>	<u>County Population</u>
1990	14,699	404,613
2000	17,807	453,491
2010	22,158	498,365
2020	25,145	519,907
2021	25,847	523,828
2022	25,939	525,525
2023	26,233	528,469

The median age of persons in Sedgwick County and the State of Kansas is 36.1 and 37.7, respectively, per the 2020 Census.

Source: 1990, 2000, 2010 and 2020 data: U.S. Census Bureau; 2021–2023 data: Kansas Division of Budget

Personal Income Trends

Sedgwick County personal (in thousands of dollars) and per capita income and the State of Kansas per capita income are listed for the years indicated, in the following table.

<u>Year</u>	<u>Sedgwick County Personal Income</u>	<u>Sedgwick County Per Capita Income</u>	<u>State of Kansas Per Capita Income</u>
2018	\$26,177,518	\$50,584	\$50,283
2019	27,244,001	52,323	52,127
2020	27,864,880	53,098	55,041
2021	30,082,214	57,356	58,569
2022	31,411,750	59,772	60,424

Source: U.S. Department of Commerce – Bureau of Economic Analysis

FINANCIAL INFORMATION

Accounting, Budgeting and Auditing Procedures

The City follows a modified accrual basis of accounting for all tax supported funds of the City, including the General Fund. An accrual basis of accounting is utilized for proprietary funds.

An annual budget of estimated receipts and disbursements for the coming calendar year is required by statute to be prepared for all funds (unless specifically exempted). The budget is prepared utilizing the modified accrual basis which is further modified by the encumbrance method of accounting. For example, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures. The budget lists estimated receipts by funds and sources and estimated disbursements by funds and purposes. The proposed budget is presented to the governing body of the City prior to August 1, with a public hearing required to be held prior to August 15, with the final budget to be adopted by a majority vote of the governing body of the City prior to August 25 of each year (or October 1 if the City must conduct a public hearing to levy taxes in excess of its revenue neutral rate described below). Budgets may be amended upon action of the governing body after notice and public hearing, provided that no additional tax revenues may be raised after the original budget is adopted.

The City may levy taxes in accordance with the requirements of its adopted budget. Property tax levies are based on the adopted budget of the City and the assessed valuations provided by the County appraiser. In 2021, the Kansas Legislature passed legislation (the “Revenue Neutral Tax Act”) that repeals the “tax lid” (formerly K.S.A. 79-2925c) and provides that, beginning January 1, 2021, a taxing subdivision (which includes any political subdivision of the State that levies an ad valorem property tax, including the City) is not authorized to levy a property tax rate in excess of its revenue neutral rate without first providing notice, holding a public hearing, and authorizing such property tax rate by majority vote of its governing body. The revenue neutral rate means the tax rate for the current tax year that would generate the same property tax revenue as levied the previous tax year using the current tax year’s total assessed valuation.

The Revenue Neutral Tax Act provides that by June 15 of every year, each county clerk shall calculate the revenue neutral rate for each taxing subdivision in their respective county. If a taxing subdivision desires to levy a tax rate in excess of its revenue neutral rate, it must notify the county clerk by July 20 of the taxing subdivision’s intent to exceed the revenue neutral rate and provide to the county clerk the date, time and location of the related public hearing and the taxing subdivision’s proposed tax rate. The county clerk is required to provide notice of such intent to exceed the revenue neutral rate to each taxpayer with property in the taxing subdivision at least 10 days in advance of the public hearing along with following information: (1) the revenue neutral rate of each taxing subdivision relevant to the taxpayer's property; (2) the proposed property tax revenue needed to fund the proposed budget of the taxing subdivision; (3) the proposed tax rate based upon the proposed budget and the current year's total assessed valuation of the taxing subdivision; (4) the percentage by which the proposed tax rate exceeds the revenue neutral rate; (5) the tax rate and property tax of each taxing subdivision on the taxpayer's property from the previous year's tax statement; (6) the appraised value and assessed value of the taxpayer's property for the current year; (7) the estimates of the tax for the current tax year on the taxpayer's property based on the revenue neutral rate of each taxing subdivision and any proposed tax rates that exceed the revenue neutral rates; (8) the difference between the estimates of tax based on the proposed tax rate and the revenue neutral rate on the taxpayer's property described in subparagraph (7) for any taxing subdivision that has a proposed tax rate that exceeds its revenue neutral rate; and (9) the date, time and location of the public hearing of the taxing subdivision. The public hearing regarding exceeding the revenue neutral rate is to be held between August 20 and September 20, and can be held in conjunction with the taxing subdivision’s budget hearing. If multiple taxing subdivisions within the county are required to hold a public hearing, the county clerk’s notices to the taxpayer can be combined into a single notice. After the public hearing, the taxing subdivision can approve exceeding the revenue

neutral rate by governing body approval of a resolution or ordinance, and thereafter the taxing subdivisions will hold the public hearing and adopt the budget by majority vote of its governing body. The amount of tax to be levied and the adopted budget must be certified to the county clerk by October 1. The taxing subdivision’s adopted budget shall not result in a tax rate in excess of its proposed rate stated in the notice provided to the taxpayers. If a taxing subdivision fails to comply with the requirements of the Revenue Neutral Tax Act, it shall refund to the taxpayers any property taxes over-collected based on the amount of the levy that was in excess of the revenue neutral rate.

The City cannot predict the impact of the Revenue Neutral Tax Act on the ratings on the Bonds, or the general rating of the City. A change in the rating on the Bonds or a change in the general rating of the City may adversely impact the market price of the Bonds in the secondary market.

Kansas law prohibits governmental units from creating indebtedness unless there are funds on hand in the proper accounts and unencumbered by previous action with which to pay such indebtedness. An exception to this cash-basis operation is made where provision has been made for payment of obligations by bonds or other specific debt obligations authorized by law.

The financial records of the City are audited annually by a firm of independent certified public accountants in accordance with generally accepted auditing standards. In recent years, the annual audit has been performed by BT & Co., P.A., Topeka, Kansas (the “Auditor”). Copies of the audit reports for the past five (5) years are on file in the Clerk's office and are available for review. The audit for the Fiscal Year ended December 31, 2023, is attached hereto as **APPENDIX B**. The Auditor has not been engaged to perform and has not performed, since the date of its report attached as **APPENDIX B**, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Official Statement.

The Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments* in June 1999 (“Statement 34”), which established new requirements for the annual financial reports of state and local governments. Among the major changes embodied in Statement 34, governments will now be required to: (a) report on the overall state of the government’s financial health, not just its overall “funds” in a newly required Management’s Discussion and Analysis (MD&A), (b) provide the most complete information available about the cost of delivering services to their citizens in the annual report which will now also include financial statements prepared using full accrual accounting for all of the government’s activities, (c) include information about the government’s public infrastructure assets – such as bridges, roads and storm sewers, and (d) prepare an introductory narrative section analyzing the government’s financial performance. The City implemented Statement No. 34 for its financial statements for the fiscal year ending on December 31, 2005.

The financial information contained in the Appendices to this Official Statement are an integral part of this document and are intended to be read in conjunction herewith.

Sources of Revenue

The City finances its general operations through the local property tax levy, various other taxes, a variety of license and permit fees, and other miscellaneous sources as indicated below for the 2023 Fiscal Year:

<u>Source</u>	<u>Percent</u>
Cash	49.00%
Property Tax	14.00
Sales Tax (County-wide)	6.00
Charges of Services	4.00
Special Assessment	3.00
City ½% Sales Tax	4.00
Franchise Fees	3.00
Interfund Transfer	3.00
Miscellaneous	2.00
Motor Vehicle Taxes	2.00
Gasoline Tax	1.00
El Paso Water Co Dividends	2.00
Fines, Fees, Permits. Licenses	2.00
Reimbursements	3.00
Interest	<u>2.00</u>
Total	100.00%

Source: Director of Finance

Property Valuations

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the state of Kansas is the responsibility of the various counties under the direction of state statutes. The Sedgwick County Appraiser's office determines the fair market value of all taxable property within Sedgwick County and the assessed valuation thereof that is to be used as a basis for the mill levy on property located in the Issuer.

Property subject to ad valorem taxation is divided into two classes, real property and personal property. Real property is divided into seven subclasses; there are six subclasses of personal property. The real property (Class 1) subclasses are: (i) real property used for residential purposes including multi-family mobile or manufactured homes and the real property on which such homes are located, assessed at 11.5%, (ii) agricultural land, valued on the basis of agricultural income or productivity, assessed at 30%, (iii) vacant lots, assessed at 12%, (iv) real property, owned and operated by a not-for-profit organization not subject to federal income taxation, pursuant to Code §501, assessed at 12%, (v) public utility real property, except railroad real property, assessed at the average rate that all other commercial and industrial property is assessed, assessed at 33%, (vi) real property used for commercial and industrial purposes and buildings and other improvements located on land devoted to agricultural use, assessed at 25%, and (vii) all other urban and real property not otherwise specifically classified, assessed at 30%. Tangible personal property (Class 2) subclasses are: (i) mobile homes used for residential purposes, assessed at 11.5%, (ii) mineral leasehold interests, except oil leasehold interests, the average daily production from which is 5 barrels or less, and natural gas leasehold interests, the average daily production from which is 100 mcf or less, which shall be assessed at 25%, assessed at 30%, (iii) public utility tangible personal property, including inventories thereof, except railroad personal property, including inventories thereof, which shall be assessed at the average rate all other commercial and industrial property is assessed, assessed at 33%, (iv) all categories of motor vehicles not defined and specifically valued and taxed pursuant to law enacted prior to January 1, 1985, assessed at 30%, (v) commercial and industrial machinery and equipment which if its economic life is 7 years or more, shall be valued at its retail cost, when new, less seven-year straight-line depreciation, or which, if its economic life is less than 7 years, shall be valued at its retail cost when new, less straight-line depreciation over its economic life, except that, the value so obtained for such property, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost when new of such property, assessed at 25%, and (vi) all other tangible personal property not otherwise specifically classified, assessed at 30%. All property used exclusively for state, county, municipal, literary, educational, scientific, religious, benevolent and charitable purposes, farm machinery and equipment, merchants' and manufacturers' inventories, other than public utility inventories included in subclass (3) of class 2, livestock, and all household goods and personal effects not used for the production of income, shall be exempted from property taxation.

The Kansas Legislature (the "Legislature") reduced the applicable assessment rates on motor vehicles from 30% of market value to 20% of market value as of January 1, 2000. The 2006 Legislature exempted from all property or ad valorem property taxes levied under the laws of the State all commercial, industrial, telecommunications and railroad machinery and equipment acquired by qualified purchase or lease after June 30, 2006 or transported into the State after June 30, 2006 for the purpose of expanding an existing business or creation of a new business.

The Legislature may from time to time adopt changes in the property tax system or method of imposing and collecting property taxes within the State. Taxpayers may also challenge the fair market value of property assigned by the county appraiser. The effects of such legislative changes and successful challenges to the appraiser's determination of fair market value could affect the Issuer's property tax collections. If a taxpayer valuation challenge is successful, the liability of the Issuer to refund property taxes previously paid under protest may have a material impact on the Issuer's financial situation.

Fair Market Value

The following table shows the fair market value of the taxable property within the City for the following years:

<u>Year</u> ¹	<u>Fair Market Value</u>
2020/21	\$2,010,249,928
2021/22	2,139,712,571
2022/23	2,290,582,114
2023/24	2,375,701,601
2024/25 ²	2,530,265,282

¹ The years are presented as the tax levy year for the subsequent budget year for the City (e.g. the 2022 tax levy year to fund the 2023 budget year).

² Preliminary.

Source: County Clerk

Assessed Valuation

The following table shows the assessed valuation of the taxable tangible property within the City for the following years:

<u>Year</u> ¹	<u>Real Property</u>	<u>Personal Property</u>	<u>Utilities</u>	<u>Motor Vehicles</u>	<u>Total Valuation</u>
2019/20	\$230,717,953	\$1,059,764	\$6,044,633	\$32,120,312	\$269,942,662
2020/21	245,770,114	1,207,002	6,357,574	33,214,538	286,549,228
2021/22	256,343,927	978,968	6,895,573	34,264,919	298,483,387
2022/23	277,804,510	929,665	7,401,076	32,959,031	319,094,282
2023/24	308,936,345	2,420,371	7,322,592	33,699,000	352,378,308
2024/25 ²	330,058,465	945,175	7,233,787	33,699,000	371,936,427

¹ The years are presented as the tax levy year for the subsequent budget year for the City (e.g. the 2022 tax levy year to fund the 2023 budget year).

² Preliminary 2024 assessed valuation figures used for budgeting purposes. 2024 motor vehicle valuation not yet available; 2023 data used for estimation purposes only.

Source: County Clerk

Property Tax Levies and Collections

Tax Collections. Tax statements are mailed November 1 each year and may be paid in full or one-half on or before December 20 with the remaining one-half due on or before May 10 of the following year. Taxes that are unpaid on the due dates are considered delinquent and accrue interest at a per annum rate established by State law until paid or until the property is sold for taxes. Real estate bearing unpaid taxes is advertised for sale on or before August 1 of each year and is sold by the County for taxes and all legal charges on the first Tuesday in September. Properties that are sold and not redeemed within two years after the tax sale are subject to foreclosure sale, except homestead properties which are subject to foreclosure sale after three years.

Personal taxes are due and may be paid in the same manner as real estate taxes, with the same interest applying to delinquencies. If personal taxes are not paid when due, and after written notice, warrants are issued and placed in the hands of the Sheriff for collection. If not paid on or before October 1, legal judgment is entered and the delinquent tax becomes a lien on the property. Unless renewed, a non-enforced lien expires five years after it is entered.

Motor vehicle taxes are collected periodically throughout the year concurrently with the renewal of motor vehicle tags based upon the value of such vehicles. Such tax receipts are distributed to all taxing subdivisions, including the State of Kansas, in proportion to the number of mills levied within each taxpayer's tax levy unit.

Tax Rates. The City may levy taxes in accordance with the requirements of its adopted budget. Property tax levies are based on the adopted budget of the City and the assessed valuations provided by the County appraiser. The following table shows the City's mill levies by fund (per \$1000 of assessed valuation) for each of the years indicated and the current year:

<u>Year</u> ¹	<u>General Fund</u>	<u>G.O. Bonds</u>	<u>Misc. Funds</u>	<u>Total Levy</u>
2019/20	31.900	11.535	4.614	48.049
2020/21	31.428	11.999	4.613	48.040
2021/22	36.107	6.722	4.588	47.417
2022/23	36.578	5.838	4.562	46.978
2023/24	35.847	5.650	4.571	46.068

¹ The years are presented as the tax levy year for the subsequent budget year for the City (e.g. the 2022 tax levy year to fund the 2023 budget year).

Source: County Clerk (2023/24); Kansas Dept of Administration, County Tax Levy Sheet (2018/19 – 2022/23)

Aggregate Tax Levies. The aggregate tax levies (per \$1000 assessed valuation) of the City and overlapping jurisdictions for the years indicated are included in the following table:

<u>Year</u> ¹	<u>City</u>	<u>Sedgwick County</u>	<u>USD 260 and Rec Commission</u>	<u>State</u>	<u>El Paso Cemetery District</u>	<u>Total Levy</u>
2019/20	48.049	29.384	66.004	1.500	1.016	145.953
2020/21	48.040	29.376	65.888	1.500	0.988	145.792
2021/22	47.417	29.370	66.272	1.500	0.844	145.403
2022/23	46.978	29.368	66.272	1.500	0.780	144.898
2023/24	46.068	28.988	65.296	1.500	0.697	142.549

¹ The years are presented as the tax levy year for the subsequent budget year for the City (e.g. the 2022 tax levy year to fund the 2023 budget year).

Source: County Clerk (2023/24); Kansas Dept of Administration, County Tax Levy Sheet (2018/19 – 2022/23)

Tax Collection Record. The following table sets forth tax collection information for the City for the years indicated:

<u>Year</u> ¹	<u>Total Levy</u>	<u>Total Taxes Levied</u>	<u>Amount of Current Taxes Collected</u>	<u>Amount of Current & Delinquent Taxes Collected</u>
2019/20	48.049	\$11,436,058	\$11,278,324 (99%)	\$11,403,286 (99%)
2020/21	48.040	12,184,022	11,854,881 (97%)	11,993,356 (98%)
2021/22	47.417	12,543,427	11,960,083 (95%)	11,894,963 (95%)
2022/23	46.978	13,451,259	13,203,374 (98%)	13,299,480 (99%)
2023/24 ²	46.068	14,728,848	14,283,656 (97%)	14,381,813 (98%)

¹ The years are presented as the tax levy year for the subsequent budget year for the City (e.g. the 2022 tax levy year to fund the 2023 budget year).

² Collections amount are up to and including September 8, 2024.

Source: County Treasurer

Major Taxpayers. The following table sets forth the ten largest taxpayers in the City for taxes levied in the most recent tax collection period (2023/24):

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Taxes Levied</u>
1. THE GREENS AT DERBY/THE GREENS AT DERBY PHASE II	\$4,637,227	\$213,627.76
2. CBC DERBY LLC/CBC DERBY MOB 2 LLC	4,230,975	194,912.56
3. THE TRAILS AT DERBY	4,147,395	191,062.20
4. EVERGY KANSAS SOUTH INC	4,126,143	190,083.13
5. WAL-MART REAL ESTATE BUSINESS TRUST/WAL-MART STORES INC #592	3,978,079	183,262.08
6. FAIRWAYS AT DERBY LP	2,666,150	122,824.19
7. ARG DMDERKS001 LLC	2,339,525	107,777.24
8. KANSAS GAS SERVICE - A DIVISION OF ONE GAS	2,303,539	106,119.45
9. SPECIALIZED AIRCRAFT SERVICES INC	2,276,550	104,876.11
10. DILLON COMPANIES INC	1,952,013	89,925.34

Source: County Clerk

Risk Management

The City is insured against the risks arising from general liability by Union Insurance Company of Providence and employee medical coverage (worker compensation) by the Kansas Eastern Region Insurance Trust.

History of Employment

The following table indicates the history of the Issuer's employment for the years indicated.

<u>Year</u>	<u>Total Full-Time Employees</u>	<u>Total Part-Time Employees</u>	<u>Total</u>
2019	186	33	219
2020	193	36	229
2021	193	37	230
2022	199	37	236
2023	201	35	236

Source: Director of Finance

Pension and Employee Retirement Plans

The Issuer participates in the Kansas Public Employees Retirement System (“KPERS”) established in 1962, as an instrumentality of the State, pursuant to K.S.A. 74-4901 *et seq.*, to provide retirement and related benefits to public employees in Kansas. KPERS is governed by a board of trustees consisting of nine members each of whom serve four-year terms. The board of trustees appoints an executive director to serve as the managing officer of KPERS and manage a staff to carry out daily operations of the system.

As of June 30, 2023, KPERS serves approximately 323,000 members and approximately 1,500 participating employers, including the State, school districts, counties, cities, public libraries, hospitals and other governmental units. KPERS administers the following three statewide, defined benefit retirement plans for public employees:

- (a) Kansas Public Employees Retirement System;
- (b) Kansas Police and Firemen’s Retirement System; and
- (c) Kansas Retirement System for Judges.

These three plans are separate and distinct with different membership groups, actuarial assumptions, experience, contribution rates and benefit options. The Kansas Public Employees Retirement System is the largest of the three plans, accounting for approximately 95% of the members. The Kansas Public Employees Retirement System is further divided into two separate groups, as follows:

- (a) *State/School Group* - includes members employed by the State, school districts, community colleges, vocational-technical schools and educational cooperatives. The State of Kansas makes all employer contributions for this group, the majority of which comes from the State General Fund.
- (b) *Local Group* - all participating cities, counties, library boards, water districts and political subdivisions are included in this group. Local employers contribute at a different rate than the State/School Group rate.

KPERS is currently a qualified, governmental, § 401(a) defined benefit pension plan, and has received IRS determination letters attesting to the plan’s qualified status dated October 14, 1999 and March 5, 2001. KPERS is also a “contributory” defined benefit plan, meaning that employees make contributions to the plan. This contrasts it from noncontributory pension plans, which are funded solely by employer contributions. The Issuer's employees currently annually contribute 6% of their gross salary to the plan if such employees are KPERS Tier 1 members (covered employment prior to July 1, 2009), KPERS Tier 2 members (covered employment on or after July 1, 2009), or KPERS Tier 3 members (covered employment on or after January 1, 2015).

In 2004, 2015 and 2021, the Kansas Development Finance Authority, on behalf of the State, issued pension obligation bonds and contributed the proceeds thereof to KPERS to assist with improving the status of the unfunded actuarial pension liability. In 2022 the Legislature provided for additional contributions totaling \$1.125 billion in four payments to be deposited into the KPERS trust fund for the School Group. For more information about the Legislature’s actions related to KPERS, please see the 2022 Valuation Report referenced below.

The Issuer's contribution varies from year to year based upon the annual actuarial valuation and appraisal made by KPERS, subject to legislative caps on percentage increases. The Issuer's contribution is 9.26% of the employee’s gross salary for calendar year 2024, and is projected to change to 9.71% of the employee’s gross salary for calendar year 2025. In addition, the Issuer contributes 1% of the employee’s gross salary for Death and Disability Insurance for covered employees.

According to the Valuation Report as of December 31, 2023 (the “2023 Valuation Report”) the KPERS Local Group, of which the Issuer is a member, carried an unfunded accrued actuarial liability (“UAAL”) of approximately \$2.089 billion at the end of 2023. The amount of the UAAL in 2023 changed from the previous year’s amount due to the factors discussed in the 2023 Valuation Report; such report also includes additional information relating to the funded status of the KPERS Local Group, including recent trends in the funded status of the KPERS Local Group. A copy of the 2023 Valuation Report is available on the KPERS website at kpers.org/about/reports. The Issuer has no means to independently verify any of the information set forth on the KPERS website or in the 2023 Valuation Report, which is the most recent financial and actuarial information available on the KPERS website relating to the funded status of the KPERS Local Group. The 2023 Valuation Report sets the employer contribution rate for the period beginning January 1, 2026, for the KPERS Local Group, and KPERS’ actuaries identified that an employer contribution rate of 9.59% of covered payroll would be necessary, in addition to statutory contributions by covered employees, to eliminate the UAAL by the end of the actuarial period set forth in the 2023 Valuation Report. The statutory contribution rate of employers currently equals the 2023 Valuation Report’s actuarial rate. As a result, members of the Local Group are adequately funding their projected actuarial liabilities and the UAAL can be expected to diminish over time. The required employer contribution rate may increase up to the maximum statutorily allowed rate, which is 1.2% in fiscal year 2017 and thereafter.

The Issuer has established membership in the Kansas Police and Fire Retirement System (“KP&F”) for its police and fire personnel. KP&F is a division of and is administered by KPERS. Annual contributions are adjusted annually based on actuarial studies, subject to legislative caps on percentage increases. According to the 2023 Valuation Report, KP&F carried an UAAL of approximately \$1.381 billion at the end of 2023. For KP&F, the Issuer’s employees currently annually contribute 7.15% of their gross salary to the plan. For the year beginning January 1, 2024, the Issuer contributes 23.10% of employees’ gross salary, and is projected to change to 24.67% of the employee’s gross salary for calendar year 2025.

The Issuer is required to implement GASB 68 – Accounting and Financial Reporting for Pensions. KPERS produces a Schedule of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer and Nonemployer (the “GASB 68 Report”) which provides the net pension liability allocated to each KPERS participant, including the Issuer. The GASB 68 Report is available on the KPERS website at kpers.org/about/reports.html. The Issuer has no means to independently verify any of the information set forth on the KPERS website or in the GASB 68 Report. It is important to note that under existing State law, the Issuer has no legal obligation for the UAAL or the net pension liability calculated by KPERS, and such figures are for informational purposes only.

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DEBT STRUCTURE

Debt Summary

The following table summarizes certain key statistics with respect to the Issuer's general obligation debt, including the Bonds and excluding the Refunded Notes:

<u>Debt Summary (As of November 13, 2024)*</u>	<u>City Debt*</u>	<u>Less Self Supporting Debt*</u>
Preliminary Fair Market Value of Taxable Property ¹	\$2,530,265,282	\$2,530,265,282
Preliminary 2024 Assessed Valuation ²	\$371,936,427	\$371,936,427
Outstanding General Obligation Debt.....	\$102,730,000	\$102,730,000
Less Self Supporting Debt ³	---	\$1,410,000
Non Self Supporting Debt.....	---	\$101,320,000
Direct Debt Per Capita (Population = 26,233).....	\$3,916	\$3,862
Direct and Overlapping Debt Per Capita	\$7,658	\$7,605
Direct Debt as a Percentage of Preliminary 2024 Assessed Valuation	27.62%	27.24%
Direct and Overlapping Debt as a Percentage of Assessed Valuation	54.02%	53.64%
Direct Debt as a Percentage of Fair Market Value	4.06%	4.00%
Direct and Overlapping Debt as a Percentage of Fair Market Value	7.94%	7.88%

¹ See “**Property Valuations**” *infra*.

² The assessed value of all tangible taxable property within the City, as certified to the County Clerk on the preceding August 25. Also includes the taxable value of motor vehicles within the City. 2024 motor vehicle valuation not yet available; 2023 data used for estimation purposes only. See K.S.A. 10-301 *et seq.*

³ Series 2014-C Bonds, Series 2015-B Bonds and Series 2018-C Bonds (Derby Difference Sales Tax).

* Preliminary, subject to change

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Authority to Incur Debt

Pursuant to Kansas law, the City is permitted to issue general obligation debt in an aggregate amount not to exceed 30% of its (1) assessed valuation as certified to the county clerk on the preceding August 25 (assessed valuation figures as of August 25 are typically estimates used for budgeting purposes and may be slightly different than final valuation figures shown herein) and (2) valuation of motor vehicles (the “Debt Limit”). State law exempts various types of general obligation bonds and temporary notes from counting against the City’s Debt Limit; for instance and among other exemptions, bonds or temporary notes issued for the purpose of acquiring, enlarging, extending or improving any storm or sanitary sewer system; for the purpose of acquiring, enlarging, extending or improving any municipal utility; or to pay the cost of improvements to intersections of streets and alleys or that portion of any street immediately in front of city or school district property, are not included in computing the total bonded indebtedness of the City for the purposes of determining the limitations on bonded indebtedness. The following table provides certain information relating to the City’s outstanding general obligation debt, including the Bonds and excluding the Refunded Notes, and its statutory Debt Limit:

<u>Debt Limit Summary (As of November 13, 2024)*</u>	<u>City Debt*</u>
Preliminary 2024 Assessed Valuation (including Motor Vehicle Valuation) ¹	\$371,936,427
Statutory Debt Limit ²	\$111,580,928
Outstanding General Obligation Debt.....	\$102,730,000
Exempt Debt	\$66,598,813
Net Debt against Debt Limit Capacity ³	\$36,131,187
Additional legal debt capacity.....	\$75,449,741
Statutory Direct debt as a percentage of Preliminary Assessed Valuation.....	9.71%
Statutory Direct Debt plus Debt Issued Pursuant to Charter Ord. 54 as a Percentage of Preliminary Assessed Valuation	12.27%

¹ The assessed value of all tangible taxable property within the City, as certified to the County Clerk on the preceding August 25. Also includes the taxable value of motor vehicles within the City. 2024 motor vehicle valuation not yet available; 2023 data used for estimation purposes only. See K.S.A. 10-301 *et seq.**

² Based upon preliminary assessed value of all tangible taxable property within the City, as certified to the County Clerk on the preceding August 25. See K.S.A. 10-301 *et seq.*

³ Excludes general obligation debt that is exempt from the City’s Debt Limit pursuant to State law exceptions.

* Preliminary, subject to change

Current Indebtedness of the Issuer

The following table sets forth as of the date of issuance of the Bonds all of the outstanding obligations of the Issuer including the Bonds and excluding the Refunded Notes:

GENERAL OBLIGATION BONDS

<u>Description of Indebtedness</u>	<u>Dated Date</u>	<u>Final Maturity</u>	<u>Original Principal Amount</u>	<u>Amount Outstanding</u>	<u>Exempt From Debt Limit</u>
G.O. Bonds, Series 2012-B	09/13/12	12/01/32	\$3,165,000	\$ 775,000	\$ 431,675
G.O. Refunding and Improvement Bonds, Series 2014-A	06/12/14	12/01/34	4,510,000	2,315,000	532,706
G.O. Sales Tax Bonds, Series 2014-C ¹	12/15/14	12/01/24	5,380,000	610,000	0
G.O. Refunding Bonds, Series 2015-A	04/01/15	12/01/24	3,165,000	590,000	233,994
G.O. Sales Tax Bonds, Series 2015-B ¹	04/01/15	12/01/24	1,725,000	185,000	0
G.O. Bonds, Series 2015-C	12/10/15	12/01/36	4,755,000	2,630,000	1,279,495
G.O. Bonds, Series 2017-A	06/29/17	12/01/37	5,105,000	3,860,000	3,389,644
G.O. Bonds, Series 2017-B	12/12/17	12/01/38	2,300,000	1,645,000	901,789
G.O. Bonds, Series 2018-A	04/03/18	12/01/38	6,900,000	4,875,000	4,875,000
G.O. Bonds, Series 2018-B	12/12/18	12/01/39	5,680,000	3,955,000	3,151,740
G.O. Sales Tax Bonds, Series 2018-C ¹	12/12/18	12/01/24	3,395,000	615,000	0
G.O. Bonds, Series 2019-A	04/04/19	12/01/34	5,385,000	4,260,000	0

G.O. Refunding and Improvement Bonds, Series 2019-B	10/15/19	12/01/40	10,460,000	7,355,000	3,695,366
G.O. Bonds, Series 2020-A	10/29/20	12/01/41	3,990,000	3,660,000	1,537,200
Taxable G.O. Refunding Bonds, Series 2020-B	10/29/20	12/01/36	3,415,000	2,965,000	963,625
G.O. Bonds, Series 2021-A	12/14/21	12/01/42	4,620,000	4,440,000	2,574,623
G.O. Refunding Bonds, Series 2021-B	12/14/21	06/01/33	2,720,000	2,140,000	0
G.O. Bonds, Series 2022-A	12/01/22	12/01/43	2,130,000	2,130,000	1,118,463
G.O. Bonds, Series 2023-A	11/30/23	12/01/44	11,810,000	11,810,000	7,244,254
G.O. Bonds, Series 2024-A	11/13/24	12/01/55	19,685,000*	<u>19,685,000*</u>	<u>18,259,806*</u>
Total				\$80,500,000	\$50,189,380

¹ Primarily payable from revenues of the Derby Difference Sales Tax.

TEMPORARY NOTES

<u>Description of Indebtedness</u>	<u>Dated Date</u>	<u>Final Maturity</u>	<u>Original Principal Amount</u>	<u>Amount Outstanding</u>	<u>Exempt From Debt Limit</u>
G.O. Temporary Notes, Series 2022-1 ²	08/01/22	12/01/24	\$ 2,910,000	\$ 0	\$ 0
G.O. Temporary Notes, Series 2023-1	11/30/23	12/01/25	10,750,000	10,750,000	7,287,425
G.O. Temporary Notes, Series 2024-1	03/14/24	12/01/26	11,480,000	<u>11,480,000</u>	<u>9,122,008</u>
Total				\$22,230,000	\$16,409,433

² Excludes Refunded Notes.

REVENUE OBLIGATIONS

<u>Category of Indebtedness</u>	<u>Dated Date</u>	<u>Final Maturity</u>	<u>Original Principal Amount</u>	<u>Amount Outstanding</u>
Sales Tax Special Obligation Revenue Bonds (Derby STAR Bond Project), Series 2022 ³	07/21/22	09/01/42	35,285,000	\$33,315,000

³ Payable only from certain dedicated sales tax collections. Amount outstanding as of June 30, 2024.

Source: Director of Finance

History of General Obligation Indebtedness

The following table sets forth general obligation debt information pertaining to the Issuer as of the end of each of the years indicated:

<u>Year</u>	<u>Total Debt</u>	<u>Debt As % of Assessed Value</u>	<u>Debt Per Capita</u>
2019	\$73,270,000	27.14%	\$2,397.50
2020	74,130,000	25.87%	2,948.10
2021	66,715,000	22.00%	2,603.51
2022	61,805,000	19.29%	2,391.19
2023	73,640,000	20.91%	2,838.96

Source: Clerk

The Issuer has never in its history defaulted on the payment of any of its debt obligations.

State Loans

The City has entered into the following Loan Agreement (the “Loan”) with the Kansas Department of Health and Environment in the amount of \$3,371,000 to finance improvements to the City's sewer utility system (the “System”). The term of this Loan is 20 years and provides for approximately level annual debt service payments. The Loan is a “draw-down” obligation with interest accruing on the advanced principal, which interest is payable on a semi-annual basis or at the option of the City, added as principal amount of the Loan. When the improvements are complete, the final principal amount of the Loan will be adjusted and Loan repayment terms will be re-amortized. In addition, the City was awarded funding from the American Recovery and Reinvestment Act (ARRA) in the form of principal forgiveness, not to exceed \$1,600,000.

<u>Purpose of Indebtedness</u>	<u>Dated Date</u>	<u>Final Payment Date</u>	<u>Original Principal Amount</u>	<u>Amount Outstanding</u>
Bio-solids waste handling equipment	2/10/2011	3/1/2032	\$3,371,000	\$622,884

Source: Clerk

Overlapping Indebtedness

The following table sets forth overlapping indebtedness as of August 1, 2024, and the percent attributable (on the basis of assessed valuation) to the City:

<u>Taxing Jurisdiction</u>	<u>Assessed Valuation</u> ¹	<u>Outstanding General Obligation Indebtedness</u>	<u>Percent Applicable to Issuer</u>	<u>Amount Applicable to Issuer</u>
Sedgwick County	\$6,963,286,061	\$ 34,665,000	4.86%	\$ 1,684,719
U.S.D. No. 260	560,360,801	159,610,000	60.36%	96,340,596
U.S.D. No. 263	78,427,802	3,690,000	3.97%	146,493
Total				\$98,171,808

¹ Preliminary 2024 assessed valuation figures, does not include motor vehicle valuation.

Source: County Clerk

Future Indebtedness

The City has adopted a plan to evaluate the issuance of temporary notes to finance the costs of certain internal improvements, primarily consisting of subdivision improvements, as well as parks and recreation projects for the Derby Recreation Commission. The City has also adopted a policy of issuing general obligation bonds annually or bi-annually, as necessary, to permanently finance such public improvements.

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APPENDIX B

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
(FOR THE FISCAL YEAR ENDED 12/31/2023)**

CITY OF DERBY, KANSAS

ANNUAL COMPREHENSIVE
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

Prepared by:

Finance Department
City of Derby, Kansas

CITY OF DERBY, KANSAS
ANNUAL COMPREHENSIVE
FINANCIAL REPORT
Year Ended December 31, 2023

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May 20, 2024



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

The Annual Comprehensive Financial Report of the City of Derby, Kansas for the fiscal year ended December 31, 2023 is hereby submitted for your review. Responsibility for the accuracy of the data presented, the completeness and fairness of the presentation, including all disclosures, rests with the City. A comprehensive framework of internal control has been established but because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Kansas 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 BT&Co., P.A. has performed the audit this year, and their report on the December 31, 2023 financial statements is located at the front of the Financial Section and in the compliance section of this report.

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

The Reporting Entity and Its Services

The City of Derby, Kansas is in Sedgwick County, located approximately three and one-half miles south of Wichita in south central Kansas. The City encompassed approximately 10.3 square miles and had an estimated population of 25,939 in 2023.

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

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

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

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

All budgets are prepared using the modified accrual basis further modified by the encumbrance method of accounting – that is, commitments evidenced by documents such as purchase orders and contracts in addition to disbursements and accounts payable are all recorded as expenditures although the actual funds have yet to be released to the billing source. Furthermore, the statutes provide for a public hearing on or before August 15th of each year and adoption of a final budget on or before August 25th of each year. This deadline may be extended to September 20th if the process to exceed the revenue neutral rate is followed by the city. This process involves notification to the County Clerk of the intent to exceed the revenue neutral rate by July 20th, publication of a notice of a tax rate hearing, and then holding the hearing between August 20th and September 20th.

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

Economic Condition and Outlook

Derby, the 16th largest city in Kansas, is part of the Wichita Metropolitan Statistical Area (MSA) that includes Sedgwick, Butler, Harvey, Kingman and Sumner counties. Together this region's population exceed 547,000 residents.

Derby supports more than 600 businesses, ranging from modest home-based businesses to companies like BRG Precision Products, manufacturer of electronics and custom digital clocks, and Mid Continent Controls, manufacturer of cabin management and in-flight entertainment systems for business jets. The City's economy is strongest in the construction industry, followed

closely by retail, finance/insurance/real estate, and health-care related activities. Aircraft manufacturers Spirit AeroSystems and Textron Aviation (Cessna and Beechcraft) provide jobs for a significant portion of the community's residents, as does Derby Public Schools.

Derby's strong pattern of residential growth continues to attract restaurants, retailers, and educational institutions. Derby Marketplace continues to be anchored by major retailers Target and Dillon's Marketplace, along with Petco, Hobby Lobby, TJ Maxx, Ross Dress for Less, Chick-Fil-A, Discount Tire and other retailers and service providers. These businesses will contribute to city-wide sales tax revenue and stable property tax revenue in 2024 which helps fund most other City services, as well as programs of the Derby Recreation Commission.

Rock Regional Hospital, a 90,000 square-foot acute care hospital opened in the STAR Bond district in April 2019, and is located immediately north of Field Station: Dinosaurs (a privately owned entertainment destination for kids ages 3 – 11). Another STAR Bond project (second phase of \$14.375 million) was used to construct The Sandbox, a multi-sport attraction featuring indoor and outdoor courts for pickleball and sand volleyball, and infrastructure mostly east of Rock Road. The Sandbox opened in December 2022.

An additional \$35.285 million in Sales Tax Special Obligation Revenue Bonds (STAR Bonds) were issued in July 2022 to build an outdoor adventure sports complex which includes a man-made lagoon designed for various water sports, an indoor heated water park, glamping, and an aerial park, as well as land acquisition and infrastructure required for the project. Continued commercial development is expected in the future along Rock Road, Patriot, and K-15 Highway, as well as in the West End Business Park and Derby Corporate Park.

The 2023 assessed valuation which funds the 2024 operating budget, grew by 11.54%. Residential building permits were lower in 2023 than 2022 but are expected to increase in 2024 and 2025 with several new subdivisions currently installing infrastructure. Non-residential building permits dropped in 2023 but are also expected to increase in 2024 and 2025. With the growth in commercial businesses and residential permits mentioned above, the assessed valuation should continue to increase in the near future.

The City's share of the countywide retail sales tax grew 2% in 2023, which is the second largest source of revenue for the General Fund. The city-wide retail sales tax also grew 2% in 2023 due to continued expansion of Derby's retail offerings and compensating use tax.

In October 2013, Derby voters once again approved a ½-cent city-wide sales tax initiative, the Derby Difference Sales Tax. At that time, the ½ cent city-wide sales tax had been dedicated to operation of a public library constructed in 2009 and retirement of the associated debt. The Derby Difference Sales Tax became effective January 1, 2015, upon sunset of the library sales tax on December 31, 2014. The Derby Difference Sales Tax is currently used for development of parks and operations of the public library and fire & rescue department. Voters approved a new one cent city-wide sales tax initiative in November 2023, which will begin January 1, 2025, at the end of the current Derby Difference Sales Tax. The new Derby Difference Sales Tax will fund park and trails maintenance and improvements, streets and sidewalks maintenance and improvements, and public safety equipment and capital improvements.

Derby's economic outlook remains positive as modest growth is projected for the next several years as a result of the region's economic diversity. Aviation growth continues to drive that diversity as we look back on this past year. Spirit AeroSystems, the world's largest tier-one aerostructures manufacturer and the state's second largest employer is located in close proximity to Derby. The company continues to see higher production activities within the commercial, defense, and space programs. Acquisition talks between Spirit and Boeing are ongoing as the company focuses near term efforts on safety, quality, and compliance in the supply of products and services.

Textron Aviation is another local aviation company headquartered in Wichita area that provides both commercial and defense aviation manufacturing. Over the past year, Textron has expanded their foot print with the recent addition of their global parts distribution facility in an effort to address supply chain issues that are impacting global aviation. On the defense side of the company, Textron was recently announced as the awardee of a \$121 million contract for multi-engine training system aircraft for the United States Naval Air Forces.

Another Wichita company seeing positive growth this past year is Bombardier, who was recently awarded a US Army contract utilizing their Global 6500 aircraft for surveillance and reconnaissance missions. Bombardier has also announced plans to further invest and grow operations at their Wichita location. With all three of these aviation companies growing, many local subcontractors and other local suppliers and employers will begin hiring so they can keep up with demands from these three larger companies.

In 2016, McConnell Air Force Base was designated the main operations base for KC-46A tankers. The base is in a position to be a key factor in the Air Force's plans for decades to come, which has a stabilizing effect on a major segment of the regional economy. According to the Department of the Air Force, McConnell AFB had an economic impact of \$825 million in fiscal year 2021. Derby is one of the several communities near the base that directly benefits from this economically. In 2022, an open house and airshow drew 78,000 attendees and had a \$5 million economic impact to the region. The success of the event has been felt by the Derby community and businesses and citizens look forward to the next airshow slated for August of 2024. Overall, employment in the Wichita MSA appears to have stabilized from the pandemic, and retail sales tax receipts were positive in 2023.

Major Initiatives

Located on the south edge of Derby, Decarsky Park (63 acres) houses a new ballfield complex (opened May 2021) and dog park (opened October 2020). Part of the initial phase of this park is funded by a ½ cent city-wide retail sales tax, the Derby Difference, as mentioned in the previous section. Proceeds of this sales tax funded \$8.0 million for Madison Avenue Central Park (opened in 2016), and \$3.395 million for Decarsky Park. Additional bonds (\$2.16 million) were issued in 2019 for construction of the first phase. The Derby Recreation Commission will reimburse the City for debt payments on a portion of those bonds (\$550,000) to contribute the cost of one ballfield to attract larger ball tournaments, which will in turn generate sales tax revenue.

The K15 Area Plan Phases 1 and 2 were being designed in 2023 to be constructed beginning in 2024. The City is receiving a grant of \$6.8 million to help cover the total project cost of \$10.9 million, and a possible TIF district is planned as well. This project involves reconstruction of the intersection at Nelson Drive and Patriot, which will enable more commercial development along Patriot and enhance traffic safety.

Development of a master plan of the wastewater treatment plant is complete, and design of the improvements is now underway. Construction of plant improvements will be done in phases over multiple years. The Capital Improvement Plan in the 2024 Budget includes an estimate of \$41.5 million for construction through 2028.

Design of a water treatment facility began in 2021. Due to the size of the project, design will occur in phases over multiple years. Prior to connection to the City of Wichita water system, Derby supplied water to its residents from wells outside of the City. El Paso Water Company still owns those water rights so in 2020, the contract with the City of Wichita was renewed and amended to include the option for Derby to use those water rights by building its own water treatment plant, therefore reducing the volume of water purchased wholesale from the City of Wichita. Construction of the plant is planned to begin in 2026, with a total project cost of \$30.5 million.

The City received a total of \$3,806,530 of the American Rescue Plan Act (ARPA) funds in 2021-2022. The Buckner Street reconstruction project was completed in 2023 and the remaining funds will be spent on another major street reconstruction and a railroad Quiet Zone project.

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 in existing infrastructure is needed to ensure systems operate at optimal levels.

With annual budget constraints, there are few opportunities to use the operating budget to finance the required investment in infrastructure construction. The primary method of financing infrastructure upgrades and new construction is issuance of long-term bonds. These bonds come in the form of General Obligation, Revenue, and Special Assessment bonds.

According to state law, cities of the First Class, such as Derby, may issue longer-term debt not to exceed 30 percent of total assessed valuation; however, such projects as sanitary sewer and water lines and certain intersection improvements do not count against the total "debt lid." As of December 31, 2023, Derby had outstanding debt applicable to the limit of \$73,640,000. When exempt projects are taken into consideration, Derby had additional debt capacity of approximately \$72.6 million.

The City Council had for many years an unofficial policy that direct debt, as a percentage of Assessed Valuation should not exceed 20%. In 2009, that practice was ratified with adoption of the City's Debt Management Policy. The City Council temporarily exceeded the 20% limit to issue financing for projects authorized by the voters, such as construction of an aquatic park in

2003, a new public library in 2009 and most recently, construction of Madison Avenue Central Park and Decarsky Park. Derby's ratio of direct debt as a percentage of assessed valuation as of December 2023 was 9.34% and is well within compliance with city policy.

2020 was an important year in the history of Derby as it became a city of the first class on November 11, 2020 pursuant to a Proclamation by Governor Laura Kelly. Charter Ordinance 56 was subsequently adopted November 24, 2020, which generally authorizes issuance of general obligation bonds without an election for the financing of public improvement, vehicle, property and other municipal functions.

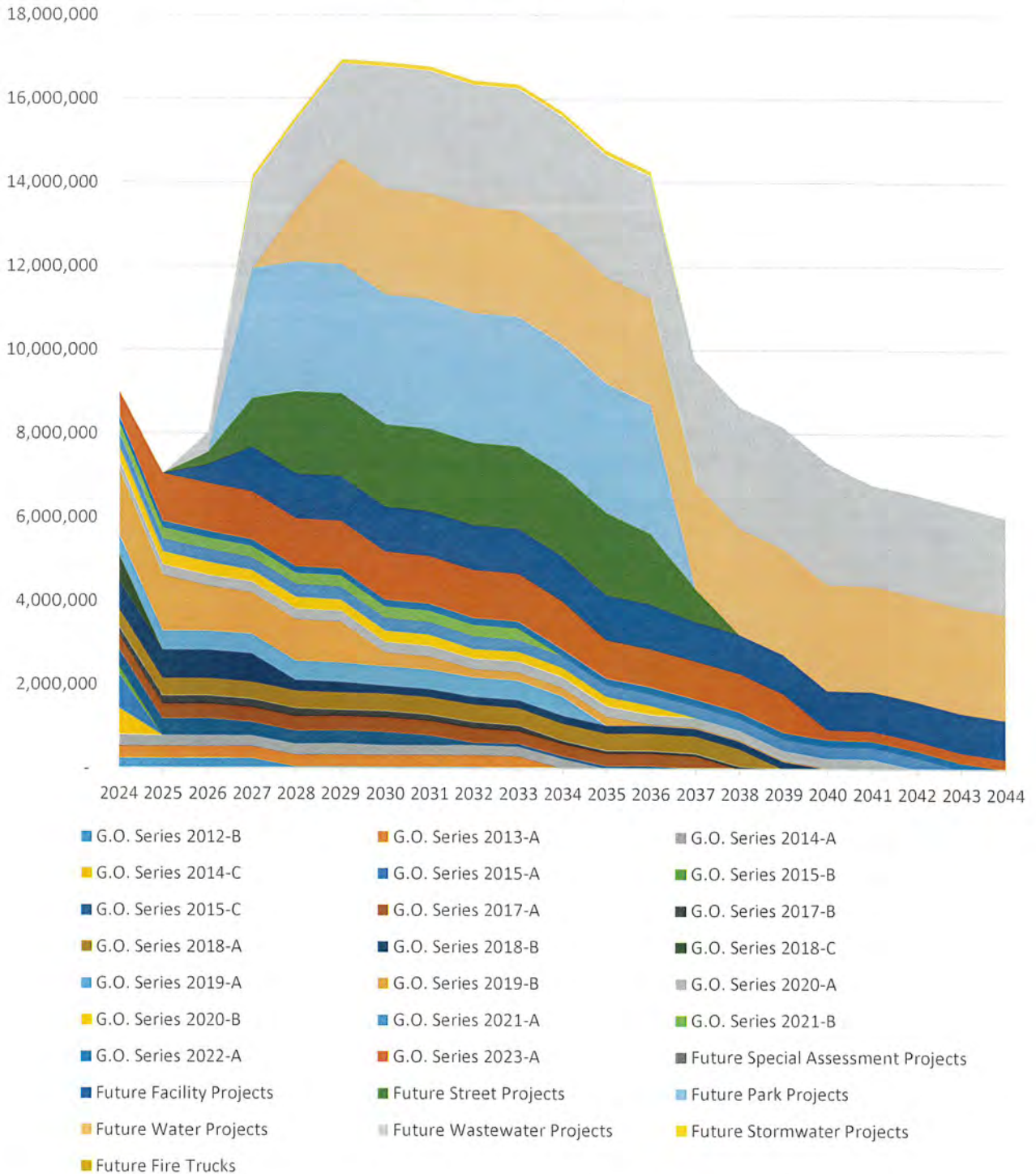
The following chart incorporates debt to be issued to finance CIP projects in 2024 and beyond with existing outstanding bond issues. This chart illustrates an increase in total debt followed by a gradual reduction after 2029.

As mentioned in the prior section, development of a master plan of the wastewater treatment plant is underway. Design of the improvements is being paid with cash, whereas construction of the plant improvements will be financed with bonds paid for with sanitary sewer system revenue. Likewise with the water treatment plant, the design will be paid with cash, and construction of the plant will be financed with bonds paid for with water system revenue.

There are several park and street projects which will be financed with bonds and paid back with the new Derby Difference Sales Tax beginning in 2025.

While there are several smaller infrastructure projects included in the following chart, payment of debt is expected to outpace issuance of new debt, which will allow the City's debt load to diminish.

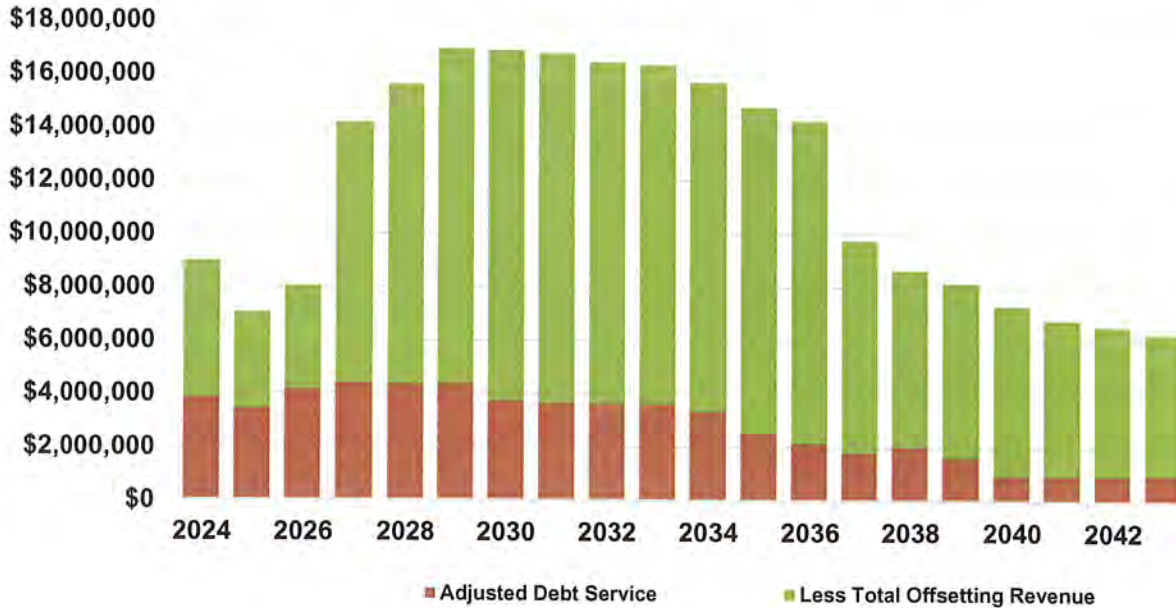
General Obligation Debt Service Schedule (2024 - 2044)



Much of Derby's outstanding debt has offsetting revenues paid through special assessments, Derby Recreation Commission rent payments, and dividend transfers from El Paso Water

Company. Dividends received from El Paso Water Company are a reimbursement for principal and interest paid out of the City’s Bond and Interest Fund. The following chart shows a snapshot of the level of adjusted debt service which is the balance of the debt service once offsetting revenues are deducted.

Bond and Interest Fund Annual Debt Service Less Offsetting Revenue



Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Derby for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2022. This is the 15th year the City has achieved this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. A Certificate of Achievement is valid for a period of one year only.

The City also received the GFOA Distinguished Budget Presentation award for annual budgets for the years 2005 through 2024. In order to qualify for the award, the City’s budget document was judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

Preparation of this report would not have been possible without the dedicated service of the staff of the finance department. We wish to express our appreciation to all members of the department who assisted and contributed to preparation of this report. Credit also must be given to the Mayor

and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of City finances.

Respectfully submitted,

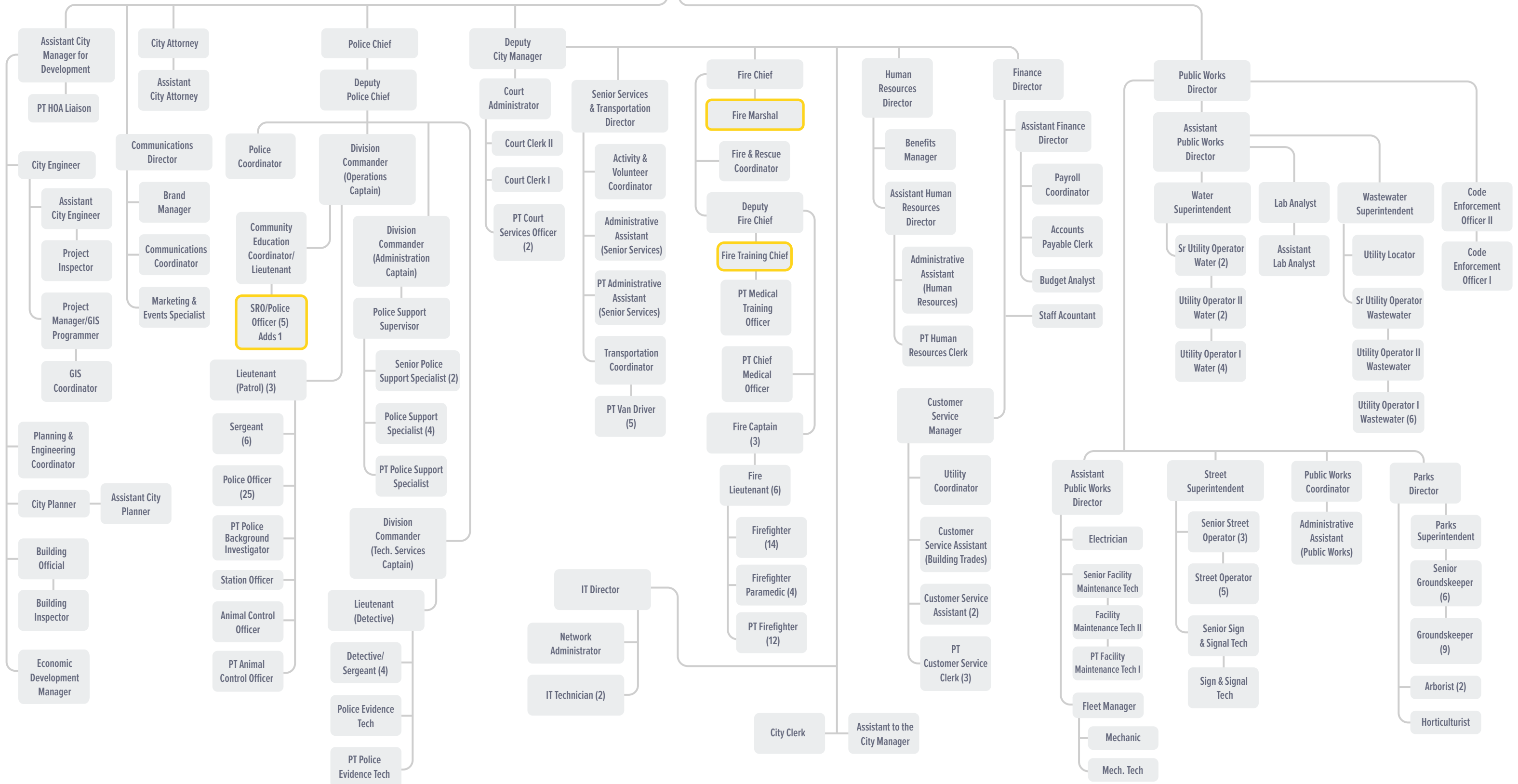


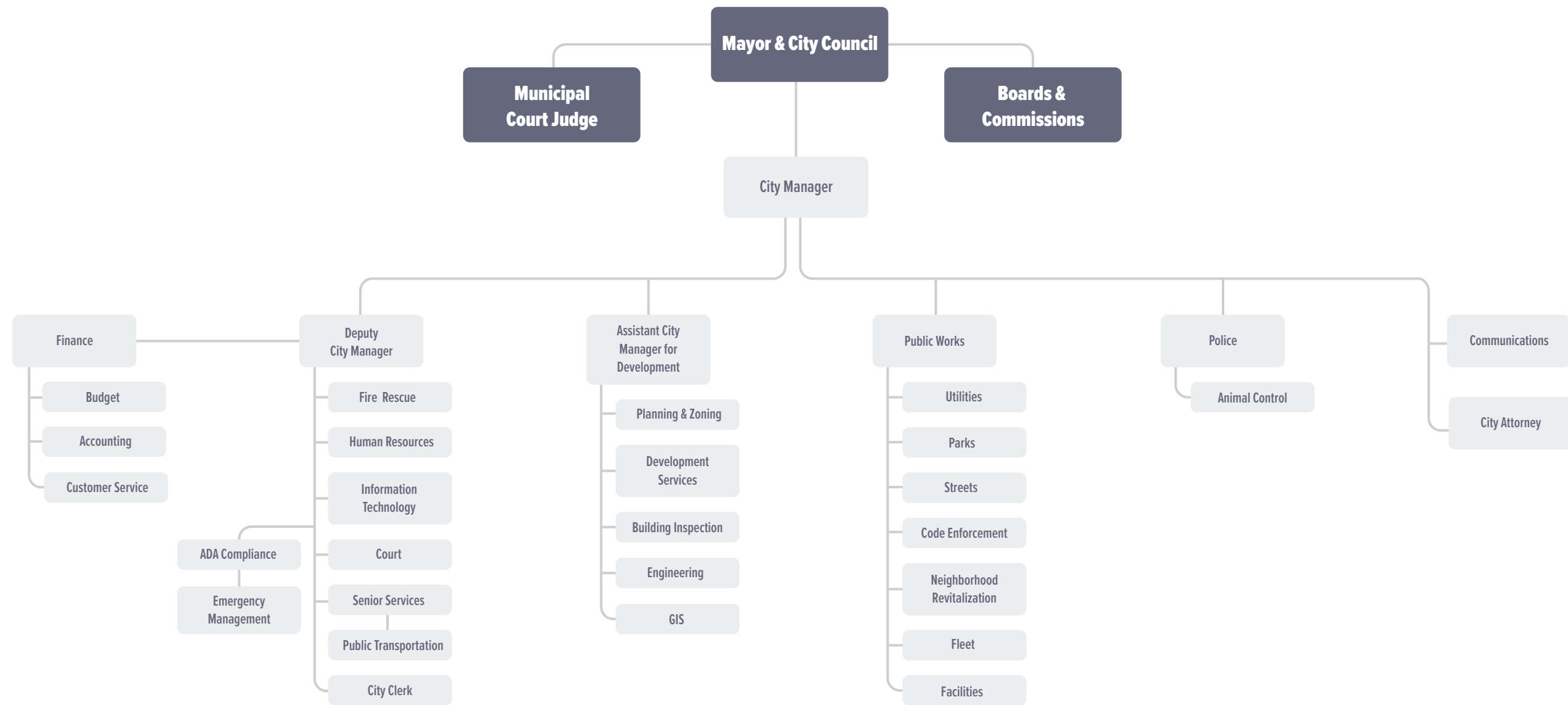
Kiel Mangus
City Manager



Megan Sneller
Director of Finance

City Manager





City of Derby, Kansas
List of Elected and Appointed Officials
December 31, 2023

Elected Officials

Mayor	Randy White	At-Large
Council President	Nick Engle	Ward III
Councilmember	Rocky Cornejo	Ward I
Councilmember	Mike Neel	Ward I
Councilmember	Jack Hezlep	Ward II
Councilmember	Elizabeth Stanton	Ward II
Councilmember	Rick Coleman	Ward III
Councilmember	Jenny Webster	Ward IV
Councilmember	Chris Unkel	Ward IV

Appointed Officials

City Manager	Kiel Mangus
Deputy City Manager	Dan Bronson
Assistant City Manager for Development	Daniel J. Squires
City Attorney	Jacqueline Butler
Director of Finance	Megan Sneller
Director of IT	Richard Montano
Chief of Police	Brandon Russell
Director of Public Works	Robert Mendoza
Fire Chief	John Turner
Communications Director	Kristy Bansemer
Director of Human Resources	Jenny Turner



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Derby
Kansas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morill

Executive Director/CEO



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
City of Derby, Kansas

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and the Derby Difference sales tax fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the Kansas Municipal Audit and Accounting Guide. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 16 to the financial statements, the December 31, 2022 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The statements and schedules listed under supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

BT&C, P.A.

May 20, 2024
Topeka, Kansas

CITY OF DERBY, KANSAS

Management's Discussion and Analysis

This section of the annual financial report provides an overview and analysis of the financial activities during the fiscal year that ended December 31, 2023. Please read it in conjunction with the City's financial statements which follow this section.

Financial Highlights

- Assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources at the close of 2023 by \$179,067,144. Of this amount, \$27,682,858 of unrestricted net position may be used to meet the City's ongoing obligations.
- The City's total net position increased by \$6,655,598 or 3.86%, from \$172,411,546 at year-end 2022.
- At year-end 2023, the City of Derby's governmental funds reported combined ending fund balances of \$51,533,264, an increase of \$9,679,885 or 23.13%.
- At the end of 2023, the budgetary fund balance for the general fund was \$12,940,841 or 56.33% of the general fund non-GAAP budgetary expenditures.
- The City's total outstanding debt increased by \$12,466,736 during 2023 to \$92,589,786.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues

and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Governmental Activities reflect the City's basic services, including general government, police, fire, public works and parks and recreation. Property, sales, and gasoline taxes along with franchise fees and court fees, licenses and permits finance the majority of these services. The Business-Type Activities reflect private sector type operations (sewer, water and stormwater utilities), where the fee for service typically covers all or most of the cost of operation, including depreciation.

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

The government-wide statements can be found on pages 15-16 of the audited financial statements.

Fund Financial Statements

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

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

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

The City of Derby maintains 20 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Capital Projects Fund, STAR Bonds Fund, and Derby Difference Sales Tax Fund which are considered to be major funds. In addition, six funds are presented in the combining statements of the General Fund on pages 79-81 of this report. Data

from the other ten funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 82 - 85 of this report.

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

The basic governmental fund financial statements can be found on pages 17 – 24 of this report.

Proprietary Funds – Services for which the City charges customers a fee are generally reported in proprietary funds. The sewer, water and stormwater utilities comprise the proprietary funds for the City of Derby. Proprietary funds, like the government-wide statement, provide both long- and short-term financial information. The basic proprietary fund financial statements can be found on pages 25 – 28 of this financial report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 – 74 of this financial report.

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

Government-Wide Financial Analysis

Net position may serve as a useful indicator over time of a government’s financial position. Assets and deferred outflows of resources of the City of Derby exceeded liabilities and deferred inflows of resources by \$179,067,144 as of December 31, 2023.

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

The largest portion of net position, \$111,629,431 or 62.3%, is the investment in capital assets net of related debt. The next largest portion, \$39,754,855 or 22.2% is restricted, due to project financing or bond covenants. The remaining balance of \$27,682,858 or 15.5% of the City’s net position, is unrestricted, which may be used to meet the city’s ongoing obligation to citizens and creditors.

Current and other assets increased by \$17,497,302 or 14.5%, due to an increase in construction projects in progress, an increase in completed building and infrastructure projects and increase in machinery and equipment. Capital assets, net of accumulated depreciation, increased by \$3,962,933 or 2.3% as building of infrastructure such as streets, water and sewer lines to serve residential and commercial development and city facilities outpaced depreciation. The deferred outflows of resources decreased by \$373,000

primarily due to a decrease in the KPERS liability. The increase in total liabilities in 2023 was primarily due to an increase in long-term liabilities. Long-term liabilities increased by \$14,080,419 due to the issuance of more bonds and temporary notes than were redeemed. Other liabilities decreased by \$530,281 mostly due to 2022 including the unearned income from receipt of the second tranche of the American Rescue Plan Act (ARPA) funds.

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets:						
Current and other assets	\$ 108,980,252	\$ 99,466,532	\$ 29,463,887	\$ 21,480,305	\$ 138,444,139	\$ 120,946,837
Capital assets, net	141,320,674	137,886,920	31,945,877	31,416,698	173,266,551	169,303,618
Total assets	250,300,926	237,353,452	61,409,764	52,897,003	311,710,690	290,250,455
Deferred outflows of resources	6,251,627	6,612,115	450,930	463,442	6,702,557	7,075,557
Liabilities:						
Long-term liabilities	103,375,909	94,722,525	11,116,210	5,689,175	114,492,119	100,411,700
Other liabilities	5,552,512	6,265,598	660,127	477,322	6,212,639	6,742,920
Total liabilities	108,928,421	100,988,123	11,776,337	6,166,497	120,704,758	107,154,620
Deferred inflows of resources	18,595,387	17,711,860	45,958	47,986	18,641,345	17,759,846
Net position:						
Net investment in capital assets	83,477,844	77,649,958	28,151,587	27,075,739	111,629,431	104,725,697
Restricted	39,754,855	40,781,198	-	-	39,754,855	40,781,198
Unrestricted	5,796,046	6,834,428	21,886,812	20,070,223	27,682,858	26,904,651
Total net position	\$ 129,028,745	\$ 125,265,584	\$ 50,038,399	\$ 47,145,962	\$ 179,067,144	\$ 172,411,546

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, 2023. Derby's net position at year-end 2023 of \$179,067,144 reflects an increase of \$6,655,598 or 3.9% from \$172,411,546 at year-end 2022. Net position of the City's government-type activities increased \$3,763,161 or 3.0%, the increase in revenue exceeded the increase in expenses from 2022 to 2023. The City's net position for business-type activities grew \$2,892,437 or 6.1% as the result of investment in infrastructure and net income. Additional information can be found on page 6.

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 3,372,352	\$ 3,241,345	\$ 12,587,269	\$ 12,563,745	\$ 15,959,621	\$ 15,805,090
Operating grants & contributions	1,962,965	1,584,593	-	-	1,962,965	1,584,593
Capital grants & contributions	4,407,582	3,693,383	-	-	4,407,582	3,693,383
General revenues:						
Property taxes	14,621,686	13,725,850	-	-	14,621,686	13,725,850
Sales taxes	9,818,357	9,617,791	-	-	9,818,357	9,617,791
Franchise taxes	2,708,423	2,877,294	-	-	2,708,423	2,877,294
Excise taxes	100,102	92,421	-	-	100,102	92,421
Grants and contributions not restricted to specific programs	805,973	-	-	-	805,973	-
Gain on sale of capital assets	109,355	654,620	-	-	109,355	654,620
Investment earnings	2,390,919	624,184	272,881	72,108	2,663,800	696,292
Total revenues	40,297,714	36,111,481	12,860,150	12,635,853	53,157,864	48,747,334
Expenses:						
General government	8,954,387	8,734,946	-	-	8,954,387	8,734,946
Public safety	11,257,145	9,788,103	-	-	11,257,145	9,788,103
Public works	9,083,102	9,047,743	-	-	9,083,102	9,047,743
Culture and recreation	3,227,546	3,676,191	-	-	3,227,546	3,676,191
Economic development	745,173	1,941,029	-	-	745,173	1,941,029
Interest on long-term debt	2,515,605	2,304,864	-	-	2,515,605	2,304,864
Sewer system	-	-	2,747,012	2,855,681	2,747,012	2,855,681
Water system	-	-	7,250,658	6,920,360	7,250,658	6,920,360
Stormwater system	-	-	744,963	695,474	744,963	695,474
Total expenses	35,782,958	35,492,876	10,742,633	10,471,515	46,525,591	45,964,391
Increases in net position before transfers	4,514,756	618,605	2,117,517	2,164,338	6,632,273	2,782,943
Transfers	(751,595)	(1,637,853)	751,595	1,637,853	-	-
Increase (decrease) in net position	3,763,161	(1,019,248)	2,869,112	3,802,191	6,632,273	2,782,943
Net position, beginning of year as previously stated	125,265,584	126,284,832	47,145,962	43,343,771	172,411,546	169,628,603
Prior period adjustment	-	-	23,325	-	23,325	-
Net position, beginning of year as restated	125,265,584	126,284,832	47,169,287	43,343,771	172,434,871	169,628,603
Net position, end of year	\$ 129,028,745	\$ 125,265,584	\$ 50,038,399	\$ 47,145,962	\$ 179,067,144	\$ 172,411,546

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

- Charges for services overall increased by \$154,531 or 1.0%.
 - Government-type charges for services increased by \$131,007.
 - Fees collected from the Aquatic Park were higher as attendance continues to reach record numbers.
 - A large insurance reimbursement was received for a claim in 2023.
 - Business-type charges for services increased by \$23,524 or 0.2%. While rates for both sewer and water increased in 2023, water consumption was down significantly from 2022, lessening the overall increase.
- Operating grants and contributions increased by \$378,372 or 23.9% mostly due to a contribution from a local developer for a streets project.

- Capital grant revenues of governmental activities increased by \$714,199 or 19.3%. Governmental capital grant revenues of \$4,407,582 consist primarily of \$3,211,581 of special assessments for infrastructure to serve properties throughout the City.
- Property tax revenues, our largest source of tax revenue, increased \$895,836 or 6.5%, reflecting growth in the City's assessed valuation in 2023.
- Sales tax revenues consist of a county-wide and city-wide levy and increased in total \$200,566 or 2.1%. County-wide sales tax receipts increased 2.0%, and city-wide receipts grew 2.0%.
- Interest earnings on the City's idle funds increased by \$1,967,508 overall as the rate on short-term investments increased substantially in 2023.
- General government expenses increased \$219,441 or 2.5% primarily due to increases in personnel costs and increased costs for commodities and contractual expenses.
- Public safety expenses increased \$1,469,042 or 15.0% due to increased wages, equipment purchases and capital improvement projects.
- Public works expenses increased \$35,359 or 0.4% primarily due to increased wages and increased costs of street and facility projects.
- Culture and recreation decreased \$448,645 due to a decrease in capital improvement projects.
- Economic development decreased \$1,195,856 due to less STAR Bond activity in 2023.
- Interest on long-term debt increased by \$210,741 or 9.1% reflecting the climbing interest rates in 2023.
- Sewer utility expenses decreased \$108,669 or 3.8%; while personnel costs increased, capital improvement projects and cost of commodities contractual services decreased.
- Water utility expenses increased \$330,298 or 4.8% due to increased personnel costs and an increase in capital improvement projects.
- Stormwater utility expenses increased \$49,489 or 7.1% due to increased personnel costs and an increase in capital improvement projects.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

At December 31, 2023, the combined fund balance for governmental funds increased \$9,679,885 or 23.13% to \$51,533,264. Approximately 24% of this amount or \$12,303,179 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either non-spendable, restricted, or assigned to indicate that it is (1) not in spendable form such as inventories of \$300,940 or 0.6% and prepaid items of \$2,342,087 or 4.5%, (2) restricted for particular purposes totaling \$32,146,317 or 62.4%, and (3) assigned for particular purposes such as equipment, capital improvements or operation of the aquatic park, of \$4,440,741 or 8.6%. The restricted fund balance is primarily designated for capital improvements, park construction, library operations, fire & rescue operations, debt service and maintenance and construction of streets and sidewalks.

Property taxes of \$14,621,686 represent the largest single source, comprising 37.2% of governmental fund revenue for the City. Taxes on retail sales in the amount of \$9,818,357 are the next largest source of revenue at 25.0% of the City's revenues. Special assessments of \$3,211,581 pay the debt service for infrastructure to serve various properties and represent 8.2% of the city's revenue in 2023. Franchise fees of \$2,708,423 represent 6.9% of the revenue stream, followed by intergovernmental payments of \$2,548,833 consisting of gasoline and transient guest taxes, and reimbursements which represent 6.5% of the revenue stream.

The General Fund is the chief operating fund of the City of Derby. At the end of 2023, the unassigned fund balance of the General Fund was \$12,303,179. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to the total fund expenditures. The unassigned fund balance represents 47.9% of total General Fund expenditures, while the total fund balance represents 61.9% of that same amount. This percentage is high due to capital projects that are planned in the near future and the assigned fund balance of \$3,298,451.

The Debt Service Fund has a restricted fund balance of \$1,615,117. The primary revenue source for this fund is special assessments, followed by ad valorem property taxes. Property taxes are levied to pay the debt associated with city-at-large improvements such as buildings and arterial roadways. The fund balance of the Debt Service Fund increased from \$1,353,231 in 2022 due to the issuance of new bonds and the planned upcoming increase in expenditures from this fund.

The Capital Projects Fund has a nonspendable fund balance of \$864,087 and a restricted fund balance of \$13,360,902. The primary source of revenue for the Capital Projects Fund is temporary financing to construct infrastructure which will be permanently financed with the issuance of long-term debt. The fund balance of the Capital Projects Fund increased by \$8,858,336 at year-end 2023 due to increased temp note issuances to construct infrastructure improvements in new subdivisions.

The STAR Bonds fund has a restricted fund balance of \$12,203,819. The primary source of funding for the STAR Bonds Fund during the year was the issuance of a sales tax special obligation revenue bond.

The Derby Difference Sales Tax Fund has a nonspendable fund balance of \$1,478,000 and a restricted fund balance of \$3,878,057. The primary source of revenue for the Derby Difference Sales Tax Fund is a ½-cent city-wide retailer's sales tax, which became effective January 1, 2015. The fund balance is restricted to three areas identified in the ballot question and subsequently approved by the voters and the City Council. The largest restricted portion of the fund balance of \$2,261,771 is restricted for library operations. The next largest restricted portion of \$925,803 is restricted for park development and payment of debt service on Madison Avenue Central Park and Decarsky Park. The smallest restricted portion of \$690,483 is restricted for Derby Fire & Rescue expenses. The fund balance of the Derby Difference Sales Tax Fund increased by \$1,074,627 as revenues exceeded expenditures. Sales tax revenues grew 2.0% and expenses dropped as we transition personnel back to the General Fund with the sunset of the sales tax approaching in 2024.

Ten funds make up the non-major funds, the largest of which is the Aquatic Park Fund which houses the reserve for operations of the City's aquatic park.

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

Unrestricted net position of the Water, Sewer and Stormwater Utilities at the end of 2023 totals \$21,947,376. As stated earlier, unrestricted net position is to be used for ongoing and future obligations and improvements to the utilities.

Total net position of the proprietary funds increased \$2,870,078 from \$47,228,885 to \$50,098,963. The increase in net position is primarily due to contribution of capital assets to the utilities and higher operating income in all of the utilities. Capital contributions consist of sanitary sewer, water lines and stormwater infrastructure to serve new residential subdivisions throughout the city including Cedar Ranch, Spring Ridge and Foxfire additions. Operating income in the utilities was higher as a result of higher sales due to increased consumption and a rate increase to offset the cost of wholesale water and sewer.

Beginning in 2012, the City established an internal service fund for partial self-funding of the City's health insurance program. At year-end 2023, the unrestricted net position of the Internal Service Fund was \$1,536,985, an increase of \$518,185, primarily due to contributions by employees and the City exceeding the expense of insurance claims.

Beginning in 2022, the City established an internal service fund for the management of fleet lease vehicles. At year-end 2023, the unrestricted net position of the Internal Service Fund was \$341,029, a decrease of \$454,159, due to the decrease in the number of leased vehicles.

General Fund Budgetary Highlights

Careful monitoring of expenditures and revenues allowed Derby to carry over \$12,940,841 into 2024 (56.3% of expenditures), an increase of \$166,928 over the prior year carryover. The increase in carryover occurred due to higher than anticipated revenues and lower than anticipated expenses from the 2023 revised operating budget, allowing Derby to enter 2024 with higher reserves than projected.

The largest budget variance in revenues is investment earnings of \$1,417,195. The budget was adopted in August 2022, interest rates were beginning to rebound from the pandemic but it was unknown how much they would increase through 2023. The next largest variance of other revenues of \$644,318. A large portion of this amount was an insurance reimbursement for a large claim in 2023. The negative budget variance in fines and fees of \$191,613 is due to a decrease in citations issued, likely due to an increase in vacant police positions in 2023.

The largest budget variance in expenditures is in capital outlay of \$1,048,290 due to a transfer made to equipment and capital improvement reserves. With budget savings in 2023, a transfer was made to the reserve funds to help fund upcoming projects and equipment purchases.

The second largest budget variance is in liability insurance of \$287,416, due to a large insurance claim that the City paid and was reimbursed for in 2023.

The budget variances in administration and operations, law enforcement, fire and public works were also due to lower-than-expected payroll expenses and careful monitoring of expenditures. The budget variance in finance is due to an increase in contractual costs.

The variance in miscellaneous and reserves of \$9,793,438 is the cash reserve for 2024 and future years.

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, 2023 was \$173,266,551 net of depreciation. This investment in capital assets includes land, buildings, machinery and equipment, an aquatic park, water distribution and sewer and stormwater collection systems, infrastructure, construction in progress, right-to-use leased machinery and equipment, and subscription assets.

Major projects undertaken during 2023 were the infrastructure to serve new phases of Spring Ridge, Foxfire and Cedar Ranch. Improvements were made to the wastewater treatment plant and design work for a water treatment facility were also done in 2023.

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 35,394,210	\$ 35,394,210	\$ 712,358	\$ 712,358	\$ 36,106,568	\$ 36,106,568
Construction in progress	1,287,390	705,432	1,341,499	1,694,195	2,628,889	2,399,627
Buildings and systems	22,567,784	21,243,271	4,309,419	1,010,160	26,877,203	22,253,431
Improvements	15,319,165	15,794,013	-	-	15,319,165	15,794,013
Infrastructure	61,682,335	61,195,448	25,074,423	27,568,811	86,756,758	88,764,259
Machinery and equipment	4,315,955	3,007,622	345,328	431,174	4,661,283	3,438,796
Right-to-use leased machinery and equipment	403,230	546,924	-	-	403,230	546,924
Subscription assets	350,605	-	162,850	-	513,455	-
Total capital assets (net)	<u>\$ 141,320,674</u>	<u>\$ 137,886,920</u>	<u>\$ 31,945,877</u>	<u>\$ 31,416,698</u>	<u>\$ 173,266,551</u>	<u>\$ 169,303,618</u>

Additional information on the City's capital assets can be found in Note 6 to the financial statements.

Debt Administration

At year-end, the City of Derby had \$92,589,786 in bonds, notes, loans, leases payable, and subscriptions payable outstanding. This is an increase of \$12,466,736 from \$80,123,050 at the end of 2022. In 2023, \$10,750,000 in temporary notes were issued to finance infrastructure in subdivisions throughout the city. Bonds totaling \$11,810,000 were issued to fund City-at-large street projects, stormwater gabion repairs, wastewater plant improvements, purchase of a fire engine and to pay off a temporary note and provide long term financing for infrastructure in Cedar Ranch and Spring Ridge Phase 3. The special assessment portion of the bond will be paid with special assessment revenue paid by the property owners. More detailed information about the City's long-term liabilities is presented in Note 11 to the financial statements.

Table A-4
City of Derby Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 55,648,389	\$ 54,742,345	\$ 8,909,832	\$ 3,571,367	\$ 64,558,221	\$ 58,313,712
Sales tax obligation bonds	13,919,572	14,102,063	-	-	13,919,572	14,102,063
Temporary notes	12,630,000	6,360,000	-	-	12,630,000	6,360,000
Revolving loan	-	-	697,186	769,592	697,186	769,592
Leases payable	412,422	577,683	-	-	412,422	577,683
Subscriptions payable	305,789	-	66,596	-	372,385	-
Total	<u>\$ 82,916,172</u>	<u>\$ 75,782,091</u>	<u>\$ 9,673,614</u>	<u>\$ 4,340,959</u>	<u>\$ 92,589,786</u>	<u>\$ 80,123,050</u>

The City’s general obligation bond rating was upgraded to AA from AA- by Standard & Poor’s in 2021, with a “stable outlook” and the management score of the City of “strong” and “very strong” reserves and liquidity.

ECONOMIC FACTORS

With approximately 550 businesses operating inside its boundaries, the City of Derby benefits from an ideal mix of service, retail, medical and manufacturing companies. More than 6,00 workers are employed at Derby firms ranging in size from 1 to 400, and Derby’s strongest business sectors include construction, finance and insurance, real estate, health care and retail.

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

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

Derby is located just a few miles from McConnell Air Force Base (MAFB), one of three Supertanker KC-135 Stratotanker wings in the Air Force and the nation’s first KC-46A Pegasus operational base. Team McConnell is made up of the 22nd Air Refueling Wing, the 931st Air Refueling Wing (Air Force Reserve) and the 184th Intelligence Wing (Kansas Air National Guard).

Derby's Profile

➤ Median Age (2023)	37.5 years
➤ Median Household Income (2023)	\$75,110
➤ Average Household Income (2023)	\$97,685
➤ Average New Home Value (2023)	\$436,000
➤ Housing Units (2023)	10,112
➤ Unemployment (2023)	3.0%

Source: ESRI Market Profile with the exception of average new home value, which is City building permit data.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF DERBY, KANSAS
STATEMENT OF NET POSITION
December 31, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Library Board
Assets:				
Deposits and investments	\$ 41,011,951	\$ 28,060,305	\$ 69,072,256	\$ 1,043,961
Restricted cash and investments	12,203,819	-	12,203,819	
Receivables, net of allowance for uncollectibles:				
Taxes	16,507,524	-	16,507,524	-
Special assessments	33,058,619	-	33,058,619	-
Accounts	206,977	1,443,496	1,650,473	-
Interest	353,178	-	353,178	-
Leases	2,934,593	-	2,934,593	-
Inventories	300,940	17,288	318,228	-
Prepaid items	2,342,087	3,362	2,345,449	20,644
Internal balances	60,564	(60,564)	-	-
Capital assets, net of accumulated depreciation and amortization, where applicable:				
Land	5,327,500	712,358	6,039,858	-
Land - right of way	30,066,710	-	30,066,710	-
Construction in progress	1,287,390	1,341,499	2,628,889	-
Buildings and systems	22,567,784	4,309,419	26,877,203	-
Improvements	15,319,165	-	15,319,165	-
Infrastructure	61,682,335	25,074,423	86,756,758	-
Machinery and equipment	4,315,955	345,328	4,661,283	292,013
Right-to-use leased machinery and equipment	403,230	-	403,230	51,222
Subscription assets	350,605	162,850	513,455	-
Total assets	<u>250,300,926</u>	<u>61,409,764</u>	<u>311,710,690</u>	<u>1,407,840</u>
Deferred outflows of resources:				
Deferred outflows - OPEB	944,532	47,406	991,938	-
Deferred outflows - pension	5,307,095	403,524	5,710,619	-
Total deferred outflows of resources	<u>6,251,627</u>	<u>450,930</u>	<u>6,702,557</u>	<u>-</u>
Liabilities:				
Accounts payable	1,044,613	532,531	1,577,144	20,753
Accrued liabilities	1,106,021	88,960	1,194,981	-
Accrued interest payable	433,021	38,636	471,657	-
Unearned revenue	2,968,857	-	2,968,857	25,000
Noncurrent liabilities:				
Due within one year	8,602,855	646,214	9,249,069	21,238
Due in more than one year	94,773,054	10,469,996	105,243,050	30,422
Total liabilities	<u>108,928,421</u>	<u>11,776,337</u>	<u>120,704,758</u>	<u>97,413</u>
Deferred inflows of resources:				
Deferred receivable - property taxes	14,473,923	-	14,473,923	-
Deferred inflows - OPEB	960,324	43,111	1,003,435	-
Deferred inflows - pension	314,774	2,847	317,621	-
Deferred inflows - leases	2,846,366	-	2,846,366	-
Total deferred inflows of resources	<u>18,595,387</u>	<u>45,958</u>	<u>18,641,345</u>	<u>-</u>
Net position:				
Net investment in capital assets	83,477,844	28,151,587	111,629,431	291,575
Restricted for:				
Debt service	9,223,655	-	9,223,655	-
Capital projects and streets	13,890,638	-	13,890,638	-
Culture and recreation	13,312,956	-	13,312,956	-
Law enforcement	277,266	-	277,266	-
Fire	690,483	-	690,483	-
Library operations	2,359,857	-	2,359,857	-
Unrestricted	5,796,046	21,886,812	27,682,858	1,018,852
Total net position	<u>\$ 129,028,745</u>	<u>\$ 50,038,399</u>	<u>\$ 179,067,144</u>	<u>\$ 1,310,427</u>

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Position			Component Unit Library Board
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental	Primary Government	Total	
					Activities	Business-Type Activities		
Primary government:								
Governmental activities:								
General government	\$ 8,954,387	\$ 1,156,263	\$ 261,736	\$ 40,007	\$ (7,496,381)	\$ -	\$ (7,496,381)	\$ -
Public safety	11,257,145	620,927	336,782	21,503	(10,277,933)	-	(10,277,933)	-
Public works	9,083,102	1,349,128	1,258,737	3,074,463	(3,400,774)	-	(3,400,774)	-
Culture and recreation	3,227,546	246,034	105,710	1,271,609	(1,604,193)	-	(1,604,193)	-
Economic development	745,173	-	-	-	(745,173)	-	(745,173)	-
Interest on long-term debt	2,515,605	-	-	-	(2,515,605)	-	(2,515,605)	-
Total governmental activities	<u>35,782,958</u>	<u>3,372,352</u>	<u>1,962,965</u>	<u>4,407,582</u>	<u>(26,040,059)</u>	<u>-</u>	<u>(26,040,059)</u>	<u>-</u>
Business-type activities:								
Sewer	2,747,012	3,484,948	-	-	-	737,936	737,936	-
Water	7,250,658	8,447,935	-	-	-	1,197,277	1,197,277	-
Stormwater	744,963	654,386	-	-	-	(90,577)	(90,577)	-
Total business-type activities	<u>10,742,633</u>	<u>12,587,269</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,844,636</u>	<u>1,844,636</u>	<u>-</u>
Total primary government	<u>\$ 46,525,591</u>	<u>\$ 15,959,621</u>	<u>\$ 1,962,965</u>	<u>\$ 4,407,582</u>	<u>(26,040,059)</u>	<u>1,844,636</u>	<u>(24,195,423)</u>	<u>-</u>
Component unit:								
Library Board	<u>\$ 735,564</u>	<u>\$ 157,354</u>	<u>\$ 231,087</u>	<u>\$ -</u>				<u>(347,123)</u>
General revenues and transfers:								
General revenues:								
Property taxes					14,621,686	-	14,621,686	525,000
Sales taxes					9,818,357	-	9,818,357	-
Franchise taxes					2,708,423	-	2,708,423	-
Excise taxes					100,102	-	100,102	-
Grants and contributions not restricted to specific programs					805,973	-	805,973	-
Gain on sale of capital assets					109,355	-	109,355	-
Unrestricted investment earnings					2,390,919	272,881	2,663,800	1,432
Transfers					(751,595)	751,595	-	-
Total general revenues and transfers					<u>29,803,220</u>	<u>1,024,476</u>	<u>30,827,696</u>	<u>526,432</u>
Change in net position					<u>3,763,161</u>	<u>2,869,112</u>	<u>6,632,273</u>	<u>179,309</u>
Net position, beginning of year as previously stated					125,265,584	47,145,962	172,411,546	1,131,118
Prior period adjustment					-	23,325	23,325	-
Net position, beginning of year as restated					<u>125,265,584</u>	<u>47,169,287</u>	<u>172,434,871</u>	<u>1,131,118</u>
Net position, end of year					<u>\$ 129,028,745</u>	<u>\$ 50,038,399</u>	<u>\$ 179,067,144</u>	<u>\$ 1,310,427</u>

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2023

	Major Funds					Total Nonmajor Funds	Total Governmental Funds
	General*	Debt Service	Capital Projects	STAR Bonds	Derby Difference Sales Tax		
Assets:							
Deposits and investments	\$ 15,454,650	\$ 1,520,342	\$ 13,537,566	\$ -	\$ 3,168,408	\$ 5,153,960	\$ 38,834,926
Restricted cash and investments	-	-	-	12,203,819	-	-	12,203,819
Receivables (net of allowance for uncollectibles):							
Taxes	12,568,482	1,775,258	-	-	711,049	1,452,735	16,507,524
Special assessments	-	33,058,619	-	-	-	-	33,058,619
Accounts	206,977	-	-	-	-	-	206,977
Interest	346,630	6,548	-	-	-	-	353,178
Leases	-	2,934,593	-	-	-	-	2,934,593
Inventories	300,940	-	-	-	-	-	300,940
Prepaid items	-	-	864,087	-	1,478,000	-	2,342,087
Total assets	<u>\$ 28,877,679</u>	<u>\$ 39,295,360</u>	<u>\$ 14,401,653</u>	<u>\$ 12,203,819</u>	<u>\$ 5,357,457</u>	<u>\$ 6,606,695</u>	<u>\$ 106,742,663</u>
Liabilities:							
Accounts payable	\$ 559,488	\$ -	\$ 176,664	\$ -	\$ 1,400	\$ 18,061	\$ 755,613
Accrued payroll	1,106,021	-	-	-	-	-	1,106,021
Unearned revenue	47,000	-	-	-	-	2,921,857	2,968,857
Total liabilities	<u>1,712,509</u>	<u>-</u>	<u>176,664</u>	<u>-</u>	<u>1,400</u>	<u>2,939,918</u>	<u>4,830,491</u>
Deferred inflows of resources:							
Unavailable revenue - property taxes	11,262,600	1,775,258	-	-	-	1,436,065	14,473,923
Unavailable revenue - special assessments	-	33,058,619	-	-	-	-	33,058,619
Unavailable revenue - leases	-	2,846,366	-	-	-	-	2,846,366
Total deferred inflows of resources	<u>11,262,600</u>	<u>37,680,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,436,065</u>	<u>50,378,908</u>
Fund balances:							
Nonspendable:							
Inventories	300,940	-	-	-	-	-	300,940
Prepaid items	-	-	864,087	-	1,478,000	-	2,342,087
Restricted:							
Capital projects	-	-	13,360,902	-	-	9,971	13,370,873
Substance abuse prevention	-	-	-	-	-	240,777	240,777
Culture and recreation	-	-	-	12,203,819	925,803	183,334	13,312,956
Crime prevention	-	-	-	-	-	36,489	36,489
Fire	-	-	-	-	690,483	-	690,483
Library operations	-	-	-	-	2,261,771	98,086	2,359,857
Debt service	-	1,615,117	-	-	-	-	1,615,117
Streets and sidewalks	-	-	-	-	-	519,765	519,765
Assigned:							
Senior activities	24,690	-	-	-	-	-	24,690
Equipment purchases	1,139,082	-	-	-	-	-	1,139,082
Capital improvements	2,119,679	-	-	-	-	-	2,119,679
Library operations	-	-	-	-	-	25,238	25,238
Aquatic park operations	-	-	-	-	-	1,117,052	1,117,052
Other purposes	15,000	-	-	-	-	-	15,000
Unassigned	12,303,179	-	-	-	-	-	12,303,179
Total fund balances	<u>15,902,570</u>	<u>1,615,117</u>	<u>14,224,989</u>	<u>12,203,819</u>	<u>5,356,057</u>	<u>2,230,712</u>	<u>51,533,264</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,877,679</u>	<u>\$ 39,295,360</u>	<u>\$ 14,401,653</u>	<u>\$ 12,203,819</u>	<u>\$ 5,357,457</u>	<u>\$ 6,606,695</u>	<u>\$ 106,742,663</u>

* See the General Fund Combining Balance Sheet on page 79.

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
December 31, 2023

Total fund balances - governmental funds	\$	51,533,264
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		140,923,387
Other long-term assets are not available to pay for current expenditures and therefore are reported as unavailable in the funds.		33,058,619
Deferred outflows represent a consumption of net position that applies to a future period and so will not be recognized as an expenditure of resources until then.		
Deferred OPEB outflow	\$ 944,532	
Deferred pension outflow	5,307,095	6,251,627
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(103,401,632)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as a revenue until then.		
Deferred OPEB inflow	(960,324)	
Deferred pension inflow	(314,774)	(1,275,098)
Internal service funds are used by management to charge the cost of health insurance from the City's self-insured health plan as well as to manage a fleet of vehicles. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		1,938,578
Net position of governmental activities	\$	129,028,745

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, 2023

	Major Funds					Total Nonmajor Funds	Total Governmental Funds
	General*	Debt Service	Capital Projects	STAR Bonds	Derby Difference Sales Tax		
Revenues:							
Taxes:							
Property	\$ 11,350,798	\$ 1,851,555	\$ -	\$ -	\$ -	\$ 1,419,333	\$ 14,621,686
Excise	76,226	14,191	-	-	-	9,685	100,102
Sales	6,007,137	-	-	-	3,811,220	-	9,818,357
Franchise	2,461,915	-	-	-	-	246,508	2,708,423
Special assessments	-	3,092,210	119,371	-	-	-	3,211,581
Intergovernmental	452,519	-	-	-	-	2,096,314	2,548,833
Licenses and permits	494,738	-	-	-	-	-	494,738
Charges for services	321,772	-	-	-	-	34,368	356,140
Fines and fees	666,137	-	-	-	-	-	666,137
Investment earnings	1,667,195	164,691	-	555,726	2,721	586	2,390,919
Other	1,273,143	440,501	-	463,128	35,470	146,679	2,358,921
Total revenues	24,771,580	5,563,148	119,371	1,018,854	3,849,411	3,953,473	39,275,837
Expenditures:							
Current:							
General government	5,450,988	-	-	-	459,236	1,463,344	7,373,568
Public works	4,284,814	-	-	-	-	153,023	4,437,837
Public safety	9,115,354	-	-	-	248,233	1,320	9,364,907
Culture and recreation	1,963,994	-	-	-	33,601	253,677	2,251,272
Economic development	581,322	-	-	179,714	-	-	761,036
Debt service:							
Principal	123,675	4,335,865	4,480,000	204,200	1,375,000	-	10,518,740
Interest and fiscal charges	2,407	1,557,537	86,550	718,040	73,725	-	2,438,259
Debt issuance costs	-	-	161,732	-	-	-	161,732
Capital outlay	4,178,207	-	3,229,981	-	584,989	2,404,620	10,397,797
Total expenditures	25,700,761	5,893,402	7,958,263	1,101,954	2,774,784	4,275,984	47,705,148
Excess (deficiency) of revenues over (under) expenditures	(929,181)	(330,254)	(7,838,892)	(83,100)	1,074,627	(322,511)	(8,429,311)
Other financing sources (uses):							
Transfers in	350,000	592,140	-	-	-	-	942,140
Transfers out	-	-	(942,140)	-	-	-	(942,140)
Sale of general capital assets	38,975	-	-	-	-	-	38,975
Issuance of leases	3,876	-	-	-	-	-	3,876
Issuance of subscriptions	426,977	-	-	-	-	-	426,977
General obligation bonds issued	-	-	6,347,814	-	-	-	6,347,814
Premium on general obligation bonds issued	-	-	541,554	-	-	-	541,554
Temporary notes issued	-	-	10,750,000	-	-	-	10,750,000
Total other financing sources (uses)	819,828	592,140	16,697,228	-	-	-	18,109,196
Net change in fund balances	(109,353)	261,886	8,858,336	(83,100)	1,074,627	(322,511)	9,679,885
Fund balances, beginning of year	16,011,923	1,353,231	5,366,653	12,286,919	4,281,430	2,553,223	41,853,379
Fund balances, end of year	\$ 15,902,570	\$ 1,615,117	\$ 14,224,989	\$ 12,203,819	\$ 5,356,057	\$ 2,230,712	\$ 51,533,264

* See the General Fund Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits) on pages 80 - 81.

See accompanying notes to basic financial statements.

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, 2023

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

Net change in fund balances - total governmental funds	\$ 9,679,885
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.	5,261,422
The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, disposals, and donations).	(1,682,415)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(179,476)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(7,551,481)
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.	(1,806,441)
Internal service funds are used by management to charge the costs of health insurance from the City's self-insured health plan and the vehicle fleet to individual funds. The net revenue of the internal service funds is reported with governmental activities.	<u>41,667</u>
Change in net position of governmental activities	<u><u>\$ 3,763,161</u></u>

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Taxes:			
Ad valorem property tax	\$ 10,324,843	\$ 10,276,692	\$ (48,151)
Delinquent tax	65,000	70,078	5,078
Motor vehicle tax	1,024,092	1,004,028	(20,064)
Excise tax	31,100	76,226	45,126
Sales tax	6,081,620	6,007,137	(74,483)
Franchise tax	2,379,385	2,461,915	82,530
Intergovernmental	247,054	431,016	183,962
Licenses and permits	408,500	494,738	86,238
Charges for services	468,488	321,772	(146,716)
Fines and fees	857,750	666,137	(191,613)
Investment earnings	250,000	1,667,195	1,417,195
Other	322,640	966,958	644,318
	<u>22,460,472</u>	<u>24,443,892</u>	<u>1,983,420</u>
Total revenues			
Expenditures:			
Administration and operations	3,504,237	2,859,045	(645,192)
Employee benefits	-	261	261
Law enforcement	6,191,808	5,730,287	(461,521)
Finance	1,164,392	1,282,287	117,895
Fire	3,396,583	3,378,924	(17,659)
Planning and engineering	1,549,763	1,617,096	67,333
Public works	6,328,741	5,902,585	(426,156)
Liability insurance	-	287,416	287,416
Equipment	202,398	159,756	(42,642)
Capital outlay	252,000	1,300,290	1,048,290
Principal payments	-	123,675	123,675
Interest charges	-	2,407	2,407
Reimbursable	280,000	329,755	49,755
Reserve	9,719,188	-	(9,719,188)
Miscellaneous	75,000	750	(74,250)
	<u>\$ 32,664,110</u>	<u>\$ 22,974,534</u>	<u>\$ (9,689,576)</u>
Total expenditures			

(Continued)

CITY OF DERBY, KANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
(Continued)
Year Ended December 31, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Excess (deficiency) of revenues over (under) expenditures	\$ (10,203,638)	\$ 1,469,358	\$ 11,672,996
Other financing sources (uses):			
Sale of general capital assets	-	38,975	38,975
Issuance of leases	-	430,853	430,853
Transfers in	350,000	350,000	-
Transfers out	(662,294)	(2,122,258)	(1,459,964)
Total other financing sources (uses)	(312,294)	(1,302,430)	(990,136)
Net change in fund balance	(10,515,932)	166,928	10,682,860
Fund balance, beginning of year	10,515,932	12,773,913	2,257,981
Fund balance, end of year	\$ -	12,940,841	\$ 12,940,841
Explanation of difference between budgetary and GAAP fund balance:			
Encumbrances for equipment and supplies ordered but not received are not recorded for GAAP purposes until received		106,844	
Fund balance on the basis of GAAP - General Fund only		13,047,685	
Fund balance for separately budgeted fund included with the General Fund on GAAP basis financials:			
Derby Senior Activity Board		24,690	
Fund balances (deficit) for non-budgeted funds included with the General Fund on GAAP basis financials:			
Payroll		(336,722)	
Equipment Reserve		1,095,855	
Capital Improvement Reserve		2,071,062	
		\$ 15,902,570	

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL -
FUND INCLUDED IN THE COMBINED GENERAL FUND
DERBY SENIOR ACTIVITY BOARD
Year Ended December 31, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Contributions	\$ 14,000	\$ 6,185	\$ (7,815)
Expenditures:			
Board expenditures	21,135	4,973	(16,162)
Net change in fund balances	(7,135)	1,212	8,347
Fund balance, beginning of year	7,135	23,478	16,343
Fund balance, end of year	\$ -	\$ 24,690	\$ 24,690

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DERBY DIFFERENCE SALES TAX FUND
Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Sales tax	\$ 3,965,729	\$ 3,926,718	\$ 3,811,220	\$ (115,498)
Other	2,000	38,194	38,191	(3)
Total revenues	<u>3,967,729</u>	<u>3,964,912</u>	<u>3,849,411</u>	<u>(115,501)</u>
Expenditures:				
Personnel	546,451	548,229	513,386	(34,843)
Contractual	185,410	229,900	223,732	(6,168)
Commodities	4,000	4,500	3,952	(548)
Capital outlay	400,000	976,138	584,989	(391,149)
Debt service:				
Principal	1,375,000	1,375,000	1,375,000	-
Interest and fiscal charges	73,725	73,725	73,725	-
Total expenditures	<u>2,584,586</u>	<u>3,207,492</u>	<u>2,774,784</u>	<u>(432,708)</u>
Net change in fund balance	1,383,143	757,420	1,074,627	317,207
Fund balance, beginning of year	<u>3,304,549</u>	<u>2,772,952</u>	<u>2,803,430</u>	<u>30,478</u>
Fund balance, end of year	<u>\$ 4,687,692</u>	<u>\$ 3,530,372</u>	3,878,057	<u>\$ 347,685</u>
Explanation of difference between budgetary and GAAP fund balance:				
Prepaid expenditures for equipment and supplies ordered but not received are not recorded for GAAP purposes until received			<u>1,478,000</u>	
Fund balance on the basis of GAAP			<u>\$ 5,356,057</u>	

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2023

	Business-Type Activities				Governmental Activities
					Internal
	Sewer	Water	Stormwater	Total	Service Funds
Assets:					
Current assets:					
Deposits and investments	\$ 15,941,323	\$ 9,274,758	\$ 2,844,224	\$ 28,060,305	\$ 2,177,025
Accounts receivable (net of allowance for uncollectibles)	436,541	890,536	116,419	1,443,496	-
Inventories	-	17,288	-	17,288	-
Prepaid items	-	3,362	-	3,362	-
Total current assets	<u>16,377,864</u>	<u>10,185,944</u>	<u>2,960,643</u>	<u>29,524,451</u>	<u>2,177,025</u>
Noncurrent assets:					
Capital assets:					
Land	48,777	663,581	-	712,358	-
Construction in progress	1,058,683	136,174	146,642	1,341,499	-
Buildings and systems	9,853,096	4,488,683	-	14,341,779	-
Infrastructure	24,281,581	24,146,578	17,190,721	65,618,880	-
Machinery and equipment	1,572,669	856,973	127,650	2,557,292	-
Right-to-use leased machinery and equipment	-	-	-	-	432,539
Subscription assets	85,654	64,716	17,131	167,501	-
Accumulated depreciation and amortization	(22,814,006)	(22,902,577)	(7,076,849)	(52,793,432)	(35,252)
Total noncurrent assets	<u>14,086,454</u>	<u>7,454,128</u>	<u>10,405,295</u>	<u>31,945,877</u>	<u>397,287</u>
Total assets	<u>30,464,318</u>	<u>17,640,072</u>	<u>13,365,938</u>	<u>61,470,328</u>	<u>2,574,312</u>
Deferred outflows of resources:					
Deferred outflows - OPEB	27,089	20,317	-	47,406	-
Deferred outflows - pension	180,375	189,654	33,495	403,524	-
Total deferred outflows of resources	<u>207,464</u>	<u>209,971</u>	<u>33,495</u>	<u>450,930</u>	<u>-</u>
Liabilities:					
Current liabilities:					
Accounts payable	187,673	290,814	54,044	532,531	289,000
Accrued expenses	38,434	39,976	10,550	88,960	-
Accrued interest payable	27,908	6,725	4,003	38,636	504
Compensated absences	32,947	27,800	-	60,747	-
Current portion of general obligation bonds	159,430	394,175	-	553,605	-
Current portion of leases payable	-	-	-	-	94,720
Current portion of subscriptions payable	16,293	12,310	3,259	31,862	-
Total current liabilities	<u>462,685</u>	<u>771,800</u>	<u>71,856</u>	<u>1,306,341</u>	<u>384,224</u>
Noncurrent liabilities:					
Revolving loan	697,186	-	-	697,186	-
General obligation bonds, net	5,891,754	1,441,951	1,022,522	8,356,227	-
Leases payable	-	-	-	-	312,074
Subscriptions payable	17,762	13,420	3,552	34,734	-
Total OPEB liability	52,511	39,389	-	91,900	-
Net pension liability	576,606	606,269	107,074	1,289,949	-
Total noncurrent liabilities	<u>7,235,819</u>	<u>2,101,029</u>	<u>1,133,148</u>	<u>10,469,996</u>	<u>312,074</u>
Total liabilities	<u>7,698,504</u>	<u>2,872,829</u>	<u>1,205,004</u>	<u>11,776,337</u>	<u>696,298</u>
Deferred inflows of resources:					
Deferred inflows - OPEB	24,635	18,476	-	43,111	-
Deferred inflows - pension	1,273	1,338	236	2,847	-
Total deferred inflows of resources	<u>25,908</u>	<u>19,814</u>	<u>236</u>	<u>45,958</u>	<u>-</u>
Net position:					
Net investment in capital assets	12,164,776	5,592,272	10,394,539	28,151,587	(9,507)
Unrestricted	10,782,594	9,365,128	1,799,654	21,947,376	1,887,521
Total net position	<u>\$ 22,947,370</u>	<u>\$ 14,957,400</u>	<u>\$ 12,194,193</u>	<u>50,098,963</u>	<u>\$ 1,878,014</u>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the enterprise funds over time.				<u>(60,564)</u>	
Net position of business-type activities				<u>\$ 50,038,399</u>	

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2023

	Business-Type Activities				Governmental Activities
	Sewer	Water	Stormwater	Total	Internal Service Funds
Operating revenues:					
Charges for sales and services	\$ 3,481,908	\$ 8,447,850	\$ 654,386	\$ 12,584,144	\$ 3,387,461
Miscellaneous	3,040	85	-	3,125	-
Total operating revenues	<u>3,484,948</u>	<u>8,447,935</u>	<u>654,386</u>	<u>12,587,269</u>	<u>3,387,461</u>
Operating expenses:					
Personnel	842,591	1,010,221	257,382	2,110,194	2,619,276
Contractual	607,555	5,380,606	80,876	6,069,037	100,387
Supplies	188,320	50,887	2,587	241,794	-
Utilities	263,532	25,866	-	289,398	-
Depreciation and amortization	785,141	763,939	407,502	1,956,582	180,547
Total operating expenses	<u>2,687,139</u>	<u>7,231,519</u>	<u>748,347</u>	<u>10,667,005</u>	<u>2,900,210</u>
Operating income (loss)	<u>797,809</u>	<u>1,216,416</u>	<u>(93,961)</u>	<u>1,920,264</u>	<u>487,251</u>
Nonoperating revenues (expenses):					
Interest revenue	97,583	175,298	-	272,881	-
Interest expense	(55,946)	(43,364)	(3,333)	(102,643)	(10,017)
Loss on disposal of property	(42,149)	(42,149)	(342,864)	(427,162)	(381,815)
Bond issuance cost	(22,122)	-	(4,615)	(26,737)	-
Transfers in	31,393	-	-	31,393	-
Transfers out	-	-	-	-	(31,393)
Total nonoperating revenues (expenses)	<u>8,759</u>	<u>89,785</u>	<u>(350,812)</u>	<u>(252,268)</u>	<u>(423,225)</u>
Income (loss) before contributions	806,568	1,306,201	(444,773)	1,667,996	64,026
Capital contributions	<u>643,120</u>	<u>194,589</u>	<u>341,048</u>	<u>1,178,757</u>	<u>-</u>
Change in net position	<u>1,449,688</u>	<u>1,500,790</u>	<u>(103,725)</u>	<u>2,846,753</u>	<u>64,026</u>
Net position, beginning of year as previously stated	21,450,270	13,428,669	12,349,946	47,228,885	1,813,988
Prior period adjustment	<u>47,412</u>	<u>27,941</u>	<u>(52,028)</u>	<u>23,325</u>	<u>-</u>
Net position, beginning of year as restated	<u>21,497,682</u>	<u>13,456,610</u>	<u>12,297,918</u>	<u>47,252,210</u>	<u>1,813,988</u>
Total net position, end of year	<u>\$ 22,947,370</u>	<u>\$ 14,957,400</u>	<u>\$ 12,194,193</u>	<u>\$ 50,098,963</u>	<u>\$ 1,878,014</u>
Change in net position				\$ 2,846,753	
Adjustment for the net effect of the current year activity between the internal service fund and the enterprise funds.				<u>22,359</u>	
Change in net position of business-type activities				<u>\$ 2,869,112</u>	

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2023

	Business-Type Activities				Governmental Activities
	Sewer	Water	Stormwater	Total	Internal Service Funds
Cash flows from operating activities:					
Receipts from customers	\$ 3,557,689	\$ 8,476,913	\$ 663,233	\$ 12,697,835	\$ 3,387,461
Other receipts	3,040	85	-	3,125	-
Payments to suppliers	(927,143)	(5,463,667)	(31,770)	(6,422,580)	(100,387)
Payments to employees for salaries and benefits	(842,442)	(906,998)	(241,648)	(1,991,088)	(2,678,689)
Net cash from operating activities	<u>1,791,144</u>	<u>2,106,333</u>	<u>389,815</u>	<u>4,287,292</u>	<u>608,385</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(851,149)	(167,802)	(561,253)	(1,580,204)	(484,589)
Payments on loan	(72,406)	-	-	(72,406)	-
Proceeds from general obligation bonds issued	4,519,424	-	942,762	5,462,186	-
Proceeds from bond premiums issued	385,568	-	80,430	465,998	-
Principal paid on general obligation debt	(154,960)	(379,175)	-	(534,135)	-
Interest and bond issuance costs paid on debt	(86,689)	(96,393)	(4,615)	(187,697)	(9,513)
Principal paid on leases	-	-	-	-	(130,561)
Principal paid on subscriptions	(16,695)	(12,614)	(3,339)	(32,648)	-
Net cash from capital and related financing activities	<u>3,723,093</u>	<u>(655,984)</u>	<u>453,985</u>	<u>3,521,094</u>	<u>(624,663)</u>
Cash flows from investing activities:					
Interest received	<u>97,583</u>	<u>175,298</u>	<u>-</u>	<u>272,881</u>	<u>-</u>
Net change in cash and cash equivalents	5,611,820	1,625,647	843,800	8,081,267	(16,278)
Cash and cash equivalents, beginning of year	<u>10,329,503</u>	<u>7,649,111</u>	<u>2,000,424</u>	<u>19,979,038</u>	<u>2,193,303</u>
Cash and cash equivalents, end of year	<u>\$ 15,941,323</u>	<u>\$ 9,274,758</u>	<u>\$ 2,844,224</u>	<u>\$ 28,060,305</u>	<u>\$ 2,177,025</u>

(Continued)

CITY OF DERBY, KANSAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)
Year Ended December 31, 2023

	Business-Type Activities				Governmental Activities
	Sewer	Water	Stormwater	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash from operating activities:					
Operating income (loss)	\$ 797,809	\$ 1,216,416	\$ (93,961)	\$ 1,920,264	\$ 487,251
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Items not requiring cash:					
Depreciation and amortization	785,141	763,939	407,502	1,956,582	180,547
Changes in:					
Accounts receivable	75,781	29,063	8,847	113,691	-
Inventories	-	6,353	-	6,353	-
Deferred outflows - OPEB	(1,549)	(2,035)	-	(3,584)	-
Deferred outflows - pension	15,075	(3,767)	4,788	16,096	-
Accounts payable	132,264	(12,661)	51,693	171,296	(59,413)
Accrued expenses	8,273	3,788	2,181	14,242	-
Compensated absences	12,446	7,639	-	20,085	-
Total OPEB liability	7,829	7,410	-	15,239	-
Net pension liability	(27,897)	76,288	10,665	59,056	-
Deferred inflows - OPEB	(1,826)	(465)	-	(2,291)	-
Deferred inflows - pension	(12,202)	14,365	(1,900)	263	-
Net cash from operating activities	<u>\$ 1,791,144</u>	<u>\$ 2,106,333</u>	<u>\$ 389,815</u>	<u>\$ 4,287,292</u>	<u>\$ 608,385</u>

Noncash capital financing activities:

Contributions of capital assets of \$ 643,120; \$ 194,589; and \$ 341,048 were acquired in the sewer fund, water fund, and stormwater fund, respectively, from other governmental funds. Right-to-use leased machinery and equipment of \$ 432,539 were acquired through leases payable in the internal service funds. Subscription assets of \$ 50,750; \$ 38,344; and \$ 10,150 were acquired through subscriptions payable in the sewer fund, water fund, and stormwater fund, respectively.

See accompanying notes to basic financial statements.

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2023

1 - Summary of Significant Accounting Policies

Reporting Entity

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

Blended Component Unit. In January 1999, the City acquired 100% of the outstanding capital stock of the El Paso Water Company, Inc. (the Company). The Company has received a Private Letter Ruling stating that it is a public utility for purposes of the Internal Revenue Code, and, accordingly, is income tax-exempt. Although the Company is a legally separate organization, the City is financially accountable for the component unit. In addition, the Company's governing body is substantially the same as the governing body of the City. The financial statements of the Company have been included within the City's reporting entity as a proprietary fund. The Company reports under FASB standards, including Topics 958 and 842. As such, certain revenue recognition and lease criteria and presentation features are different from GASB revenue recognition and lease criteria and presentation features. No modifications have been made to the Company's financial information in the City's financial reporting entity for these differences. Separately issued financial statements for the Company are available from the Company's administrative offices.

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

Government-Wide and Fund Financial Statements

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

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

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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.

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

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

The City reports the following major governmental funds:

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

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

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

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

The STAR bonds fund accounts for the City's STAR bond activity, including the related capital projects and debt service.

The Derby Difference sales tax fund accounts for the receipt of the City's special sales taxes for the construction of a new central park, a baseball/softball complex, and a dog park; adding emergency response personnel and equipment; and funding Derby Public Library operating expenses.

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports internal service funds to report any activity that provides goods or services to other funds of the City.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

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.

Cash and Investments

Cash and investments of the individual funds are combined to form a pool that is managed by the finance director. Each fund's equity in the pool is included in "deposits and investments" in the financial statements. These pooled deposits and investments consist of operating accounts, non-negotiable certificates of deposit which are recorded at cost because they are not affected by market rate changes, repurchase agreements, which are overnight instruments and are recorded at cost due to the short-term nature of the agreements, and U.S. Treasury notes which are recorded at fair value. 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.

The balance sheet also includes restricted investments which consist of assets held by trustees and various reserves required by bond ordinances. The restricted investments consist of money market mutual funds which are recorded at fair value.

Cash Flows Statement

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

Receivables and Payables

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, 2023, an allowance for uncollectible receivables of \$ 967,628 has been recorded.

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

General fund property tax receivable	\$ 11,262,600
Debt service fund property tax receivable	1,775,258
Nonmajor funds property tax receivable	1,436,065
Debt service fund special assessments receivable	<u>33,058,619</u>
	<u>\$ 47,532,542</u>

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

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, 2022 upon which the 2023 levy was based was \$ 286,135,251.

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 and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g., roads, bridges, sidewalks, and similar items), and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as equipment assets with an individual cost of greater than \$ 1,000 and building, infrastructure, and improvement assets with an individual cost of greater than \$ 25,000 and an estimated useful life in excess of one year. All costs of land are capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

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.

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:

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category, *deferred outflows for pension* and *deferred outflows for OPEB*. These items are reported in the government-wide and proprietary fund financial statements. See Note 8 and Note 9 for more information on the deferred outflows for the pension and OPEB plans, respectively.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has several items that qualify for reporting in this category. *Unavailable revenue* is reported in the governmental funds from three sources: property taxes, special assessments, and leases. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government-wide statements report four items, *deferred receivable for property taxes*, *deferred inflows for pension*, *deferred inflows for OPEB*, and *deferred inflows for leases*. See Note 8 and Note 9 for more information on the deferred inflows for the pension and OPEB plans, respectively. See Note 5 for more information on the deferred inflows for leases.

Leases

Lessee: The City is a lessee for leases pertaining to machinery and equipment. The City recognizes a lease payable and an intangible right-to-use lease asset (lease asset) in the government-wide and proprietary fund financial statements.

At the commencement of a lease, the City initially measures the lease payable at the present value of payments expected to be made during the lease term. Subsequently, the lease payable is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease payable are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and leases payable are reported with long-term debt on the statement of net position.

Lessor: The City is a lessor for leases of buildings. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscriptions Payable

The City has entered into various subscription-based information technology agreements. The City recognizes a subscription payable and an intangible right-to-use subscription asset in the government-wide and proprietary fund financial statements.

At the commencement of a subscription, the City initially measures the subscription payable at the present value of subscription payments expected to be made during the subscription term. Subsequently, the subscription payable is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription payable, adjusted for payments made at commencement, initial implementation costs, and any incentives received. Subsequently, the subscription asset is amortized on a straight-line basis over the subscription term.

Key estimates and judgments related to subscriptions include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) contract terms, and (3) contract payments.

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

- The City uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The contract term includes the noncancellable period of the subscription. Contract payments included in the measurement of the subscription payable are composed of fixed payments.

The City monitors changes in circumstances that would require a remeasurement of its subscriptions and will remeasure the subscription assets and liabilities if certain changes occur that are expected to significantly affect the amount of the subscription liabilities.

Subscription assets are reported with amortized assets and subscriptions payable are reported with current and noncurrent liabilities on the statement of net position.

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

Long-Term Obligations

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

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

Pensions

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

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
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Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of December 31, 2023, fund balances for governmental funds are made up of the following:

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

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

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

Assigned fund balance – includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by an action of (1) the City Council or (2) a body or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes, the City Manager. The Council has authorized by charter ordinance the City Manager to assign fund balance.

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

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

Concentrations of Credit Risk

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

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 deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Implementation of New Accounting Standards

During the year, the City implemented the following accounting standard:

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Beginning net position was not impacted by the adoption of this Statement.

Pending Governmental Accounting Standards Board Statements

At December 31, 2023, 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. 99, *Omnibus 2022* - The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance by the City. The requirements related to leases, PPPs, and SBITAs are effective for periods beginning after June 15, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections* - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 102, *Certain Risk Disclosures* - The objective of this Statement is to provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result,

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

users will have better information with which to understand and anticipate certain risks to a government’s financial condition. The requirements of this statement are effective for fiscal years beginning after June 15, 2024.

2 - Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental funds balance sheet includes a reconciliation between fund balance – total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$ (103,401,632) difference are as follows:

General obligation bonds	\$ (27,411,583)
Special assessment debt with government commitments	(25,391,267)
Plus: Issuance premiums	(2,854,317)
Less: Issuance discounts	8,778
Sales tax special obligation revenue bonds	(14,324,800)
Less: Issuance discounts	405,228
Temporary notes	(12,630,000)
Accrued interest payable	(432,517)
Compensated absences	(786,618)
Total OPEB liability	(1,862,698)
Net pension liability	(17,810,421)
Leases payable	(5,628)
Subscriptions payable	<u>(305,789)</u>
 Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	 <u><u>\$ (103,401,632)</u></u>

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

The governmental funds statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$ 5,261,420 difference are as follows:

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Capital outlay	\$ 10,397,797
Depreciation and amortization expense	<u>(5,136,375)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u>\$ 5,261,422</u>

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$ (7,551,481) difference are as follows:

Debt issued or incurred:	
General obligation bonds	\$ (6,347,814)
Plus: Issuance premiums	(541,554)
Temporary notes	(10,750,000)
Leases payable	(3,876)
Subscriptions payable	(426,977)
Principal repayments:	
General obligation bonds	3,191,782
Special assessment debt with government commitment	2,519,082
Sales tax special obligation revenue bonds	204,200
Temporary notes	4,480,000
Leases payable	2,488
Subscriptions payable	<u>121,188</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u>\$ (7,551,481)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$ (1,806,441) difference are as follows:

Compensated absences	\$ (141,473)
Accrued interest	(113,352)
Amortization of deferred charge on refunding	(42,994)
Amortization of bond discounts	(22,353)
Amortization of bond premiums	273,104
OPEB contributions	(126,802)
Pension contributions	<u>(1,632,571)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (1,806,441)</u>

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3 - Stewardship, Compliance, and Accountability

Budgetary Information

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

The statutes provide for the following sequence and timetable in adoption of the legal annual operating budget:

- a. Preparation of the 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 15th but at least ten days after publication of notice of hearing.
- d. Adoption of final budget on or before August 25th.

If the City is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget is adjusted to on or before September 20th. The City did hold a revenue neutral rate hearing for this year.

Kansas statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held, and the governing body may amend the budget at that time. There were amendments for fiscal year 2023 in the Derby Difference sales tax fund and the aquatic park fund.

Kansas statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for the prior year's accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by using internal spending limits established by the governing body.

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - Deposits and Investments

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned. Kansas statutes require that deposits of the City and the Library be collateralized, and that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts, and must be assigned for the benefit of the City. At December 31, 2023, the carrying amounts of the City’s deposits were \$ 53,210,337, and the bank balances totaled \$ 54,039,609. Of the bank balances, \$ 1,501,000 was secured by federal deposit insurance, \$ 45,708,339 was collateralized by pledged securities held under joint custody receipts issued by third party banks in the City’s name, \$ 3,115,728 was held in overnight repurchase agreement accounts, and \$ 3,714,542 was unsecured.

As of December 31, 2023, the carrying amount of the Library’s deposits was \$ 1,043,961, and the bank balance was \$ 1,083,148. Of the bank balance, \$ 250,000 was secured by federal deposit insurance and \$ 833,148 was unsecured.

Investments

As of December 31, 2023, the City had the following investments:

Investment Type	Fair Value	Maturity	Rating
Money market mutual funds	\$ 11,882,564	< 1 year	Not rated
U.S. Treasury notes	16,183,174	< 1 year	AAA
	\$ 28,065,738		

Credit Risk

K.S.A. 12-1675 limits the City’s investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Some of the City’s investments are of bond proceeds invested pursuant to K.S.A. 10-131. This statute allows additional investment authority beyond that of K.S.A. 12-1675. Investments of bond proceeds may follow K.S.A. 12-1675 or include other investments such as the obligations of the Federal National Mortgage Association, Federal Home Loan Banks, or the Federal Home Loan Mortgage Corporation, repurchase agreements collateralized by direct obligations of the United States government or any agency thereof, investment agreements with a financial institution, which at the time of investment are rated in either of the three highest rating categories by Moody’s Investors Service or Standard and Poors Corporation, investments in shares or units of a money market fund or trust, the portfolio of which is comprised entirely of securities in direct obligations of the United States government or any agency thereof or obligations of the Federal National Mortgage Association, Federal Home Loan Banks, or Federal Home Loan Mortgage Corporation, receipts evidencing ownership interests in securities or portions thereof in direct obligations of the United States government or any agency thereof or obligations

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

of the Federal National Mortgage Association, Federal Home Loan Banks, or the Federal Home Loan Mortgage Corporation, and municipal bonds or other obligations issued by a municipality of the State of Kansas. K.S.A. 10-131 prohibits investment in derivatives.

Concentrations of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. As noted in the schedule above, the City's investments as of December 31, 2023 consisted entirely of money market mutual funds and U.S. Treasury Notes.

Custodial Credit Risk

For an investment, this is the risk that, in the event of the failure of the issuer or 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. State statutes require investments to be adequately secured. The City is not exposed to custodial credit risk.

Interest Rate Risk

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

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

At December 31, 2023, the City's investments were categorized within the fair value hierarchy as follows:

Investment Type	Fair Value	Fair Value Measurements at Reporting Date Using		
		Level 1	Level 2	Level 3
Money market mutual funds	\$ 11,882,564	\$ 11,882,564	\$ -	\$ -
U.S. Treasury notes	16,183,174	16,183,174	-	-
	<u>\$ 28,065,738</u>	<u>\$ 28,065,738</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5 - Leases Receivable

The City, as a lessor, has entered into various lease agreements involving buildings as summarized below:

On September 1, 2022, the City entered into a 120-month lease as lessor for the use of the Derby Recreation Center facility. An initial lease receivable was recorded in the amount of \$ 2,338,960. The lessee is required to make semi-annual fixed payments of \$ 41,400. The lease has an interest rate of 2.9270%. \$ 2,113,276

On January 1, 2022, the City entered into an 85-month lease as lessor for the use of the Hubbard Arts Center facility. An initial lease receivable was recorded in the amount of \$ 1,139,677. The lessee is required to make semi-annual fixed payments of \$ 32,150. The lease has an interest rate of 0.9780%. 821,317

Total leases receivable \$ 2,934,593

Also, the City has a deferred inflow of resources associated with its leases that will be recognized as revenue over the lease terms. As of December 31, 2023, the balance of the deferred inflow of resources was \$ 2,846,366. The City recognized lease revenue of \$ 394,101 during the year ended December 31, 2023.

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Capital Assets

Capital asset activity for the year ended December 31, 2023 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,327,500	\$ -	\$ -	\$ 5,327,500
Land - right of way	30,066,710	-	-	30,066,710
Construction in progress	705,432	6,689,624	(6,107,666)	1,287,390
Total capital assets not being depreciated	36,099,642	6,689,624	(6,107,666)	36,681,600
Capital assets being depreciated:				
Buildings	33,087,159	2,140,873	-	35,228,032
Improvements	18,950,539	-	-	18,950,539
Infrastructure	133,415,598	3,517,222	-	136,932,820
Machinery and equipment	14,283,384	2,033,815	(1,256,882)	15,060,317
Total capital assets being depreciated	199,736,680	7,691,910	(1,256,882)	206,171,708
Less accumulated depreciation for:				
Buildings	(11,843,888)	(816,360)	-	(12,660,248)
Improvements	(3,156,526)	(474,848)	-	(3,631,374)
Infrastructure	(72,220,150)	(3,030,335)	-	(75,250,485)
Machinery and equipment	(11,275,762)	(724,482)	1,255,882	(10,744,362)
Total accumulated depreciation	(98,496,326)	(5,046,025)	1,255,882	(102,286,469)
Total capital assets being depreciated, net	101,240,354	2,645,885	(1,000)	103,885,239
Capital assets being amortized:				
Right-to-use leased machinery and equipment	653,339	436,414	(646,985)	442,768
Subscription assets	-	438,633	-	438,633
Total capital assets being amortized	653,339	875,047	(646,985)	881,401
Less accumulated amortization for:				
Right-to-use leased machinery and equipment	(106,415)	(182,869)	249,746	(39,538)
Subscription assets	-	(88,028)	-	(88,028)
Total accumulated amortization	(106,415)	(270,897)	249,746	(127,566)
Total capital assets being amortized, net	546,924	604,150	(397,239)	753,835
Governmental activities capital assets, net	\$ 137,886,920	\$ 9,939,659	\$ (6,505,905)	\$ 141,320,674

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

	Beginning Balance as Previously Stated	Prior Period Adjustments	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Business-type activities:						
Capital assets not being depreciated:						
Land	\$ 712,358	\$ -	\$ 712,358	\$ -	\$ -	\$ 712,358
Construction in progress	1,694,195	-	1,694,195	2,262,069	(2,614,765)	1,341,499
Total capital assets not being depreciated	<u>2,406,553</u>	<u>-</u>	<u>2,406,553</u>	<u>2,262,069</u>	<u>(2,614,765)</u>	<u>2,053,857</u>
Capital assets being depreciated:						
Buildings	10,464,962	3,876,817	14,341,779	-	-	14,341,779
Infrastructure	66,675,214	(3,657,541)	63,017,673	2,614,765	(13,558)	65,618,880
Machinery and equipment	2,729,021	(143,923)	2,585,098	32,866	(60,672)	2,557,292
Total capital assets being depreciated	<u>79,869,197</u>	<u>75,353</u>	<u>79,944,550</u>	<u>2,647,631</u>	<u>(74,230)</u>	<u>82,517,951</u>
Less accumulated depreciation for:						
Buildings	(9,454,802)	(213,382)	(9,668,184)	(364,176)	-	(10,032,360)
Infrastructure	(39,106,403)	74,343	(39,032,060)	(1,525,955)	13,558	(40,544,457)
Machinery and equipment	(2,297,847)	87,011	(2,210,836)	(61,800)	60,672	(2,211,964)
Total accumulated depreciation	<u>(50,859,052)</u>	<u>(52,028)</u>	<u>(50,911,080)</u>	<u>(1,951,931)</u>	<u>74,230</u>	<u>(52,788,781)</u>
Total capital assets being depreciated, net	<u>29,010,145</u>	<u>23,325</u>	<u>29,033,470</u>	<u>695,700</u>	<u>-</u>	<u>29,729,170</u>
Capital assets being amortized:						
Subscription assets	-	-	-	167,501	-	167,501
Less accumulated amortization	-	-	-	(4,651)	-	(4,651)
Total capital assets being amortized, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,850</u>	<u>-</u>	<u>162,850</u>
Business-type activities capital assets, net	<u>\$ 31,416,698</u>	<u>\$ 23,325</u>	<u>\$ 31,440,023</u>	<u>\$ 3,120,619</u>	<u>\$ (2,614,765)</u>	<u>\$ 31,945,877</u>

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

Governmental activities:	
General government	\$ 400,611
Public safety	591,799
Public works	3,461,489
Culture and recreation	682,476
Internal service fund*	180,547
Total depreciation and amortization expense - governmental activities	<u>\$ 5,316,922</u>
Business-type activities:	
Sewer	\$ 785,142
Water	763,938
Stormwater	407,502
Total depreciation and amortization expense - business-type activities	<u>\$ 1,956,582</u>

*Depreciation and amortization of capital assets held by the City's internal service funds are charged to various functions based on the usage of the asset.

CITY OF DERBY, KANSAS
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(Continued)

Discretely Presented Component Unit

Capital asset activity for the Library for the year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Machinery and equipment	\$ 1,049,425	\$ 192,327	\$ (145,456)	\$ 1,096,296
Less accumulated depreciation	(776,525)	(173,214)	145,456	(804,283)
Total capital assets being depreciated, net	272,900	19,113	-	292,013
Right-to-use assets being amortized:				
Machinery and equipment	93,630	-	-	93,630
Less accumulated amortization	(21,204)	(21,204)	-	(42,408)
Total right-to-use assets being amortized, net	72,426	(21,204)	-	51,222
Library capital assets, net	<u>\$ 345,326</u>	<u>\$ (2,091)</u>	<u>\$ -</u>	<u>\$ 343,235</u>

7 - Capital Projects

The City has the following projects in progress at December 31, 2023:

	Costs to Date	Amount Authorized
Governmental improvements	\$ 224,814	\$ 1,769,547
Stormwater improvements	53,824	1,113,146
Sewer improvements	162,623	9,887,343
Water improvements	39,956	711,011
	<u>\$ 481,217</u>	<u>\$ 13,481,047</u>

8 - Defined Benefit Pension Plan

General Information About the Pension Plan

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

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

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

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

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

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

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

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

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

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

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NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

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

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement groups are funded on an actuarial reserve basis.

For KPERS fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.2% of total payroll.

The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate were 8.43% for KPERS and 22.86% for KP&F for the year ended December 31, 2023. Contributions to the Pension Plan from the City were \$ 661,715 for KPERS and \$ 1,181,569 for KP&F for the year ended December 31, 2023.

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

At December 31, 2023, the City reported a liability of \$ 7,234,709 for KPERS and \$ 11,865,661 for KP&F for its proportionate share of the KPERS collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2023, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2022, which was rolled forward to June 30, 2023.

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

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

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer. The City's proportion of the collective net pension liability was based on the ratio of the City's actual contributions to KPERS and KP&F, relative to the total employer and nonemployer contributions of the Local group and Police and Firemen group within KPERS for the KPERS fiscal year ended June 30, 2023.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2023, the City's proportion for KPERS was 0.344854%, which was an increase of 0.000135% from its proportion measured as of June 30, 2022. At June 30, 2023, the City's proportion for KP&F was 0.742878%, which was a decrease of 0.024195% from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the City recognized pension expense of \$ 1,237,656 for KPERS and \$ 2,313,376 for KP&F, with the aggregate pension expense for both KPERS and KP&F totaling \$ 3,511,032. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,699,918	\$ 1,019
Net difference between projected and actual earnings on pension plan investments	957,080	-
Changes of assumptions	1,727,500	-
Changes in proportionate share	386,752	316,602
City contributions subsequent to measurement date	<u>939,369</u>	<u>-</u>
Total	<u>\$ 5,710,619</u>	<u>\$ 317,621</u>

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

The \$ 939,369 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2024	\$	1,586,619
2025		927,262
2026		1,643,094
2027		289,068
2028		7,586
	\$	4,453,629

Actuarial assumptions. The total pension liability for KPERS in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.75 percent
Salary increases, including price inflation	3.50 to 12.00 percent
Long-term rate of return, net of investment expense, and including price inflation	7.00 percent
Payroll growth assumption	3.00 percent

Mortality rates were based on the RP-2014 Mortality Tables with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016. Different adjustments apply to pre-retirement versus post-retirement versus post-disability mortality tables.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study, which covered the three-year period of January 1, 2016 through December 31, 2018. The experience study is dated January 7, 2020.

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NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocations as of June 30, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equities	23.50%	5.20%
Non-U.S. Equities	23.50%	6.40%
Private Equity	8.00%	9.50%
Private Real Estate	11.00%	4.45%
Yield Driven	8.00%	4.70%
Real Return	11.00%	3.25%
Fixed Income	11.00%	1.55%
Cash	4.00%	0.25%
Total	<u>100%</u>	

Discount rate. The discount rate used by KPERS to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation first passed in 1993, the employer contribution rates certified by the KPERS Board of Trustees for this group may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Employers contribute the full actuarial determined rate for KPERS. Future employer contribution rates were also modeled for KP&F assuming all actuarial assumptions are met in future years. Employers contribute the full actuarial determined rate for KP&F. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF DERBY, KANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 (Continued)

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's KPERS proportionate share of the collective net pension liability	\$ 10,373,800	\$ 7,234,709	\$ 4,619,519
City's KP&F proportionate share of the collective net pension liability	16,000,924	11,865,661	8,413,064
	\$ 26,374,724	\$ 19,100,370	\$ 13,032,583

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

9 - Other Postemployment Healthcare Benefits

Health Insurance

Plan Description Benefits Provided and Contributions. The City offers postemployment health, dental and vision benefits to retired employees. The benefits are provided through a single employer defined benefit postemployment healthcare plan administered by the City. The other postemployment benefit (OPEB) plan (the Plan) provides medical benefits to eligible early retirees and their spouses. K.S.A. 12-5040 requires all local governmental entities in the state that provide a group health care plan to make participation available to all retirees and dependents until the retiree reaches the age of 65 years. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The Plan does not issue a standalone financial report.

Kansas statutes, which may be amended by the state legislature, establish that participating retirees may be required to contribute to the employee group health benefits plan, including administrative costs at an amount not to exceed 125 percent of the premium cost for other similarly situated employees. The City requires participating retirees to contribute 100 percent of the blended premium cost of active employees to maintain coverage.

The City appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditures on a pay-as-you-go basis through the General Fund. Employer contributions paid for benefits as they came due during the fiscal year ended December 31, 2023 totaled \$ 49,000.

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Employees Covered by Benefit Terms. As of the actuarial valuation date of January 1, 2023, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefit payments	8
Active plan members	192
	200
	200

Total OPEB Liability

The City's total OPEB liability of \$ 1,823,590 was measured as of December 31, 2023 and was determined by an actuarial valuation dated January 1, 2023.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the January 1, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate as of measurement date	3.88 percent
Mortality table	Society of Actuaries Pub-2010 Public Retirement Plans Headcount-Weighted General and Public Safety Mortality Tables using Scale MP-2021 Full Generational Improvement
Salary scale	4.50 percent per year
Inflation rate	2.50 percent per year
Healthcare cost trend rates	
Current rate	6.50 percent
Ultimate rate	4.50 percent
Actuarial cost method	Entry Age Normal - Level Percent-of-Pay

The discount rate was based on the S&P Municipal Bond 20-Year High Grade and the Fidelity GO AA-20 Years indexes as of the measurement date.

Changes and items of impact relative to the prior valuation are noted below:

- The discount rate was changed from 4.18% to 3.88%.
- The retiree contribution premiums and projected per capita costs were revised as part of the evaluation. The January 1, 2024 renewal was taken into account.

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2022	\$ 1,565,136
Changes for the year:	
Service cost	114,772
Interest cost	69,196
Differences between expected and actual experience	64,508
Changes in assumptions and inputs	58,978
Benefit payments	(49,000)
Net changes	258,454
Balance at December 31, 2023	\$ 1,823,590

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (2.88%)	Discount Rate (3.88%)	1% Increase (4.88%)
Total OPEB liability	\$ 2,034,737	\$ 1,823,590	\$ 1,634,545

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following represents the total OPEB liability of the City as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	\$ 1,553,134	\$ 1,823,590	\$ 2,155,952

OPEB Expense, Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2023, the City recognized OPEB expense of \$ 189,917.

CITY OF DERBY, KANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 (Continued)

At December 31, 2023, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 618,450	\$ 226,592
Changes of assumptions	322,154	628,790
	\$ 940,604	\$ 855,382

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,		
2024	\$	5,949
2025		5,949
2026		5,949
2027		5,949
2028		5,949
2029 and Thereafter		55,477
	\$	85,222

Disability Benefits and Life Insurance

Plan Description Benefits Provided and Contributions. The City participates in a single employer defined benefit other postemployment benefit (OPEB) plan (the Plan) which is administered by the Kansas Public Employees Retirement System (KPERS). The Plan provides long-term disability benefits and a life insurance benefit for disabled members to KPERS members, as provided by K.S.A. 74-04927. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However, because the trust's assets are used to pay employee benefits other than OPEB, the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis.

Employer contributions are established and may be amended by state statute. Members are not required to contribute. Employer contributions paid for benefits as they came due during the fiscal year ended December 31, 2023 totaled \$ 39,618.

Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60 percent (prior to January 1, 2006, 66²/₃ percent) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also

CITY OF DERBY, KANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 (Continued)

receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

The monthly long-term disability benefit is 60 percent of the member’s monthly compensation, with a minimum of \$ 100 and a maximum of \$ 5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, workers compensation benefits, other disability benefits from any other sources by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while the disability continues until the member’s 65th birthday or retirement date, whichever occurs first. If the disability begins after age 60, benefits are payable while the disability continues, for a period of five years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the shorter of the term of the disability or 24 months per lifetime.

The death benefit paid to beneficiaries of disabled members is 150% of the greater of 1) the member’s annual rate of compensation at the time of disability, or 2) the members previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

Employees Covered by Benefit Terms. As of the valuation date of December 31, 2022, the following employees were covered by the benefit terms.

Active members	130
Disabled members	1
	131
	131

Total OPEB Liability

The City’s total OPEB liability of \$ 131,008 was measured as of June 30, 2023 and was determined by an actuarial valuation performed as of December 31, 2022.

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions and Other Inputs. The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.65 percent
Implicit inflation rate	2.75 percent
Mortality rates	Local Males: 90% of RP-2014 M Total Dataset +2 Local Females: 90% of RP-2014 F Total Dataset +1 Generational mortality improvements were projected for future years using MP-2021.
Salary increases	3.50 percent (composed of 2.75 percent inflation and 0.75 percent productivity)
Payroll growth	4.00 percent long-term growth for actuarial valuation; 3.00 percent near-term growth for cash flow projections
Actuarial cost method	Entry Age Normal

The discount rate was based on the Bond Buyer General Obligation 20-Year Municipal Index.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study conducted for the period January 1, 2016 through December 31, 2018.

Changes and items of impact relative to the prior valuation were as follows.

The discount rate was updated in accordance with the requirements of GASB 75. The Disability Rates, Estimated Offsets, Waiver Mortality Rates and Claim Cost Assumption have been updated based on recent experience.

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2022	\$ 121,569
Changes for the year:	
Service cost	16,147
Interest on total OPEB liability	4,807
Effect of economic/demographic gains or losses	(6,960)
Effect of assumptions changes or inputs	(646)
Benefit payments	(3,909)
Net changes	9,439
Balance at December 31, 2023	\$ 131,008

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (2.65%)	Discount Rate (3.65%)	1% Increase (4.65%)
Total OPEB liability	\$ 136,710	\$ 131,008	\$ 124,998

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following represents the total OPEB liability of the City as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	\$ 131,008	\$ 131,008	\$ 131,008

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NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

OPEB Expense, Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2023, the City recognized OPEB expense of \$ 2,532. At December 31, 2023, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 936	\$ 107,916
Changes of assumptions	10,780	40,137
City contributions subsequent to measurement date	39,618	-
	\$ 51,334	\$ 148,053

The deferred outflow of resources related to the benefit payments subsequent to the measurement date totaling \$ 39,618 consists of payments made to KPERs for benefits and administrative costs and will be recognized as a reduction in the total OPEB liability during the year ended December 31, 2024. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,		
2024	\$	(18,422)
2025		(18,422)
2026		(18,240)
2027		(17,862)
2028		(17,708)
2029 and Thereafter		(45,683)
	\$	(136,337)

Aggregate Other Postemployment Healthcare Benefit Information

	Balances at December 31, 2023		
	Health Insurance	Disability Benefits and Life Insurance	Total
Total OPEB liability	\$ 1,823,590	\$ 131,008	\$ 1,954,598
Total deferred outflows of resources	940,604	51,334	991,938
Total deferred inflows of resources	855,382	148,053	1,003,435

CITY OF DERBY, KANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 (Continued)

The aggregate amount of OPEB expenses for the two OPEB plans for the year ended December 31, 2023 was \$ 192,449.

10 - Risk Management

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

Self-Funded Health Insurance

The City maintains a self-funded health insurance plan covering substantially all full-time employees. Funds are accumulated for payment of claims and insurance premiums through charges to the City's funds and to the employees of the various departments of the City. The plan is administered by a third party, which accumulates and processes claims. During 2023, the City's specific retention amount was \$ 0 per covered person. The minimum aggregate retention amount was \$ 0. The reinsurer's aggregate maximum limit was 100% of paid aggregate losses in excess of the aggregate retention amount subject to a maximum of \$ 1,000,000. The City purchases commercial insurance for claims in excess of the maximum and for all other risks of loss. Any claims paid in excess of this amount will be reimbursed to the City by the insurance company at the end of the plan year. The transactions of the health insurance plan are accounted for in the internal service fund. The claims liability reported at December 31, 2023 is based on the requirements of Governmental Accounting Standard Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statement and the amount of the loss can be reasonably estimated.

The change in health care claims payable for the year ended December 31, 2023 is as follows:

Claims payable, beginning of year	\$ 348,413
Incurred claims and change in estimate	2,064,459
Claim payments	<u>(2,123,872)</u>
Claims payable, end of year	<u><u>\$ 289,000</u></u>

11 - Long-Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

General obligation bonds payable at December 31, 2023 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2023	Outstanding December 31, 2023
General Obligation Bonds:					
Governmental activities:					
2012A Refunding	-	\$ 2,418,743	2023	\$ 6,965	\$ -
2014A Refunding and Improvement	2.25% - 3.30%	3,146,914	2034	152,560	2,058,143
2014C Improvement	2.50%	5,380,000	2024	595,000	610,000
2015A Refunding	2.50%	886,200	2024	27,800	28,400
2015B Improvement	2.50%	1,725,000	2024	185,000	185,000
2015C Improvement	2.25% - 3.50%	955,000	2036	65,000	490,000
2017A Improvement	2.00% - 3.00%	5,105,000	2037	235,000	3,860,000
2017B Improvement	3.00% - 3.375%	26,342	2038	1,317	19,756
2018A Improvement	3.00% - 3.35%	6,125,000	2038	265,000	4,875,000
2018C Improvement	3.00%	3,395,000	2024	595,000	615,000
2019A Improvement	3.00% - 5.00%	5,385,000	2034	300,000	4,260,000
2019B Refunding and Improvement	2.25% - 4.00%	6,300,960	2040	558,140	4,517,470
2020A Improvement	2.00% - 3.00%	295,000	2041	15,000	250,000
2021B Refunding and Improvement	2.00% - 4.00%	2,720,000	2033	190,000	2,335,000
2023A Improvement	5.00%	3,307,814	2039	-	3,307,814
				<u>\$ 3,191,782</u>	<u>\$ 27,411,583</u>
Business-type activities:					
2012B Improvement	2.00% - 2.75%	\$ 708,120	2027	\$ 49,175	\$ 206,535
2018B Improvement	3.50% - 5.00%	2,710,000	2027	330,000	1,485,000
2019B Refunding and Improvement	2.25% - 4.00%	1,633,040	2026	154,960	1,053,430
2023A Improvement	5.00%	5,462,186	2039	-	5,462,186
				<u>\$ 534,135</u>	<u>\$ 8,207,151</u>

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
2024	\$ 3,267,197	\$ 984,213	\$ 553,605	\$ 391,603
2025	2,089,048	767,982	862,246	366,233
2026	2,168,223	708,230	905,159	326,260
2027	2,232,215	626,781	943,465	284,258
2028	2,237,544	550,614	516,028	240,068
2029-2033	10,018,364	1,708,833	2,104,120	881,294
2034-2038	5,172,984	395,508	1,908,436	387,066
2039-2043	226,008	46,088	414,092	20,704
	<u>\$ 27,411,583</u>	<u>\$ 5,788,249</u>	<u>\$ 8,207,151</u>	<u>\$ 2,897,486</u>

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(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, 2023 are comprised of the following issues:

Special Assessment Bonds	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2023	Outstanding December 31, 2023
Governmental activities:					
2012A Refunding	-	\$ 5,166,257	2023	\$ 208,035	\$ -
2012B Improvement	2.00% - 2.75%	1,579,020	2032	95,824	568,466
2014A Refunding and Improvement	2.25% - 3.30%	758,086	2034	57,440	256,857
2015A Refunding	2.50%	2,278,800	2024	547,200	561,600
2015C Improvement	2.25% - 3.50%	3,800,000	2036	260,000	2,140,000
2017B Improvement	3.00% - 3.375%	2,273,658	2038	138,683	1,625,244
2018B Refunding	3.50% - 5.00%	2,970,000	2039	135,000	2,470,000
2019B Refunding and Improvement	2.25% - 4.00%	2,526,000	2040	521,900	1,784,100
2020A Improvement	2.00% - 3.00%	3,695,000	2041	145,000	3,410,000
2020B Refunding	2.00% - 3.00%	3,415,000	2036	230,000	2,965,000
2021A Improvement	2.00% - 4.00%	4,620,000	2042	180,000	4,440,000
2022A Improvement	4.00% - 5.00%	2,130,000	2043	-	2,130,000
2023A Improvement	5.00%	3,040,000	2044	-	3,040,000
				<u>\$ 2,519,082</u>	<u>\$ 25,391,267</u>

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

	Governmental Activities	
	Principal	Interest
2024	\$ 2,444,199	\$ 790,146
2025	1,783,706	824,543
2026	1,601,618	741,931
2027	1,549,320	684,188
2028	1,516,428	625,983
2029-2033	7,007,516	2,350,451
2034-2038	5,598,580	1,324,461
2039-2043	3,654,900	370,183
2044	235,000	11,750
	<u>\$ 25,391,267</u>	<u>\$ 7,723,636</u>

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Call Provisions

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

- Series 2017A: Callable December 1, 2025 at par plus accrued interest
- Series 2017B: Callable December 1, 2027 at par plus accrued interest
- Series 2018A: Callable December 1, 2028 at par plus accrued interest
- Series 2018B: Callable December 1, 2028 at par plus accrued interest
- Series 2018C: Callable December 1, 2022 at par plus accrued interest
- Series 2019A: Callable December 1, 2026 at par plus accrued interest
- Series 2019B: Callable December 1, 2026 at par plus accrued interest
- Series 2020A: Callable December 1, 2028 at par plus accrued interest
- Series 2020B: Callable December 1, 2028 at par plus accrued interest
- Series 2021A: Callable December 1, 2030 at par plus accrued interest
- Series 2021B: Callable June 1, 2029 at par plus accrued interest
- Series 2022A: Callable December 1, 2031 at par plus accrued interest
- Series 2023A: Callable December 1, 2032 at par plus accrued interest

Future Installments

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

	Installment Range	
	Low	High
Governmental activities:		
Series 2012B	\$ 30,000	\$ 171,891
Series 2014A	195,000	225,000
Series 2014C	610,000	610,000
Series 2015A	590,000	590,000
Series 2015B	185,000	185,000
Series 2015C	55,000	340,000
Series 2017A	240,000	305,000
Series 2017B	55,000	160,000
Series 2018A	270,000	400,000
Series 2018B	125,000	180,000
Series 2018C	615,000	615,000
Series 2019A	315,000	445,000
Series 2019B	20,000	1,110,570
Series 2020A	160,000	230,000
Series 2020B	205,000	255,000
Series 2021A	180,000	270,000
Series 2021B	190,000	270,000
Series 2022A	65,000	155,000
Series 2023A	190,000	425,296
Business-type activities:		
Series 2012B	49,175	53,109
Series 2018B	345,000	400,000
Series 2019B	159,430	189,230
Series 2023A	284,224	439,704

CITY OF DERBY, KANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 (Continued)

Sales Tax Special Obligation Revenue Bonds

Sales tax special obligation revenue bonds (STAR bonds) are authorized to be issued pursuant to K.S.A. 12-17,160, et seq., as amended (the STAR Bond Act). The STAR Bond Act provides a form of tax increment financing that enables the issuance of bonds payable from certain State and local sales and compensating use tax revenues and transient guest tax revenues generated from STAR bond projects constructed within a STAR bond project district. To implement STAR bond financing, a local government must adopt a resolution that specifies a proposed STAR bond project district’s boundaries and describes the overall district plan, hold a public hearing on the district and plan, and pass a resolution that establishes the STAR bond project district. Additionally, there may be one or more projects within a STAR bond district.

In connection with the issuance of STAR bonds, the City and the State of Kansas enter into Tax Distribution Agreements. The agreements provide that the principal and interest on the STAR bonds will be paid proportionally by the City and the State of Kansas, based on each entity’s respective share of sales taxes generated within the district. The proportional shares may vary by bond issue, as described in the “Tax Distribution Details” in the table below. These proportional shares may change in the future if the sales taxes assessed by the local or state governments are modified.

The STAR bond issue has “Turbo Redemption” provisions. Pledged tax revenues received in excess of amounts required for mandatory debt service payments or for various reserve account requirements will be used to redeem the bonds early. It is therefore expected that payment in full of principal on these bond series will be made earlier than their respective maturity dates.

Issue	District/ Project	Original Amount	Tax Distribution Details
2020	Derby Destination Development Project First and Second Amendment	\$ 14,375,000	Amended tax distribution details: Year 1: 96.41% State sales tax revenues/ .59% City's share of County sales tax/ 3.01% City's transient guest tax 20 year estimate: 98.35% State sales tax revenues/.61% City's share of County Sales Tax/1.05% City's transient guest tax
2022	Derby Destination Development Project Third Amendment	\$ 35,285,000	Year 1: 96.24% State sales tax revenues/ .59% City's share of County sales tax/ 3.17% City's transient guest tax 20 year estimate: 60.15% State sales tax revenues/.37% City's share of County Sales Tax/39.48% City's transient guest tax

For these bond issues, the City records its proportional share of the outstanding obligations.

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

At December 31, 2023, STAR bonds outstanding consisted of the following:

Description and Purpose	Amount of Original Issue	Final Maturity Date	Range of Interest Rates	Recorded with City Long-Term Liabilities		Total Value December 31, 2023
				Local Pledge	State Pledge	
2020 Derby Destination Development Bonds	\$ 14,375,000	2037	3.900%	\$ 210,800	\$ 5,059,200	\$ 5,270,000
2022 Derby Destination Development Bonds	\$ 35,285,000	2042	5.000%	14,114,000	21,171,000	35,285,000
Total				\$ 14,324,800	\$ 26,230,200	\$ 40,555,000

Annual debt service requirements to maturity for the STAR bonds are as follows:

Year	Governmental Activities	
	Principal	Interest
2024	\$ -	\$ 713,921
2025	-	713,921
2026	-	713,921
2027	-	713,921
2028	-	713,921
2029-2033	-	3,569,606
2034-2038	210,800	3,557,274
2039-2042	14,114,000	2,822,800
	\$ 14,324,800	\$ 13,519,285

Temporary Notes Payable

The City issues temporary notes to provide temporary financing for capital improvement projects. Temporary notes payable at December 31, 2023 were as follows:

Temporary Notes	Interest Rate	Original Issue	Final Maturity Date	Principal Payments During 2023	Outstanding December 31, 2023
2021-1	0.40%	\$ 3,835,000	2023	\$ 3,450,000	\$ -
2022-1	2.50%	2,910,000	2024	1,030,000	1,880,000
2023-1	4.00%	10,750,000	2025	-	10,750,000
				\$ 4,480,000	\$ 12,630,000

CITY OF DERBY, KANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 (Continued)

The temporary notes issued by the City have an initial maturity of greater than one year. Therefore, they are considered long-term debt and have been included in long-term liabilities on the statement of net position.

The future annual debt service requirements to maturity for temporary notes payable are as follows:

	Governmental Activities	
	Principal	Interest
2024	\$ 1,880,000	\$ 503,944
2025	10,750,000	430,000
	\$ 12,630,000	\$ 933,944

Revolving Loan Payable

The City entered into a loan agreement with the Kansas Department of Health and Environment (KDHE) on November 12, 2009. According to the agreement, KDHE will loan an amount not to exceed \$ 3,371,000 to the City for the purpose of designing and constructing a new sludge dewatering system and a new biosolids storage system and upgrading the mixing and aeration systems in the existing aerobic digester. The interest rate on the loan is 2.60%. The City paid \$ 72,406 in principal on the loan during the year ended December 31, 2023. A repayment schedule reflecting the amount of principal forgiven has not been finalized. As of December 31, 2023, \$ 3,264,501 of the loan was drawn down and project costs of \$ 3,264,501 were incurred. The outstanding balance of \$ 697,186 is shown as a liability in the sewer fund.

CITY OF DERBY, KANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 (Continued)

Leases Payable

Leases payable for the City at December 31, 2023 are comprised of the following:

<p>In fiscal year 2023, the City entered into a 48-month lease as lessee for the use of an Enterprise fleet vehicle. An initial lease liability was recorded in the amount of \$ 53,029. The City is required to make monthly fixed payments of \$ 1,042. The lease has an interest rate of 2.7860%. The value of the right-to-use asset as of December 31, 2023 is \$ 53,029 with accumulated amortization of \$ 3,894.</p>	<p>\$ 49,464</p>
<p>In fiscal year 2023, the City entered into a 60-month lease as lessee for the use of an Enterprise fleet vehicle. An initial lease liability was recorded in the amount of \$ 44,060. The City is required to make monthly fixed payments of \$ 669. The lease has an interest rate of 2.3100%. The value of the right-to-use asset as of December 31, 2023 is \$ 44,060 with accumulated amortization of \$ 5,313.</p>	<p>39,746</p>
<p>In fiscal year 2023, the City entered into six 36-month leases as lessee for the use of Enterprise fleet vehicles. An initial lease liability was recorded in the amount of \$ 335,448. The City is required to make monthly fixed payments of between \$ 971 and \$ 1,509. The leases have interest rates between 2.9010% and 3.7640% . The value of the right-to-use asset as of December 31, 2022 is \$ 335,448 with accumulated amortization of \$ 26,045.</p>	<p>317,579</p>
<p>In fiscal year 2022, the City entered into a 38-month lease as lessee for the use of a postage machine. An initial lease liability was recorded in the amount of \$6,353. The City is required to make quarterly fixed payments of \$ 533. The lease has an interest rate of 0.4260% . The value of the right-to-use asset as of December 31, 2023 is \$ 6,353 with accumulated amortization of \$ 3,929.</p>	<p>2,126</p>
<p>In fiscal year 2023, the City entered into a 60-month lease as lessee for the use of a postage machine. An initial lease liability was recorded in the amount of \$3,878. The City is required to make quarterly fixed payments of \$ 195. The lease has an interest rate of 2.3100% . The value of the right-to-use asset as of December 31, 2023 is \$ 3,878 with accumulated amortization of \$ 357.</p>	<p><u>3,507</u></p>
<p>Total City leases payable</p>	<p><u>\$ 412,422</u></p>

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

The future principal and interest lease payments as of December 31, 2023 were as follows:

Year	Governmental Activities Principal	Interest
2024	\$ 97,553	\$ 12,016
2025	97,247	8,826
2026	183,881	5,124
2027	23,156	572
2028	10,585	92
	\$ 412,422	\$ 26,630

Leases payable for the Library at December 31, 2023 are comprised of the following:

In fiscal year 2021, the Library entered into a 60-month lease as lessee for the use of a postage machine. An initial lease liability was recorded in the amount of \$ 3,163. The City is required to make quarterly fixed payments of \$ 183. The lease has an interest rate of 0.916%. The value of the right-to-use asset as of December 31, 2023 is \$ 3,163 with accumulated amortization of \$ 1,440.

\$ 1,745

In fiscal year 2021, the Library entered into a 63-month lease as lessee for the use of copiers. An initial lease liability was recorded in the amount of \$ 90,467. The Library is required to make monthly fixed payments of \$ 1,741. The lease has an interest rate of 0.916%. The value of the right-to-use asset as of December 31, 2023 is \$ 90,467 with accumulated amortization of \$ 40,968.

49,915

Total Library leases payable

\$ 51,660

The future principal and interest lease payments as of December 31, 2023 were as follows:

Year	Library Principal	Interest
2024	\$ 21,238	\$ 384
2025	21,433	189
2026	8,989	20
	\$ 51,660	\$ 593

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Subscriptions Payable

Subscriptions payable for the City at December 31, 2023 are comprised of the following:

In fiscal year 2023, the City entered into a 31-month subscription for the use of software. An initial subscription liability was recorded in the amount of \$ 1,941. The City is required to make annual fixed payments of \$ 1,000. The subscription has an interest rate of 2.6560%. The value of the subscription asset as of December 31, 2023 was \$ 1,941 with accumulated amortization of \$ 737.	\$ 974
In fiscal year 2023, the City entered into a 32-month subscription for the use of software. An initial subscription liability was recorded in the amount of \$ 50,214. The City is required to make annual fixed payments of \$ 25,935. The subscription has an interest rate of 2.6560%. The value of the subscription asset as of December 31, 2023 was \$ 50,214 with accumulated amortization of \$ 18,334.	25,264
In fiscal year 2023, the City entered into a 33-month subscription for the use of software. An initial subscription liability was recorded in the amount of \$ 41,181. The City is required to make annual fixed payments of \$ 35,778. The subscription has an interest rate of 2.6560%. The value of the subscription asset as of December 31, 2023 was \$ 41,181 with accumulated amortization of \$ 14,975.	20,726
In fiscal year 2023, the City entered into a 34-month subscription for the use of software. An initial subscription liability was recorded in the amount of \$ 9,657. The City is required to make annual fixed payments of \$ 5,000. The subscription has an interest rate of 2.6560%. The value of the subscription asset as of December 31, 2023 was \$ 9,657 with accumulated amortization of \$ 3,408.	4,871
In fiscal year 2023, the City entered into two 36-month subscriptions for the use of software. An initial subscription liability was recorded in the amount of \$ 160,322. The City is required to make annual fixed payments of \$50,100. The subscriptions have interest rates of 3.6310%. The value of the subscription asset as of December 31, 2023 was \$ 237,887 with accumulated amortization of \$ 7,337.	110,222
In fiscal year 2023, the City entered into a 60-month subscription for the use of software. An initial subscription liability was recorded in the amount of \$ 193,760. The City is required to make annual fixed payments of \$ 55,598. The subscription has an interest rate of 2.6820%. The value of the subscription asset as of December 31, 2023 was \$ 193,760 with accumulated amortization of \$ 38,752.	152,930
In fiscal year 2023, the City entered into a 36-month subscription for the use of software. An initial subscription liability was recorded in the amount of \$ 60,146. The City is required to make monthly fixed payments of \$ 1,712. The subscription has an interest rate of 2.9010%. The value of the subscription asset as of December 31, 2023 was \$ 62,496 with accumulated amortization of \$ 3,378.	57,398
In fiscal year 2023, the City entered into a 15-month subscription for the use of software. An initial subscription liability was recorded in the amount of \$ 2,752. As of December 31, 2023, the value of the subscription liability is \$ 0. The value of the subscription asset as of December 31, 2023 is \$ 2,752 with accumulated amortization of \$ 2,104.	-
In fiscal year 2023, the City entered into a 16-month subscription for the use of software. An initial subscription liability was recorded in the amount of \$ 1,630. As of December 31, 2023, the value of the subscription liability is \$ 0. The value of the subscription asset as of December 31, 2023 is \$ 1,630 with accumulated amortization of \$ 1,200.	-
In fiscal year 2023, the City entered into a 20-month subscription for the use of software. An initial subscription liability was recorded in the amount of \$ 1,471. As of December 31, 2023, the value of the subscription liability is \$ 0. The value of the subscription asset as of December 31, 2023 is \$ 1,470 with accumulated amortization of \$ 845.	-
In fiscal year 2023, the City entered into a 23-month subscription for the use of software. An initial subscription liability was recorded in the amount of \$ 3,146. As of December 31, 2023, the value of the subscription liability is \$ 0. The value of the subscription asset as of December 31, 2023 is \$ 3,146 with accumulated amortization of \$ 1,609.	-
Total City subscriptions payable	\$ 372,385

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

The future principal and interest subscription payments as of December 31, 2023 were as follows:

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 127,288	\$ 8,474	\$ 31,862	\$ 2,418
2025	81,446	4,838	34,734	1,261
2026	57,289	4,839	-	-
2027	39,766	1,066	-	-
	\$ 305,789	\$ 19,217	\$ 66,596	\$ 3,679

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 27,295,551	\$ 3,307,814	\$ 3,191,782	\$ 27,411,583	\$ 3,267,197
Special assessment debt with government commitment	24,870,349	3,040,000	2,519,082	25,391,267	2,444,199
Plus (less) deferred amounts:					
Issuance premiums	2,585,867	541,554	273,104	2,854,317	-
Issuance discounts	(9,422)	-	(644)	(8,778)	-
Sales tax special obligation revenue bonds - direct borrowings	14,529,000	-	204,200	14,324,800	-
Plus (less) deferred amounts:					
Issuance discounts	(426,937)	-	(21,709)	(405,228)	-
Temporary notes - direct borrowings	6,360,000	10,750,000	4,480,000	12,630,000	1,880,000
Leases payable	577,683	436,415	601,676	412,422	97,553
Subscriptions payable	-	426,977	121,188	305,789	127,288
Compensated absences	645,145	1,731,948	1,590,475	786,618	786,618
Total OPEB liability	1,610,044	252,654	-	1,862,698	-
Net pension liability	16,685,245	1,125,176	-	17,810,421	-
Governmental activities long-term liabilities	\$ 94,722,525	\$ 21,612,538	\$ 12,959,154	\$ 103,375,909	\$ 8,602,855
Business-type activities:					
General obligation bonds	\$ 3,279,100	\$ 5,462,186	\$ 534,135	\$ 8,207,151	\$ 553,605
Plus deferred amounts:					
Issuance premiums	292,267	465,998	55,584	702,681	-
Revolving loan - direct borrowings	769,592	-	72,406	697,186	-
Subscriptions payable	-	99,244	32,648	66,596	31,862
Compensated absences	40,662	151,246	131,161	60,747	60,747
Total OPEB liability	76,661	15,239	-	91,900	-
Net pension liability	1,230,893	59,056	-	1,289,949	-
Business-type activities long-term liabilities	\$ 5,689,175	\$ 6,252,969	\$ 825,934	\$ 11,116,210	\$ 646,214

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

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Special Assessments

Kansas statutes require special benefit district projects financed in part by special assessments to be financed through the issuance of general obligation bonds that are secured by the full faith and credit of the City. Further, state statutes permit levying additional general ad valorem taxes in the City's debt service fund to finance delinquent special assessments receivable. Accordingly, special assessments receivable are accounted for within the City's debt service fund. Special assessments are levied over the repayment period of the bonds and the annual installments are due and payable with annual ad valorem taxes. At December 31, 2023, the special assessment taxes levied are a lien on the property and are recorded as a special assessments receivable in the debt service fund with a corresponding amount recorded as unavailable revenue. Special assessments receivable at December 31, 2023 was \$ 33,058,619.

13 - Interfund Transactions

Interfund transfers for the year ended December 31, 2023 consisted of the following:

Transfers out	Transfers in		
	Governmental activities		Business-type activities
	General fund	Debt service fund	Sewer fund
Governmental activities:			
Capital projects fund	\$ 350,000	\$ 592,140	\$ -
Internal service funds	-	-	31,393
Total	\$ 350,000	\$ 592,140	\$ 31,393

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

Capital asset transfers of \$ 1,178,757 occurred from the governmental activities to the business-type activities. Capital asset transfers of \$ 427,162 occurred from the business-type activities to the governmental activities. These amounts are netted for the statement of activities.

CITY OF DERBY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

14 - Commitments and Contingencies

Litigation

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

Industrial Revenue Bonds

The City has issued industrial revenue bonds to finance the purchase of land and construction of facilities leased to local businesses. The lease agreements provide for rentals sufficient to service the related bonds. The debt service on these issues is paid solely from lease agreements; these issues do not constitute a debt of the City. The lessees have the option of purchasing the leased properties at any time during the lease periods for amounts sufficient to retire the related outstanding bonds. At the end of the lease periods, which conform to bond maturity schedules, the lessees may either purchase the property for a nominal amount or renew the leases annually at nominal amounts. As of December 31, 2023, industrial revenue bonds of \$ 18,740,000 are outstanding.

Encumbrances

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities, but, rather, as restricted, committed, or assigned fund balance. At December 31, 2023, the City's recorded encumbrances in governmental funds were as follows:

General fund	\$ 250,293
Capital projects fund	<u>1,401,284</u>
	<u>\$ 1,651,577</u>

15 - Tax Abatements

The City of Derby enters into tax abatement agreements with local businesses for the purpose of attracting businesses within its jurisdiction. For the fiscal year ended December 31, 2023, abated property taxes that impacted the City totaled \$ 70,992, which included the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- A property tax abatement for constructing and equipping a memory care facility. The City's portion of the abatement amounted to \$ 22,642.
- A property tax abatement related to the construction and furnishing of a senior residential facility. The City's portion of the tax abatement amounted to \$ 48,350.

CITY OF DERBY, KANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 (Continued)

16 - Prior Period Adjustment

During the year ended December 31, 2023, management determined a prior period adjustment to capital assets was necessary. This restatement primarily consisted of reclassifying assets to the appropriate funds. The following restatements were made to net position:

	Sewer Fund	Water Fund	Stormwater Fund	Total Business-Type Activities
Net position as previously stated	\$ 21,450,270	\$ 13,428,669	\$ 12,349,946	\$ 47,228,885
Prior period adjustment	47,412	27,941	(52,028)	23,325
Net position as restated	\$ 21,497,682	\$ 13,456,610	\$ 12,297,918	\$ 47,252,210

17 - Subsequent Events

On February 27, 2024, City Council approved an ordinance authorizing the imposition of a special 1% city-wide retailer's sales tax (Derby Difference sales tax), which will begin January 1, 2025 upon the sunset of the existing 0.5% Derby Difference sales tax.

On March 14, 2024, the City issued General Obligation Temporary Notes Series 2024-1 in the principal amount of \$11,480,000 with an annual rate of interest of 4.00%. The temporary notes were issued to provide interim financing for the construction of certain public improvements related to several Sky Ridge Addition projects.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DERBY, KANSAS
Schedule of the City's Proportionate Share of the Collective Net Pension Liability
Kansas Public Employees Retirement System
Last Ten Fiscal Years

	2023	2022	2021	2020	2019
City's proportion of the collective net pension liability					
KPERS	0.344854%	0.344719%	0.346525%	0.325601%	0.321937%
KP&F	0.742878%	0.767073%	0.781180%	0.743419%	0.697454%
City's proportionate share of the collective net pension liability	\$ 19,100,370	\$ 17,916,138	\$ 11,612,519	\$ 14,812,169	\$ 11,557,734
City's covered payroll	\$ 12,440,473	\$ 11,483,673	\$ 11,051,383	\$ 10,237,891	\$ 9,678,999
City's proportionate share of the collective net pension liability as a percentage of its covered payroll	154%	156%	105%	145%	119%
Plan fiduciary net position as a percentage of the total pension liability	70.70%	69.75%	76.40%	66.30%	69.88%
	2018	2017	2016	2015	2014
City's proportion of the collective net pension liability					
KPERS	0.318254%	0.311056%	0.322890%	0.317677%	0.321736%
KP&F	0.710227%	0.708786%	0.752855%	0.712797%	0.713596%
City's proportionate share of the collective net pension liability	\$ 11,269,609	\$ 11,152,434	\$ 11,987,447	\$ 9,346,983	\$ 8,640,032
City's covered payroll	\$ 9,289,020	\$ 9,016,474	\$ 9,078,858	\$ 8,542,912	\$ 8,426,748
City's proportionate share of the collective net pension liability as a percentage of its covered payroll	121%	124%	132%	109%	103%
Plan fiduciary net position as a percentage of the total pension liability	68.88%	67.12%	65.10%	64.95%	66.60%

CITY OF DERBY, KANSAS
Schedule of the City's Contributions
Kansas Public Employees Retirement System
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
KPERS contractually required contributions	\$ 661,715	\$ 634,104	\$ 605,124	\$ 548,023	\$ 544,363
KP&F contractually required contributions	1,181,569	1,089,320	1,019,786	924,681	865,520
Contributions in relation to the contractually required contribution	<u>(1,843,284)</u>	<u>(1,723,424)</u>	<u>(1,624,910)</u>	<u>(1,472,704)</u>	<u>(1,409,883)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 12,996,306	\$ 11,862,999	\$ 11,293,230	\$ 10,581,465	\$ 10,038,033
Contributions as a percentage of covered payroll	14.2%	14.5%	14.4%	13.9%	14.0%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
KPERS contractually required contributions	\$ 482,805	\$ 477,511	\$ 494,232	\$ 503,225	\$ 490,774
KP&F contractually required contributions	733,249	684,037	709,642	723,684	660,727
Contributions in relation to the contractually required contribution	<u>(1,216,054)</u>	<u>(1,161,548)</u>	<u>(1,203,874)</u>	<u>(1,226,909)</u>	<u>(1,151,500)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>
City's covered payroll	\$ 9,396,390	\$ 9,212,330	\$ 8,847,625	\$ 8,684,153	\$ 8,859,235
Contributions as a percentage of covered payroll	12.9%	12.6%	13.6%	14.1%	13.0%

CITY OF DERBY, KANSAS
Schedule of Changes in the City's Total OPEB Liability and Related Ratios -
Health Insurance
Last Six Fiscal Years^{1,2}

	2023	2022	2021
Total OPEB liability:			
Service cost	\$ 114,772	\$ 133,629	\$ 140,176
Interest cost	69,196	32,994	31,443
Differences between expected and actual experience	64,508	651,283	(95,561)
Changes of assumptions and inputs	58,978	(720,485)	(13,909)
Benefit payments	(49,000)	(32,000)	(53,000)
Net change in total OPEB liability	258,454	65,421	9,149
Total OPEB liability, beginning	1,565,136	1,499,715	1,490,566
Total OPEB liability, ending	<u>\$ 1,823,590</u>	<u>\$ 1,565,136</u>	<u>\$ 1,499,715</u>
Covered-employee payroll	\$ 12,996,306	\$ 11,862,999	\$ 11,293,230
City's total OPEB liability as a percentage of covered-employee payroll	14.03%	13.19%	13.28%
	2020	2019	2018
Total OPEB liability:			
Service cost	\$ 95,809	\$ 83,306	\$ 83,668
Interest cost	40,395	44,677	36,599
Differences between expected and actual experience	(121,548)	(85,053)	-
Changes of assumptions and inputs	246,207	118,033	(459)
Benefit payments	(42,000)	(40,000)	(30,000)
Net change in total OPEB liability	218,863	120,963	89,808
Total OPEB liability, beginning	1,271,703	1,150,740	1,060,932
Total OPEB liability, ending	<u>\$ 1,490,566</u>	<u>\$ 1,271,703</u>	<u>\$ 1,150,740</u>
Covered-employee payroll	\$ 10,581,465	\$ 10,038,033	\$ 9,396,390
City's total OPEB liability as a percentage of covered-employee payroll	14.09%	12.67%	12.25%

¹ GASB 75 requires the presentation of ten years. Data was not available prior to fiscal year 2018; therefore, ten years of data is unavailable.

² There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the pension/OPEB plan.

CITY OF DERBY, KANSAS
Schedule of Changes in the City's Total OPEB Liability and Related Ratios -
Disability Benefits and Life Insurance
Last Six Fiscal Years^{1,2}

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total OPEB liability:			
Service cost	\$ 16,147	\$ 27,350	\$ 25,968
Interest on total OPEB liability	4,807	4,223	5,914
Effect of economic/demographic gains or losses	(6,960)	(29,857)	(98,363)
Effect of assumptions changes or inputs	(646)	(46,323)	278
Benefit payments	<u>(3,909)</u>	<u>(3,909)</u>	<u>(10,647)</u>
Net change in total OPEB liability	9,439	(48,516)	(76,850)
Total OPEB liability, beginning	<u>121,569</u>	<u>170,085</u>	<u>246,935</u>
Total OPEB liability, ending	<u>\$ 131,008</u>	<u>\$ 121,569</u>	<u>\$ 170,085</u>
Covered-employee payroll	\$ 6,748,424	\$ 6,286,250	\$ 6,330,845
City's total OPEB liability as a percentage of covered-employee payroll	1.94%	1.93%	2.69%
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:			
Service cost	\$ 21,925	\$ 19,930	\$ 19,802
Interest on total OPEB liability	8,163	8,167	6,649
Effect of economic/demographic gains or losses	(7,614)	(8,558)	2,454
Effect of assumptions changes or inputs	15,122	3,250	(2,492)
Benefit payments	<u>(3,959)</u>	<u>(1,200)</u>	<u>(1,200)</u>
Net change in total OPEB liability	33,637	21,589	25,213
Total OPEB liability, beginning	<u>213,298</u>	<u>191,709</u>	<u>166,496</u>
Total OPEB liability, ending	<u>\$ 246,935</u>	<u>\$ 213,298</u>	<u>\$ 191,709</u>
Covered-employee payroll	\$ 6,096,515	\$ 5,795,583	\$ 5,492,200
City's total OPEB liability as a percentage of covered-employee payroll	4.05%	3.68%	3.49%

¹GASB 75 requires the presentation of ten years. Data was not available prior to fiscal year 2018; therefore, ten years of data is unavailable.

²There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the pension/OPEB plan.

OTHER SUPPLEMENTARY INFORMATION

CITY OF DERBY, KANSAS
 COMBINING BALANCE SHEET
 GENERAL FUND
 December 31, 2023

	General	Derby Senior Activity Board	Payroll	Equipment Reserve	Capital Improvement Reserve	Public Safety Equipment Reserve	Total General Fund
Assets:							
Deposits and investments	\$ 11,305,272	\$ 24,690	\$ 769,299	\$ 1,095,935	\$ 2,259,454	\$ -	\$ 15,454,650
Receivables (net of allowance for uncollectibles):							
Taxes	12,568,482	-	-	-	-	-	12,568,482
Accounts	206,977	-	-	-	-	-	206,977
Interest	346,630	-	-	-	-	-	346,630
Inventories	300,940	-	-	-	-	-	300,940
Total assets	\$ 24,728,301	\$ 24,690	\$ 769,299	\$ 1,095,935	\$ 2,259,454	\$ -	\$ 28,877,679
Liabilities:							
Accounts payable	\$ 371,016	\$ -	\$ -	\$ 80	\$ 188,392	\$ -	\$ 559,488
Accrued payroll	-	-	1,106,021	-	-	-	1,106,021
Unearned revenue	47,000	-	-	-	-	-	47,000
Total liabilities	418,016	-	1,106,021	80	188,392	-	1,712,509
Deferred inflows of resources:							
Unavailable revenue - property taxes	11,262,600	-	-	-	-	-	11,262,600
Fund balances (deficits):							
Nonspendable:							
Inventories	300,940	-	-	-	-	-	300,940
Assigned:							
Senior activities	-	24,690	-	-	-	-	24,690
Equipment purchases	43,227	-	-	1,095,855	-	-	1,139,082
Capital improvements	48,617	-	-	-	2,071,062	-	2,119,679
Other purposes	15,000	-	-	-	-	-	15,000
Unassigned	12,639,901	-	(336,722)	-	-	-	12,303,179
Total fund balances (deficits)	13,047,685	24,690	(336,722)	1,095,855	2,071,062	-	15,902,570
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 24,728,301	\$ 24,690	\$ 769,299	\$ 1,095,935	\$ 2,259,454	\$ -	\$ 28,877,679

CITY OF DERBY, KANSAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES (DEFICITS)
 GENERAL FUND
 Year Ended December 31, 2023

	General	Derby Senior Activity Board	Payroll	Equipment Reserve
Revenues:				
Taxes:				
Property	\$ 11,350,798	\$ -	\$ -	\$ -
Excise	76,226	-	-	-
Sales	6,007,137	-	-	-
Franchise	2,461,915	-	-	-
Intergovernmental	431,016	-	-	21,503
Licenses and permits	494,738	-	-	-
Charges for services	321,772	-	-	-
Fines and fees	666,137	-	-	-
Investment earnings	1,667,195	-	-	-
Other	966,958	6,185	-	50,000
Total revenues	<u>24,443,892</u>	<u>6,185</u>	<u>-</u>	<u>71,503</u>
Expenditures:				
Current:				
General government	5,447,415	4,973	(1,400)	-
Public works	4,284,814	-	-	-
Public safety	9,115,354	-	-	-
Culture and recreation	1,963,994	-	-	-
Economic development	581,322	-	-	-
Debt services:				
Principal	123,675	-	-	-
Interest and fiscal charges	2,407	-	-	-
Capital outlay	1,930,922	-	-	970,588
Total expenditures	<u>23,449,903</u>	<u>4,973</u>	<u>(1,400)</u>	<u>970,588</u>
Excess (deficiency) of revenues over (under) expenditures	<u>993,989</u>	<u>1,212</u>	<u>1,400</u>	<u>(899,085)</u>
Other financing sources (uses):				
Transfers in	350,000	-	-	1,971,073
Transfers out	(2,122,258)	-	-	-
Sale of general capital assets	38,975	-	-	-
Issuance of leases	3,876	-	-	-
Issuance of subscriptions	426,977	-	-	-
Total other financing sources (uses)	<u>(1,302,430)</u>	<u>-</u>	<u>-</u>	<u>1,971,073</u>
Net change in fund balances (deficits)	(308,441)	1,212	1,400	1,071,988
Fund balances (deficits), beginning of year	<u>13,356,126</u>	<u>23,478</u>	<u>(338,122)</u>	<u>23,867</u>
Fund balances (deficits), end of year	<u>\$ 13,047,685</u>	<u>\$ 24,690</u>	<u>\$ (336,722)</u>	<u>\$ 1,095,855</u>

(Continued)

CITY OF DERBY, KANSAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES (DEFICITS)
 GENERAL FUND
 (Continued)
 Year Ended December 31, 2023

	Capital Improvement Reserve	Public Safety Equipment Reserve	Eliminations	Total General Fund
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ 11,350,798
Excise	-	-	-	76,226
Sales	-	-	-	6,007,137
Franchise	-	-	-	2,461,915
Intergovernmental	-	-	-	452,519
Licenses and permits	-	-	-	494,738
Charges for services	-	-	-	321,772
Fines and fees	-	-	-	666,137
Investment earnings	-	-	-	1,667,195
Other	250,000	-	-	1,273,143
	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>24,771,580</u>
Total revenues	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>24,771,580</u>
Expenditures:				
Current:				
General government	-	-	-	5,450,988
Public works	-	-	-	4,284,814
Public safety	-	-	-	9,115,354
Culture and recreation	-	-	-	1,963,994
Economic development	-	-	-	581,322
Debt services:				
Principal	-	-	-	123,675
Interest and fiscal charges	-	-	-	2,407
Capital outlay	1,276,697	-	-	4,178,207
	<u>1,276,697</u>	<u>-</u>	<u>-</u>	<u>25,700,761</u>
Total expenditures	<u>1,276,697</u>	<u>-</u>	<u>-</u>	<u>25,700,761</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,026,697)</u>	<u>-</u>	<u>-</u>	<u>(929,181)</u>
Other financing sources (uses):				
Transfers in	1,411,000	-	(3,382,073)	350,000
Transfers out	-	(1,259,815)	3,382,073	-
Sale of general capital assets	-	-	-	38,975
Issuance of leases	-	-	-	3,876
Issuance of subscriptions	-	-	-	426,977
	<u>1,411,000</u>	<u>(1,259,815)</u>	<u>-</u>	<u>819,828</u>
Total other financing sources (uses)	<u>1,411,000</u>	<u>(1,259,815)</u>	<u>-</u>	<u>819,828</u>
Net change in fund balances (deficits)	384,303	(1,259,815)	-	(109,353)
Fund balances (deficits), beginning of year	<u>1,686,759</u>	<u>1,259,815</u>	<u>-</u>	<u>16,011,923</u>
Fund balances (deficits), end of year	<u>\$ 2,071,062</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,902,570</u>

Nonmajor Governmental Funds

Special Revenue Funds

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

Special Street and Highway – This fund accounts 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 accounts for special alcohol liquor tax revenues that are restricted to expenditures for the purchase, establishment, maintenance, or expansion of park and recreational services, programs, and facilities.

Special Drug and Alcohol – This fund accounts 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.

Derby Fights Addiction – This fund accounts for revenue from state opioid settlements and expenditures are used for drug abuse prevention programs.

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

Law Enforcement Trust - State – This fund accounts for seized monies, through state and local agencies, 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 accounts for the payroll and transfer of appropriation funds to the Library.

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

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

Capital Projects Fund

ARPA – This fund accounts for American Rescue Plan Act (ARPA) monies distributed by the State of Kansas to aid in rebuilding the economy after the COVID-19 pandemic.

CITY OF DERBY, KANSAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2023

	Special Revenue Funds					
	Special Street and Highway	Special Parks and Recreation	Special Drug and Alcohol	Derby Fights Addiction	Law Enforcement Trust	Law Enforcement Trust - State
Assets:						
Deposits and investments	\$ 519,765	\$ 183,334	\$ 164,414	\$ 76,363	\$ 3,439	\$ 33,050
Receivables (net of allowance for uncollectibles):						
Taxes	-	-	-	-	-	-
Total assets	\$ 519,765	\$ 183,334	\$ 164,414	\$ 76,363	\$ 3,439	\$ 33,050
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned revenue	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Deferred inflows of resources:						
Unavailable revenue - property taxes	-	-	-	-	-	-
Fund balances:						
Restricted:						
Capital projects	-	-	-	-	-	-
Substance abuse prevention	-	-	164,414	76,363	-	-
Culture and recreation	-	183,334	-	-	-	-
Crime prevention	-	-	-	-	3,439	33,050
Library operations	-	-	-	-	-	-
Streets and sidewalks	519,765	-	-	-	-	-
Assigned:						
Library operations	-	-	-	-	-	-
Aquatic park operations	-	-	-	-	-	-
Total fund balances	519,765	183,334	164,414	76,363	3,439	33,050
Total liabilities, deferred inflows of resources, and fund balances	\$ 519,765	\$ 183,334	\$ 164,414	\$ 76,363	\$ 3,439	\$ 33,050

(Continued)

CITY OF DERBY, KANSAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 (Continued)
 December 31, 2023

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Library		Aquatic Park	ARPA	
	Library	Employee Benefits			
Assets:					
Deposits and investments	\$ 100,147	\$ 25,238	\$ 1,100,382	\$ 2,947,828	\$ 5,153,960
Receivables (net of allowance for uncollectibles):					
Taxes	1,301,709	134,356	16,670	-	1,452,735
Total assets	\$ 1,401,856	\$ 159,594	\$ 1,117,052	\$ 2,947,828	\$ 6,606,695
Liabilities:					
Accounts payable	\$ 2,061	\$ -	\$ -	\$ 16,000	\$ 18,061
Unearned revenue	-	-	-	2,921,857	2,921,857
Total liabilities	2,061	-	-	2,937,857	2,939,918
Deferred inflows of resources:					
Unavailable revenue - property taxes	1,301,709	134,356	-	-	1,436,065
Fund balances:					
Restricted:					
Capital projects	-	-	-	9,971	9,971
Substance abuse prevention	-	-	-	-	240,777
Culture and recreation	-	-	-	-	183,334
Crime prevention	-	-	-	-	36,489
Library operations	98,086	-	-	-	98,086
Streets and sidewalks	-	-	-	-	519,765
Assigned:					
Library operations	-	25,238	-	-	25,238
Aquatic park operations	-	-	1,117,052	-	1,117,052
Total fund balances	98,086	25,238	1,117,052	9,971	2,230,712
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,401,856	\$ 159,594	\$ 1,117,052	\$ 2,947,828	\$ 6,606,695

CITY OF DERBY, KANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended December 31, 2023

	Special Revenue Funds					
	Special Street and Highway	Special Parks and Recreation	Special Drug and Alcohol	Derby Fights Addiction	Law Enforcement Trust	Law Enforcement Trust - State
Revenues:						
Taxes:						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excise	-	-	-	-	-	-
Franchise	-	-	-	-	-	-
Intergovernmental	1,008,737	105,710	105,710	70,184	-	-
Charges for services	-	-	-	-	-	-
Investment earnings	-	-	-	-	11	575
Other	-	-	-	-	-	30,790
Total revenues	1,008,737	105,710	105,710	70,184	11	31,365
Expenditures:						
Current:						
General government	-	-	64,149	-	-	-
Public works	153,023	-	-	-	-	-
Public safety	-	-	-	-	-	1,320
Culture and recreation	-	-	-	-	-	-
Capital outlay	1,411,739	186,908	-	-	-	-
Total expenditures	1,564,762	186,908	64,149	-	-	1,320
Excess (deficiency) of revenues over (under) expenditures	(556,025)	(81,198)	41,561	70,184	11	30,045
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	(556,025)	(81,198)	41,561	70,184	11	30,045
Fund balances, beginning of year	1,075,790	264,532	122,853	6,179	3,428	3,005
Fund balances, end of year	\$ 519,765	\$ 183,334	\$ 164,414	\$ 76,363	\$ 3,439	\$ 33,050

(Continued)

CITY OF DERBY, KANSAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
Year Ended December 31, 2023

	Special Revenue Funds			Capital Projects Fund	Eliminations	Total Nonmajor Governmental Funds
	Library	Library Employee Benefits	Aquatic Park	ARPA		
Revenues:						
Taxes:						
Property	\$ 1,285,780	\$ 133,553	\$ -	\$ -	\$ -	\$ 1,419,333
Excise	8,729	956	-	-	-	9,685
Franchise	-	-	246,508	-	-	246,508
Intergovernmental	-	-	-	805,973	-	2,096,314
Charges for services	-	-	34,368	-	-	34,368
Investment earnings	-	-	-	-	-	586
Other	7,287	-	108,602	-	-	146,679
Total revenues	<u>1,301,796</u>	<u>134,509</u>	<u>389,478</u>	<u>805,973</u>	<u>-</u>	<u>3,953,473</u>
Expenditures:						
Current:						
General government	1,207,121	192,074	-	-	-	1,463,344
Public works	-	-	-	-	-	153,023
Public safety	-	-	-	-	-	1,320
Culture and recreation	-	-	253,677	-	-	253,677
Capital outlay	-	-	-	805,973	-	2,404,620
Total expenditures	<u>1,207,121</u>	<u>192,074</u>	<u>253,677</u>	<u>805,973</u>	<u>-</u>	<u>4,275,984</u>
Excess (deficiency) of revenues over (under) expenditures	<u>94,675</u>	<u>(57,565)</u>	<u>135,801</u>	<u>-</u>	<u>-</u>	<u>(322,511)</u>
Other financing sources (uses):						
Transfers in	-	65,000	-	-	(65,000)	-
Transfers out	(65,000)	-	-	-	65,000	-
Total other financing sources (uses)	<u>(65,000)</u>	<u>65,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	29,675	7,435	135,801	-	-	(322,511)
Fund balances, beginning of year	<u>68,411</u>	<u>17,803</u>	<u>981,251</u>	<u>9,971</u>	<u>-</u>	<u>2,553,223</u>
Fund balances, end of year	<u>\$ 98,086</u>	<u>\$ 25,238</u>	<u>\$ 1,117,052</u>	<u>\$ 9,971</u>	<u>\$ -</u>	<u>\$ 2,230,712</u>

CITY OF DERBY, KANSAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL STREET AND HIGHWAY FUND
Year Ended December 31, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Gasoline tax	\$ 994,170	\$ 1,008,737	\$ 14,567
Expenditures:			
Contractual	95,000	153,023	58,023
Capital outlay	1,775,643	1,411,739	(363,904)
Total expenditures	1,870,643	1,564,762	(305,881)
Net change in fund balances	(876,473)	(556,025)	320,448
Fund balance, beginning of year	910,474	1,075,790	165,316
Fund balance, end of year	\$ 34,001	\$ 519,765	\$ 485,764

CITY OF DERBY, KANSAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 SPECIAL PARKS AND RECREATION FUND
 Year Ended December 31, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Special alcohol tax	\$ 87,105	\$ 105,710	\$ 18,605
Expenditures:			
Capital outlay	347,730	186,908	(160,822)
Net change in fund balances	(260,625)	(81,198)	179,427
Fund balances, beginning of year	260,626	264,532	3,906
Fund balances, end of year	<u>\$ 1</u>	<u>\$ 183,334</u>	<u>\$ 183,333</u>

CITY OF DERBY, KANSAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL DRUG AND ALCOHOL FUND
Year Ended December 31, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Special alcohol tax	\$ 87,104	\$ 105,710	\$ 18,606
Expenditures:			
Contractual	117,466	64,149	(53,317)
Net change in fund balances	(30,362)	41,561	71,923
Fund balance, beginning of year	30,363	122,853	92,490
Fund balance, end of year	<u>\$ 1</u>	<u>\$ 164,414</u>	<u>\$ 164,413</u>

CITY OF DERBY, KANSAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DERBY FIGHTS ADDICTION FUND
Year Ended December 31, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 12,500	\$ 70,184	\$ 57,684
Expenditures:			
Contractual	18,679	-	(18,679)
Net change in fund balances	(6,179)	70,184	76,363
Fund balance, beginning of year	6,179	6,179	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ 76,363</u>	<u>\$ 76,363</u>

CITY OF DERBY, KANSAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
LIBRARY FUND
Year Ended December 31, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Taxes	\$ 1,294,948	\$ 1,294,509	\$ (439)
Miscellaneous	-	7,287	7,287
Total revenues	<u>1,294,948</u>	<u>1,301,796</u>	<u>6,848</u>
Expenditures:			
Personnel	750,013	674,833	(75,180)
Contractual	<u>512,315</u>	<u>532,288</u>	<u>19,973</u>
Total expenditures	<u>1,262,328</u>	<u>1,207,121</u>	<u>(55,207)</u>
Excess of revenues over expenditures	32,620	94,675	62,055
Other financing uses:			
Transfers out	<u>(65,000)</u>	<u>(65,000)</u>	<u>-</u>
Net change in fund balances	(32,380)	29,675	62,055
Fund balance, beginning of year	<u>32,380</u>	<u>68,411</u>	<u>36,031</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 98,086</u>	<u>\$ 98,086</u>

CITY OF DERBY, KANSAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
LIBRARY EMPLOYEE BENEFITS FUND
Year Ended December 31, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Taxes	\$ 134,266	\$ 134,509	\$ 243
Expenditures:			
Personnel	213,891	192,074	(21,817)
Excess (deficiency) of revenues over (under) expenditures	(79,625)	(57,565)	22,060
Other financing sources:			
Transfers in	65,000	65,000	-
Net change in fund balances	(14,625)	7,435	22,060
Fund balance, beginning of year	14,625	17,803	3,178
Fund balance, end of year	\$ -	\$ 25,238	\$ 25,238

CITY OF DERBY, KANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
AQUATIC PARK FUND
Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final Budgeted		
Revenues:				
Franchise tax	\$ 240,421	\$ 291,139	\$ 246,508	\$ (44,631)
Charges for services	25,200	26,819	34,368	7,549
Investment earnings	1,000	1,000	-	(1,000)
Other	-	-	108,602	108,602
Total revenues	266,621	318,958	389,478	70,520
Expenditures:				
Contractual	373,747	404,695	253,677	(151,018)
Capital outlay	75,000	75,000	-	(75,000)
Total expenditures	448,747	479,695	253,677	(226,018)
Net change in fund balances	(182,126)	(160,737)	135,801	296,538
Fund balance, beginning of year	680,146	980,753	981,251	498
Fund balance, end of year	\$ 498,020	\$ 820,016	\$ 1,117,052	\$ 297,036

Internal Service Funds

Internal service funds are used to account for services provided to other departments of the government on a cost-reimbursement basis.

Fleet Management Fund – This fund accounts for the City’s financial management of its fleet vehicle leasing program with Enterprise.

Health Self-Insurance Fund – This fund accounts for health insurance-related expenses, fees, and claims.

CITY OF DERBY, KANSAS
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 December 31, 2023

	Fleet Management	Health Self-Insurance	Total Internal Service Funds
Assets:			
Current assets:			
Deposits and investments	\$ 351,040	\$ 1,825,985	\$ 2,177,025
Noncurrent assets:			
Capital assets:			
Right-to-use leased machinery and equipment	432,539	-	432,539
Accumulated amortization	(35,252)	-	(35,252)
Total noncurrent assets	397,287	-	397,287
Total assets	748,327	1,825,985	2,574,312
Liabilities:			
Current liabilities:			
Accounts payable	-	289,000	289,000
Accrued interest payable	504	-	504
Current portion of leases payable	94,720	-	94,720
Total current liabilities	95,224	289,000	384,224
Noncurrent liabilities:			
Leases payable	312,074	-	312,074
Total liabilities	407,298	289,000	696,298
Net position:			
Net investment in capital assets	(9,507)	-	(9,507)
Unrestricted	350,536	1,536,985	1,887,521
Total net position	\$ 341,029	\$ 1,536,985	\$ 1,878,014

CITY OF DERBY, KANSAS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 INTERNAL SERVICE FUNDS
 Year Ended December 31, 2023

	Fleet Management	Health Self-Insurance	Total Internal Service Funds
Operating revenues:			
Charges for sales and services	\$ 250,000	\$ 3,137,461	\$ 3,387,461
Operating expenses:			
Personnel	-	2,619,276	2,619,276
Contractual	100,387	-	100,387
Amortization	180,547	-	180,547
Total operating expenses	280,934	2,619,276	2,900,210
Operating income (loss)	(30,934)	518,185	487,251
Nonoperating expenses:			
Interest expense	(10,017)	-	(10,017)
Loss on disposal of property	(381,815)	-	(381,815)
Transfers out	(31,393)	-	(31,393)
Total nonoperating expenses	(423,225)	-	(423,225)
Change in net position	(454,159)	518,185	64,026
Total net position, beginning of year	795,188	1,018,800	1,813,988
Total net position, end of year	\$ 341,029	\$ 1,536,985	\$ 1,878,014

CITY OF DERBY, KANSAS
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 Year Ended December 31, 2023

	Fleet Management	Health Self-Insurance	Total Internal Service Funds
Cash flows from operating activities:			
Receipts from customers	\$ 250,000	\$ 3,137,461	\$ 3,387,461
Payments to suppliers	(100,387)	-	(100,387)
Payments to employees for salaries and benefits	-	(2,678,689)	(2,678,689)
Net cash from operating activities	<u>149,613</u>	<u>458,772</u>	<u>608,385</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(484,589)	-	(484,589)
Interest and bond issuance costs paid on debt	(9,513)	-	(9,513)
Principal paid on leases	(130,561)	-	(130,561)
Net cash from capital and related financing activities	<u>(624,663)</u>	<u>-</u>	<u>(624,663)</u>
Net change in cash and cash equivalents	(475,050)	458,772	(16,278)
Cash and cash equivalents, beginning of year	<u>826,090</u>	<u>1,367,213</u>	<u>2,193,303</u>
Cash and cash equivalents, end of year	<u>\$ 351,040</u>	<u>\$ 1,825,985</u>	<u>\$ 2,177,025</u>
Reconciliation of operating income (loss) to net cash from operating activities:			
Operating income (loss)	\$ (30,934)	\$ 518,185	\$ 487,251
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Items not requiring cash:			
Amortization	180,547	-	180,547
Changes in:			
Accounts payable	-	(59,413)	(59,413)
Net cash from operating activities	<u>\$ 149,613</u>	<u>\$ 458,772</u>	<u>\$ 608,385</u>

Noncash capital financing activities:

Right-to-use leased machinery and equipment of \$ 432,539 were acquired through leases payable in the Fleet Management fund.

CITY OF DERBY, KANSAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2023

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes:			
Ad valorem property tax	\$ 1,647,888	\$ 1,640,204	\$ (7,684)
Delinquent tax	18,000	18,615	615
Motor vehicle tax	190,655	192,736	2,081
Excise tax	5,180	14,191	9,011
Special assessments	3,149,748	3,092,210	(57,538)
Investment earnings	40,400	164,691	124,291
Other	484,450	440,501	(43,949)
Total revenues	<u>5,536,321</u>	<u>5,563,148</u>	<u>26,827</u>
Expenditures:			
Principal	4,335,865	4,335,865	-
Interest	1,461,712	1,557,537	95,825
Miscellaneous	759,019	-	(759,019)
Total expenditures	<u>6,556,596</u>	<u>5,893,402</u>	<u>(663,194)</u>
Deficiency of revenues under expenditures	(1,020,275)	(330,254)	690,021
Other financing sources:			
Transfers in	-	592,140	592,140
Net change in fund balances	(1,020,275)	261,886	1,282,161
Fund balance, beginning of year	<u>1,020,275</u>	<u>1,353,231</u>	<u>332,956</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 1,615,117</u>	<u>\$ 1,615,117</u>

CITY OF DERBY, KANSAS
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT
DERBY PUBLIC LIBRARY
December 31, 2023

Assets:	
Deposits and investments	\$ 1,043,961
Prepaid items	20,644
	20,644
Total assets	\$ 1,064,605
	1,064,605
Liabilities:	
Accounts payable	\$ 20,753
Unearned revenue	25,000
	25,000
Total liabilities	45,753
	45,753
Fund balance:	
Nonspendable - prepaid items	20,644
Assigned	998,208
	998,208
Total fund balance	1,018,852
	1,018,852
Total liabilities and fund balance	\$ 1,064,605
	1,064,605

CITY OF DERBY, KANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
DISCRETELY PRESENTED COMPONENT UNIT
DERBY PUBLIC LIBRARY
Year Ended December 31, 2023

Revenues:	
Taxes	\$ 525,000
Fines and fees	157,354
Gifts and grants	231,087
Investment earnings	<u>1,432</u>
Total revenues	<u>914,873</u>
Expenditures:	
Current:	
Education	<u>754,517</u>
Net change in fund balance	160,356
Fund balance, beginning of year	<u>858,496</u>
Fund balance, end of year	<u><u>\$ 1,018,852</u></u>

STATISTICAL SECTION

This part of the City of Derby annual comprehensive 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.	99
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.	107
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.	111
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.	115
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.	117

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental activities					
Net investment in capital assets	\$ 76,973,789	\$ 78,997,234	\$ 80,079,611	\$ 81,044,031	\$ 89,230,087
Restricted	23,979,186	25,855,605	28,934,914	27,849,580	25,633,762
Unrestricted	9,426,115	1,563,053	2,775,689	4,121,645	4,135,072
Total governmental activities net position	<u>\$ 110,379,090</u>	<u>\$ 106,415,892</u>	<u>\$ 111,790,214</u>	<u>\$ 113,015,256</u>	<u>\$ 118,998,921</u>
Business-type activities					
Net investment in capital assets	\$ 23,494,493	\$ 23,496,049	\$ 23,673,645	\$ 25,936,436	\$ 22,161,174
Unrestricted	8,332,066	8,054,907	8,349,054	8,570,330	13,678,977
Total business-type activities net position	<u>\$ 31,826,559</u>	<u>\$ 31,550,956</u>	<u>\$ 32,022,699</u>	<u>\$ 34,506,766</u>	<u>\$ 35,840,151</u>
Primary government					
Net investment in capital assets	\$ 100,468,282	\$ 102,493,283	\$ 103,753,256	\$ 106,980,467	\$ 111,391,261
Restricted	23,979,186	25,855,605	28,934,914	27,849,580	25,633,762
Unrestricted	17,758,181	9,617,960	11,124,743	12,691,975	17,814,049
Total primary government net position	<u>\$ 142,205,649</u>	<u>\$ 137,966,848</u>	<u>\$ 143,812,913</u>	<u>\$ 147,522,022</u>	<u>\$ 154,839,072</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Governmental activities					
Net investment in capital assets	\$ 89,103,942	\$ 83,079,651	\$ 91,754,688	\$ 77,649,958	\$ 83,477,844
Restricted	26,983,097	32,414,255	30,340,671	40,781,198	39,754,855
Unrestricted	5,205,544	5,023,778	4,189,473	6,834,428	5,796,046
Total governmental activities net position	<u>\$ 121,292,583</u>	<u>\$ 120,517,684</u>	<u>\$ 126,284,832</u>	<u>\$ 125,265,584</u>	<u>\$ 129,028,745</u>
Business-type activities					
Net investment in capital assets	\$ 24,317,166	\$ 26,447,176	\$ 26,552,466	\$ 27,075,739	\$ 28,151,587
Unrestricted	11,960,374	14,263,673	16,791,305	20,070,223	21,886,812
Total business-type activities net position	<u>\$ 36,277,540</u>	<u>\$ 40,710,849</u>	<u>\$ 43,343,771</u>	<u>\$ 47,145,962</u>	<u>\$ 50,038,399</u>
Primary government					
Net investment in capital assets	\$ 113,421,108	\$ 109,526,827	\$ 118,307,154	\$ 104,725,697	\$ 111,629,431
Restricted	26,983,097	32,414,255	30,340,671	40,781,198	39,754,855
Unrestricted	17,165,918	19,287,451	20,980,778	26,904,651	27,682,858
Total primary government net position	<u>\$ 157,570,123</u>	<u>\$ 161,228,533</u>	<u>\$ 169,628,603</u>	<u>\$ 172,411,546</u>	<u>\$ 179,067,144</u>

**CITY OF DERBY, KANSAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Expenses					
Governmental activities:					
General government	\$ 7,897,162	\$ 7,657,466	\$ 7,773,058	\$ 7,703,658	\$ 6,521,315
Public safety	4,673,971	4,880,233	5,134,304	5,355,900	7,394,895
Public works	6,679,417	6,245,143	6,411,905	7,142,710	6,652,629
Culture and recreation	5,825,829	1,317,498	1,826,872	1,505,068	2,052,916
Economic development	414,564	372,781	390,258	372,519	372,102
Interest on long-term debt	2,019,786	1,792,237	1,698,437	1,844,998	2,164,724
Total government activities expenses	<u>27,510,729</u>	<u>22,265,358</u>	<u>23,234,834</u>	<u>23,924,853</u>	<u>25,158,581</u>
Business-type activities:					
Sewer	2,542,525	3,045,801	2,941,529	2,745,237	2,741,641
Water	4,430,801	4,422,221	4,736,231	5,415,949	5,524,713
Stormwater	423,080	435,426	439,443	484,247	584,204
Total business-type activities expenses	<u>7,396,406</u>	<u>7,903,448</u>	<u>8,117,203</u>	<u>8,645,433</u>	<u>8,850,558</u>
Total primary government expenses	<u>\$ 34,907,135</u>	<u>\$ 30,168,806</u>	<u>\$ 31,352,037</u>	<u>\$ 32,570,286</u>	<u>\$ 34,009,139</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 1,035,382	\$ 1,191,360	\$ 1,002,225	\$ 1,257,306	\$ 1,094,366
Public safety	905,643	824,400	531,558	557,714	748,847
Public works/services/engineering/parks	395,668	413,635	395,934	558,314	424,909
Culture and recreation	189,380	219,063	151,240	75,246	121,935
Operating grants and contributions	1,298,680	1,335,151	1,358,052	1,574,236	1,556,013
Capital grants and contributions	1,986,888	5,028,289	6,596,190	3,610,682	6,700,340
Total governmental activities program revenues	<u>5,811,641</u>	<u>9,011,898</u>	<u>10,035,199</u>	<u>7,633,498</u>	<u>10,646,410</u>
Business-type activities:					
Charges for services:					
Sewer	2,853,072	2,933,501	2,982,348	3,099,532	3,162,718
Water	4,430,777	4,626,455	4,809,111	5,251,795	5,720,171
Stormwater	532,338	541,292	558,777	603,673	578,854
Capital grants and contributions	281,709	43,316	41,698	39,760	929,963
Total business-type activities program revenues	<u>8,097,896</u>	<u>8,144,564</u>	<u>8,391,934</u>	<u>8,994,760</u>	<u>10,391,706</u>
Total primary government program revenues	<u>\$ 13,909,537</u>	<u>\$ 17,156,462</u>	<u>\$ 18,427,133</u>	<u>\$ 16,628,258</u>	<u>\$ 21,038,116</u>
Net Revenue/(Expense)					
Governmental activities	\$ (21,699,088)	\$ (13,253,460)	\$ (13,199,635)	\$ (16,291,355)	\$ (14,512,171)
Business-type activities	701,490	241,116	274,731	349,327	1,541,148
Total primary government net expense	<u>\$ (20,997,598)</u>	<u>\$ (13,012,344)</u>	<u>\$ (12,924,904)</u>	<u>\$ (15,942,028)</u>	<u>\$ (12,971,023)</u>

(Continued)

(Continued)
CITY OF DERBY, KANSAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2019	2020	2021	2022	2023
Expenses					
Governmental activities:					
General government	\$ 7,661,796	\$ 7,354,943	\$ 6,541,278	\$ 8,734,946	\$ 8,954,387
Public safety	7,785,647	8,428,244	9,176,526	9,788,103	11,257,145
Public works	6,781,124	7,333,085	8,264,061	9,047,743	9,083,102
Culture and recreation	2,031,318	5,384,947	2,815,245	3,676,191	3,227,546
Economic development	385,028	346,334	316,486	1,941,029	745,173
Interest on long-term debt	2,302,615	2,272,672	1,735,052	2,304,864	2,515,605
Total governmental activities expenses	<u>26,947,528</u>	<u>31,120,225</u>	<u>28,848,648</u>	<u>35,492,876</u>	<u>35,782,958</u>
Business-type activities:					
Sewer	2,429,493	2,905,321	2,972,016	2,855,681	2,747,012
Water	7,351,896	5,578,717	5,644,057	6,920,360	7,250,658
Stormwater	551,061	533,322	773,035	695,474	744,963
Total business-type activities expenses	<u>10,332,450</u>	<u>9,017,360</u>	<u>9,389,108</u>	<u>10,471,515</u>	<u>10,742,633</u>
Total primary government expenses	<u>\$ 37,279,978</u>	<u>\$ 40,137,585</u>	<u>\$ 38,237,756</u>	<u>\$ 45,964,391</u>	<u>\$ 46,525,591</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 1,327,032	\$ 1,139,593	\$ 1,325,057	\$ 1,455,678	\$ 1,156,263
Public safety	739,358	700,729	743,262	632,085	620,927
Public works	903,731	715,229	731,682	959,725	1,349,128
Culture and recreation	128,131	10,891	237,491	193,857	246,034
Operating grants and contributions	1,472,861	2,197,598	1,466,026	1,584,593	1,962,965
Capital grants and contributions	2,950,330	5,055,799	6,378,441	3,693,383	4,407,582
Total governmental activities program revenues	<u>7,521,443</u>	<u>9,819,839</u>	<u>10,881,959</u>	<u>8,519,321</u>	<u>9,742,899</u>
Business-type activities:					
Charges for services:					
Sewer	3,256,901	3,290,006	3,429,232	3,559,726	3,484,948
Water	5,759,774	6,718,575	7,053,886	8,380,506	8,447,935
Stormwater	602,574	612,193	624,991	623,513	654,386
Capital grants and contributions	35,710	-	-	-	-
Total business-type activities program revenues	<u>9,654,959</u>	<u>10,620,774</u>	<u>11,108,109</u>	<u>12,563,745</u>	<u>12,587,269</u>
Total primary government program revenues	<u>\$ 17,176,402</u>	<u>\$ 20,440,613</u>	<u>\$ 21,990,068</u>	<u>\$ 21,083,066</u>	<u>\$ 22,330,168</u>
Net Revenue/(Expense)					
Governmental activities	\$ (19,426,085)	\$ (21,300,386)	\$ (17,966,689)	\$ (26,973,555)	\$ (26,040,059)
Business-type activities	(677,491)	1,603,414	1,719,001	2,092,230	1,844,636
Total primary government net expense	<u>\$ (20,103,576)</u>	<u>\$ (19,696,972)</u>	<u>\$ (16,247,688)</u>	<u>\$ (24,881,325)</u>	<u>\$ (24,195,423)</u>

(Continued)

(Continued)
CITY OF DERBY, KANSAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Revenues and Transfers					
Governmental activities:					
Taxes					
Property taxes - general	\$ 9,622,171	\$ 9,840,794	\$ 10,092,153	\$ 10,744,257	\$ 11,294,754
Sales taxes	6,035,167	6,288,336	6,555,967	6,574,912	6,970,762
Franchise taxes	2,020,693	1,941,546	1,967,030	1,997,039	2,360,746
Excise taxes	15,918	7,442	25,731	18,048	18,460
Grants and contributions not restricted to specific programs	-	-	-	-	-
Gain on sale of capital assets	-	-	4,047	25,875	10,590
Unrestricted investment earnings	24,380	51,676	108,238	278,463	573,474
Transfers	(1,199,044)	(317,678)	(179,209)	(2,122,197)	168,730
Total governmental activities	<u>16,519,285</u>	<u>17,812,116</u>	<u>18,573,957</u>	<u>17,516,397</u>	<u>21,397,516</u>
Business-type activities:					
Gain on sale of capital assets	33,500	-	-	(13,608)	-
Unrestricted investment earnings	4,828	6,834	17,803	26,151	63,665
Transfers	1,199,044	317,678	179,209	2,122,197	(168,730)
Total business-type activities	<u>1,237,372</u>	<u>324,512</u>	<u>197,012</u>	<u>2,134,740</u>	<u>(105,065)</u>
Total primary government	<u>\$ 17,756,657</u>	<u>\$ 18,136,628</u>	<u>\$ 18,770,969</u>	<u>\$ 19,651,137</u>	<u>\$ 21,292,451</u>
Change in Net Position					
Governmental activities	\$ (5,179,803)	\$ 4,558,656	\$ 5,374,322	\$ 1,225,042	\$ 6,885,345
Business-type activities	1,938,862	565,628	471,743	2,484,067	1,436,083
Total primary government	<u>\$ (3,240,941)</u>	<u>\$ 5,124,284</u>	<u>\$ 5,846,065</u>	<u>\$ 3,709,109</u>	<u>\$ 8,321,428</u>

(Continued)

(Continued)
CITY OF DERBY, KANSAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2019	2020	2021	2022	2023
General Revenues and Transfers					
Governmental activities:					
Taxes					
Property taxes	\$ 11,891,950	\$ 12,723,203	\$ 13,148,957	\$ 13,725,850	\$ 14,621,686
Sales taxes	7,422,454	7,748,364	8,942,106	9,617,791	9,818,357
Franchise taxes	2,319,524	2,331,221	2,393,182	2,877,294	2,708,423
Excise taxes	21,586	20,876	46,852	92,421	100,102
Grants and contributions not restricted					
to specific programs	-	-	-	-	805,973
Gain on sale of capital assets	-	-	78,700	-	109,355
Unrestricted investment earnings	1,060,534	476,756	33,773	624,184	2,390,919
Transfers	(996,301)	(2,774,933)	(909,733)	(1,637,853)	(751,595)
Total governmental activities	<u>21,719,747</u>	<u>20,525,487</u>	<u>23,733,837</u>	<u>25,299,687</u>	<u>29,803,220</u>
Business-type activities:					
Gain on sale of capital assets	-	-	-	-	-
Unrestricted investment earnings	118,579	54,962	4,188	72,108	272,881
Transfers	996,301	2,774,933	909,733	1,637,853	751,595
Total business-type activities	<u>1,114,880</u>	<u>2,829,895</u>	<u>913,921</u>	<u>1,709,961</u>	<u>1,024,476</u>
Total primary government	<u>\$ 22,834,627</u>	<u>\$ 23,355,382</u>	<u>\$ 24,647,758</u>	<u>\$ 27,009,648</u>	<u>\$ 30,827,696</u>
Change in Net Position					
Governmental activities	\$ 2,293,662	\$ (774,899)	\$ 5,767,148	\$ (1,019,248)	\$ 3,763,161
Business-type activities	437,389	4,433,309	2,632,922	3,802,191	2,869,112
Total primary government	<u>\$ 2,731,051</u>	<u>\$ 3,658,410</u>	<u>\$ 8,400,070</u>	<u>\$ 2,782,943</u>	<u>\$ 6,632,273</u>

CITY OF DERBY, KANSAS
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General fund					
Nonspendable	\$ 240,913	\$ 255,178	\$ 250,646	\$ 326,159	\$ 348,621
Assigned	1,740,418	1,462,054	1,648,394	2,086,983	1,891,919
Unassigned	6,664,396	7,539,205	8,422,593	9,549,018	10,532,329
Total general fund	<u>\$ 8,645,727</u>	<u>\$ 9,256,437</u>	<u>\$10,321,633</u>	<u>\$11,962,160</u>	<u>\$12,772,869</u>
All other governmental funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	14,675,470	8,957,637	6,405,520	9,103,122	15,758,314
Assigned	1,036,874	1,221,910	1,342,277	1,214,692	1,087,867
Total all other governmental funds	<u>\$15,712,344</u>	<u>\$10,179,547</u>	<u>\$ 7,747,797</u>	<u>\$10,317,814</u>	<u>\$16,846,181</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General fund					
Nonspendable	\$ 357,627	\$ 257,620	\$ 309,337	\$ 255,122	\$ 300,940
Assigned	1,961,123	1,927,520	2,188,205	3,576,132	3,298,451
Unassigned	11,445,266	12,519,786	11,790,546	12,180,669	12,303,179
Total general fund	<u>\$13,764,016</u>	<u>\$14,704,926</u>	<u>\$14,288,088</u>	<u>\$16,011,923</u>	<u>\$15,902,570</u>
All other governmental funds					
Nonspendable	\$ -	\$ -	\$ -	\$ 1,478,000	\$ 2,342,087
Restricted	13,979,282	15,853,031	12,842,829	23,364,402	32,146,317
Assigned	1,136,832	942,616	866,584	999,054	1,142,290
Total all other governmental funds	<u>\$15,116,114</u>	<u>\$16,795,647</u>	<u>\$13,709,413</u>	<u>\$25,841,456</u>	<u>\$35,630,694</u>

CITY OF DERBY, KANSAS
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (accrual basis of accounting)

	2014	2015	2016	2017	2018
Revenues					
Taxes:					
Property	\$ 9,622,171	\$ 9,840,794	\$ 10,092,153	\$ 10,744,257	\$ 11,294,754
Excise	15,918	7,442	25,731	18,048	18,460
Sales	6,035,167	6,288,336	6,555,967	6,574,912	6,970,762
Franchise	2,020,693	1,941,546	1,967,030	1,997,039	2,360,746
Special assessments	4,554,121	4,311,811	3,862,017	3,745,878	3,691,226
Intergovernmental	1,396,754	1,528,793	1,503,968	1,679,956	1,565,344
Licenses and permits	445,416	490,566	414,531	646,612	471,649
Charges for services	279,559	276,316	307,493	530,879	376,653
Fines and fees	919,007	981,393	739,194	800,015	779,638
Investment earnings	24,380	51,675	108,238	278,463	573,474
Miscellaneous	874,039	787,956	911,346	943,852	1,023,707
Total revenues	<u>26,187,225</u>	<u>26,506,628</u>	<u>26,487,668</u>	<u>27,959,911</u>	<u>29,126,413</u>
Expenditures					
General government	7,469,262	7,402,130	7,301,623	7,697,476	6,001,631
Public works	3,869,142	3,359,036	3,306,997	3,433,333	3,781,531
Public safety	4,263,425	4,491,568	4,824,089	4,922,062	7,101,767
Culture and recreation	1,123,977	1,050,885	1,202,081	1,346,478	1,638,390
Economic development	414,465	372,583	390,061	372,322	371,905
Debt service					
Principal	13,289,226	6,215,476	5,909,759	6,036,009	6,035,459
Interest and fiscal charges	1,670,504	1,604,036	1,549,600	1,548,588	1,849,827
Debt issuance costs	317,625	256,438	172,610	268,954	315,121
Capital outlay	6,738,444	9,548,113	5,911,465	7,496,574	9,607,941
Total expenditures	<u>39,156,070</u>	<u>34,300,265</u>	<u>30,568,285</u>	<u>33,121,796</u>	<u>36,703,572</u>
Deficiency of revenues under expenditures	<u>(12,968,845)</u>	<u>(7,793,637)</u>	<u>(4,080,617)</u>	<u>(5,161,885)</u>	<u>(7,577,159)</u>
Other Financing Sources (Uses)					
Transfers in (out), net	359,000	372,914	350,600	359,000	360,634
Sale of general capital assets	-	-	-	-	-
Leases issued	-	-	-	-	-
Subscriptions issued	-	-	-	-	-
General obligation bonds issued	9,285,000	6,480,000	1,275,000	7,405,000	12,490,000
Premium on general obligation bonds issued	337,385	347,087	251,322	153,429	447,467
Discount on general obligation bonds issued	-	-	-	-	-
General obligation refunding bonds issued	3,300,000	3,165,000	4,485,000	-	-
Premium on general obligation refund bonds issued	-	-	-	-	-
Payment to refunding bond escrow agent	-	(3,205,139)	(1,307,859)	-	-
Sales tax special obligation revenue bonds issued	-	-	-	-	-
Temporary notes issued	3,885,000	-	1,470,000	3,905,000	4,635,000
Premium on temporary notes issued	-	-	-	-	-
Payment to refund temporary notes	(1,930,000)	(4,705,000)	(3,810,000)	(2,450,000)	(3,480,000)
Total other financing sources (uses)	<u>15,236,385</u>	<u>2,454,862</u>	<u>2,714,063</u>	<u>9,372,429</u>	<u>14,453,101</u>
Net change in fund balance	<u>\$ 2,267,540</u>	<u>\$ (5,338,775)</u>	<u>\$ (1,366,554)</u>	<u>\$ 4,210,544</u>	<u>\$ 6,875,942</u>
Debt service as a percentage of noncapital expenditures	45.74%	31.35%	28.81%	26.60%	28.99%

(Continued)

(Continued)
CITY OF DERBY, KANSAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenues					
Taxes:					
Property	\$ 11,891,950	\$ 12,723,203	\$ 13,148,957	\$ 13,725,850	\$ 14,621,686
Excise	21,586	20,876	46,852	92,421	100,102
Sales	7,422,454	7,748,364	8,942,106	9,617,791	9,818,357
Franchise	2,319,524	2,331,221	2,393,182	2,877,294	2,708,423
Special assessments	3,539,077	3,895,582	3,172,852	3,116,984	3,211,581
Intergovernmental	1,649,716	2,198,840	1,557,400	1,614,839	2,548,833
Licenses and permits	672,927	493,494	608,309	663,924	494,738
Charges for services	464,417	286,579	456,976	439,066	356,140
Fines and fees	843,861	698,028	720,487	665,888	666,137
Investment earnings	1,060,535	476,756	33,774	624,184	2,390,919
Miscellaneous	1,285,556	1,251,173	1,481,527	1,736,066	2,358,921
Total revenues	<u>31,171,603</u>	<u>32,124,116</u>	<u>32,562,422</u>	<u>35,174,307</u>	<u>39,275,837</u>
Expenditures					
General government	6,594,963	5,848,216	5,636,476	6,338,280	7,373,568
Public works	3,772,442	4,260,345	4,334,368	5,136,852	4,437,837
Public safety	7,612,141	7,843,728	8,363,779	8,970,431	9,364,907
Culture and recreation	1,374,470	1,858,828	1,991,010	2,251,752	2,251,272
Economic development	384,831	346,235	316,486	1,941,028	761,036
Debt service					
Principal	13,872,209	12,758,562	12,822,662	8,034,735	10,518,740
Interest and fiscal charges	2,133,516	2,095,706	1,898,533	1,859,788	2,438,259
Debt issuance costs	270,973	309,744	245,379	426,403	161,732
Capital outlay	13,311,867	9,470,688	6,142,158	5,217,748	10,397,797
Total expenditures	<u>49,327,412</u>	<u>44,792,052</u>	<u>41,750,851</u>	<u>40,177,017</u>	<u>47,705,148</u>
Deficiency of revenues under expenditures	<u>(18,155,809)</u>	<u>(12,667,936)</u>	<u>(9,188,429)</u>	<u>(5,002,710)</u>	<u>(8,429,311)</u>
Other Financing Sources (Uses)					
Transfers in (out), net	3,173	-	396,428	-	-
Sale of general capital assets	25,512	7,872	-	61,044	38,975
Leases issued	-	-	-	-	3,876
Subscriptions issued	-	-	-	-	426,977
General obligation bonds issued	14,211,960	3,990,000	4,620,000	2,130,000	6,347,814
Premium on general obligation bonds issued	1,201,244	445,507	331,788	65,377	541,554
Discount on general obligation bonds issued	-	-	(9,797)	(435,982)	-
General obligation refunding bonds issued	-	3,415,000	2,720,000	-	-
Premium on general obligation refund bonds issued	-	-	271,710	-	-
Payment to refunding bond escrow agent	-	-	(6,485,294)	-	-
Sales tax special obligation revenue bonds issued	-	575,000	-	14,114,000	-
Temporary notes issued	1,975,000	6,855,000	3,835,000	2,910,000	10,750,000
Premium on temporary notes issued	-	-	5,522	-	-
Payment to refund temporary notes	-	-	-	-	-
Total other financing sources (uses)	<u>17,416,889</u>	<u>15,288,379</u>	<u>5,685,357</u>	<u>18,844,439</u>	<u>18,109,196</u>
Net change in fund balance	<u>\$ (738,920)</u>	<u>\$ 2,620,443</u>	<u>\$ (3,503,072)</u>	<u>\$ 13,841,729</u>	<u>\$ 9,679,885</u>
Debt service as a percentage of noncapital expenditures	42.57%	36.00%	39.93%	26.97%	34.73%

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
2014	\$ 314,043,786	\$ 3,541,887	\$ 4,380,760	\$ 136,737,947	\$ 185,228,486	\$ 47.149	\$ 1,501,702,109	12.33%
2015	330,017,787	3,389,626	4,770,959	148,603,132	189,575,240	47.009	1,543,334,156	12.28%
2016	346,611,750	3,651,687	4,930,888	151,779,486	203,414,839	48.021	1,622,937,503	12.53%
2017	375,018,590	3,072,651	5,307,594	175,637,615	207,761,220	48.075	1,694,655,711	12.26%
2018	394,029,436	3,010,975	5,697,575	181,982,343	220,755,643	48.063	1,792,088,075	12.32%
2019	420,173,053	3,009,709	6,044,633	191,405,045	237,822,350	48.049	1,916,336,797	12.41%
2020	450,141,884	3,227,016	6,357,574	206,391,784	253,334,690	48.040	2,050,569,002	12.35%
2021	482,977,847	3,424,149	6,895,573	229,079,101	264,218,468	47.417	2,174,145,015	12.15%
2022	512,814,900	4,531,686	7,401,076	238,612,411	286,135,251	46.978	2,357,762,940	12.14%
2023	595,706,615	4,763,324	7,322,592	289,113,223	318,679,308	46.068	2,664,814,824	11.96%

Source: Sedgwick County Clerk's Office

CITY OF DERBY, KANSAS
 DIRECT AND OVERLAPPING PROPERTY TAX RATES
 (PER \$1,000 OF ASSESSED VALUE)
 LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rates			Total Direct Rate	Overlapping Rates				Total
	General Rate	Debt Service	Misc		El Paso Cemetery	USD 260	Sedgwick County	State of Kansas	
2014	\$ 32.211	\$10.302	\$ 4.636	\$ 47.149	\$ 1.057	\$ 56.294	\$ 29.478	\$ 1.500	\$135.478
2015	34.502	7.897	4.610	47.009	1.068	62.156	29.383	1.500	141.116
2016	33.870	9.539	4.612	48.021	1.053	59.433	29.393	1.500	139.400
2017	31.916	11.543	4.616	48.075	1.036	60.684	29.393	1.500	140.688
2018	31.908	11.540	4.615	48.063	1.025	65.699	29.383	1.500	145.670
2019	31.900	11.535	4.614	48.049	1.016	66.004	29.384	1.500	145.953
2020	31.428	11.999	4.613	48.040	0.988	65.888	29.376	1.500	145.792
2021	36.107	6.722	4.588	47.417	0.844	66.272	29.370	1.500	145.403
2022	36.578	5.838	4.562	46.978	0.780	66.272	29.368	1.500	144.898
2023	35.847	5.650	4.571	46.068	0.697	65.296	28.988	1.500	142.549

Source: Sedgwick County Clerk's Office

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

Taxpayer	2023			2014		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Greens At Derby The/Greens At Derby II	\$ 4,637,227	1	1.46%	\$ 3,500,142	3	1.89%
CBC Derby LLC/CBC Derby MOB 2 LLC	4,230,975	2	1.33%			
The Trails at Derby	4,147,395	3	1.30%			
EVERGY KANSAS SOUTH INC ¹	4,126,143	4	1.29%	2,009,237	5	1.08%
Wal-Mart Real Estate Business Trust	3,978,079	5	1.25%	4,660,250	2	2.52%
Fairways At Derby LP	2,666,150	6	0.84%	1,782,410	7	0.96%
ARG DMDERKS001 LLC	2,339,525	7	0.73%			
Kansas Gas Service - Div of Oneok	2,303,539	8	0.72%	1,285,477	10	0.69%
Dillon Companies Inc	1,952,013	9	0.61%	2,166,788	4	1.17%
Lowes Home Centers Inc	1,903,175	10	0.60%	1,718,800	8	0.93%
Derby Marketplace LC				5,108,228	1	2.76%
Target Corp				1,851,750	6	1.00%
Kohl's Illinois Inc				1,562,000	9	0.84%
Total	\$ 32,284,221		10.13%	\$ 25,645,082		13.84%

Source: Sedgwick County Clerk's Office

¹ Evergy Kansas South Inc. was previously Kansas Gas & Electric - A Westar Energy Co.

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

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percentage of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as a Percent of Current Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as a Percent of Current Levy</u>
2014	\$ 8,524,135	\$ 8,388,967	98.41%	\$ 90,694	\$ 8,479,661	99.48%	\$ 135,168	1.59%
2015	8,735,837	8,577,770	98.19%	140,388	8,718,158	99.80%	158,066	1.81%
2016	8,918,124	8,725,484	97.84%	84,148	8,809,632	98.78%	192,640	2.16%
2017	9,774,096	9,360,167	95.77%	124,766	9,484,933	97.04%	413,929	4.23%
2018	9,996,339	9,840,111	98.44%	149,823	9,989,934	99.94%	156,228	1.56%
2019	10,618,790	10,471,927	98.62%	152,172	10,624,099	100.05%	146,863	1.38%
2020	11,436,058	11,278,324	98.62%	124,962	11,403,286	99.71%	157,734	1.38%
2021	12,184,022	11,859,983	97.34%	138,475	11,998,458	98.48%	324,039	2.66%
2022	12,543,427	12,341,341	98.39%	65,120	12,406,461	98.91%	202,086	1.61%
2023	13,451,259	13,215,888	98.25%	96,106	13,311,994	98.96%	235,371	1.75%

Source: Sedgwick County Treasurer's Office

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Legal debt limit	\$ 96,589,930	\$ 101,453,512	\$ 106,558,298	\$ 115,019,651	\$ 120,821,396
Total net debt applicable to debt limit	<u>59,688,444</u>	<u>59,351,072</u>	<u>57,416,943</u>	<u>58,030,747</u>	<u>66,881,676</u>
Legal debt margin	<u>\$ 36,901,486</u>	<u>\$ 42,102,440</u>	<u>\$ 49,141,355</u>	<u>\$ 56,988,904</u>	<u>\$ 53,939,720</u>
Legal debt margin as a percentage of debt limit	38.20%	41.50%	46.12%	49.55%	44.64%
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Legal debt limit	\$ 128,768,219	\$ 137,917,942	\$ 147,989,271	\$ 152,024,299	\$ 182,337,759
Total net debt applicable to debt limit	<u>66,477,397</u>	<u>66,053,789</u>	<u>58,530,204</u>	<u>54,152,976</u>	<u>72,119,658</u>
Legal debt margin	<u>\$ 62,290,822</u>	<u>\$ 71,864,153</u>	<u>\$ 89,459,067</u>	<u>\$ 97,871,323</u>	<u>\$ 110,218,101</u>
Legal debt margin as a percentage of debt limit	48.37%	52.11%	60.45%	64.38%	60.45%

Legal Debt Margin Calculation for Fiscal Year 2023

Assessed value	\$ 318,679,308
Add back: exempt real property	289,113,223
Total assessed value	<u>\$ 607,792,531</u>
Debt limit (30% of total assessed value)	<u>\$ 182,337,759</u>
Debt applicable to limit:	
General obligation bonds	\$ 61,010,000
Temporary notes	12,630,000
Less: amount set aside for repayment of general obligation debt	(1,520,342)
Total net debt applicable to limit	<u>\$ 72,119,658</u>

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

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

Governmental Activities						
Fiscal Year	General Obligation Bonds ¹	Sales Tax Obligation Bonds ¹	Temporary Notes	Certificates of Participation	Leases Payable	Subscriptions Payable
2014	\$ 54,464,938	\$ -	\$ 8,515,000	\$ 230,000	\$ -	\$ -
2015	55,402,024	-	3,810,000	-	-	-
2016	54,097,496	-	1,470,000	-	-	-
2017	55,493,643	-	2,925,000	-	-	-
2018	62,339,797	740,400	4,080,000	-	-	-
2019	64,084,826	529,200	5,845,000	-	-	-
2020	64,967,933	908,800	6,855,000	-	-	-
2021	58,605,402	679,400	5,435,000	-	-	-
2022	54,742,345	14,102,063	6,360,000	-	577,683	-
2023	55,648,389	13,919,572	12,630,000	-	412,422	305,789

Business-Type Activities						
Fiscal Year	Revolving Loan	General Obligation Bonds ¹	Subscriptions Payable	Total Primary Government	Percentage of Personal Income	Per Capita
2014	\$ 1,286,181	\$ 7,157,461	\$ -	\$ 71,653,580	N/A	\$ 3,109
2015	1,227,293	6,297,086	-	66,736,403	N/A	2,872
2016	1,166,864	5,430,410	-	62,164,770	N/A	2,644
2017	1,104,853	4,554,984	-	64,078,480	N/A	2,711
2018	1,041,220	7,488,622	-	75,690,039	N/A	3,184
2019	975,921	6,424,015	-	77,858,962	N/A	3,150
2020	908,914	5,508,876	-	79,149,523	N/A	3,173
2021	840,153	4,548,837	-	70,108,792	N/A	2,736
2022	769,592	3,571,367	-	80,123,050	N/A	3,100
2023	697,186	8,909,832	66,596	92,589,786	N/A	3,570

¹ Presented net of original issuance discounts and premiums

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 ¹	Less: Amounts Available in Debt Service Fund	Total	Taxable Value	Percentage of Estimated Actual Taxable Value of Property	Population	Per Capita
2014	\$60,595,000	\$ 906,556	\$59,688,444	\$ 185,228,486	32.22%	23,047	\$ 2,590
2015	60,450,000	1,098,928	59,351,072	189,575,240	31.31%	23,234	2,554
2016	58,150,000	733,057	57,416,943	203,414,839	28.23%	23,509	2,442
2017	60,048,627	634,253	59,414,374	207,761,220	28.60%	23,633	2,514
2018	69,828,419	928,324	68,900,095	220,755,643	31.21%	23,771	2,898
2019	70,508,841	947,603	69,561,238	237,822,350	29.25%	24,721	2,814
2020	70,476,809	1,221,211	69,255,598	253,334,690	27.34%	24,943	2,777
2021	63,154,239	1,469,796	61,684,443	264,218,468	23.35%	25,625	2,407
2022	58,313,712	1,292,024	57,021,688	286,135,251	19.93%	25,847	2,206
2023	64,558,221	1,520,342	63,037,879	318,679,308	19.78%	25,939	2,430

¹ This is the general bonded debt of both governmental and business-type activities, net of original issuance discounts and premiums.

CITY OF DERBY, KANSAS
 GOVERNMENTAL ACTIVITIES DIRECT AND OVERLAPPING DEBT
 December 31, 2023

Taxing Body	Debt		City's Share		
	Amount	As of Date	Percent	Amount	Per Capita
Estimated overlapping debt:					
Sedgwick County	\$ 35,605,000	12/31/2023	4.95%	\$ 1,763,552	\$ 68
USD No. 260	159,610,000	12/31/2023	60.00%	95,760,591	3,692
USD No. 263	<u>3,090,000</u>	12/31/2023	3.54%	<u>109,369</u>	<u>4</u>
Total overlapping debt	198,305,000			97,633,512	3,764
City of Derby direct debt ¹	<u>82,916,172</u>	12/31/2023	100.00%	<u>82,916,172</u>	<u>3,197</u>
Direct and estimated overlapping debt	<u>\$ 281,221,172</u>	12/31/2023		<u>\$ 180,549,684</u>	<u>\$ 6,961</u>

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

¹ Presented net of original issuance discounts and premiums

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Derby. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

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

<u>Fiscal Year</u>	<u>City Population¹</u>	<u>County Total Personal Income² (000's omitted)</u>	<u>County Population¹</u>	<u>County Per Capita Income²</u>	<u>City School Enrollment³</u>	<u>Unemployment Rate² (Sedgwick County)</u>
2014	23,047	23,516,335	508,803	46,219	7,069	5.3%
2015	23,234	Not Available	511,574	Not Available	7,071	4.4%
2016	23,509	25,197,029	512,641	42,858	6,925	4.5%
2017	23,633	Not Available	513,687	Not Available	6,645	3.4%
2018 ⁴	23,771	Not Available	525,294	Not Available	7,411	3.4%
2019 ⁴	24,721	Not Available	516,042	Not Available	7,240	3.3%
2020	24,943	Not Available	518,600	Not Available	7,225	5.2%
2021	25,625	Not Available	521,158	Not Available	7,211	3.2%
2022	25,847	Not Available	527,314	Not Available	7,128	3.3%
2023	25,939	Not Available	528,469	Not Available	6,867	3.5%

¹ Bureau of the Census

² US Bureau of Labor Statistics, Sedgwick County

³ Kansas State Department of Education/Derby School District

⁴ In 2018 and 2019, Bureau of the Census and US Bureau of Labor Statistics data unavailable, ESRI numbers reported

CITY OF DERBY, KANSAS
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO

Employer	2023			2014		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
USD 260	1,241	1	16.19%	996	1	19.36%
Walmart	308	2	4.02%	318	2	6.18%
Dillons	280	3	3.65%	230	3	4.47%
City of Derby	270	4	3.52%	180	4	3.50%
Rock Regional Hospital	177	5	2.31%			
Derby Recreation Commission	161	6	2.10%	99	8	1.92%
Lowe's Home Improvement	150	7	1.96%	133	5	2.59%
Buffalo Wild Wings Grill & Bar	110	8	1.44%			
Chick-fil-A Derby Marketplace	107	9	1.40%			
Derby Sports Zone	100	10	1.30%			
Shared Services, a division of Wal Mart ¹				112	6	2.18%
Derby Health & Rehab				100	7	1.94%
Westview of Derby ²				80	9	1.56%
Kohl's				63	10	1.22%
Total City Employment (est.)	7,663			5,144		

Note: Derby Finance Office

¹ Shared Services, a division of Wal Mart closed

² Previously Westview Manor

CITY OF DERBY, KANSAS
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS

Function/Program	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Government					
Administration & Operations	20	11	11	11	12
Finance	9.5	11.5	11.5	11.5	11.5
Operations	4	14	14.7	14.7	14.7
Planning & Engineering	9.5	10.5	11.5	11.5	12
Public Safety					
Police	56.5	56.5	56.5	56.5	57.5
Animal Control	1.5	1.5	1.5	1.5	1.5
Fire	18.12	24.6	24.6	24.6	24.6
Public Works					
Stormwater	1.5	1.5	1.5	1.5	1.5
Water	10.7	10.7	10.7	10.7	10.7
Wastewater	11	11	11	11	12
Total	<u>175.32</u>	<u>185.8</u>	<u>189.5</u>	<u>189.5</u>	<u>193</u>
Function/Program	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General Government					
Administration & Operations	25.8	27.3	34.7	28.5	28.02
Finance	11.5	11.5	6.0	12.7	10.48
Operations	-	-	-	-	-
Planning & Engineering	12	12	12.5	12.5	14.86
Public Safety					
Police	58.5	60.9	60.9	61.9	62.44
Animal Control	1.5	1.5	1.5	1.5	1.48
Fire	27.7	27.8	27.8	27.8	33.83
Public Works					
Stormwater	1.5	1.5	1.5	1.5	2
Water	10.7	10.7	10.7	10.7	10
Wastewater	12	12	12	12	11
Total	<u>196.2</u>	<u>204.2</u>	<u>206.6</u>	<u>208.1</u>	<u>216.59</u>

Source: City of Derby Operating Budgets

Note: In 2019, Municipal Court, Senior Services and Transportation moved from Operations to Administration.

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

Program/Function	Fiscal Year				
	2014	2015	2016	2017	2018
Police					
Dispatched Calls	24,452	23,208	25,023	23,538	25,631
Offenses	2,676	3,027	3,035	3,204	2,883
Offenses Cleared	1,027	1,531	1,309	1,412	1,409
Arrests	1,179	1,259	1,093	1,182	1,161
Serious Offenses	583	650	550	582	564
Fire					
Emergency Responses	2,186	2,268	2,469	2,117	2,193
First Responder/Medical	1,539	1,606	1,666	1,350	1,364
Life Safety Inspections	523	617	646	640	390
Water					
New Connections	93	121	77	156	82
Water Main Breaks	18	14	15	16	31
Average Daily Consumption	2,172,832	2,100,300	1,994,803	2,618,767	2,208,935
Peak Daily Consumption	4,005,070	3,363,719	4,728,856	7,133,676	4,577,760
Wastewater					
Average Daily Sewage Treatment	1,532,000	2,075,000	2,081,000	1,870,000	1,830,000

Program/Function	Fiscal Year				
	2019	2020	2021	2022	2023
Police					
Dispatched Calls	25,518	25,848	26,453	24,485	22,532
Offenses	2,686	2,635	2,964	2,667	1,801
Offenses Cleared	1,268	1,234	1,632	1,617	1,407
Arrests	1,048	1,033	1,264	1,334	1,096
Serious Offenses	454	515	562	634	498
Fire					
Emergency Responses	2,205	2,045	2,307	2,764	2,532
First Responder/Medical	1,159	1,214	1,232	1,363	1,492
Life Safety Inspections	449	140	479	440	452
Water					
New Connections	60	75	69	88	181
Water Main Breaks	21	31	22	30	38
Average Daily Consumption	1,911,351	2,144,976	2,071,956	2,307,935	2,232,963
Peak Daily Consumption	4,071,364	4,355,392	3,883,241	4,583,468	4,220,730
Wastewater					
Average Daily Sewage Treatment	1,970,000	1,940,000	1,870,000	1,810,000	1,780,000

Source: Various city departments

CITY OF DERBY, KANSAS
CAPITAL ASSET STATISTICS BY PROGRAM/FUNCTION
LAST TEN FISCAL YEARS

<u>Program/Function</u>	Fiscal Year				
	2014	2015	2016	2017	2018
Police					
Stations	1	1	1	1	1
Patrol units	17	18	18	18	18
Fire Stations	2	2	2	2	2
Public Works					
Streets (lane miles)	322	327	329	333	335
Traffic Signals	19	19	19	19	19
Culture and Recreation					
Acreage	314	392	392	392	392
Playgrounds	19	19	20	20	20
Baseball/Softball diamonds	19	19	19	19	19
Aquatic Park	1	1	1	1	1
Water					
Water Meter Station	1	1	1	1	1
Water mains (miles)	138	138	140	144	145
Fire hydrants	1,031	1,044	1,061	1,117	1,132
Storage capacity (000's gal)	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Wastewater					
Sanitary Sewers (miles)	126	126	127	131	131
Storm Sewer (combined, miles)	51	51	53	55	55
Treatment capacity, gal per day	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000

<u>Program/Function</u>	Fiscal Year				
	2019	2020	2021	2022	2023
Police					
Stations	1	1	1	1	1
Patrol units	18	18	18	18	19
Fire Stations	2	2	2	2	2
Public Works					
Streets (lane miles)	336	341	347	358	361
Traffic Signals	22	23	23	23	23
Culture and Recreation					
Acreage	392	390	390	390	390
Playgrounds	20	21	21	19	19
Baseball/Softball diamonds	19	16	16	16	16
Aquatic Park	1	1	1	1	1
Water					
Water Meter Station	1	1	1	1	1
Water mains (miles)	146	150	153	155	155
Fire hydrants	1,144	1,182	1	1,218	1,227
Storage capacity (000's gal)	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Wastewater					
Sanitary Sewers (miles)	133	135	137	138	140
Storm Sewer (combined, miles)	56	57	60	60	61
Treatment capacity, gal per day	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000

Source: City of Derby GIS

APPENDIX C

SUMMARY OF FINANCING DOCUMENTS

The following is a summary of certain provisions contained in the Bond Resolution authorizing the issuance of the Bonds. This summary does not purport to be complete and is qualified by reference to the entirety of the foregoing document.

THE BOND RESOLUTION

DEFINITIONS

In addition to words and terms defined elsewhere in this Official Statement, the following words and terms as used herein shall have the meanings hereinafter set forth. Unless the context shall otherwise indicate, words importing the singular number shall include the plural and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies, as well as natural persons.

“**Act**” means the Constitution and statutes of the State, including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-620 *et seq.*, K.S.A. 12-6a01 *et seq.*, and K.S.A. 13-1024a, as amended by Charter Ordinance No. 56, all as amended and supplemented.

[“**AG**” means Assured Guaranty Inc., a Maryland domiciled financial guaranty insurance company, or any successor thereto.]

“**Authorized Denomination**” means \$5,000 or any integral multiples thereof.

[“**BAM**” means Build America Mutual Assurance Company., a New York domiciled mutual insurance corporation, or any successor thereto.]

“**Beneficial Owner**” of the Bonds includes any Owner of the Bonds and any other Person who, directly or indirectly has the investment power with respect to such Bonds.

“**Bond and Interest Fund**” means the Bond and Interest Fund of the Issuer for its general obligation bonds.

“**Bond Counsel**” means the firm of Gilmore & Bell, P.C., or any other attorney or firm of attorneys whose expertise in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized and acceptable to the Issuer.

[“**Bond Insurance Policy**” means the municipal bond insurance policy issued by the Bond Insurer concurrently with the delivery of the Bonds guaranteeing the scheduled payment when due of the principal of and interest on the Bonds.]

[“**Bond Insurer**” means [AG] [BAM] with respect to the Bonds.]

“**Bond Payment Date**” means any date on which principal of or interest on any Bond is payable.

“**Bond Register**” means the books for the registration, transfer and exchange of Bonds kept at the office of the Bond Registrar.

“**Bond Registrar**” means the State Treasurer, and its successors and assigns.

“**Bond Resolution**” means collectively, the Ordinance passed by the governing body of the Issuer and the resolution adopted by the governing body of the Issuer authorizing the issuance of the Bonds, as amended from time to time.

“**Bonds**” means the General Obligation Bonds, Series 2024-A, authorized and issued by the Issuer pursuant to the Bond Resolution.

“**Business Day**” means a day other than a Saturday, Sunday or any day designated as a holiday by the Congress of the United States or by the Legislature of the State and on which the Paying Agent is scheduled in the normal course of its operations to be open to the public for conduct of its operations.

“**Cede & Co.**” means Cede & Co., as nominee of DTC and any successor nominee of DTC with respect to the Bonds.

“**City**” means the City of Derby, Kansas.

“**Clerk**” means the duly appointed and acting Clerk of the Issuer or, in the Clerk's absence, the duly appointed Deputy, Assistant or Acting Clerk of the Issuer.

“**Code**” means the Internal Revenue Code of 1986, as amended, and the applicable regulations promulgated thereunder of the United States Department of the Treasury.

“**Compliance Account**” means the account by that name created by the Bond Resolution.

“**Consulting Engineer**” means an independent engineer or engineering firm, or architect or architectural firm, having a favorable reputation for skill and experience in the construction, financing and operation of public facilities, at the time employed by the Issuer for the purpose of carrying out the duties imposed on the Consulting Engineer by the Bond Resolution.

“**Costs of Issuance**” means all costs of issuing the Bonds, including but not limited to all publication, printing, signing and mailing expenses in connection therewith, registration fees, financial advisory fees, all legal fees and expenses of Bond Counsel and other legal counsel, expenses incurred in connection with compliance with the Code, all expenses incurred in connection with receiving ratings on the Bonds, and any premiums or expenses incurred in obtaining municipal bond insurance on the Bonds.

“**Costs of Issuance Account**” means the account by that name created by the Bond Resolution.

“**Dated Date**” means November 13, 2024.

“**Debt Service Account**” means the account by that name created within the Bond and Interest Fund by the Bond Resolution.

“**Debt Service Requirements**” means the aggregate principal payments (whether at maturity or pursuant to scheduled mandatory sinking fund redemption requirements) and interest payments on the Bonds for the period of time for which calculated; provided, however, that for purposes of calculating such amount, principal and interest shall be excluded from the determination of Debt Service Requirements to the extent that such principal or interest is payable from amounts deposited in trust, escrowed or otherwise set aside for the payment thereof with the Paying Agent or other commercial bank or trust company located in the State and having full trust powers.

“**Defaulted Interest**” means interest on any Bond which is payable but not paid on any Interest Payment Date.

“**Defeasance Obligations**” means any of the following obligations:

(a) United States Government Obligations that are not subject to redemption in advance of their maturity dates; or

(b) [evidences of ownership of proportionate interests in future interest and principal payments on United States Government Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying United States Government Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated; or

(c) [obligations of any state or political subdivision of any state, the interest on which is excluded from gross income for federal income tax purposes and which meet the following conditions:

(1) the obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for such obligations has been given irrevocable instructions concerning their calling and redemption and the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(2) the obligations are secured by cash or United States Government Obligations that may be applied only to principal of, premium, if any, and interest payments on such obligations;

(3) such cash and the principal of and interest on such United States Government Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the obligations;

(4) such cash and United States Government Obligations serving as security for the obligations are held in an escrow fund by an escrow agent or a trustee irrevocably in trust;

(5) such cash and United States Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and

(6) such obligations are rated in a rating category by Moody's or Standard & Poor's that is no lower than the rating category then assigned by that Rating Agency to United States Government Obligations.

“Derivative” means any investment instrument whose market price is derived from the fluctuating value of an underlying asset, index, currency, futures contract, including futures, options and collateralized mortgage obligations.

“Director of Finance” means the duly appointed and acting Director of Finance of the Issuer or, in the Director's absence, the duly appointed Deputy, Assistant or Acting Director of the Issuer.

“Disclosure Undertaking” means the Continuing Disclosure Undertaking, dated as of the Dated Date, relating to certain obligations contained in the SEC Rule.

“DTC” means The Depository Trust Company, New York, New York.

“Event of Default” means each of the following occurrences or events:

(a) Payment of the principal and of the redemption premium, if any, of any of the Bonds shall not be made when the same shall become due and payable, either at Stated Maturity or by proceedings for redemption or otherwise;

(b) Payment of any installment of interest on any of the Bonds shall not be made when the same shall become due; or

(c) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Bond Resolution (other than the covenants relating to continuing disclosure contained in the Bond Resolution and the Disclosure Undertaking) on the part of the Issuer to be performed, and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Issuer by the Owner of any of the Bonds then Outstanding.

“Federal Tax Certificate” means the Issuer's Federal Tax Certificate for the Bonds, dated as of the Issue Date, as the same may be amended or supplemented in accordance with the provisions thereof.

“Financeable Costs” means the amount of expenditure for an Improvement which has been duly authorized by action of the governing body of the Issuer to be financed by general obligation bonds, less: (a) the amount of any temporary notes or general obligation bonds of the Issuer which are currently Outstanding and available to pay such Financeable Costs; and (b) any amount of Financeable Costs which has been previously paid by the Issuer or by any eligible source of funds unless such amounts are entitled to be reimbursed to the Issuer under State or federal law.

“Fiscal Year” means the twelve month period ending on December 31.

“Funds and Accounts” means funds and accounts created by or referred to in the Bond Resolution.

“Improvement Fund” means the fund by that name created in the Bond Resolution.

“Improvements” means the improvements referred to in the preamble to the Ordinance and any Substitute Improvements.

“Independent Accountant” means an independent certified public accountant or firm of independent certified public accountants at the time employed by the Issuer for the purpose of carrying out the duties imposed on the Independent Accountant by the Bond Resolution.

[**“Insurer's Fiscal Agent”** means the agent designated by the Bond Insurer pursuant to the Bond Insurance Policy.]

“Interest Payment Date(s)” means the Stated Maturity of an installment of interest on any Bond which shall be June 1 and December 1 of each year, commencing June 1, 2025.

“Issue Date” means the date when the Issuer delivers the Bonds to the Purchaser in exchange for the Purchase Price.

“Issuer” means the City and any successors or assigns.

“Maturity” when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein and in the Bond Resolution provided, whether at the Stated Maturity thereof or call for redemption or otherwise.

“Mayor” means the duly elected and acting Mayor of the Issuer, or in the Mayor's absence, the duly appointed and/or elected Vice Mayor or Acting Mayor of the Issuer.

“Moody's” means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody's” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer [with notice to the Bond Insurer].

“Official Statement” means the Issuer’s Official Statement relating to the Bonds.

“Outstanding” means, when used with reference to the Bonds, as of a particular date of determination, all Bonds theretofore, authenticated and delivered, except the following Bonds:

- (a) Bonds theretofore canceled by the Paying Agent or delivered to the Paying Agent for cancellation;
- (b) Bonds deemed to be paid in accordance with the provisions of the Bond Resolution; [and]
- (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered hereunder[.]; and
- [(d) Bonds, the principal or interest of which has been paid by the Bond Insurer.]

“Owner” when used with respect to any Bond means the Person in whose name such Bond is registered on the Bond Register. Whenever consent of the Owners is required pursuant to the terms of the Bond Resolution, and the Owner of the Bonds, as set forth on the Bond Register, is Cede & Co., the term Owner shall be deemed to be the Beneficial Owner of the Bonds.

“Participants” means those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

“Paying Agent” means the State Treasurer, and any successors and assigns.

“Permitted Investments” shall mean the investments hereinafter described, provided, however, no moneys or funds shall be invested in a Derivative: (a) investments authorized by K.S.A. 12-1675 and amendments thereto; (b) the municipal investment pool established pursuant to K.S.A. 12-1677a, and amendments thereto; (c) direct obligations of the United States Government or any agency thereof; (d) the Issuer's temporary notes issued pursuant to K.S.A. 10-123 and amendments thereto; (e) interest-bearing time deposits in commercial banks or trust companies located in the county or counties in which the Issuer is located which are insured by the Federal Deposit Insurance Corporation or collateralized by securities described in (c); (f) obligations of the federal national mortgage association, federal home loan banks, federal home loan mortgage corporation or government national mortgage association; (g) repurchase agreements for securities described in (c) or (f); (h) investment agreements or other obligations of a financial institution the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's or Standard & Poor's; (i) investments and shares or units of a money market fund or trust, the portfolio of which is comprised entirely of securities described in (c) or (f); (j) receipts evidencing ownership interests in securities or portions thereof described in (c) or (f); (k) municipal bonds or other obligations issued by any municipality of the State as defined in K.S.A. 10-1101 which are general obligations of the municipality issuing the same; [or] (l) bonds of any municipality of the State as defined in K.S.A. 10-1101 which have been refunded in advance of their maturity and are fully secured as to payment of principal and interest thereon by deposit in trust, under escrow agreement with a bank, of securities described in (c) or (f); or (m) other investment obligations authorized by

the laws of the State and approved in writing by the Bond Insurer], all as may be further restricted or modified by amendments to applicable State law.

“Person” means any natural person, corporation, partnership, joint venture, association, firm, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof or other public body.

“Purchaser” means the financial institution or investment banking firm that is original purchaser of the Bonds.

“Rating Agency” means any company, agency or entity that provides, pursuant to request of the Issuer, financial ratings for the Bonds.

“Rebate Fund” means the fund by that name created by the Bond Resolution.

“Record Dates” for the interest payable on any Interest Payment Date means the fifteenth day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date.

“Redemption Date” means, when used with respect to any Bond to be redeemed, the date fixed for the redemption of such Bond pursuant to the terms of the Bond Resolution.

“Redemption Price” means, when used with respect to any Bond to be redeemed, the price at which such Bond is to be redeemed pursuant to the terms of the Bond Resolution, including the applicable redemption premium, if any, but excluding installments of interest whose Stated Maturity is on or before the Redemption Date.

“Refunded Notes” means the Series 2022-1 Notes in the aggregate principal amount of \$1,880,000.

“Refunded Notes Paying Agent” means the paying agent for the Refunded Notes as designated in the Refunded Notes Resolution, and any successor or successors at the time acting as paying agent of the Refunded Notes.

“Refunded Notes Redemption Date” means December 1, 2024.

“Refunded Notes Redemption Fund” means the Redemption Fund for Refunded Notes created pursuant to the Bond Resolution

“Refunded Notes Resolution” means the resolution which authorized the Refunded Notes.

“Replacement Bonds” means Bonds issued to the Beneficial Owners of the Bonds in accordance with the Bond Resolution.

“SEC Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

“Securities Depository” means, initially, DTC, and its successors and assigns.

“Series 2022-1 Notes” means the Issuer's General Obligation Temporary Notes, Series 2022-1, dated August 1, 2022.

“Special Record Date” means the date fixed by the Paying Agent for the payment of Defaulted Interest.

“Standard & Poor's” means S&P Global Ratings, a division of S&P Global Inc., a corporation organized and existing under the laws of the State of New York, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Standard & Poor's shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer [with notice to the Bond Insurer].

“State” means the state of Kansas.

“State Treasurer” means the duly elected Treasurer of the State or, in the Treasurer's absence, the duly appointed Deputy Treasurer or acting Treasurer of the State.

“Stated Maturity” when used with respect to any Bond or any installment of interest thereon means the date specified in such Bond and the Bond Resolution as the fixed date on which the principal of such Bond or such installment of interest is due and payable.

“Substitute Improvements” means the substitute or additional improvements of the Issuer described in the Bond Resolution.

[**“Term Bonds”** means the Bonds scheduled to mature in the year 2055.]

[**“ ___ Term Bonds”** means the Bonds scheduled to mature in the year ____.]

[**“2055 Term Bonds”** means the Bonds scheduled to mature in the year 2055.]

[**“Term Bonds”** means collectively, the ___ Term Bonds and the 2055 Term Bonds.]

“Treasurer” means the duly appointed and/or elected Treasurer of the Issuer or, in the Treasurer's absence, the duly appointed Deputy Treasurer or acting Treasurer of the Issuer.

“United States Government Obligations” means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America, including evidences of a direct ownership interest in future interest or principal payment on obligations issued by the United States of America (including the interest component of obligations of the Resolution Funding Corporation), or securities which represent an undivided interest in such obligations, which obligations are rated in the highest rating category by a nationally recognized rating service and such obligations are held in a custodial account for the benefit of the Issuer.

ESTABLISHMENT OF FUNDS AND ACCOUNTS; DEPOSIT AND APPLICATION OF BOND PROCEEDS AND OTHER MONEYS

Creation of Funds and Accounts. Simultaneously with the issuance of the Bonds, there shall be created within the Treasury of the Issuer the following Funds and Accounts:

- (a) Improvement Fund.
- (b) Refunded Notes Redemption Fund.
- (c) Debt Service Account (within the Bond and Interest Fund).
- (d) Rebate Fund.
- (e) Costs of Issuance Account.
- (f) Compliance Account.

The above Funds and Accounts shall be administered in accordance with the provisions of the Bond Resolution so long as the Bonds are Outstanding.

Deposit of Bond Proceeds. The net proceeds received from the sale of the Bonds shall be deposited simultaneously with the delivery of the Bonds as follows:

- (a) Excess proceeds, if any, received from the sale of the Bonds shall be deposited in the Debt Service Account.
- (b) An amount necessary to pay the Costs of Issuance shall be deposited in the Costs of Issuance Account.
- (c) An amount necessary to retire the Refunded Notes shall be deposited into the Refunded Notes Redemption Fund.
- (d) The remaining balance of the proceeds derived from the sale of the Bonds shall be deposited in the Improvement Fund.

Application of Moneys in the Improvement Fund. Moneys in the Improvement Fund shall be used for the sole purpose of: (a) paying the costs of the Improvements; (b) paying interest on the Bonds during construction of the Improvements; (c) paying Costs of Issuance; and (d) transferring any amounts to the Rebate Fund. Withdrawals from the Improvement Fund shall be made only when authorized by the governing body of the Issuer. Each authorization for costs of the Improvements shall be supported by a certificate executed by the Clerk (or designate) stating that such payment is being made for a purpose within the scope of the Bond Resolution and that the amount of such payment represents only the contract price of the property, equipment, labor, materials or service being paid for or, if such payment is not being made pursuant to an express contract, that such payment is not in excess of the reasonable value thereof. Authorizations for withdrawals for other authorized purposes shall be supported by a certificate executed by the Clerk (or designate) stating that such payment is

being made for a purpose within the scope of the Bond Resolution. Upon completion of the Improvements, any surplus remaining in the Improvement Fund shall be deposited in the Debt Service Account.

Substitution of Improvements; Reallocation of Proceeds. The Issuer may elect for any reason to substitute or add other public improvements to be financed with proceeds of the Bonds provided the following conditions are met: (a) the Substitute Improvement and the issuance of general obligation bonds to pay the cost of the Substitute Improvement has been duly authorized by the governing body of the Issuer in accordance with the laws of the State; (b) a resolution authorizing the use of the proceeds of the Bonds to pay the Financeable Costs of the Substitute Improvement has been duly adopted by the governing body of the Issuer pursuant to this Section, (c) the Attorney General of the State has approved the amendment made by such resolution to the transcript of proceedings for the Bonds to include the Substitute Improvements; and (d) the use of the proceeds of the Bonds to pay the Financeable Cost of the Substitute Improvement will not adversely affect the tax status of the Bonds under State or federal law.

The Issuer may reallocate expenditure of Bond proceeds among all Improvements financed by the Bonds; provided the following conditions are met: (a) the reallocation is approved by the governing body of the Issuer; (b) the reallocation shall not cause the proceeds of the Bonds allocated to any Improvement to exceed the Financeable Costs of the Improvement; and (c) the reallocation will not adversely affect the tax status of the Bonds under State or federal law.

Application of Moneys in the Debt Service Account. All amounts paid and credited to the Debt Service Account shall be expended and used by the Issuer for the sole purpose of paying the principal or Redemption Price of and interest on the Bonds as and when the same become due and the usual and customary fees and expenses of the Bond Registrar and Paying Agent. The Treasurer is authorized and directed to withdraw from the Debt Service Account sums sufficient to pay both principal or Redemption Price of and interest on the Bonds and the fees and expenses of the Bond Registrar and Paying Agent as and when the same become due, and to forward such sums to the Paying Agent in a manner which ensures that the Paying Agent will receive immediately available funds in such amounts on or before the Business Day immediately preceding the dates when such principal, interest and fees of the Paying Agent will become due. If, through the lapse of time or otherwise, the Owners of Bonds are no longer entitled to enforce payment of the Bonds or the interest thereon, the Paying Agent shall return said funds to the Issuer. All moneys deposited with the Paying Agent shall be deemed to be deposited in accordance with and subject to all of the provisions contained in the Bond Resolution and shall be held in trust by the Paying Agent for the benefit of the Owners of the Bonds entitled to payment from such moneys. Any moneys or investments remaining in the Debt Service Account after the retirement of the Bonds shall be transferred and paid into the Bond and Interest Fund.

Payments Due on Saturdays, Sundays and Holidays. In any case where a Bond Payment Date is not a Business Day, then payment of principal, Redemption Price or interest need not be made on such Bond Payment Date but may be made on the next succeeding Business Day with the same force and effect as if made on such Bond Payment Date, and no interest shall accrue for the period after such Bond Payment Date.

Application of Moneys in the Rebate Fund. There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Federal Tax Certificate. All money at any time deposited in the Rebate Fund shall be held in trust, to the extent required to satisfy the Rebate Amount (as defined in the Federal Tax Certificate), for payment to the United States of America, and neither the Issuer nor the Owner of any Bonds shall have any rights in or claim to such money.

Application of Moneys in the Costs of Issuance Account. Moneys in the Costs of Issuance Account shall be used by the Issuer to pay the Costs of Issuance. Any funds remaining in the Costs of Issuance Account, after payment of all Costs of Issuance, but not later than the later of 30 days prior to the first Stated Maturity of principal or one year after the date of issuance of the Bonds, shall be transferred to the Improvement Fund until completion of the Improvements and thereafter to the Compliance Account or Debt Service Account.

Application of Moneys in the Refunded Notes Redemption Fund. Moneys in the Refunded Notes Redemption Fund shall be paid and transferred to the Refunded Notes Paying Agent, with irrevocable instructions to apply such amount to the payment of the Refunded Notes on the Refunded Notes Redemption Date. Any moneys remaining in the Refunded Notes Redemption Fund not needed to retire the Refunded Notes shall be transferred to the Debt Service Account.

Application of Moneys in the Compliance Account. Moneys in the Compliance Account shall be used by the Issuer to pay the fees and expenses relating to compliance with federal arbitrage law and state or federal securities laws. Any funds remaining in the Compliance Account not necessary for such payments shall be transferred to the Debt Service Account.

DEPOSIT AND INVESTMENT OF MONEYS

Deposits. Moneys in each of the Funds and Accounts shall be deposited in a bank, savings and loan association or savings bank which are members of the Federal Deposit Insurance Corporation, or otherwise as permitted by State law, and which meet certain guidelines of State law. All such deposits shall be held in cash or invested in Permitted Investments or shall be adequately secured as provided by the laws of the State.

Investments. Moneys held in any Fund or Account other than the Refunded Notes Redemption Fund may be invested in accordance with the Bond Resolution and the Federal Tax Certificate, in Permitted Investments; provided, however, that no such investment shall be made for a period extending longer than to the date when the moneys invested may be needed for the purpose for which such fund was created. All earnings on any investments held in any Fund or Account shall accrue to and become a part of such Fund or Account; provided that, during the period of construction of the Improvements, earnings on the investment of such funds may, at the discretion of the Issuer, be credited to the Debt Service Account.

DEFAULT AND REMEDIES

Remedies. The provisions of the Bond Resolution, including the covenants and agreements herein contained, shall constitute a contract between the Issuer and the Owners of the Bonds. If an Event of Default occurs and shall be continuing, the Owner or Owners of not less than 10% in principal amount of the Bonds at the time Outstanding shall have the right for the equal benefit and protection of all Owners of Bonds similarly situated:

(a) by mandamus or other suit, action or proceedings at law or in equity to enforce the rights of such Owner or Owners against the Issuer and its officers, agents and employees, and to require and compel duties and obligations required by the provisions of the Bond Resolution or by the Constitution and laws of the State;

(b) by suit, action or other proceedings in equity or at law to require the Issuer, its officers, agents and employees to account as if they were the trustees of an express trust; and

(c) by suit, action or other proceedings in equity or at law to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds.

[The Paying Agent shall notify the Owners and Bond Insurer of any Event of Default of which it has actual notice.]

Limitation on Rights of Owners. The covenants and agreements of the Issuer contained in the Bond Resolution and in the Bonds shall be for the equal benefit, protection, and security of the Owners of any or all of the Bonds, all of which Bonds of any series shall be of equal rank and without preference or priority of one Bond over any other Bond in the application of the Funds and Accounts pledged to the payment of the principal of and the interest on the Bonds, or otherwise, except as to rate of interest, date of maturity and right of prior redemption as provided in the Bond Resolution. No one or more Owners secured hereby shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security granted and provided for in the Bond Resolution, or to enforce any right, except in the manner provided in the Bond Resolution, and all proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Owners of such Outstanding Bonds.

Remedies Cumulative. No remedy conferred upon the Owners is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred. No waiver of any default or breach of duty or contract by the Owner of any Bond shall extend to or affect any subsequent default or breach of duty or contract or shall impair any rights or remedies thereon.

[**Control of Remedies By Bond Insurer Upon an Event of Default and Event of Insolvency.** Upon the occurrence and continuance of an Event of Default, the Bond Insurer, provided the Bond Insurance Policy is in full force and effect and the Bond Insurer shall not be in default thereunder, shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners under the Bond Resolution. Any reorganization or liquidation plan with respect to the Issuer must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Owners who hold the Bonds insured by the Bond Insurer absent a default by the Bond Insurer under the applicable Bond Insurance Policy insuring such Bonds.]

DEFEASANCE

When any or all of the Bonds, redemption premium, if any, or scheduled interest payments thereon have been paid and discharged, then the requirements contained in the Bond Resolution and all other rights granted thereby shall terminate

with respect to the Bonds or scheduled interest payments thereon so paid and discharged. Bonds, redemption premium, if any, or scheduled interest payments thereon shall be deemed to have been paid and discharged within the meaning of the Bond Resolution if there has been deposited with the Paying Agent, or other commercial bank or trust company located in the State and having full trust powers, at or prior to the Stated Maturity or Redemption Date of said Bonds or the interest payments thereon, in trust for and irrevocably appropriated thereto, moneys and/or Defeasance Obligations which, together with the interest to be earned on any such Defeasance Obligations, will be sufficient for the payment of the principal or Redemption Price of said Bonds and/or interest accrued to the Stated Maturity or Redemption Date, or if default in such payment has occurred on such date, then to the date of the tender of such payments. If the amount to be so deposited is based on the Redemption Price of any Bonds, no such satisfaction shall occur until: (a) the Issuer has elected to redeem such Bonds, and (b) either notice of such redemption has been given, or the Issuer has given irrevocable instructions, or shall have provided for an escrow agent to give irrevocable instructions, to the Bond Registrar to give such notice of redemption. [The Issuer shall notify the Bond Insurer of any defeasance of the Bonds.]

[Notwithstanding anything in the Bond Resolution to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer and the covenants, agreements and other obligations of the Issuer to the Owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Owners.]

TAX COVENANTS

General Covenants. The Issuer covenants and agrees that it will comply with: (a) all applicable provisions of the Code necessary to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds; and (b) all provisions and requirements of the Federal Tax Certificate. The Issuer will take such actions as may be necessary to comply with the Code and with all other applicable future laws, regulations, published rulings and judicial decisions, in order to ensure that the interest on the Bonds will remain excluded from federal gross income, to the extent any such actions can be taken by the Issuer.

Survival of Covenants. The covenants contained in the Bond Resolution and in the Federal Tax Certificate shall remain in full force and effect notwithstanding the defeasance of the Bonds or any other provision of the Bond Resolution until such time as is set forth in the Federal Tax Certificate.

CONTINUING DISCLOSURE REQUIREMENTS

Disclosure Requirements. The Issuer covenants in the Bond Resolution with the Purchaser and the Beneficial Owners to provide and disseminate such information as is required by the SEC Rule and as further set forth in the Disclosure Undertaking and to make the provisions of the Disclosure Undertaking applicable to the Bonds. Such covenant shall be for the benefit of and enforceable by the Purchaser and the Beneficial Owners.

Failure to Comply with Continuing Disclosure Requirements. In the event the Issuer fails to comply in a timely manner with its continuing disclosure covenants contained in the Bond Resolution, the Purchaser and/or any Beneficial Owner may make demand for such compliance by written notice to the Issuer. In the event the Issuer does not remedy such noncompliance within 10 days of receipt of such written notice, the Purchaser or any Beneficial Owner may in its discretion, without notice or demand, proceed to enforce compliance by a suit or suits in equity for the specific performance of such covenant or agreement or for the enforcement of any other appropriate legal or equitable remedy, as the Purchaser and/or any Beneficial Owner shall deem effectual to protect and enforce any of the duties of the Issuer under such preceding section. [The Purchaser or Beneficial Owner shall provide a copy of any such demand or notice to the Bond Insurer.] Notwithstanding any other provision of the Bond Resolution, failure of the Issuer to comply with its continuing disclosure covenants contained in the Bond Resolution shall not be considered an Event of Default under the Bond Resolution.

PROVISIONS RELATING TO THE BOND INSURANCE POLICY

Provisions relating to the Bond Insurance Policy will be included and updated if the Bonds are purchased with such a policy.

MISCELLANEOUS PROVISIONS

Annual Audit. Annually, promptly after the end of the Fiscal Year, the Issuer will cause an audit to be made of the financial statements of the Issuer for the preceding Fiscal Year by an Independent Accountant. Within 30 days after the completion of each such annual audit, a copy thereof shall be filed in the office of the Clerk[, and a duplicate copy of the audit shall be mailed to the Bond Insurer]. Such audits shall at all times during the usual business hours be open to the examination and inspection by any Owner of any of the Bonds, or by anyone acting for or on behalf of such user or Owner.

Levy and Collection of Annual Tax. The governing body of the Issuer shall annually make provision for the payment of Debt Service Requirements on the Bonds as the same become due by levying and collecting the necessary taxes and/or assessments upon all of the taxable tangible property within the Issuer in the manner provided by law. The taxes and/or assessments referred to above shall be extended upon the tax rolls in each of the several years, respectively, and shall be levied and collected at the same time and in the same manner as the other ad valorem taxes of the Issuer are levied and collected. The proceeds derived from said taxes shall be deposited in the Bond and Interest Fund, shall be kept separate and apart from all other funds of the Issuer shall thereafter be deposited in the Debt Service Account and shall be used solely for the payment of the principal of and interest on the Bonds as and when the same become due, taking into account any scheduled mandatory redemptions, and the fees and expenses of the Paying Agent. If at any time said taxes and/or assessments are not collected in time to pay the principal of or interest on the Bonds when due, the Treasurer is hereby authorized and directed to pay said principal or interest out of the general funds of the Issuer and to reimburse said general funds for money so expended when said taxes are collected.

Amendments. The rights and duties of the Issuer and the Owners, and the terms and provisions of the Bonds or of the Bond Resolution, may be amended or modified at any time in any respect by resolution of the Issuer with the written consent of [the Bond Insurer and] the Owners of not less than a majority in principal amount of the Bonds then Outstanding, such consent to be evidenced by an instrument or instruments executed by [the Bond Insurer and] such Owners and duly acknowledged or proved in the manner of a deed to be recorded, and such instrument or instruments shall be filed with the Clerk, but no such modification or alteration shall: (a) extend the maturity of any payment of principal or interest due upon any Bond; (b) effect a reduction in the amount which the Issuer is required to pay as principal of or interest on any Bond; (c) permit preference or priority of any Bond over any other Bond; or (d) reduce the percentage in principal amount of Bonds required for the written consent to any modification or alteration of the provisions of the Bond Resolution.

Any provision of the Bonds or of the Bond Resolution may, however, be amended or modified by resolution duly adopted by the governing body of the Issuer at any time in any legal respect with the written consent of [the Bond Insurer and] the Owners of all of the Bonds at the time Outstanding.

Without notice to or the consent of any Owners, the Issuer may amend or supplement the Bond Resolution for the purpose of curing any formal defect, omission, inconsistency or ambiguity, to grant to or confer upon the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners, to more precisely identify the Improvements, to reallocate proceeds of the Bonds among Improvements, to provide for Substitute Improvements, to conform the Bond Resolution to the Code or future applicable federal law concerning tax-exempt obligations, or in connection with any other change therein which is not materially adverse to the interests of the Owners.

Notices, Consents and Other Instruments by Owners. Any notice, request, complaint, demand or other communication required or desired to be given or filed under the Bond Resolution shall be in writing, and shall be deemed duly given or filed if the same shall be: (a) duly mailed by registered or certified mail, postage prepaid; or (b) communicated via fax, with electronic or telephonic confirmation of receipt. Copies of such notices shall also be given to the Paying Agent[and the Bond Insurer]. The Issuer, the Paying Agent[, the Bond Insurer] and the Purchaser may from time to time designate, by notice given hereunder to the others of such parties, such other address to which subsequent notices, certificates or other communications shall be sent. All notices given by: (a) certified or registered mail as aforesaid shall be deemed duly given as of the date they are so mailed; (b) fax as aforesaid shall be deemed duly given as of the date of confirmation of receipt. If, because of the temporary or permanent suspension of regular mail service or for any other reason, it is impossible or impractical to mail any notice in the manner herein provided, then such other form of notice as shall be made with the approval of the Paying Agent shall constitute a sufficient notice.

Electronic Transactions. The issuance of the Bonds and the transactions related thereto and described herein may be conducted and documents may be stored by electronic means.

Severability. If any section or other part of the Bond Resolution, whether large or small, is for any reason held invalid, the invalidity thereof shall not affect the validity of the other provisions of the Bond Resolution.

Governing Law. The Bonds and the Bond Resolution shall be governed exclusively by and construed in accordance with the applicable laws of the State.

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APPENDIX D

FORM OF DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING

DATED AS OF NOVEMBER 13, 2024

BY

CITY OF DERBY, KANSAS

\$19,685,000*
CITY OF DERBY, KANSAS
GENERAL OBLIGATION BONDS
SERIES 2024-A
DATED NOVEMBER 13, 2024

CONTINUING DISCLOSURE UNDERTAKING

This **CONTINUING DISCLOSURE UNDERTAKING** dated as of November 13, 2024 (the “Continuing Disclosure Undertaking”), is executed and delivered by **THE CITY OF DERBY, KANSAS** (the “Issuer”).

RECITALS

1. This Continuing Disclosure Undertaking is executed and delivered by the Issuer in connection with the issuance by the Issuer of its General Obligation Bonds, Series 2024-A (the “Bonds”), pursuant to an Ordinance and Resolution adopted by the governing body of the Issuer (the “Bond Resolution”).

2. The Issuer is entering into this Continuing Disclosure Undertaking for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the “Rule”). The Issuer is the only “obligated person” with responsibility for continuing disclosure hereunder.

The Issuer covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Bond Resolution, which apply to any capitalized term used in this Continuing Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“**Annual Report**” means any Annual Report provided by the Issuer pursuant to, and as described in, **Section 2** of this Continuing Disclosure Undertaking, which may include the Issuer's Annual Comprehensive Financial Report, if any, so long as the Annual Comprehensive Financial Report contains the financial information and operating data described in **Section 2(a)(1)** and **(2)**.

“**Beneficial Owner**” means any registered owner of any Bonds and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“**Business Day**” means a day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banks located in any city in which the principal office or designated payment office of the paying agent or the Dissemination Agent is located are required or authorized by law to remain closed, or (c) a day on which the Securities Depository or the New York Stock Exchange is closed.

“**Dissemination Agent**” means any entity designated in writing by the Issuer to serve as dissemination agent pursuant to this Continuing Disclosure Undertaking and which has filed with the Issuer a written acceptance of such designation.

“**EMMA**” means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at www.emma.msrb.org.

“**Financial Obligation**” means a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) in this definition; *provided however*, the term Financial Obligation shall not

include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“**Fiscal Year**” means the 12-month period beginning on January 1 and ending on December 31 or any other 12-month period selected by the Issuer as the Fiscal Year of the Issuer for financial reporting purposes.

“**Material Events**” means any of the events listed in *Section 3* of this Continuing Disclosure Undertaking.

“**MSRB**” means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with the Rule.

“**Participating Underwriter**” means any of the original underwriter(s) of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

Section 2. Provision of Annual Reports.

(a) The Issuer shall, not later than July 31st immediately following the end of the Issuer’s Fiscal Year, commencing with the year ending December 31, 2024, file with the MSRB, through EMMA, the following financial information and operating data (the “Annual Report”):

(1) The audited financial statements of the Issuer for the prior Fiscal Year, in substantially the format contained in the Official Statement relating to the Bonds. A more detailed explanation of the accounting basis and method of preparation of the financial statements is contained in the Official Statement relating to the Bonds. If audited financial statements are not available by the time the Annual Report is required to be provided pursuant to this Section, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Bonds, and the audited financial statements shall be provided in the same manner as the Annual Report promptly after they become available.

(2) Updates as of the end of the Fiscal Year of certain financial information and operating data contained in the final Official Statement related to the Bonds, as described in *Exhibit A*, in substantially the same format contained in the final Official Statement with such adjustments to formatting or presentation determined to be reasonable by the Issuer.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the Rule), which have been provided to the MSRB and are available through EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB on EMMA. The Issuer shall clearly identify each such other document so included by reference.

In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event under *Section 3*, and the Annual Report deadline provided above shall automatically become the last day of the seventh month after the end of the Issuer’s new fiscal year.

(b) The Annual Report shall be filed with the MSRB in such manner and format as is prescribed by the MSRB.

Section 3. Reporting of Material Events. Not later than 10 Business Days after the occurrence of any of the following events, the Issuer shall give, or cause to be given to the MSRB, through EMMA, notice of the occurrence of any of the following events with respect to the Bonds (“Material Events”):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) the consummation of a merger, consolidation, or acquisition involving the obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material;
- (15) incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

If the Issuer has not submitted the Annual Report to the MSRB by the date required in **Section 2(a)**, the Issuer shall send a notice to the MSRB of the failure of the Issuer to file on a timely basis the Annual Report, which notice shall be given by the Issuer in accordance with this **Section 3**.

Section 4. Termination of Reporting Obligation. The Issuer’s obligations under this Continuing Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Issuer’s obligations under this Continuing Disclosure Undertaking are assumed in full by some other entity, such person shall be responsible for compliance with this Continuing Disclosure Undertaking in the same manner as if it were the Issuer, and the Issuer shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination or substitution in the same manner as for a Material Event under **Section 3**.

Section 5. Dissemination Agents. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign as dissemination agent hereunder at any time upon 30 days prior written notice to the Issuer. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including without limitation the Annual Report) prepared by the Issuer pursuant to this Continuing Disclosure Undertaking.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Undertaking, the Issuer may amend this Continuing Disclosure Undertaking and any provision of this Continuing Disclosure Undertaking may be waived, provided that Bond Counsel or other counsel experienced in federal securities law matters provides the Issuer with its written opinion that the undertaking of the Issuer contained herein, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to this Continuing Disclosure Undertaking.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Undertaking, the Issuer shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Material Event under **Section 3**, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Additional Information. Nothing in this Continuing Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that required by this Continuing Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that specifically required by this Continuing Disclosure Undertaking, the Issuer shall have no obligation under this Continuing Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 8. Default. If the Issuer fails to comply with any provision of this Continuing Disclosure Undertaking, any Participating Underwriter or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Continuing Disclosure Undertaking. A default under this Continuing Disclosure Undertaking shall not be deemed an event of default under the Bond Resolution or the Bonds, and the sole remedy under this Continuing Disclosure Undertaking in the event of any failure of the Issuer to comply with this Continuing Disclosure Undertaking shall be an action to compel performance.

Section 9. Beneficiaries. This Continuing Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriter, and the Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 10. Severability. If any provision in this Continuing Disclosure Undertaking, the Bond Resolution or the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 11. Electronic Transactions. The arrangement described herein may be conducted and related documents may be sent, received, or stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 12. Governing Law. This Continuing Disclosure Undertaking shall be governed by and construed in accordance with the laws of the State of Kansas.

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IN WITNESS WHEREOF, the Issuer has caused this Continuing Disclosure Undertaking to be executed as of the day and year first above written.

CITY OF DERBY, KANSAS

(SEAL)

Mayor

Clerk

EXHIBIT A

**FINANCIAL INFORMATION AND OPERATING DATA
TO BE INCLUDED IN ANNUAL REPORT**

The financial information and operating data contained in tables in the following sections contained in ***Appendix A*** of the final Official Statement relating to the Bonds:

- Assessed Valuation
- Tax Rates
- Aggregate Tax Levies
- Tax Collection Record
- Major Taxpayers
- Current Indebtedness of the Issuer
- State Loans

This information can be found in the Issuer's Annual Comprehensive Financial Report in the "Notes to Basic Financial Statements – 10 – Long-Term Debt" and in the "Statistical Section" to the Issuer's Annual Comprehensive Financial Report entitled "Financial Trends," "Revenue Capacity," and "Debt Capacity."