CITY OF DERBY, CONNECTICUT

AUDITED FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011

CITY OF DERBY, CONNECTICUT
TABLE OF CONTENTS

Page

Independent Auditors' Report 3

Management's Discussion and Analysis 5

Basic Financial Statements
Government-Wide Financial Statements:
Statement of Net Assets 15
Statement of Activities 16

Fund Financial Statements:
Balance Sheet – Governmental Funds 18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities 20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund 21
Statement of Net Assets – Proprietary Funds 22
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds 23
Statement of Cash Flows – Proprietary Funds 24
Statement of Fiduciary Net Assets 25
Statement of Changes in Fiduciary Net Assets 26
Notes to Financial Statements 27

Required Supplementary Information

Public Employee Retirement System:
Schedule of Employer Contributions 52
Schedule of Funding Progress 52

Supplemental Information:
Combining Balance Sheet – Nonmajor Governmental Funds 55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) – Nonmajor Governmental Funds 55
Combining Balance Sheet – Trust and Agency Funds 60
Combining Statement of Changes in Fiduciary Net Assets 60
Combining Schedule of Changes in Assets and Liabilities - Agency Funds 62
Schedule of Property Taxes Levied, Collected and Outstanding – General Fund 64
Schedule of Special Assessments 64

Michaud and Accavallo

Certified Public Accountants, LLC

Accounting, Auditing, Tax & Consulting

158 Main Street, Suite 301
Ansonia, Connecticut 06401
Tel 203-732-2311
Fax 203-732-2592

900 Chapel Street, Suite 620
New Haven, Connecticut 06510
Tel 203-773-0384
Fax 203-732-2592

Independent Auditors' Report

The Honorable Mayor,
Members of the Board of Aldermen and
Members of the Board of Apportionment and Taxation
City of Derby, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Derby, Connecticut, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Derby, Connecticut's management. Our responsibility is to express opinions on these statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Derby, Connecticut, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2012 on our consideration of the City of Derby, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis information (pages 5 to 11) and Schedules of Employer Contributions and Funding Progress (Page 52) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Honorable Mayor,
Members of the Board of Aldermen and
Members of the Board of Apportionment and Taxation
City of Derby, Connecticut

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Derby, Connecticut's basic financial statements. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Michaud and Accavallo, CPAs, LLC

Michaud and Accavallo
Certified Public Accountants, LLC

June 14, 2012

As management of the City of Derby, Connecticut (City), we offer readers of the City's financial statements this narrative overview and analysis of the financing activities of the City for the fiscal year ended June 30, 2011. All amounts, unless otherwise indicated, are expressed in thousands of dollars ($000).

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $47,238 (*net assets*).
- The government's total net assets decreased by $2,943.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance deficit of $6,380, an increase in the deficit of $769 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $2,059 or 5.45% of total general fund expenditures.
- The City's governmental funds total debt increased by $1,443 (7.19%) during the current fiscal year.
- The City's business-type activities total debt decreased by $172 (10.86%) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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 financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

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

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, education, public safety, public works, and human services. The business-type activity of the City includes the Water Pollution Control Authority and the Parking Authority.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund Financial Statements — A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains twelve individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Library Endowment Fund, the Middle School Building Project and the System-Wide School Capital Improvements fund, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 18-21 of this report.

Proprietary Funds — The City maintains two proprietary funds. These e*nterprise funds* are used to report the business-type activities in the government-wide financial statements. The City uses the enterprise funds to account for its Water Pollution Control Authority and its Parking Authority.

The proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Water Pollution Control Authority and Parking Authority , which are considered to be a major funds of the City.

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

Fiduciary Funds — Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 25-26 of this report.

Notes to the Financial Statements — The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-52 of this report.

Required Supplementary Information — In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information.* Required supplementary information can be found on page 52 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining fund statements and schedules can be found on pages 56-61 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of City, assets exceeded liabilities by $47,238 (Net Assets) at the close of the fiscal year ended June 30, 2011.

By far the largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City's Net Assets ($000)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	$ 6,669	$ 8,152	$ 1,124	$ 1,015	$ 7,793	$ 9,167
Capital assets	69,427	69,985	5,483	5,336	74,910	75,321
Total assets	$ 76,096	$ 78,137	$ 6,607	$ 6,351	$ 82,703	$ 84,488
Long-term liabilities outstanding	$ 31,405	$ 20,062	$ 1,410	$ 1,582	$ 32,815	$ 21,644
Other liabilities	1,797	12,240	854	422	2,651	12,662
Total liabilites	$ 33,202	$ 32,302	$ 2,264	$ 2,004	$ 35,466	$ 34,306
Net assets:						
Invested in capital assets, net of related debt	$ 48,219	$ 28,036	$ 4,073	$ 3,753	$ 52,292	$ 31,789
Restricted	10	4	-	-	10	4
Unassigned	(5,335)	17,795	270	594	(5,065)	18,389
Total net assets	$ 42,894	$ 45,835	$ 4,343	$ 4,347	$ 47,237	$ 50,182

At the close of the fiscal year ended June 30, 2011, the City is able to report positive balances in all categories of net assets as a whole for its separate governmental and business-type activities. All categories in the prior year were able to report positive net asset numbers.

The government's net assets decreased by $2,945 in the current fiscal year. The majority of this increase represents an increase in other post-employment benefits.

Governmental Activities — Governmental activities decreased the City's net assets by $2,941, thereby accounting for the majority of the decrease in the net assets of City. Key elements of this increase are as follows:

CITY'S CHANGES IN NET ASSETS ($000)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
REVENUES						
Program revenues:						
Charges for services	$ 899	$ 1,221	$ 2,422	$ 2,074	$ 3,321	$ 3,295
Operating grants and contributions	10,578	10,625	-	-	10,578	10,625
Capital Grants and contributions	290	11,144	-	-	290	11,144
General revenues:						
Property Taxes	24,855	24,020	-	-	24,855	24,020
Grants and contributions not restricted to specific programs	2,336	1,822	-	-	2,336	1,822
Unrestricted investment earnings	154	80	2	3	156	83
TOTAL REVENUES	$ 39,112	$ 48,912	$ 2,424	$ 2,077	$ 41,536	$ 50,989
EXPENSES						
General government	$ 8,624	$ 7,690	$ -	$ -	$ 8,624	$ 7,690
Public works	4,686.0	3,570	2,428	2,247	7,114	5,817
Public safety	4,166.0	4,091	-	-	4,166	4,091
Culture and recreation	1,213.0	909	-	-	1,213	909
Health and welfare	1,078.0	1,209	-	-	1,078	1,209
Education	21,840.0	20,857	-	-	21,840	20,857
Capital outlay	14.0	94	-	-	14	94
Debt service	432.0	495	-	-	432	495
TOTAL EXPENSES	$ 42,053	$ 38,915	$ 2,428	$ 2,247	$ 44,481	$ 41,162
INCREASE(DECREASE) IN NET ASSETS	(2,941)	9,997	(4)	(170)	(2,945)	9,827
	45,835	35,838	4,347	4,517	50,182	40,355
NET ASSETS, ending	$ 42,894	$ 45,835	$ 4,343	$ 4,347	$ 47,237	$ 50,182

Business-type Activities — Business-type activities decreased the City's net assets by $4. The key element of this decrease is as follows.

- The Water Pollution Control Authority expenses were higher than revenues by $4, due to increased expenses.

FUNDS FINANCIAL ANALYSIS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds — The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance-deficit of $6,380, an increase in the deficit of $769 in comparison with the prior year. This deficit is primarily caused by the Middle School Building Project fund deficit ($10,359) which will be eliminated with a future bond issue.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was $2,059. As a measure of the general fund's liquidity, it may be useful to compare both unnassigned fund balance and total fund balance to total general fund expenditures of $37,758. Unassigned and total fund balance represents 5.45% of total general fund expenditures.

The fund balance of the City's general fund decreased by $126, during the current fiscal year. Key factors in this decline are as follows:

- An increase in Tax revenues of $965.
- An increase in interest and liens of $146.
- An increase in General Government expenditures of $442.
- An increase in Board of Education of $445.
- An increase in Capital Outlay of $288.
- A decrease in principal and interest on bonds of $811.
- An increase in public safety of $443.
- An increase in public works of $838

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

Net assets of the Water Pollution Control Authority at the end of the year amounted to $3,618 of which $3,436 represents an investment in capital assets net of related debt. The total increase in net assets for the fund was $60. Other factors concerning the finances of the fund have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget ($1,810 increase in appropriations) can be briefly summarized as follows:

- $329 in increases in Board of Education which was primarily due to appropriating additional grant monies.
- $303 in increases in General Government which was primarily due to increased workers' compensation insurance of $106.
- $326 and $737 in increases in public safety and public works, respectively primarily due to overtime wages.
- $115 in increases in various other line items.

Capital Asset and Debt Administration

Capital Assets — The City's investment in capital assets for its governmental and business type activities as of June 30, 2011, amounts to $74,910 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, machinery and equipment, and infrastructure. The total decrease in the City's investment in capital assets for the current fiscal year was $558, a decrease of 1% for governmental activities and a $148 increase of less than 2.7% for business-type activities.

During the fiscal year there was major construction in progress in the Middle School Project ($384) and School-wide System ($613).

City's Capital Assets ($000)
(Net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land	$ 5,795	$ 595	$ 6,390
Buildings and system	40,525	4,567	45,092
Machinery and equipment	1,854	321	2,175
Construction in progress	993	-	993
Infrastructure	20,260	-	20,260
	$ 69,427	$ 5,483	$ 74,910

Additional information on the City's capital assets can be found in Note 7 starting on page 39 of this report.

Long-Term Debt — At the end of the current fiscal year, the City had total bonded debt outstanding of $10,737. This amount is backed by the full faith and credit of the government.

Net Pension Obligation — At the end of the current fiscal year, the City had total net pension obligation of $414. This obligation increased by $45 during the fiscal year.

Other Post-Employment Benefits – At the end of the current fiscal year, the City had total other post-employment benefit obligation of $6,080. This obligation increased by $2,006 during the fiscal year.

City's Outstanding Debt ($000)
General Obligation Bonds

	Principal	Interest
Governmental Activities		
Due in one year	$ 976	$ 398
Due in 2 to 6 years	4,585	1,498
Due in 7 to 11 years	3,221	711
Due in 12 to 16 years	1,955	178
	$ 10,737	2,785
Business-type Activities		
Due in one year	$ 171	$ 33
Due in the next 2 to 6 years	877	100
Due in the next 7 to 10 years	362	11
	$ 1,410	$ 144

The City's governmental activities total debt increased by $1,443 (7.19%) and business type activities decreased by $172 (10.86%) during the current fiscal year.

The City maintains an "AA-" rating from Standard & Poor's for general obligation debt.

The current debt limitation for the City is $174,926, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 9 starting on page 41 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- The unemployment rate for the County slightly increased to 6.3% vs. 6.5% in the prior year, consistent with the Connecticut unemployment rate.

- The Connecticut state government has been reporting an anticipated deficit for 2011, which will translate into a reduction in State aid to the City.

- Inflationary trends in the region are comparable to the national indices.

All of these factors were considered in preparing the City's budget for the 2011-2012 fiscal year.

During the current fiscal year, undesignated and unreserved fund balance in the general fund increased to $2,059. The City has not appropriated any amounts of fund balance for spending in the 2011-2012 fiscal year budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 1 Elizabeth Street, Derby, Connecticut, 06418.

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

CITY OF DERBY, CONNECTICUT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,907,621	$ 814,711	$ 4,722,332
Investments	845,661	-	845,661
Receivables:			
Property taxes, net of allowance for collection losses of $315,748	1,172,629	-	1,172,629
Special assessments, net of allowance for collection losses of $72,917	-	289,562	289,562
Intergovernmental	637,990	-	637,990
Other	-	22,621	22,621
Notes receivable	97,611	-	97,611
Inventories	4,838	-	4,838
Due from other funds	2,595	(2,595)	-
Capital assets (net of accumulated depreciation)			
Land	5,794,955	594,858	6,389,813
Buildings	40,524,849	4,567,142	45,091,991
Machinery and equipment	1,853,737	321,449	2,175,186
Construction in progress	993,403	-	993,403
Infrastructure	20,260,014	-	20,260,014
TOTAL ASSETS	$ 76,095,903	$ 6,607,748	$ 82,703,651
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued liabilities	$ 1,446,619	855,092	2,301,711
Deferred revenue - grants	348,674	-	348,674
Bonds anticipation notes	9,900,000	-	9,900,000
Notes Payable:			
Due within one year	7,640,104	170,972	7,811,076
Due in more than one year	13,864,981	1,239,052	15,104,033
TOTAL LIABILITIES	33,200,378	2,265,116	35,465,494
NET ASSETS			
Investment in capital assets, net of related debt	48,219,480	4,073,425	52,292,905
Restricted for:			
Inventories	10,328	-	10,328
Unrestricted:			
Net assets	(5,334,283)	269,207	(5,065,076)
TOTAL NET ASSETS	42,895,525	4,342,632	47,238,157
TOTAL LIABILITIES AND NET ASSETS	$ 76,095,903	$ 6,607,748	$ 82,703,651

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
PRIMARY GOVERNMENT			
Governmental activities:			
General government	$ (8,624,414)	$ 341,781	$ 83,889
Public works	(4,685,765)	4,230	424,473
Public safety	(4,166,430)	260,465	-
Culture and recreation	(1,212,870)	9,350	6,504
Health and welfare	(1,077,771)	284,416	386,699
Education	(21,840,389)	-	9,674,965
Capital outlay	(13,992)	-	1,682
Debt service	(432,077)	-	-
TOTAL GOVERNMENTAL ACTIVITIES	(42,053,708)	900,242	10,578,212
TOTAL BUSINESS-TYPE ACTIVITIES- SEWER AND PARKING AUTHORITY	(2,428,001)	2,421,737	-
TOTAL PRIMARY GOVERNMENT	$ (44,481,709)	$ 3,321,979	$ 10,578,212
GENERAL REVENUES			
Property taxes			
Grants and contributions not restricted to specific programs			
Unrestricted investment earnings			
TOTAL GENERAL REVENUES			
CHANGE IN NET ASSETS			
NET ASSETS AT JULY 1, 2010			
NET ASSETS AT JUNE 30, 2011			

See notes to financial statements.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Primary Government: Governmental Activities	Business- Type Activities	Total
$ -	$ (8,198,744)		$ (8,198,744)
137,093	(4,119,969)		(4,119,969)
7,500	(3,898,465)		(3,898,465)
-	(1,197,016)		(1,197,016)
-	(406,656)		(406,656)
-	(12,165,424)		(12,165,424)
145,785	133,475		133,475
-	(432,077)		(432,077)
290,378	(30,284,876)		(30,284,876)
-	-	$ (6,264)	(6,264)
$ 290,378	(30,284,876)	(6,264)	(30,291,140)
	24,855,100	-	24,855,100
	2,336,221	-	2,336,221
	154,389	2,250	156,639
	27,345,710	2,250	27,347,960
	(2,939,166)	(4,014)	(2,943,180)
	45,834,691	4,346,646	50,181,337
	$ 42,895,525	$ 4,342,632	$ 47,238,157

CITY OF DERBY, CONNECTICUT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Library Endowment Fund	Middle School Building Project	System-wide School Capital Improvements	Other Governmental Funds	Totals Governmental Funds
ASSETS						
Cash and cash equivalents	$ 2,649,260	$ 13,334	$ 8,885	$ 169,143	$ 1,066,999	$ 3,907,621
Investments	-	845,661	-	-	-	845,661
Receivables:						
Property taxes, net of allowance of $315,748	1,172,629		-	-	-	1,172,629
Intergovernmental	129,670		-	-	65,503	195,173
Other	-	-	-	-	97,610	97,610
Inventories	-		-	-	4,838	4,838
Due from other funds	84,964	-	-	22,254	126,570	233,788
TOTAL ASSETS	$ 4,036,523	$ 858,995	$ 8,885	$ 191,397	$ 1,361,520	$ 6,457,320
LIABILITIES AND FUND BALANCES						
Accounts payable and accrued liabilities	$ 887,583	$ -	$ 439,603	$ -	$ 119,432	$ 1,446,618
Deferred revenue-taxes	911,197	-	-	-	-	911,197
Deferred revenue-grants	178,824	-	-	-	169,850	348,674
Bond anticipation notes payable	-	-	9,900,000	-	-	9,900,000
Due to other funds	-	-	28,675	-	202,519	231,194
TOTAL LIABILITIES	1,977,604	-	10,368,278	-	491,801	12,837,683
FUND BALANCES(DEFICITS)						
Nonspendable	-	-	-	-	10,328	10,328
Restricted	-	858,995	-	191,397	774,518	1,824,910
Assigned	-	-	-	-	180,883	180,883
Unassigned	2,058,919	-	(10,359,393)	-	(96,010)	(8,396,484)
TOTAL FUND BALANCES(DEFICIT)	2,058,919	858,995	(10,359,393)	191,397	869,719	(6,380,363)
TOTAL LIABILITES AND FUND BALANCES	$ 4,036,523	$ 858,995	$ 8,885	$ 191,397	$ 1,361,520	
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						69,426,958
Long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.						1,354,015
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.						(21,505,085)
Net assets of governmental activities						$ 42,895,525

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Library Endowment Fund	Middle School Building Project	System-wide School Capital Improvements	Other Governmental Funds	Totals Governmental Funds
REVENUES						
Property taxes	$ 24,619,812	$ -	$ -	$ -	$ -	$ 24,619,812
Interest and lien fees	403,868	-	-	-	-	403,868
Intergovernmental	11,958,531	-	145,785	-	438,397	12,542,713
City departments	1,274,192	-	-	-	284,416	1,558,608
Net increase in fair market value of investments	-	138,291	-	-	-	138,291
Other	-	-	-	-	2,050	2,050
Investment income	2,118	42	678	745	14,196	17,779
TOTAL REVENUES	38,258,521	138,333	146,463	745	739,059	39,283,121
EXPENDITURES						
Current:						
General government	6,627,059	-	-	-	85,322	6,712,381
Public safety	4,039,808	-	-	-	-	4,039,808
Public works	3,702,240	-	-	-	-	3,702,240
Culture and recreation	899,323	7,424	-	-	-	906,747
Health and welfare	344,272	-	-	-	695,144	1,039,416
Board of education	20,527,006	-	-	-	-	20,527,006
Capital outlay	1,307,057	-	384,091	613,682	25,438	2,330,268
Debt service:						
Principal retirement	576,841	-	283,081	200,000	-	1,059,922
Interest on bonds	432,077	-	-	-	-	432,077
TOTAL EXPENDITURES	38,455,683	7,424	667,172	813,682	805,904	40,749,865
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(197,162)	130,909	(520,709)	(812,937)	(66,845)	(1,466,744)
OTHER FINANCING SOURCES (USES)						
Capital leases	697,322					697,322
Operating transfers in	-	-	383,081	200,000	43,300	626,381
Operating transfers out	(626,381)	-	-	-	-	(626,381)
TOTAL OTHER FINANCING (USES) SOURCES	70,941	-	383,081	200,000	43,300	697,322
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(126,221)	130,909	(137,628)	(612,937)	(23,545)	(769,422)
Fund balance(deficit) at July 1, 2010	2,185,140	728,086	(10,221,765)	$ 804,334	893,264	(5,610,941)
FUND BALANCES (DEFICIT) AT JUNE 30, 2011	$ 2,058,919	$ 858,995	$ (10,359,393)	$ 191,397	$ 869,719	$ (6,380,363)

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

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

Net change in fund balances - total governmental funds	$	(769,422)
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. This is the amount by which capital outlays exceeded depreciation in the current period.		(558,426)
Revenues that are reported as in the year revenues provide current financial resources to governmental funds.		(168,140)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(1,442,739)
	$	(2,938,727)

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget- Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES				
Property taxes	$ 24,478,638	$ 24,478,638	$ 24,619,812	$ 141,174
Interest and lien fees	30,000	150,000	403,868	253,868
Intergovernmental	8,932,545	9,874,291	10,670,955	796,664
Investment income	30,000	30,000	2,118	(27,882)
City departments	1,419,797	2,168,347	1,274,192	(894,155)
TOTAL REVENUES	34,890,980	36,701,276	36,970,945	269,669
EXPENDITURES				
Current				
General government	6,988,193	7,291,101	6,627,059	664,042
Public safety	3,806,514	4,132,015	4,039,808	92,207
Public works	3,001,011	3,738,202	3,702,240	35,962
Culture and recreation	876,684	900,372	899,323	1,049
Health and welfare	344,344	359,158	344,272	14,886
Board of Education	17,734,779	18,064,003	19,239,430	(1,175,427)
Capital outlay	539,455	616,425	1,307,057	(690,632)
Debt service				
Principal retirements	1,075,394	1,153,001	561,919	591,082
Interest on bonds	524,606	446,999	446,999	-
TOTAL EXPENDITURES	34,890,980	36,701,276	37,168,107	(466,831)
EXCESS OF REVENUES OVER EXPENDITURES	-	-	(197,162)	(197,162)
OTHER FINANCING SOURCES(USES)				
Capital leases	-	-	697,322	697,322
Operating transfers out	-	-	(626,381)	(626,381)
TOTAL OTHER FINANCING SOURCES(USES)	-	-	70,941	70,941
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	$ -	$ -	(126,221)	$ (126,221)
Fund balance at July 1, 2010			2,185,140	
FUND BALANCE AT JUNE 30, 2011			$ 2,058,919	

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds		
	Water Pollution Control Authority	Parking Authority	Total
ASSETS			
CURRENT ASSETS			
Cash	$ 743,544	$ 71,167	$ 814,711
Sewer assessments receivable (net of allowance for uncollectible of $3,232)	289,562	-	289,562
Accounts receivable	3,440	19,181	22,621
TOTAL CURRENT ASSETS	1,036,546	90,348	1,126,894
CAPITAL ASSETS (net of accumulated depreciation)			
Land	212,500	382,358	594,858
Buildings	4,378,137	189,005	4,567,142
Machinery and equipment	255,837	65,612	321,449
	4,846,474	636,975	5,483,449
TOTAL ASSETS	$ 5,883,020	$ 727,323	$ 6,610,343
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	$ 855,092	$ -	$ 855,092
Due to other funds	-	2,595	2,595
Bonds and loan payable	170,972	-	170,972
TOTAL CURRENT LIABILTIES	1,026,064	2,595	1,028,659
NONCURRENT LIABILITIES			
Bonds and loan payable	1,239,052	-	1,239,052
TOTAL LIABILITIES	2,265,116	2,595	2,267,711
NET ASSETS			
Investment in capital assets, net of related debt	3,436,450	636,975	4,073,425
Unrestricted	181,454	87,753	269,207
TOTAL NET ASSETS	3,617,904	724,728	4,342,632
TOTAL LIABILITIES AND NET ASSETS	$ 5,883,020	$ 727,323	$ 6,610,343

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business Type Activities- Enterprise Funds		
	Water Pollution Control Authority	Parking Authority	Total
OPERATING REVENUES			
Sewer usage fees	$ 2,056,167	$ -	$ 2,056,167
Rental and fees	-	262,882	262,882
Other revenues	29,220	-	29,220
Interest and lien fees	73,468	-	73,468
Total operating revenues	2,158,855	262,882	2,421,737
OPERATING EXPENSES	2,184,028	207,195	2,391,223
OPERATING (LOSS)INCOME	(25,173)	55,687	30,514
NONOPERATING REVENUES (EXPENSES)			
Interest income	2,100	150	2,250
Interest expense	(36,538)	(240)	(36,778)
Total nonoperating income	(34,438)	(90)	(34,528)
CHANGE IN NET ASSETS	(59,611)	55,597	(4,014)
Retained earnings at July 1, 2010	3,677,515	669,131	4,346,646
RETAINED EARNINGS AT JUNE 30, 2011	$ 3,617,904	$ 724,728	$ 4,342,632

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds		
	Water Pollution Control Authority	Parking Authority	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 2,217,261	$ 275,898	$ 2,493,159
Cash payments to suppliers	(942,271)	(105,235)	(1,047,506)
Cash payments to employees	(582,296)	(97,078)	(679,374)
NET CASH PROVIDED BY OPERATING ACTIVITIES	692,694	73,585	766,279
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES			
Purchase of capital assets	(371,525)	(30,146)	(401,671)
Payment of principal and interest	(208,409)	-	(208,409)
NET CASH USED IN CAPITAL AND FINANCING ACTIVITIES	(579,934)	(30,146)	(610,080)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	2,100	(90)	2,010
NET INCREASE IN CASH AND CASH EQUIVALENTS	114,860	43,349	158,209
Cash and cash equivalents at July 1, 2010	628,684	27,818	656,502
Cash and cash equivalents at June 30, 2011	$ 743,544	$ 71,167	$ 814,711
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss) from operations	$ (25,173)	$ 55,687	$ 30,514
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	225,282	28,739	254,021
Changes in assets and liabilities:			
Accounts receivable	58,407	13,017	71,424
Accounts payable	456,228	(23,858)	432,370
Due to other funds	(22,050)	-	(22,050)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 692,694	$ 73,585	$ 766,279

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

	Pension Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	$ 603,824	$ 25,932,086
Investments, at fair value	9,915,301	-
Other receivables	34,900	-
TOTAL ASSETS	$ 10,554,025	$ 25,932,086
LIABILITIES - other	-	$ 25,932,086
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES	$ 10,554,025	$ -

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2011

		Pension Trust Fund
ADDITIONS		
Contributions		
City of Derby		$ 550,000
Plan members		196,014
Total contributions		746,014
Investment income		
Net realized/unrealized gain on investments		1,606,439
Interest and dividends		323,697
		1,930,136
Less investment management fees		(28,341)
Net investment income		1,901,795
	TOTAL ADDITIONS	2,647,809
DEDUCTIONS - benefits and other deductions		630,379
	CHANGE IN NET ASSETS	2,017,430
Net assets held in trust for pension benefits at July 1, 2010		8,536,595
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT JUNE 30, 2011		$ 10,554,025

See notes to financial statements.

NOTE 1 — REPORTING ENTITY, DESCRIPTION OF FUNDS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Derby, Connecticut, operates under a Mayor/Board of Alderman and Board of Apportionment and Taxation form of Government and provides services as authorized by its Charter including police and fire protection, education services, recreation and parks, health and welfare services and general administrative services.

The accounting policies of the City of Derby conform to generally accepted accounting principles as applicable to governmental units. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails. A summary of the more significant policies are stated herein.

The City provides a full range of services including public safety, roads, sanitation, health, social services, culture and recreation, education, planning, zoning, and general administrative services to its residents. The accompanying financial statements confirm to accounting principles generally accepted in the United States of America as applicable to governments.

The reporting entity of the City of Derby, Connecticut includes all funds, account groups, agencies, boards, commissions and authorities over which the City presides. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Derby (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational and/or financial relationship with the City as blended component units.

The Water Pollution Control Authority (WPCA) of the City of Derby is an entity legally separate from the City, and is governed by a ten member board (Board of Apportionment and Taxation). For financial reporting purposes, the WPCA is reported as if it were part of the City's operation because its purpose is to provide sewer usage to the citizens of the City of Derby.

The Parking Authority of the City of Derby is an entity legally separate from the City, and is governed by the Office of the Mayor. For financial reporting purposes, the Parking Authority is reported as if it were part of the City's operations because its purpose is to provide parking to the citizens of the City of Derby.

The City of Derby Pension Plan is an entity legally separate from the City of Derby, and is governed by an eight member board appointed by the City's Mayor and Pension Charter. For financial reporting purposes, the City of Derby Pension Plan is reported as if it were part of the City's operations because its purpose is to provide retirement benefits to employees of the City of Derby.

Complete financial statements for the individual component units may be obtained at the entity's administrative offices as follows:

Derby Water Pollution Control Authority
1 Elizabeth Street
Derby, Connecticut 06418

City of Derby Pension Plan
1 Elizabeth Street
Derby, Connecticut 06418

The Parking Authority of Derby does not issue separate financial statements.

Accounting Estimates

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.
Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental 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 and fiduciary fund financial statements. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated for payments to be made early in the following year. Certain indirect costs are included in the program expense.
Those revenues susceptible to accrual are property taxes, special assessments and interest revenue. Fines, permits and charges for services are not susceptible to accrual because generally they are not measurable until received in cash.
The government reports the following major governmental funds:

(i) *General Fund* — The General Fund is the general operating fund of the City government. All unrestricted resources except those required to be accounted for in another fund are accounted for in this fund. From this fund are paid general operating expenditures, fixed charges, principal and interest on long-term debt, and capital improvement costs of the City, which are not paid through a special fund.

(ii) *Library Endowment Fund* — is used to account for the investments assigned for library operations and improvements

(iii) *Middle School Building Project* — The Middle School Building Project is a capital project fund used to account for funds which are principally used for construction of a new middle school.

(iv) *System-wide School Capital Improvements* – The System-wide School Capital Improvements is a capital project fund used to account for the improvements to the City schools and Board of Education facilities.

The government reports the following major proprietary funds:

(i) *Water Pollution Control Authority* — The Water Pollution Control Authority accounts for the operations of the City's wastewater treatment plant. It is independent in terms of its relationship to other City functions. Its operations are financed from special assessments and direct charges to the users of the service.

(ii) *Parking Authority* — The Parking Authority accounts for the operations of the City's paid parking revenues which consist of revenues from meter collections and the City's parking garage. It also accounts for related fixed assets. It is independent in terms of its relationship to other City functions. Its operations are financed from meter collections and parking garage fees.

Additionally, the government reports the following fund types:

(i) *Pension Trust Funds* — account for the activities of the City's Public Employee Retirement System defined benefit pension plans, which accumulate resources for pension, benefit payments to qualified employees.

(ii) *Agency Funds* — account for monies held as a custodian for outside groups and agencies.

(iii) *Permanent Funds* — account for monies that are legally restricted to the extent that only earnings and not principal may be used that support programs that benefit the government or its citizens.

Interfund activity has been eliminated from the government-wide financial statements except for charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments.

Property Taxes — Property taxes are assessed as of October 1 and are levied on the following July 1. Real estate and personal property taxes are due in two installments on July 1 and the following January 1. Motor vehicle taxes are payable on July 1 and supplemental motor vehicle taxes are payable on January 1. Liens are filed on delinquent real estate taxes within one year.

Property tax revenues are recognized when they become available. Available means due or past due and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property taxes receivable, not expected to be collected within sixty days of year-end are reflected as deferred revenue.

Proprietary Funds – All proprietary funds are accounted using the accrual basis of accounting. These funds account for operations that are primarily financed through user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Proprietary funds distinguish operating revenues and expense

from non-operating items. Operating revenues generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as non-operating 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 Equivalents — The City considers all highly liquid investments and those with original maturities of three months or less to be cash equivalents.

Investments — Investments are stated at fair value. Fair value is determined based on quoted market prices.

Inventories — Inventories are stated at the lower of cost or market using the consumption method on the first-in, first-out basis for the Board of Education School Lunch Program.

Interfund Transactions — Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditure/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

The three types of interfund transactions and the related accounting policies are as follows:

1. Transactions to reimburse the fund for expenditures made by it for the benefit of another fund. These transactions are recorded as expenditures in the disbursing fund and as a reduction of expenditures in the receiving fund.

2. Transactions to shift revenue or contributions from the fund budgeted to receive them to the fund budgeted to expend them. These transactions are recorded as transfers in to and out of the respective funds.

3. Transactions to record equity contributions between funds. The receiving fund records such transactions as a transfer in and an addition to fund balance. The disbursement fund records the transaction as a transfer out and a reduction of fund balance.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business type activities columns in government-wide financial statements.

Governmental Activities

Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the net asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	20 years
Building and building improvements	25 – 50 years
Infrastructure	10 – 65 years
Machinery and equipment	5 – 20 years
Licensed vehicles	8 years

Proprietary Fund Types — Property, plant and equipment owned by the Proprietary Funds are recorded based on cost at acquisition or if contributed property, at fair market value at the time of contribution.

Assets capitalized have an original cost of $1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20 – 50 years
Sewer System	30 – 50 years

Deferred Revenue — Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Long-Term Obligations — In the government-wide financial statements, and proprietary fund types in fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

Fund Equity and Net Assets — In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt — This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Assets — This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets — This category represents the net assets of the City, which are not restricted for any project or other purpose.

In the fund financial statements, fund balances of governmental funds are classified in two separate categories. The two categories, and their general meanings, are as follows:

In the fund financial statements, the City implemented GASB No. 54 Fund Balance Reporting and Governmental Fund Type Definitions for the year ended June 30, 2011. GASB No. 54 established that fund balance for governmental funds should be reported in that classifications for comprise a hierarchy based primarily on the extent to

which the government is bound to honor constraints on the specific purpose for which the amounts in these funds can be spent. These classifications may consist of the following:

Non-spendable — generally, amounts that are not expected to be converted to cash, such as inventories or prepaid amounts. This classification also includes some long-term amounts such as property acquired for resale or the long-term portion of loans receivable. (However, if the eventual proceeds or collections from these would be restricted, committed, or assigned, these amounts would be included in that other classification.)

Legally or Contractually Required to be Maintained Intact — amounts that are required to be maintained intact, such as the principal of a permanent fund.

Restricted — amounts that can be used only for specific purposes because of (a) constitutional provisions or enabling legislation or (b) externally imposed constraints. (External constraints might be imposed by creditors, grantors, contributors, or even the laws or regulations of other governments.)

Committed — amounts that can be used only for specific purposes because of a formal action by the government's highest level of decision-making authority. This classification might also include contractual obligations if existing resources have been committed for use in satisfying those contractual requirements. (The formal action to establish constraints should be taken before year-end, even if the amount might not be determined until the subsequent period.)

Assigned — amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a finance committee), or by an official to whom that authority has been given. This is the residual fund balance classification for all governmental funds except the general fund. Assigned fund balances should not be reported in the general fund if doing so causes the government to report a negative unassigned general fund balance.

Unassigned — this is the residual classification for the general fund (i.e., everything that is not in another classification or in another fund). The general fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

NOTE 2 — GOVERNMENT-WIDE FINANCIAL STATEMENTS

Beginning net assets for governmental activities was determined as follows:

Fund balances of general, special revenue, capital project funds and permanent fund as of July 1, 2010	(5,610,941)
Add: governmental capital assets, including general fixed assets and infrastructure as of July 1, 2010	97,474,165
Add: school construction grants receivable as of July 1, 2010	442,817
Add: tax revenue receivable as of July 1, 2010	1,079,777
Deduct: accumulated depreciation as of July 1, 2010 on above governmental capital assets	(27,488,781)
Deduct: general obligation bonds payable as of July 1, 2010	(11,717,700)
Deduct: bond premium as of July 1, 2010	(233,860)
Deduct: capital lease payable as of July 1, 2010	(108,660)
Deduct: net pension obligation as of July 1, 2010	(368,490)
Deduct: OPEB obligation as of July 1, 2010	(4,074,170)
Deduct: compensation absences payable and other long-term liabilities as of July 1, 2010	(3,559,466)
NET ASSETS AS OF JULY 1, 2010	$ 45,834,691

NOTE 3 — RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities are reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $21,505,085 difference are as follows:

Bonds payable	$ 10,737,200
Bonds premium	217,155
Compensated absences	3,046,014
Net pension obligation	413,889
Other post-employment obligations	6,080,139
Capital leases	570,278
Post-closure landfill	440,410
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	$ 21,505,085

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between the net changes in fund balances – total governmental funds and the changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this $558,426 difference are as follows:

Capital outlay	$	1,583,243
Depreciation expense		(2,141,669)
Net adjustment to increase net changes in fund balances - total governmental funds, to arrive at changes in net assets of governmental activities	$	(558,426)

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases)" provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $1,443,178 difference are as follows:

General obligation debt	$	980,500
Bond premium		16,705
Other miscellaneous long-term liabilities		19,796
Capital leases		(461,618)
Net pension obligation		(45,399)
Compensated absenses		53,246
Other post-employment obligations		(2,005,969)
Net adjustment to decrease net assets in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	$	(1,442,739)

NOTE 4 — BUDGETS AND BUDGETARY ACCOUNTING

General Fund

The City establishes its budget in accordance with provisions of the Connecticut General Statutes and its Charter. The Charter requires that the Board of Apportionment and Taxation shall lay such taxes as may be required upon the Grand List of the City, which shall have been made according to law, next before the laying of such tax. Each board of the City government and each officer of the City under whose control money is expended shall, on or before the first day of April of each year, submit to said Board an estimate of the amount of money required by such board or such officer for the next ensuing year, giving details as far as practicable. The Board of Apportionment and Taxation, at a meeting thereof to be held in May of each year, shall prepare an estimate of the amounts required by each department of the City government for the ensuing year, giving particulars as far as possible and recommending appropriations for all these expenses for said year and shall cause such estimates

forthwith to be published in a newspaper published in New Haven County and having a circulation in said City. The Board of Apportionment and Taxation shall hold a meeting in May in each year, and may adjourn the same from time to time to a day not later than the last business day of May and at said meeting, or any adjournment thereof, it shall hear all parties who may desire to be heard relative to any alterations in such estimates and appropriations, and may make any alterations in such estimates and appropriations, and may make such additional appropriations as it shall deem proper. The Board of Apportionment and Taxation, having made such alterations as it may determine, shall prepare a statement of appropriations and tax rates which it proposes to make and levy, and cause the same to be published in a newspaper published in New Haven County and having a circulation in said City, not later than three days after the last business day in May in said year. The Board of Apportionment and Taxation is authorized to make appropriations and lay taxes for all City purposes and for all other purposes required by law and may fix the time when any tax laid by it shall become due and payable. The Board of Apportionment and Taxation shall have no authority to make appropriations in excess of the revenues of the City for any year, and in no case shall the expenses of the City exceed its revenue for any year, except in cases and for purposes for which the City is authorized by special act of general assembly to issue bonds and when bonds are in fact issued. The budget for the current year was adopted by the Board of Apportionment and Taxation and transfers and supplemental appropriations were approved during the year in accordance with provisions of the Connecticut General Statutes and the Charter of the City of Derby.

Annual budgets are prepared and employed for management control for the General Fund. Appropriations typically lapse at year end, except appropriations for capital projects which continue until completion of the project. Supplemental appropriations in the amount of $1,810,296 were approved by the Board of Apportionment and Taxation during the fiscal year. The budget for the General Fund is presented on a basis consistent with generally accepted accounting principles.

The level of control for the General Fund is the legally adopted budget at the department/major activity level which is authorized by Charter. The level of control for Capital Projects Funds is the appropriations at the project level. Total expenditures cannot exceed total appropriations at the department/major activity level or the project authorization, over the length of the project. The level of control for Special Revenue Funds is at the project or program level in accordance with agreement provisions and various budgetary periods.

The City's formal budgeting system is employed as a management control device only for the General Fund and requires accounting for certain transactions to be on a basis other than generally accepted accounting principles (GAAP) basis. The General Fund budget is prepared on the modified accrual basis of accounting. There are two major differences between the budget and GAAP basis. The first is the requirement of the City to report on-behalf contributions made by the State of Connecticut to the Connecticut Teacher's Retirement System, whereas on a budgetary basis these on-behalf payments are not reflected as expenditures. The second is the recording of revenue for items which should be reduction of expenses. A reconciliation between the accounting treatment for these items (the combined statements of revenues, expenditures and changes in fund balance), and the budgetary basis (the statement of revenues, expenditures and changes in fund balance-budget and actual-general fund) is as follows:

	Revenues	Expenditures	Fund Balance
Balance, budgetary basis at June 30, 2011	$ 36,970,945	$ 37,168,107	$ 2,058,919
State Teachers' Retirement on-behalf payments, not recognized for budgetary purposes	1,287,576	1,287,576	-
Balance, GAAP basis at June 30, 2011	$ 38,258,521	$ 38,455,683	$ 2,058,919

Encumbrances

Encumbrances, which are purchase orders, contracts and other legal commitments, are recorded in order to reserve the unexpended portion of the applicable appropriation. In the General Fund, encumbrances outstanding at year end are reported as reservations of fund balance since they do not constitute expenditures or liabilities and provide the authority for the carryover of appropriations to the subsequent year in order to complete these transactions. As of June 30, 2011, there were no encumbrances outstanding.

Special Revenue Funds

The City does not have legally adopted annual budgets for the Special Revenue Funds. Budgets for the various special revenue funds which are utilized to account for specific grant programs are established in accordance with the requirements of the grantor agencies. Such budgets carryover until completion of the grants.

Capital Projects Funds

Legal authorization for expenditures of the Capital Projects Funds is provided by the related bond ordinances and/or intergovernmental grant agreements. Capital appropriations do not lapse until completion of the applicable projects.

NOTE 5 — DEPOSITS AND INVESTMENTS

Deposits and Investment Balances

Following is a reconciliation of the City's deposit and investment balances as of June 30, 2011:

	Carrying and Fair Values
Deposits	$ 30,098,852
Money market accounts	734,730
Certificates of Deposit	424,660
	$ 31,258,242

At June 30, 2011, the carrying amount of the City's deposits was $31,258,242. The bank balances of funds on deposit totaled $31,874,922. Of the bank balances, $804,757 was covered by federal depository insurance, $3,182,017 was protected under provisions of the Connecticut General Statutes, which provide for protection against loss in excess of depository insurance through assessment against segregated collateral required to be maintained by public depositories, but not held in the City's name, and $27,888,149 was uninsured and uncollateralized.

The level of the City's deposits varies significantly throughout the year as a result of higher cash flows during certain periods. As a result, uninsured and/or uncollateralized amounts at those times were substantially higher than at year-end.

Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the City Treasurer. Investing is performed in

accordance with investment policies adopted by the Board of Aldermen complying with State Statutes and the City Charter.

The City's investments are categorized as either (1) insured or registered, or securities held by the City or its agency in the City's name, (2) uninsured and unregistered, with securities held by the counterpart's trust department or agent in the City's name or (3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

The State statutes authorize the City to invest in obligations of the United States, including its agencies, in obligations of any state or of any political subdivision, authority or agency thereof, provided that at the time of investment such obligations are rated within one of the top two rating categories of any recognized rating service; or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service.

The pension and other trust funds may also invest in certain real estate mortgages, in certain savings banks or savings and loan associations, in stocks or bonds, or in other securities selected by the trustee with the care of a prudent investor.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City generally invests in certificates of deposit that mature in less than one year and mutual funds. The City follows the State Statutes as its investment policy.

The City's investments at June 30, 2011 are shown below:

	Cost	Carrying and Fair Values		Average Credit Quality Ratings	Weighted Average Maturity (Years)
Library Endowment Fund:					
Mutual funds-Equity	$ 584,203	$ 845,661		N/A	N/A
Pension Trust Fund:					
Fixed income:					
Real Estate	174,096	216,921		N/A	N/A
Bonds and notes					
Federal Home Loan Mortgage Corporation	426,871	475,819		AAA	2.72
United States Treasury Notes	696,850	764,070	*	AAA	11.27
Federal Bonds	90,738	91,937		AA-	14.06
Corporate bonds and notes	2,105,247	2,247,370		A	14.26
Mutual funds-Equity					
Columbia Select Large Cap Gr Fd	1,476,050	2,019,078	*	N/A	N/A
Columbia Dividend Income Fd	1,228,625	1,470,134	*	N/A	N/A
Mutual funds	2,316,191	2,629,972		N/A	N/A
	8,514,668	9,915,301			
TOTAL	$9,098,871	$10,760,962			

* represents investments that were greater than 5% of the total investments.

The City's investments are classified under category 1. Category 1 investments are investments that are insured or registered, or securities held by the City or its agent in the City's name.

NOTE 6 — INTERFUND ACCOUNTS

As of June 30, 2011, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
Major:		
General	$ 84,964	$ -
Enterprise	-	2,594
Middle School Project	-	28,675
Schoolwide	22,254	-
	107,218	31,269
Nonmajor funds:		
Library construction	103,282	6,296
Other capital projects	23,288	168,706
Land acquisition	-	27,517
	126,570	202,519
Total	$ 233,788	$ 233,788

The General Fund interfund receivable is due from the Water Pollution Control Authority for current operating expenses reimbursed monthly and from the Capital Projects Funds for advances from/to the General Fund and interest earned by the Capital Projects Funds. These amounts are not expected to be repaid within one year. Capital Projects Funds interfund receivable and payable represent amounts due from/to the other capital projects for operations, and are being repaid as funds become available.

The interfund transfers for the year ended June 30, 2011 is as follows:

Funds	Transfers from Other Funds	Transfers to Other Funds
Major:		
General	$ 626,381	
Middle School Project	-	383,081
Schoolwide	-	200,000
Nonmajor funds:	626,381	583,081
Other Special Revenues	-	43,300
	$ 626,381	$ 626,381

The purpose of the transfers from general fund to Middle School and School Wide Systems is for the repayments of bonds. The transfer to Other Special Revenue is for an annual appropriation from the general fund that is not expected to be repaid.

NOTE 7 — CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Disposal/ Transfers	Balance June 30, 2011
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 5,794,955	$ -	$ -	$ 5,794,955
Contruction in progress	40,648,601	-	39,655,198	993,403
Total Capital Assets, not being depreciated	46,443,556	-	39,655,198	6,788,358
Capital assets, being depreciated:				
Buildings	20,211,600	32,227,397	-	52,438,997
Property under capital lease	2,176,728	697,322	-	2,874,050
Rolling equipment	3,986,896	109,087	-	4,095,983
Machinery, vehicles and equipment	3,207,348	53,771	-	3,261,119
Infrastructure	21,448,037	8,150,864	-	29,598,901
	51,030,609	41,238,441	-	92,269,050
Less accumulated depreciation for:				
Buildings	10,851,058	1,063,090	-	11,914,148
Property under capital lease	1,434,100	135,711	-	1,569,811
Rolling equipment	3,644,346	102,207	-	3,746,553
Machinery, vehicles and equipment	2,991,353	69,698	-	3,061,051
Infrastructure	8,567,924	770,963	-	9,338,887
	27,488,781	2,141,669	-	29,630,450
Total capital assets, being depreciated, net	23,541,828	39,096,772	-	62,638,600
Governmental activities capital assets, net	$ 69,985,384	$ 39,096,772	$ 39,655,198	$ 69,426,958

Depreciation expense by function for the year ended June 30, 2011 is as follows:

Education	$ 657,893
General	730,512
Public safety	230,317
Public works	287,563
Culture and recreation	235,384
	$ 2,141,669

	Balance July 1, 2010	Additions	Disposal	Balance June 30, 2011
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 594,858	$ -	$ -	$ 594,858
Capital assets, being depreciated:				
Buildings	11,839,639	201,315	-	12,040,954
Machinery, vehicles and equipment	908,078	200,356	-	1,108,434
	12,747,717	401,671	-	13,149,388
Less accumulated depreciation for:				
Buildings	7,262,473	211,341	-	7,473,814
Machinery, vehicles and equipment	744,305	42,680	-	786,985
	8,006,778	254,021	-	8,260,799
Total capital assets, being depreciated, net	4,740,939	147,650	-	4,888,589
Business-type activities capital assets, net	$ 5,335,797	$ 147,650	$ -	$ 5,483,447

NOTE 8 – BOND ANTICIPATION NOTES

Bond anticipation note transactions for the year ended June 30, 2011 were as follows:

Outstanding, July 1, 2010	$ 10,000,000
New Borrowings	9,900,000
Repayments	10,000,000
Outstanding, June 30, 2011	$ 9,900,000

The outstanding balance at June 30, 2011 consists of one bond anticipation note due September 2, 2011 at an interest rate of .75% per annum. Subsequent to June 30, 2011, the bond anticipation note was paid down by $150,000 and refinanced into one bond anticipation note in the amount of $9,750,000 due April 4, 2012 at an interest rate of 1% per annum.

NOTE 9 — LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Decreases	Balance June 30, 2011	Due within One Year
Governmental Activities:					
Refunding-2009	$ 2,097,700	$ -	255,500	$ 1,842,200	$ 251,400
Capital improvements	1,744,529	-	170,000	1,574,529	170,000
Phase II	2,250,471	-	130,000	2,120,471	230,000
Phase III	100,000	-	100,000	-	-
General-2007	5,525,000	-	325,000	5,200,000	325,000
Total	11,717,700	-	980,500	10,737,200	976,400
Bond premium	233,860	-	16,705	217,155	16,705
Capital leases	108,660	697,322	235,704	570,278	108,660
Net pension obligation	368,490	45,399	-	413,889	413,889
OPEB obligation	4,074,170	2,005,969	-	6,080,139	-
Compensated absenses	3,099,260	9,645	62,891	3,046,014	100,000
Landfill postclosure care costs	460,206	-	19,796	440,410	20,000
Total governmental activities long-term liabilities	$ 20,062,346	$ 2,758,335	$ 1,315,596	$ 21,505,085	$ 1,635,654
Business-type activities:					
Refunding-2009	$ 447,300	$ -	$ 54,500	$ 392,800	$ 53,600
Loan payable	1,134,596	-	117,372	1,017,224	117,372
Total Business-type activities long-term liabilities	$ 1,581,896	$ -	$ 171,872	$ 1,410,024	$ 170,972

As of June 30, 2011, the City's outstanding general obligation bonds were as follows:

	Outstanding Amount
Governmental Activities:	
$2,097,700 serial bond; issue of 2009; due April 2018; effective interest ranging from 3.0%-4.0%	$ 1,842,200
$10,365,000 serial bond; issue of 2003; due September 2023; effective interest ranging from 2.5%-4.8%	3,695,000
$6,190,000 serial bond; issue of 2006; due September 2026; effective interest ranging from 3.5%-5.0%	5,200,000
	10,737,200
Less current portion	976,400
Total	$ 9,760,800

The governmental activities outstanding debt is funded through the general fund operations.

As of June 30, 2011, the City's outstanding business-type obligation bonds were as follows:

	Outstanding Amount
Business-type activities:	
$2,097,700 serial bond; issue of 2009; due April 2018; effective interest ranging from 3.0%-4.0%	$ 392,800
$2,347,440 note payable in monthly payments of $9,781 plus interest at 2%, issued February 2001; and due February 2020	1,017,224
	1,410,024
Less current portion	170,972
Total	$ 1,239,052

Governmental Activities:	Principal	Interest	Total
2012	976,400	398,037	1,374,437
2013	972,300	364,720	1,337,020
2014	1,020,600	332,826	1,353,426
2015	868,200	298,033	1,166,233
2016	864,000	267,512	1,131,512
2017	859,900	234,577	1,094,477
2018	855,800	200,806	1,056,606
2019	625,000	166,011	791,011
2020	625,000	140,074	765,074
2021	625,000	113,911	738,911
2022	490,000	90,599	580,599
2023	490,000	70,071	560,071
2024	490,000	49,378	539,378
2025	325,000	32,500	357,500
2026	325,000	19,500	344,500
2027	325,000	6,500	331,500
	$ 10,737,200	$ 2,785,052	$ 13,522,252

Business-type activities:	Principal	Interest	Total
2011	170,972	32,556	203,528
2012	170,072	28,600	198,672
2013	201,772	24,672	226,444
2014	169,172	19,792	188,964
2015	168,372	15,891	184,263
2016	167,472	11,503	178,975
2017	166,572	7,151	173,723
2018	117,372	2,837	120,209
2019	78,248	587	78,835
	$ 1,410,024	$ 143,589	$ 1,553,613

The Refunding-2009 bond issue includes an additional $447,000 which is included in the Derby Water Pollution Control Authority's (Enterprise Fund) financial statements. That portion of the bond issue is also supported by the full faith and credit of the City of Derby, Connecticut. Additionally, upon completion of major improvements to the

water pollution control facilities, the Agency issued a note payable to the State of Connecticut, with interest at 3%, due February 29, 2020.

Capital Lease Obligations

The City is obligated, as a lessee, under various capital leases for the acquisition of a fire trucks, other heavy equipment and computer. The following is a schedule of future minimum lease obligations and the net present value of these minimum payments:

	Payment
Total minimum lease payments due June 30, 2011	638,306
Less amount representing interest	68,028
Net present value of lease payments	$ 570,278

Property and equipment carried at a cost of $2,874,050 with accumulated amortization of $1,569,811 has been acquired under capital lease arrangements. The monthly payments under these leases were $13,298 at an interest rate ranging from 5.2% to 6.3%. The capital lease obligations are financed by the general fund.

Compensated Absences

There is no accrual for compensated absences that are dependent on the performance of future service by employees, or when payments are dependent on future events that are outside the control of the employer and employee. The liability for compensated absences earned but not yet paid is included in the general long-term debt account group. City employees accumulate a limited amount of sick leave until termination of their employment. These amounts are based on length of employment and/or labor contracts. Sick leave is recognized in a governmental fund in the current year to the extent it is paid or the vested amount is expected to be paid with current available resources.

Debt Limitation

The Connecticut General Statutes provide that the City's total outstanding and authorized debt shall not exceed seven times the total tax collections (including interest and lien fees) and revenues received for tax relief of the elderly for the year ended June 30, 2011 ($174,925,562), nor shall the total authorized particular purpose debt exceed the individual debt limitations reflected in the table below:

Total tax collections (including interest and lien fees) for the year ended June 30, 2011,	$ 24,885,486
Reimbursement for revenue loss:	
Tax Relief for Elderly	103,880
Base	$ 24,989,366

	General Purpose	Schools	Sewers	Urban Renewal	Unfunded Pension
Debt Limitation:					
2 ¼ times base	$ 56,226,074				
4 ½ times base		$ 112,452,147			
3 ¾ times base			$ 93,710,123		
3 ¼ times base				$ 81,215,440	
3 times base	-	-	-	-	$ 74,968,098
Total debt limitation	56,226,074	112,452,147	93,710,123	81,215,440	74,968,098
Indebtedness:					
Bonds payable	8,747,700	2,970,000	-	-	-
Bonds authorized and unissued	10,700,000	-	-	-	-
	19,447,700	2,970,000	-	-	-
Debt Limitation in excess of outstanding and authorized debt	$ 36,778,374	$ 109,482,147	$ 93,710,123	$ 81,215,440	$ 74,968,098

NOTE 10 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City's two Enterprise Funds account for the rental of parking spaces of the Parking Authority and operation of the Water Pollution Control Authority (WPCA) which are all supported by user charges. Segment information for the year ended June 30, 2011 is as follows:

	Water Pollution Control Authority	Parking Authority	Total Enterprise Funds
Operating Revenues	$ 2,158,855	$ 262,882	$ 2,421,737
Operating Expenses	2,184,028	207,195	2,391,223
Operating Income(Loss)	(25,173)	55,687	30,514
Non-Operating(Expenses) Revenues	(34,438)	(90)	(34,528)
Change in Net Assets	(59,611)	55,597	(4,014)
Beginning Net Assets	3,677,515	669,131	4,346,646
Ending Net Assets	3,617,904	724,728	4,342,632
Net Cash Provided By (Used In):			
Operating Activities	692,694	73,585	766,279
Capital and Financing Activities	(579,934)	(30,146)	(610,080)
Investing Activities	2,100	(90)	2,010
Beginning Cash and Equivalents	628,684	27,818	656,502
Ending Cash and Equivalents	$ 743,544	$ 71,167	$ 814,711

NOTE 11 – FUND DEFICITS

The following funds had a fund deficit as of June 30, 2011:

Major Funds:	
Middle School Project	$ 10,359,393
Other Capital Project Funds:	
-Landfill	$ 99,676
-Roads – Phase I	$ 33,102

These deficits for Landfill and Roads-Phase I Capital Project Funds will be reduced or eliminated through permanent financing or the receipt of grant funds. The Middle School Project deficit will be eliminated with bond proceeds.

NOTE 12 - PENSION PLAN

Plan Description

City Public Employee Retirement System – The City of Derby Pension Plan covers substantially all full-time employees of the City of Derby and its related agencies, except teachers, who are covered by the State Teacher's Retirement Fund and police employees who are covered by the State Municipal Employees Retirement Fund. The Public Employee Retirement System is the administrator of a single-employer pension plan that was established by the City in accordance with the City charter and state statutes.

As of July 1, 2009, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	51
Active plan participants:	
Vested	71
Nonvested	40
Total Active Participants	111
TOTAL	182

The pension plan provides pension benefits, cost of living allowances, and death and disability benefits. A member may retire after reaching the age of 63 and completing 25 years of service, or after 5 years of service having attained age 65. Also, a member may retire early after reaching age 55 and completing 10 years of service. Employees who retire at or after age 55 with 25 or more years of service are entitled to pension payments equal to 2% of average annual pay during five consecutive highest paid years, times the number of years and completed months of service for which they were employed by the City. For employees who retire early, the normal retirement formula applies except that benefits are reduced one-half percent (.5%) for each month before the normal retirement date that the pension begins.

Employees of the City are required to pay 3.5% of their gross earnings to the pension plan. The payments are deducted from the employee's wages or salary and remitted by the City to the Public Employee Retirement System on a monthly basis. If an employee leaves the employment of the City before 25 years of service, the accumulated contributions plus earned interest are refunded to the employee or the employee's designated beneficiary.

For the year ended June 30, 2011, the City's total payroll for all employees amounted to $17,081,696 and the City's total covered payroll amounted to $1,998,558. Covered payroll refers to all compensation paid by the City to active employees covered by the Derby Public Employee Retirement System on which contributions to the pension plan are based.

Summary of Significant Accounting Policies and Plan Asset Matters

The City of Derby Public Employee Retirement System financial statements are prepared on the accrual basis of accounting. Contributions from the City and the City's employees are recognized as revenue in the period in which employees provide services to the City and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment income is recognized as earned by the pension plan. The net appreciation (depreciation) in the fair value of investments held by the pension plan is recorded as an increase (decrease) to investment income based on the valuation of investments as of July 1, 2009.

Investments in securities and mutual funds are valued at current market prices. Corporate bond securities are assigned a value based on yields currently available on securities of issuers with credit ratings similar to the securities held by the pension plan. Unrestricted capital stock securities are assigned a value based on quoted market prices. The estimated value assigned to restricted capital stock securities is based on a multiple of current earnings less an appropriate discount. The earnings multiple is based on current multiples and earnings for companies similar to the securities held by the pension plan.

Funding Status and Progress

The actuarial pension benefit obligation at June 30, 2011 was computed on a projected unit credit actuarial cost method by the City's actuary using amounts from an actuarial valuation performed as of July 1, 2007. Governmental Accounting Standards Board (GASB) Statement No. 25 requires actuarial valuations to be performed at least biannually, with an actuarial update (estimate) to the date twelve months after the biannual valuation. Therefore, the presentation of July 1, 2009 meets the requirements of GASB Statement No. 25. Significant actuarial assumptions used in the valuation include a rate of return on the investment of present and future assets of 8 percent a year, compounded annually, which includes inflation at 3 percent and projected salary increases at 5 percent a year, compounded annually.

The City must contribute, at a minimum, the normal cost plus interest on the unfunded accrued liability. The actuarial valuation report presents a range of contributions from the minimum to a 15 year amortization of the unfunded accrued liability.

Contributions Required and Contributions Made

Employees are required to contribute 3.5% of their monthly salary to the PERS. The City is required to contribute the remaining amounts necessary to finance the required contribution.

Periodic employer contributions to the pension plan are determined on a projected unit credit actuarial cost method. Normal cost is funded on a current basis.

The unfunded actuarial accrued liability is funded over a range of periods. Total employer contributions to the pension plan amounted to $550,000 in 2011.

The contributed amounts were actuarially determined as described above and were based on an actuarial valuation as of July 1, 2009.

The computation of the pension contribution requirements for June 30, 2011, was based on the same actuarial assumptions, benefit provisions, actuarial funding method, and other significant factors used to determine pension contribution requirements in previous years.

During the fiscal year ended June 30, 1998, the City implemented the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 27, Accounting for Pensions by State and Local Governmental Employers. At the point of transition (July 1, 1997), the City had no pension liability reflected on their financial statements. In accordance with GASB Statement No. 27, the City calculated the potential for recognizing a net pension obligation (NPO).

The calculation of the Annual Pension Cost (APC) and Net Pension Obligation (NPO) is detailed as follows and is recorded in Governmental Activities:

Actuarially Required Contribution (ARC)	$	605,800
Interest on NPO		29,479
Adjustment to ARC		(39,880)
Annual Pension Cost (APC)		595,399
Contribution Made		550,000
Decrease in NPO		45,399
NPO beginning of year		368,490
NPO end of year	$	413,889

Annual Pension Cost and Net Pension Obligation
Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Actual Contribution
6/30/02	256,957	90.1%	(8,525)	231,500
6/30/03	256,240	78.0%	47,715	200,000
6/30/04	359,855	55.6%	207,570	200,000
6/30/05	355,342	70.35%	312,912	250,000
6/30/06	352,368	104.9%	295,780	369,500
6/30/07	542,151	68.3%	467,683	370,248
6/30/08	537,300	102.4%	454,483	550,500
6/30/09	476,473	102.7%	441,656	489,300
6/30/10	476,834	115.3%	368,490	550,000
6/30/11	$595,399	92.3%	$413,889	$550,000

Concentrations

Investments that represent 5% or more of net assets available for benefits are listed in Note 5 on page 37.

State Teachers' Retirement Fund

The State Teachers' Retirement System is administered under the provisions of Chapter 167a of the Connecticut General Statutes. Teachers are required by law to contribute 7.25% of their salary to the State of Connecticut Teachers' Retirement Fund Board. Participation in the plan is restricted to certified teachers employed in the public schools of Connecticut and members of the professional staff of the State Department of Education or the Board of Governors of Higher Education and their constituent units. Participation in the plan is mandatory for certified personnel of local Board of Education's who are employed for an average of at least one-half of a school day. A teacher is eligible to receive a normal retirement benefit if the teacher has (1) attained age sixty and has accumulated twenty years of credited service in Connecticut, or (2) attained any age with thirty-five years of credited service, at least twenty-five of which are in Connecticut. The City of Derby is not required to make any contributions to this fund. For the year ended June 30, 2011, the City's total payroll amounted to $17,081,696 and the City's total covered payroll of teachers amounted to $10,825,657.

The retirement system for teachers is funded by the State of Connecticut. During the year ended June 30, 2011, the City has recorded intergovernmental revenue and education expenditures in the amount of $1,287,576, representing payments made by the State on behalf of the City of Derby.

State Municipal Employees' Retirement Fund (MERF)

The police employees of the City are covered by the State Municipal Employees Retirement Fund (MERF) with both the City and the police making contributions to this fund. The Municipal Employees' Retirement System (MERF), is a cost sharing multiple-employer, public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, annual cost of living adjustments and death benefits to the employees and beneficiaries of participating municipalities. MERF is considered to be a part of the State's financial reporting entity and is included in the State's financial reports as a pension trust fund. These reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling 860-702-3480.

Plan provisions are set by statute of the State of Connecticut. MERF provides retirement benefits, as well as death and disability benefits. Annual cost of living increases between 3% and 5% are paid to disabled members and non-disabled retired members who have reached age 65. All benefits vest after 10 years of continuous service. Members who retire after age 55 with 10 years of service or after 25 years of service, irrespective of age, are entitled to an annual retirement benefit, payable monthly for life, in an amount for each year of service equal to:

- If covered by social security: 1.5% of the three-year average of earnings not in excess of the year's breakpoint, plus 2% of the three-year average of earnings in excess of the year's breakpoint. The year's breakpoint for 2011 is $54,800.

- If not covered by social security: 2% of the average of earnings for the three highest paid years of service.

Covered employees are required by state statute to contribute 2 1/4% of earnings upon which social security tax is paid plus 5% of earnings on which no social security tax is paid. Each municipality is required to contribute the amounts necessary to finance the remaining costs of the plan.

The City's required contribution to MERF for the year ended June 30, 2011 amounted to $442,335.

NOTE 13 - POST-RETIREMENT BENEFITS

The City provides post-retirement benefits for certain employees for current and future health and life insurance benefit expenses through a single-employer defined benefit plan. An annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made June 30, 2009. The post-retirement plan does not issue standalone financial reports. From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the City recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

The contribution requirements of plan members and the City are established and may be amended by the City. The City determines the required contribution using the Projected Unit Credit Method.

Membership in the plan consisted of the following at June 30, 2009, the date of the last actuarial valuation.

Retirees and beneficiaries receiving benefits	120
Active plan members	292
Total	412

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation was as follows:

Fiscal Year Ending	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Contributed	Net OPEB Obligation
June 30, 2010	$ 3,088,409	1,088,656	35.2%	$ 4,074,190
June 30, 2011	$ 3,117,544	1,111,574	35.7%	$ 6,080,140

The calculation of the Net Other Post-Employment Benefits (OPEB) is detailed as follows and is recorded in Governmental Activities:

Annual required contribution	$ 3,181,171
Interest on net pension asset	162,967
Adjustment to ARC	226,594
Annual OPEB cost	3,117,544
Contributions made	1,111,574
Increase in net OPEB liability	2,005,970
Net OPEB obligation, beginning of year	4,074,170
Net OPEB obligation, end of year	$ 6,080,140

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an on going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liability (UAL) (b)-(a)	Funded Ratio (a/b)	Covered payroll (c)	Unfunded UAL as a % of covered payroll ((b-a)/c)
6/30/09	$ -	$ 28,984,119	$ 28,984,119	0%	$ 14,840,533	195%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The information presented was determined as part of the actuarial valuation. Additional information as of the last actuarial valuations follows:

Valuation date	June 30, 2009
Actuarial cost method	Projected Unit Credit
Amortization method Actuarial accrued liability	30 Year Level Dollar, Op
Remaining amortization period	30 Year
Asset valuation method	Market Value
Actuarial assumptions Investment rate of return	4.00%
Inflation rate	5.00%

Health cost trend rates

Annual increases in premium for retired medical and prescription drug benefits are assumed to be as follows:

Year After Valuation Date	Increase
1	10%
2	9%
3	8%
4	7%
5	6%
6	5%
7or more	5%

NOTE 14 –COMMITMENTS AND CONTINGENT LIABILITIES

The City of Derby, Connecticut is contingently liable in a number of lawsuits involving personal injury claims, heart and hypertension, tax appeals, negligence, zoning, personnel, and other miscellaneous suits and unasserted claims. It is the opinion of Corporation Counsel that such pending litigation against the City not covered by insurance, would not, when finally determined, individually or in the aggregate, materially affect the financial position of the City.

The City has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. The audits of these programs by the grantor agencies could result in a request for reimbursement for expenditures disallowed under the terms and conditions of the grant. Based upon prior experience, City management believes such disallowances, if any, will not be material.

Construction Commitments

The fund balances in the Capital Project Funds will be used for future construction and renovation.

NOTE 15 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health and medical claims and natural disasters. The City carries commercial insurance for these risks. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the three prior years. In the current year there was a $1,750,000 settlement in excess of insurance coverage. The payments were made during the year ended June 30, 2010, but were accrued in the previous year.

NOTE 16 – CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the City of Derby place a final cover on its landfill when it was closed, and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The recognition of these landfill closure and postclosure care costs is based on the amount of landfill used during the year. The estimated total current cost of the landfill closure is $1,100,000 and postclosure care is $478,441 totaling $1,578,441, which is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, maintain the landfill and construct a transfer station were completed as of June 30, 2011. The actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The landfill closure costs of $1,100,000 was financed by general obligation bonds of $300,000 issued during fiscal year ended June 30, 1995, and by State grants estimated at $800,000. These landfill grants and postclosure costs have been included in Other Governmental Funds.

Note 17 – SUBSEQUENT EVENTS

Subsequent events were evaluated through June 14, 2012, the date of the financial statements were available to be issued.

CITY OF DERBY, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011

PUBLIC EMPLOYEE RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS

YEAR ENDED JUNE 30	ANNUAL REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTED	ACTUAL CONTRIBUTION
2002	$256,000	90%	$231,500
2003	256,000	78%	200,000
2004	361,200	55%	200,000
2005	361,200	69%	250,000
2006	361,200	102%	369,500
2007	550,500	67%	370,248
2008	550,000	100%	550,500
2009	489,300	100%	489,300
2010	489,300	112%	550,000
2011	$605,800	91%	$550,000

PUBLIC EMPLOYEE RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (AAL) (B)	UNFUNDED AAL (UAAL) (B-A)	FUNDED RATIO (A/B)	COVERED PAYROLL (C)	UAAL AS A PERCENT OF COVERED PAYROLL ((B-A)/C)
JULY 1, 2002	N/A	N/A				
JULY 1, 2003	$7,259,660	$7,518,625	258,965	96.6%	3,114,027	8.3%
JULY 1, 2004	N/A	N/A				
JULY 1, 2005	N/A	N/A				
JULY 1, 2006	$7,249,682	$9,105,039	1,855,357	79.6%	3,063,631	60.6%
JULY 1, 2007	$8,281,124	$9,359,566	1,078,442	90.9%	3,506,172	30.8%
JULY 1, 2008	N/A	N/A				
JULY 1, 2009	$8,968,572	$10,602,983	$1,634,411	84.6%	$4,189,263	39.0%
JULY 1, 2010	N/A	N/A				

This page intentionally left blank.

SUPPLEMENTAL INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

CITY OF DERBY, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

SPECIAL REVENUE FUNDS

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

School Lunch — is used to account for a school lunch program and the federal and state grants that are included within that program.

Community Development – is used to account for community development block grants/small cities program funds which are principally used for developing viable urban communities by providing decent housing, a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income

Other Special Revenue Funds — are used to account for the smaller special revenue programs not classified anywhere else.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Library Construction — is used to account for library improvements.

Land Acquisition — is used to account for acquisition of land designated by the City for conservation

Phase III Roadways – is used to account for pavement reconstruction and storm drainage improvements to repairs to certain City streets.

Other Capital Project Funds — are used to account for the smaller capital programs not classified anywhere else.

PERMANENT FUNDS

Permanent Funds — are used to account restricted funds where only the income of those funds is restricted by a donor for a particular purpose.

CITY OF DERBY, CONNECTICUT
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue			
	School Lunch	Community Development	Other Special Revenue Funds	Library Construction
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 158,827	$ 52,190	$ 96,035	$ 9,009
Investments	-	-	-	-
Receivables - intergovernmental	65,503	-	-	-
Receivables - other	-	97,610	-	-
Inventory	4,838	-	-	-
Due from other funds	-	-	-	103,282
TOTAL ASSETS	$ 229,168	$ 149,800	$ 96,035	$ 112,291
LIABILITIES AND FUND BALANCES (DEFICITS)				
LIABILITIES				
Accounts payable	$ 118,262	$ -	$ 1,170	$ -
Deferred revenue	17,352	145,260	7,238	-
Due to other funds	-	-	-	6,296
TOTAL LIABILITIES	135,614	145,260	8,408	6,296
FUND BALANCES (DEFICIT)				
Nonspendable	4,838	-	-	-
Restricted	-	-	-	105,995
Assigned	88,716	4,540	87,627	-
Unassigned	-	-	-	-
Total fund balances (deficits)	93,554	4,540	87,627	105,995
TOTAL LIABILITIES AND FUND BALANCES	$ 229,168	$ 149,800	$ 96,035	$ 112,291

CITY OF DERBY, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

REVENUES				
Federal and State government	$ 384,649	$ 10,798	$ 42,950	$ -
Charges for services	279,660	-	4,756	-
Net increase in fair market value of investments	-	-	-	-
Other	-	-	2,050	-
Interest on investments	-	13,925	12	-
TOTAL REVENUES	664,309	24,723	49,768	-
EXPENDITURES				
General government	-	-	85,322	-
Culture and recreation	-	-	-	-
Health and welfare	687,444	-	7,700	-
Capital outlay	-	25,438	-	-
TOTAL EXPENDITURES	687,444	25,438	93,022	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(23,135)	(715)	(43,254)	-
OTHER FINANCING SOURCES - Operating transfers in	-	-	43,300	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(23,135)	(715)	46	-
Fund balance(deficit) at July 1, 2010	116,689	5,255	87,581	105,995
FUND BALANCES (DEFICIT) AT JUNE 30, 2011	$ 93,554	$ 4,540	$ 87,627	$ 105,995

Capital Projects				
Land Acquisition	Phase III Roadways	Other Capital Project Funds	Permanent Funds	Total
$ 89,147	$ 606,893	$ 49,408	$ 5,490	$ 1,066,999
-	-	-	-	-
-	-	-	-	65,503
-	-	-	-	97,610
-	-	-	-	4,838
-	-	23,288	-	126,570
$ 89,147	$ 606,893	$ 72,696	$ 5,490	$ 1,361,520
$ -	-	$ -	$ -	$ 119,432
-	-	-	-	169,850
27,517	-	168,706	-	202,519
27,517	-	168,706	-	491,801
-	-	-	5,490	10,328
61,630	606,893	-	-	774,518
-	-	-	-	180,883
-	-	(96,010)	-	(96,010)
61,630	606,893	(96,010)	5,490	869,719
$ 89,147	$ 606,893	$ 72,696	$ 5,490	$ 1,361,520
$ -	$ -	$ -	$ -	$ 438,397
-	-	-	-	284,416
			-	
-	-	-	-	-
-	-	-	-	2,050
243	-	16	-	14,196
243	-	16	-	739,059
-	-	-	-	85,322
-	-	-	-	-
-	-	-	-	695,144
-	-	-	-	25,438
-	-	-	-	805,904
243	-	16	-	(66,845)
-	-	-	-	43,300
243	-	16	-	(23,545)
61,387	606,893	(96,026)	5,490	893,264
$ 61,630	$ 606,893	$ (96,010)	$ 5,490	$ 869,719

SUPPLEMENTAL INFORMATION

FIDUCIARY FUNDS

CITY OF DERBY, CONNECTICUT
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2011

Trust And Agency Funds are used to account for assets held in a trustee capacity for others, and include Pension Trusts, Expendable Trusts, Non-Expendable Trusts and Agency Funds.

City Employees' Retirements Pension Trust Fund — *utilize the accrual basis of accounting and are used for the accumulation of resources to be used for retirement benefits under the Employees' Retirement Plan of the City of Derby.*

Agency Funds — utilize the modified accrual basis of accounting. Agency funds are custodial in nature (assets equal liabilities) and are used to account for student activities and school scholarship funds. The City's Agency Funds are listed below:

Student Scholarship Fund
Student Activity
Performance Bonds

CITY OF DERBY, CONNECTICUT
COMBINING BALANCE SHEET TRUST AND AGENCY FUNDS
YEAR ENDED JUNE 30, 2011

	Pension Trust Fund	Agency Funds: School Scholarship Funds	Agency Funds: Student Activity
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 603,824	$ 42,517	$ 147,859
Investments, at fair value	9,915,301	-	-
Other receivables	34,900	-	-
TOTAL ASSETS	$ 10,554,025	$ 42,517	$ 147,859
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Other liabilities	$ -	$ 42,517	$ 147,859
TOTAL CURRENT LIABILITIES	-	42,517	147,859
FUND BALANCES			
Reserved for employee retirement system	10,554,025	-	-
TOTAL FUND BALANCES	10,554,025	-	-
TOTAL LIABILITIES AND FUND BALANCES	$ 10,554,025	$ 42,517	$ 147,859

CITY OF DERBY, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2011

ADDITIONS	
Contributions	
Employer contributions from general fund	$ 550,000
Employee contributions	196,014
Total contributions	746,014
Investment income	
Net appreciation in fair value of investments	1,606,439
Interest and dividends	323,697
	1,930,136
Less investment expenses - investment management fees	28,341
Net investment income	1,901,795
Total additions	2,647,809
DEDUCTIONS	
Benefits and other deductions	630,379
Net change in net assets	2,017,430
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES, Beginning of year	8,536,595
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES, End of year	$ 10,554,025

Performance Bonds	Total Agency Funds	Total Fiduciary Funds
$ 25,741,710	$ 25,932,086	$ 26,535,910
-	-	9,915,301
-	-	34,900
$ 25,741,710	$ 25,932,086	$ 36,486,111
$ 25,741,710	$ 25,932,086	$ 25,932,086
25,741,710	25,932,086	25,932,086
-	-	10,554,025
-	-	10,554,025
$ 25,741,710	$ 25,932,086	$ 36,486,111

CITY OF DERBY, CONNECTICUT
COMBINING SCHEDULE OF CHANGES IN ASSETS
AND LIABILITIES – AGENCY FUNDS
YEAR ENDED JUNE 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
STUDENT ACTIVITY FUNDS				
ASSETS				
Cash	$ 140,134	$ 114,589	$ 106,864	$ 147,859
LIABILITIES				
Due to student groups	$ 140,134	$ 114,589	$ 106,864	$ 147,859
STUDENT SCHOLARSHIP FUNDS				
ASSETS				
Cash	$ 43,938	$ 49,145	$ 50,566	$ 42,517
LIABILITIES				
Due to student groups	$ 43,938	$ 49,145	$ 50,566	$ 42,517
PERFORMANCE BONDS				
ASSETS				
Cash	$ 24,381,410	$ 1,360,300	$ -	$ 25,741,710
LIABILITIES				
Due to developers	$ 24,381,410	$ 1,360,300	$ -	$ 25,741,710
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash	$ 24,565,482	$ 1,524,034	$ 157,430	$ 25,932,086
Total Assets	$ 24,565,482	$ 1,524,034	$ 157,430	$ 25,932,086
LIABILITIES				
Due to student groups	$ 184,072	$ 163,734	$ 157,430	$ 190,376
Due to developers	24,381,410	1,360,300	-	25,741,710
Total Liabilities	$ 24,565,482	$ 1,524,034	$ 157,430	$ 25,932,086

OTHER SCHEDULES

CITY OF DERBY, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING – GENERAL FUND
YEAR ENDED JUNE 30, 2011

Grand List Year	Uncollected Taxes July 1, 2010 and Current List	Additions/ (Deductions)	Balance to be Collected
1995	$ 585		$ 585
1996	597		597
1997	1,002		1,002
1998	1,238		1,238
1999	1,353		1,353
2000	773		773
2001	820		820
2002	8,234	$ (5,661)	2,573
2003	52,815	(12,961)	39,854
2004	87,275	(13,740)	73,535
2005	119,018	(61,745)	57,273
2006	194,791	(63,927)	130,864
2007	311,639	(66,442)	245,197
2008	653,712	(91,756)	561,956
	1,433,852	(316,232)	1,117,620
2009	24,952,725	(197,555)	24,755,170
	$ 26,386,577	$ (513,787)	$ 25,872,790

CITY OF DERBY, CONNECTICUT
SCHEDULE OF SPECIAL ASSESSMENTS
YEAR ENDED JUNE 30, 2011

Assessment of:		Uncollected Special Assessments June 30, 2011
1974		
	Academy Hill	$ 1,407
	Donna Avenue	1,407
	Kindle Lane	3,926
	Krakow Street	47,924
	Marshall Lane	5,483
	Paugassette Road	1,689
	Pine Street	3,274
	Roosevelt Drive	16,852
	Sodom Lane	4,492
		86,454
1976		
	David Humphrey's Road	1,626
	John Street	3,252
		4,878
1976		
	Harrison Avenue	2,700
	Water bills	1,716
	TOTAL	$ 95,748

Collections				Taxes Receivable June 30, 2011
Taxes	Interest	Lien Fees	Total	
				$ 585
				597
				1,002
				1,238
				1,353
				773
				820
$ -	$ 6,824	$ 96	$ 6,920	2,573
2,925	17,349	102	20,376	36,929
17,914	26,566	252	44,732	55,621
4,020	44,534	522	49,076	53,253
41,601	56,878	716	99,195	89,263
93,368	60,863	994	155,225	151,829
272,345	86,354	2,068	360,767	289,611
432,173	299,368	4,750	736,291	685,447
24,047,988	99,752	1,455	24,149,195	707,182
$ 24,480,161	$ 399,120	$ 4,750	$ 24,885,486	$ 1,392,629