

CITY OF DERBY, CONNECTICUT
AUDITED FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

**CITY OF DERBY, CONNECTICUT
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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, CPA, LLC

Michaud and Accavallo
Certified Public Accountants, LLC

June 14, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 *enterprise 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 liabilities | \$ 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 |
| | <u>45,835</u> | <u>35,838</u> | <u>4,347</u> | <u>4,517</u> | <u>50,182</u> | <u>40,355</u> |
| 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 unassigned 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 |
| | <u>\$ 69,427</u> | <u>\$ 5,483</u> | <u>\$ 74,910</u> |

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 |
| | <u>\$ 10,737</u> | <u>2,785</u> |
| 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 |
| | <u>\$ 1,410</u> | <u>\$ 144</u> |

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.

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BASIC FINANCIAL STATEMENTS

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**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 | 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

Net (Expense) Revenue and
Changes in Net Assets
Primary Government

| Capital Grants and Contributions | 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) |
| <u>290,378</u> | <u>(30,284,876)</u> | | <u>(30,284,876)</u> |
| - | - | \$ (6,264) | (6,264) |
| <u>\$ 290,378</u> | <u>(30,284,876)</u> | <u>(6,264)</u> | <u>(30,291,140)</u> |
| | 24,855,100 | - | 24,855,100 ✓ |
| | 2,336,221 | - | 2,336,221 ✓ |
| | <u>154,389</u> | <u>2,250</u> | <u>156,639</u> ✓ |
| | 27,345,710 | 2,250 | 27,347,960 |
| | (2,939,166) | (4,014) | (2,943,180) |
| | <u>45,834,691</u> | <u>4,346,646</u> | <u>50,181,337</u> |
| | <u>\$ 42,895,525</u> | <u>\$ 4,342,632</u> | <u>\$ 47,238,157</u> |

**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 | <u>\$ 42,895,525</u> |

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 | <u>38,258,521</u> | <u>138,333</u> | <u>146,463</u> | <u>745</u> | <u>739,059</u> | <u>39,283,121</u> |
| 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 | <u>38,455,683</u> | <u>7,424</u> | <u>667,172</u> | <u>813,682</u> | <u>805,904</u> | <u>40,749,865</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(197,162)</u> | <u>130,909</u> | <u>(520,709)</u> | <u>(812,937)</u> | <u>(66,845)</u> | <u>(1,466,744)</u> |
| 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 | <u>70,941</u> | <u>-</u> | <u>383,081</u> | <u>200,000</u> | <u>43,300</u> | <u>697,322</u> |
| 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 | <u>\$ 2,058,919</u> | <u>\$ 858,995</u> | <u>\$ (10,359,393)</u> | <u>\$ 191,397</u> | <u>\$ 869,719</u> | <u>\$ (6,380,363)</u> |

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) |
|--|----|-----------|

| | | |
|---|--|-----------|
| <p>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.</p> | | (558,426) |
|---|--|-----------|

| | | |
|---|--|-----------|
| Revenues that are reported as in the year revenues provide current financial resources to governmental funds. | | (168,140) |
|---|--|-----------|

| | | |
|---|--|-------------|
| <p>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.</p> | | (1,442,739) |
|---|--|-------------|

| | | |
|--|----|-------------|
| | \$ | (2,938,727) |
|--|----|-------------|

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 LIABILITIES | 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 | <u>2,158,855</u> | <u>262,882</u> | <u>2,421,737</u> |
| OPERATING EXPENSES | <u>2,184,028</u> | <u>207,195</u> | <u>2,391,223</u> |
| 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 | <u>(34,438)</u> | <u>(90)</u> | <u>(34,528)</u> |
| CHANGE IN NET ASSETS | (59,611) | 55,597 | (4,014) |
| Retained earnings at July 1, 2010 | <u>3,677,515</u> | <u>669,131</u> | <u>4,346,646</u> |
| RETAINED EARNINGS AT JUNE 30, 2011 | <u>\$ 3,617,904</u> | <u>\$ 724,728</u> | <u>\$ 4,342,632</u> |

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.

CITY OF DERBY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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.

CITY OF DERBY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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.

**CITY OF DERBY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

- (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

CITY OF DERBY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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.

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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

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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.

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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 | <u>(3,559,466)</u> |
| NET ASSETS AS OF JULY 1, 2010 | <u>\$ 45,834,691</u> |

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 | <u>440,410</u> |
| Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities | <u>\$ 21,505,085</u> |

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

CITY OF DERBY, CONNECTICUT
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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 | | <u>(2,141,669)</u> |
| Net adjustment to increase net changes in fund balances | | |
| - total governmental funds, to arrive at changes in net assets of governmental activities | \$ | <u>(558,426)</u> |

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases)” provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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 absences | | 53,246 |
| Other post-employment obligations | | <u>(2,005,969)</u> |
| Net adjustment to decrease net assets in fund balances - total governmental funds to arrive at changes in net assets of governmental activities | \$ | <u>(1,442,739)</u> |

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

CITY OF DERBY, CONNECTICUT
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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:

| | <u>Revenues</u> | <u>Expenditures</u> | <u>Fund Balance</u> |
|--|----------------------|----------------------|-------------------------|
| 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 | <u>1,287,576</u> | <u>1,287,576</u> | <u>-</u> |
| Balance, GAAP basis at June 30, 2011 | <u>\$ 38,258,521</u> | <u>\$ 38,455,683</u> | <u>\$ 2,058,919</u> |

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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:

| | <u>Carrying and Fair Values</u> |
|-------------------------|-------------------------------------|
| Deposits | \$ 30,098,852 |
| Money market accounts | 734,730 |
| Certificates of Deposit | <u>424,660</u> |
| | <u>\$ 31,258,242</u> |

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

CITY OF DERBY, CONNECTICUT
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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 |
| Columbia Dividend Income Fd | 1,228,625 | 1,470,134 | * | N/A |
| Mutual funds | <u>2,316,191</u> | <u>2,629,972</u> | N/A | N/A |
| | <u>8,514,668</u> | <u>9,915,301</u> | | |
| TOTAL | <u>\$9,098,871</u> | <u>\$10,760,962</u> | | |

* 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.

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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.

CITY OF DERBY, CONNECTICUT
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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 |
| Construction 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 | <u>\$ 69,985,384</u> | <u>\$ 39,096,772</u> | <u>\$ 39,655,198</u> | <u>\$ 69,426,958</u> |

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 |
| | <u>\$ 2,141,669</u> |

**CITY OF DERBY, CONNECTICUT
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| | 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.

**CITY OF DERBY, CONNECTICUT
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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 | <u>11,717,700</u> | <u>-</u> | <u>980,500</u> | <u>10,737,200</u> | <u>976,400</u> |
| 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 absences | 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 | <u>\$ 20,062,346</u> | <u>\$ 2,758,335</u> | <u>\$ 1,315,596</u> | <u>\$ 21,505,085</u> | <u>\$ 1,635,654</u> |
| 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 | <u>\$ 1,581,896</u> | <u>\$ -</u> | <u>\$ 171,872</u> | <u>\$ 1,410,024</u> | <u>\$ 170,972</u> |

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% | <u>5,200,000</u> |
| | 10,737,200 |
| Less current portion | <u>976,400</u> |
| Total | <u>\$ 9,760,800</u> |

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

**CITY OF DERBY, CONNECTICUT
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JUNE 30, 2011**

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

**CITY OF DERBY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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:

**CITY OF DERBY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

| | |
|--|---------------------------|
| 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 | <u>103,880</u> |
| | Base \$ <u>24,989,366</u> |

| | 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 | <u>\$ 36,778,374</u> | <u>\$ 109,482,147</u> | <u>\$ 93,710,123</u> | <u>\$ 81,215,440</u> | <u>\$ 74,968,098</u> |

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 | <u>\$ 743,544</u> | <u>\$ 71,167</u> | <u>\$ 814,711</u> |

**CITY OF DERBY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 11 – FUND DEFICITS

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

| | |
|------------------------------|----------------------|
| Major Funds: | |
| Middle School Project | <u>\$ 10,359,393</u> |
| Other Capital Project Funds: | |
| -Landfill | <u>\$ 99,676</u> |
| -Roads – Phase I | <u>\$ 33,102</u> |

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 | <u>40</u> |
| Total Active Participants | <u>111</u> |
| TOTAL | <u>182</u> |

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.

**CITY OF DERBY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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.

CITY OF DERBY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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.

CITY OF DERBY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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.

**CITY OF DERBY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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 | <u>292</u> |
| Total | <u>412</u> |

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 | <u>226,594</u> |
| Annual OPEB cost | <u>3,117,544</u> |
| Contributions made | 1,111,574 |
| Increase in net OPEB liability | <u>2,005,970</u> |
| Net OPEB obligation, beginning of year | <u>4,074,170</u> |
| Net OPEB obligation, end of year | <u>\$ 6,080,140</u> |

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:

**CITY OF DERBY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

| 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 |
| Remaining amortization period | 30 Year Level Dollar, Op |
| Asset valuation method | 30 Year |
| Actuarial assumptions | Market Value |
| 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:

| <u>Year After Valuation Date</u> | <u>Increase</u> |
|----------------------------------|-----------------|
| 1 | 10% |
| 2 | 9% |
| 3 | 8% |
| 4 | 7% |
| 5 | 6% |
| 6 | 5% |
| 7or more | 5% |

**CITY OF DERBY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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 | | | | |

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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) | <u>93,554</u> | <u>4,540</u> | <u>87,627</u> | <u>105,995</u> |
| 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 |
| <u>\$ 89,147</u> | <u>\$ 606,893</u> | <u>\$ 72,696</u> | <u>\$ 5,490</u> | <u>\$ 1,361,520</u> |
| \$ - | - | \$ - | \$ - | \$ 119,432 |
| - | - | - | - | 169,850 |
| <u>27,517</u> | <u>-</u> | <u>168,706</u> | <u>-</u> | <u>202,519</u> |
| <u>27,517</u> | <u>-</u> | <u>168,706</u> | <u>-</u> | <u>491,801</u> |
| - | - | - | 5,490 | 10,328 |
| 61,630 | 606,893 | - | - | 774,518 |
| - | - | - | - | 180,883 |
| - | - | (96,010) | - | (96,010) |
| <u>61,630</u> | <u>606,893</u> | <u>(96,010)</u> | <u>5,490</u> | <u>869,719</u> |
| <u>\$ 89,147</u> | <u>\$ 606,893</u> | <u>\$ 72,696</u> | <u>\$ 5,490</u> | <u>\$ 1,361,520</u> |
| \$ - | \$ - | \$ - | \$ - | \$ 438,397 |
| - | - | - | - | 284,416 |
| - | - | - | - | - |
| - | - | - | - | 2,050 |
| <u>243</u> | <u>-</u> | <u>16</u> | <u>-</u> | <u>14,196</u> |
| <u>243</u> | <u>-</u> | <u>16</u> | <u>-</u> | <u>739,059</u> |
| - | - | - | - | 85,322 |
| - | - | - | - | - |
| - | - | - | - | 695,144 |
| - | - | - | - | 25,438 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>805,904</u> |
| 243 | - | 16 | - | (66,845) |
| - | - | - | - | 43,300 |
| 243 | - | 16 | - | (23,545) |
| <u>61,387</u> | <u>606,893</u> | <u>(96,026)</u> | <u>5,490</u> | <u>893,264</u> |
| <u>\$ 61,630</u> | <u>\$ 606,893</u> | <u>\$ (96,010)</u> | <u>\$ 5,490</u> | <u>\$ 869,719</u> |

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**

| | | Agency Funds | |
|--|-----------------------|--------------------------------|---------------------|
| | Pension Trust Fund | School Scholarship 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 |
| <u>\$ 25,741,710</u> | <u>\$ 25,932,086</u> | <u>\$ 36,486,111</u> |
| | | |
| \$ 25,741,710 | \$ 25,932,086 | \$ 25,932,086 |
| 25,741,710 | 25,932,086 | 25,932,086 |
| - | - | 10,554,025 |
| - | - | 10,554,025 |
| <u>\$ 25,741,710</u> | <u>\$ 25,932,086</u> | <u>\$ 36,486,111</u> |

**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 |
| | <u>\$ 26,386,577</u> | <u>\$ (513,787)</u> | <u>\$ 25,872,790</u> |

**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 |
| | <u>86,454</u> |
| 1976 | |
| David Humphrey's Road | 1,626 |
| John Street | 3,252 |
| | <u>4,878</u> |
| 1976 | |
| Harrison Avenue | 2,700 |
| Water bills | 1,716 |
| | <u>4,416</u> |
| TOTAL | <u><u>\$ 95,748</u></u> |

| Taxes | Collections | | Total | Taxes |
|----------------------|-------------------|-----------------|----------------------|-----------------------------|
| | Interest | Lien Fees | | Receivable June 30, 2011 |
| | | | | \$ 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 |
| <u>\$ 24,480,161</u> | <u>\$ 399,120</u> | <u>\$ 4,750</u> | <u>\$ 24,885,486</u> | <u>\$ 1,392,629</u> |

