CITY OF DERBY, CONNECTICUT

AUDITED FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2010

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, 2010, 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, 2010, 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 May 13, 2011 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 53) are not a required part of

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

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.

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

Michaud and Accavallo, CPAs, LLC

Michaud and Accavallo
Certified Public Accountants, LLC

May 13, 2011

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, 2010. 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 $50,181 (*net assets*).
- The government's total net assets increased by $9,827.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund deficit of $5,611, an decrease of $1,104 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was $2,185 or 6.01% of total general fund expenditures.
- The City's governmental funds total debt increased by $603 (3.10%) during the current fiscal year.
- The City's business-type activities total debt decreased by $117 (6.91%) 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 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 nine 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, which is considered to be a major fund 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 28-52 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 53 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 $50,181(Net Assets) at the close of the fiscal year ended June 30, 2010.

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	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 8,152	$ 12,798	$ 1,015	$ 862	$ 9,167	$ 13,660
Capital assets	69,985	58,387	5,336	5,543	75,321	63,930
Total assets	78,137	71,185	6,351	6,405	84,488	77,590
Long-term liabilities outstanding	20,062	19,459	1,582	1,699	21,644	21,158
Other liabilities	12,240	15,888	422	189	12,662	16,077
Total liabilites	32,302	35,347	2,004	1,888	34,306	37,235
Net assets:						
Invested in capital assets, net of related debt	28,036	21,045	3,754	3,843	31,790	24,888
Restricted	4	4	-	-	4	4
Unrestricted	17,795	14,789	593	674	18,388	15,463
Total net assets	$ 45,835	$ 35,838	$ 4,347	$ 4,517	$ 50,182	$ 40,355

At the close of the fiscal year ended June 30, 2010, 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 increased by $9,827 in the current fiscal year. The majority of this increase represents an increase in capital grants and contributions revenue.

Governmental Activities – Governmental activities increased the City's net assets by $9,997, thereby accounting for the majority of the increase 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	
	2010	2009	2010	2009	2010	2009
REVENUES						
Program revenues:						
Charges for services	$ 1,221	988	$ 2,074	$ 2,114	$ 3,295	$ 3,102
Operating grants and contributions	10,625	11,903	-	-	10,625	11,903
Capital Grants and contributions	11,144	6,404	-	-	11,144	6,404
General revenues:						
Prperty Taxes	24,020	23,917	-	-	24,020	23,917
Grants and contributions not restricted to specific programs	1,822	2,267	-	-	1,822	2,267
Unrestricted investment earnings	80	11	3	5	83	15
TOTAL REVENUES	48,912	45,490	2,077	2,118	50,989	47,608
EXPENSES						
General government	7,690	9,846	-	-	7,690	9,846
Public works	3,570	3,658	2,247	2,007	5,817	5,665
Public safety	4,091	4,062	-	-	4,091	4,062
Culture and recreation	909	894	-	-	909	894
Health and welfare	1,209	1,139	-	-	1,209	1,139
Education	20,857	20,751	-	-	20,857	20,751
Capital outlay	94	120	-	-	94	120
Debt service	495	576	-	-	495	576
TOTAL EXPENSES	38,915	41,046	2,247	2,007	41,162	43,053
INCREASE(DECREASE) IN NET ASSETS	9,997	4,444	(170)	111	9,827	4,555
	35,838	31,394	4,517	4,405	40,355	35,799
NET ASSETS, ending	$ 45,835	$ 35,838	$ 4,347	$ 4,517	$ 50,182	$ 40,355

Business-type Activities – Business-type activities decreased the City's net assets by $170. The key element of this decrease is as follows.

- The Water Pollution Control Authority revenues were slightly less than expenses by $170, 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, *unreserved 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 $5,611, an increase in the deficit of $1,104 in comparison with the prior year. This deficit is primarily caused by the Middle School Building Project fund deficit ($10,222) 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, unreserved fund balance of the general fund was $2,185. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total general fund expenditures of $36,331. Unreserved and total fund balance represents 6.16% of total general fund expenditures.

The fund balance of the City's general fund increased by $657, during the current fiscal year. Key factors in this incline are as follows:

- An increase in Tax revenues of $70.
- An increase in Intergovernmental revenues of $3,151.
- A decrease in General Government expenditures of $1,680, primarily due to a legal settlement accrued of $1,750 in the prior year.
- An increase in Board of Education of $162.
- An increase in Capital Outlay of $3,374.
- A decrease in interest on bonds of $81.

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 $3,678 of which $3,118 represents an investment in capital assets net of related debt. The total increase in net assets for the fund was $170. 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 ($4,159 increase in appropriations) can be briefly summarized as follows:

- $1,556 in increases in Board of Education which was primarily due to appropriating additional grant monies.
- $1,830 in increases in General Government which was primarily due to a legal settlement for $1,750.
- $340 and $201 in increases in public safety and public works, respectively primarily due to overtime wages.
- $232 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, 2010, amounts to $75,321 (net of accumulated depreciation). This investment in capital assets includes land,

buildings and system, machinery and equipment, and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was $12,829, an increase of 15.16% for governmental activities and a $39 increase of less than 1% for business-type activities.

During the fiscal year there was major construction in progress in the Middle School Project ($11,902) and School-wide System ($973).

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

	Governmental Activities	Business-type Activities	Total
Land	$ 5,795	$ 595	$ 6,390
Buildings and system	9,361	4,577	13,938
Machinery and equipment	1,301	164	1,465
Construction in progress	40,649	-	40,649
Infrastructure	12,880	-	12,880
	$ 69,985	$ 5,336	$ 75,321

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 $11,718. 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 $368. This obligation decreased $74 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 $4,074. This obligation increased $2,000 during the fiscal year.

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

	Principal	Interest
Governmental Activities		
Due in one year	$ 981	$ 472
Due in 2 to 6 years	4,702	1,781
Due in 7 to 11 years	3,590	869
Due in 12 to 16 years	2,120	262
Due in the 17th year	325	6
	$ 11,718	3,390
Business-type Activities		
Due in one year	$ 172	$ 37
Due in the next 2 to 6 years	880	121
Due in the next 7 to 10 years	530	22
	$ 1,582	$ 180

The City's total debt increased by $603 (3.10%) 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 $168,297, 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 8.7% vs. 6.6% in the prior year, consistent with the Connecticut unemployment rate.
- The Connecticut state government has been reporting an anticipated deficit for 2010, 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 2010-2011 fiscal year.

During the current fiscal year, undesignated and unreserved fund balance in the general fund increased to $2,185. The City has not appropriated any amounts of fund balance for spending in the 2010-2011 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, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,593,369	$ 656,502	$ 4,249,871
Investments	712,753	-	712,753
Receivables:			
Property taxes, net of allowance for collection losses of $315,748	1,118,668	-	1,118,668
Special assessments, net of allowance for collection losses of $72,917	-	293,469	293,469
Intergovernmental	721,969	-	721,969
Other	1,361,397	90,138	1,451,535
Notes receivable	64,649	-	64,649
Inventories	3,830	-	3,830
Due from other funds	574,645	(24,645)	550,000
Capital assets (net of accumulated depreciation)			
Land	5,794,955	594,858	6,389,813
Buildings	9,360,542	4,577,166	13,937,708
Machinery and equipment	1,301,173	163,773	1,464,946
Construction in progress	40,648,601	-	40,648,601
Infrastructure	12,880,113	-	12,880,113
TOTAL ASSETS	$ 78,136,664	$ 6,351,261	$ 84,487,925
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued liabilities	$ 1,867,799	422,719	2,290,518
Deferred revenue - grants	371,828	-	371,828
Bonds anticipation notes	10,000,000	-	10,000,000
Notes Payable:			
Due within one year	1,594,355	171,872	1,766,227
Due in more than one year	18,467,991	1,410,024	19,878,015
TOTAL LIABILITIES	32,301,973	2,004,615	34,306,588
NET ASSETS			
Investment in capital assets, net of related debt	28,035,610	3,753,901	31,789,511
Restricted for:			
Inventories	3,830	-	3,830
Unrestricted:			
Net assets	17,795,251	592,745	18,387,996
TOTAL NET ASSETS	45,834,691	4,346,646	50,181,337
TOTAL LIABILITIES AND NET ASSETS	$ 78,136,664	$ 6,351,261	$ 84,487,925

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
PRIMARY GOVERNMENT			
Governmental activities:			
General government	$ (7,689,883)	$ 350,069	$ 138,676
Public works	(3,569,988)	18,494	900
Public safety	(4,090,917)	420,549	-
Culture and recreation	(909,370)	100,521	84
Health and welfare	(1,208,767)	332,010	419,514
Education	(20,857,097)	-	10,044,118
Capital outlay	(93,738)	-	21,728
Debt service	(495,051)	-	-
TOTAL GOVERNMENTAL ACTIVITIES	(38,914,811)	1,221,643	10,625,020
TOTAL BUSINESS-TYPE ACTIVITIES- SEWER AND PARKING AUTHORITY	(2,246,988)	2,074,058	-
TOTAL PRIMARY GOVERNMENT	$ (41,161,799)	$ 3,295,701	$ 10,625,020
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, 2009			
NET ASSETS AT JUNE 30, 2010			

See notes to financial statements.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Primary Government: Governmental Activities	Business- Type Activities	Total
$ 4,382	$ (7,196,756)		$ (7,196,756)
354,503	(3,196,091)		(3,196,091)
37,140	(3,633,228)		(3,633,228)
-	(808,765)		(808,765)
-	(457,243)		(457,243)
-	(10,812,979)		(10,812,979)
10,747,699	10,675,689		10,675,689
-	(495,051)		(495,051)
11,143,724	(15,924,424)		(15,924,424)
-	-	$ (172,930)	(172,930)
$ 11,143,724	(15,924,424)	(172,930)	(16,097,354)
	24,020,009	-	24,020,009
	1,821,724	-	1,821,724
	79,904	2,910	82,814
			-
	25,921,637	2,910	25,924,547
	9,997,213	(170,020)	9,827,193
	35,837,478	4,516,666	40,354,144
	$ 45,834,691	$ 4,346,646	$ 50,181,337

CITY OF DERBY, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Middle School Building Project	System-wide School Capital Improvements	Other Governmental Funds	Totals Governmental Funds
ASSETS					
Cash and cash equivalents	$ 1,079,189	$ 605,839	$ 782,080	$ 1,126,261	$ 3,593,369
Investments	-	-	-	712,753	712,753
Receivables:					
Property taxes, net of allowance of $315,748	1,118,668	-	-	-	1,118,668
Intergovernmental	212,245	-	-	66,907	279,152
Other	1,361,397	-	-	64,649	1,426,046
Inventories	-	-	-	3,830	3,830
Due from other funds	657,986	-	22,254	126,570	806,810
TOTAL ASSETS	$ 4,429,485	$ 605,839	$ 804,334	$ 2,100,970	$ 7,940,628
LIABILITIES AND FUND BALANCES					
Accounts payable and accrued liabilities	$ 987,271	$ 798,929	$ -	$ 81,598	$ 1,867,798
Deferred revenue-taxes	1,079,777	-	-	-	1,079,777
Deferred revenue-grants	176,325	-	-	195,503	371,828
Bond anticipation notes payable	-	10,000,000	-	-	10,000,000
Due to other funds	972	28,675	-	202,519	232,166
TOTAL LIABILITIES	2,244,345	10,827,604	-	479,620	13,551,569
FUND BALANCES					
Fund balances					
Reserved for inventories	-	-		3,830	3,830
Unreserved:					
Undesignated and unreserved	2,185,140	(10,221,765)	804,334	1,617,520	(5,614,771)
TOTAL FUND BALANCES (DEFICIT)	2,185,140	(10,221,765)	804,334	1,621,350	(5,610,941)
TOTAL LIABILITES AND FUND BALANCES	$ 4,429,485	$ 605,839	$ 804,334	$ 2,100,970	
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.					69,985,384
Long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.					1,522,594
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.					(20,062,346)
Net assets of governmental activities					$ 45,834,691

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Middle School Building Project	System-wide School Capital Improvements	Other Governmental Funds	Totals Governmental Funds
REVENUES					
Property taxes	$ 23,656,044	$ -	$ -	$ -	$ 23,656,044
Interest and lien fees	257,438	-	-	-	257,438
Intergovernmental	12,218,692	10,747,699	-	488,159	23,454,550
City departments	996,239	-	-	320,697	1,316,936
Net increase in fair market value of investments	-	-	-	75,997	75,997
Other	-	-	-	11,313	11,313
Investment income	2,374	16,003	5,461	1,881	25,719
TOTAL REVENUES	37,130,787	10,763,702	5,461	898,047	48,797,997
EXPENDITURES					
Current:					
General government	6,184,249	-	-	133,070	6,317,319
Public safety	3,536,970	-	-	-	3,536,970
Public works	3,208,152	-	-	-	3,208,152
Culture and recreation	837,753	-	-	18,840	856,593
Health and welfare	365,565	-	-	601,065	966,630
Board of education	20,036,381	-	-	-	20,036,381
Capital outlay	354,566	12,114,570	673,188	131,259	13,273,583
Debt service:					
Principal retirement	1,295,376	-	-	-	1,295,376
Interest on bonds	511,756	-	-	-	511,756
TOTAL EXPENDITURES	36,330,768	12,114,570	673,188	884,234	50,002,760
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	800,019	(1,350,868)	(667,727)	13,813	(1,204,763)
OTHER FINANCING SOURCES (USES)					
Proceeds from Bond notes	-	104,580	-	-	104,580
Payments to escrow agent	-	-	-	(3,852)	(3,852)
Operating transfers in	-	100,000	-	47,152	147,152
Operating transfers out	(143,300)	-	(3,852)	-	(147,152)
TOTAL OTHER FINANCING (USES) SOURCES	(143,300)	204,580	(3,852)	43,300	100,728
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	656,719	(1,146,288)	(671,579)	57,113	(1,104,035)
Fund balance(deficit) at July 1, 2009	1,528,421	(9,075,477)	$ 1,475,913	1,564,237	(4,506,906)
FUND BALANCES (DEFICIT) AT JUNE 30, 2010	$ 2,185,140	$ (10,221,765)	$ 804,334	$ 1,621,350	$ (5,610,941)

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, 2010

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

Net change in fund balances - total governmental funds	$	(1,104,035)
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.		11,598,169
Revenues that are reported as in the year revenues provide current financial resources to governmental funds.		106,527
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.		(603,448)
Change in Net Assets of Governmental Activities	$	9,997,213

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES				
Property taxes	$ 23,702,112	$ 23,702,112	$ 23,656,044	$ (46,068)
Interest and lien fees	100,000	100,000	257,438	157,438
Intergovernmental	9,118,163	10,940,116	10,972,139	32,023
Investment income	25,000	25,000	2,374	(22,626)
City departments	761,807	3,099,007	996,239	(2,102,768)
TOTAL REVENUES	33,707,082	37,866,235	35,884,234	(1,982,001)
EXPENDITURES				
Current				
General government	6,568,837	8,398,400	6,184,249	2,214,151
Public safety	3,382,806	3,722,775	3,536,970	185,805
Public works	3,088,256	3,289,797	3,208,152	81,645
Culture and recreation	859,214	871,671	837,753	33,918
Health and welfare	357,100	371,298	365,565	5,733
Board of Education	17,357,983	18,914,280	18,789,828	124,452
Capital outlay	272,904	378,032	354,566	23,466
Debt service				
Principal retirements	1,295,376	1,295,376	1,295,376	-
Interest on bonds	524,606	624,606	511,756	112,850
TOTAL EXPENDITURES	33,707,082	37,866,235	35,084,215	2,782,020
EXCESS OF REVENUES OVER EXPENDITURES	-	-	800,019	800,019
OTHER FINANCING USES				
Operating transfers out	-	-	(143,300)	(143,300)
TOTAL OTHER FINANCING USES	-	-	(143,300)	(143,300)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	$ -	$ -	656,719	$ 656,719
Fund balance at July 1, 2009			1,528,421	
FUND BALANCE AT JUNE 30, 2010			$ 2,185,140	

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds		
	Water Pollution Control Authority	Parking Authority	Total
ASSETS			
CURRENT ASSETS			
Cash	$ 628,684	$ 27,818	$ 656,502
Sewer assessments receivable (net of allowance for uncollectible of $3,232)	293,469	-	293,469
Accounts receivable	57,940	32,198	90,138
TOTAL CURRENT ASSETS	980,093	60,016	1,040,109
CAPITAL ASSETS (net of accumulated depreciation)			
Land	212,500	382,358	594,858
Buildings	4,386,691	190,475	4,577,166
Machinery and equipment	101,040	62,733	163,773
	4,700,231	635,566	5,335,797
TOTAL ASSETS	$ 5,680,324	$ 695,582	$ 6,375,906
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	$ 398,863	$ 23,856	$ 422,719
Due to other funds	22,050	2,595	24,645
Bonds and loan payable	171,872	-	171,872
TOTAL CURRENT LIABILTIES	592,785	26,451	619,236
NONCURRENT LIABILITIES			
Bonds and loan payable	1,410,024	-	1,410,024
TOTAL LIABILITIES	2,002,809	26,451	2,029,260
NET ASSETS			
Investment in capital assets, net of related debt	3,118,335	635,566	3,753,901
Unrestricted	559,180	33,565	592,745
TOTAL NET ASSETS	3,677,515	669,131	4,346,646
TOTAL LIABILITIES AND NET ASSETS	$ 5,680,324	$ 695,582	$ 6,375,906

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Business Type Activities- Enterprise Funds		
	Water Pollution Control Authority	Parking Authority	Total
OPERATING REVENUES			
Sewer usage fees	$ 1,691,003	$ -	$ 1,691,003
Rental and fees	-	247,390	247,390
Other revenues	65,490	-	65,490
Interest and lien fees	70,175	-	70,175
Total operating revenues	1,826,668	247,390	2,074,058
OPERATING EXPENSES	1,998,850	247,898	2,246,748
OPERATING LOSS	(172,182)	(508)	(172,690)
NONOPERATING REVENUES (EXPENSES)			
Interest income	2,334	576	2,910
Interest expense	-	(240)	(240)
Total nonoperating income	2,334	336	2,670
CHANGE IN NET ASSETS	(169,848)	(172)	(170,020)
Retained earnings at July 1, 2009	3,847,363	669,303	4,516,666
RETAINED EARNINGS AT JUNE 30, 2010	$ 3,677,515	$ 669,131	$ 4,346,646

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds		
	Water Pollution Control Authority	Parking Authority	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 1,663,476	$ 234,243	$ 1,897,719
Cash payments to suppliers	(973,030)	(128,080)	(1,101,110)
Cash payments to employees	(555,639)	(88,349)	(643,988)
NET CASH PROVIDED BY OPERATING ACTIVITIES	134,807	17,814	152,621
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES			
Purchase of capital assets	-	(38,613)	(38,613)
Payment of principal and interest	(117,372)	-	(117,372)
NET CASH USED IN CAPITAL AND FINANCING ACTIVITIES	(117,372)	(38,613)	(155,985)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	2,334	336	2,670
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	19,769	(20,463)	(694)
Cash and cash equivalents at July 1, 2009	608,915	48,281	657,196
Cash and cash equivalents at June 30, 2010	$ 628,684	$ 27,818	$ 656,502
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss) from operations	$ (172,182)	$ (508)	$ (172,690)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	213,702	31,665	245,367
Changes in assets and liabilities:			
Accounts receivable	(163,191)	(13,146)	(176,337)
Accounts payable	234,428	(197)	234,231
Due to other funds	22,050	-	22,050
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 134,807	$ 17,814	$ 152,621

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010

	Pension Trust Fund
ASSETS	
Cash and cash equivalents	$ 2,033,624
Investments, at fair value	7,014,021
Other receivables	38,950
TOTAL ASSETS	$ 9,086,595
LIABILITIES - other	550,000
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES	$ 8,536,595

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2010

	Pension Trust Fund
ADDITIONS	
Contributions	
City of Derby	$ 550,000
Plan members	118,174
Total contributions	668,174
Investment income	
Net realized/unrealized gain on investments	572,684
Interest and dividends	230,025
	802,709
Less investment management fees	(67,469)
Net investment income	735,240
TOTAL ADDITIONS	1,403,414
DEDUCTIONS - benefits and other deductions	633,396
CHANGE IN NET ASSETS	770,018
Net assets held in trust for pension benefits at July 1, 2009	7,766,577
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT JUNE 30, 2010	$ 8,536,595

See notes to financial statements.

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

Reporting Entity

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

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

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

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

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

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

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

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

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

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

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

Accounting Estimates

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

Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.
Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated for payments to be made early in the following year. Certain indirect costs are included in the program expense.

Those revenues susceptible to accrual are property taxes, special assessments and interest revenue. Fines, permits and charges for services are not susceptible to accrual because generally they are not measurable until received in cash.
The government reports the following major governmental funds:

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

(ii) 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.

(iii) 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.

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

Proprietary Funds - All proprietary funds are accounted using the accrual basis of accounting. These funds account for operations that are primarily financed through user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash Equivalents – The City considers all highly liquid investments and those with original maturities of three months or less to be cash equivalents.

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

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

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

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

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

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

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

3. Transactions to record equity contributions between funds. The receiving fund records such transactions as a transfer in and an addition to fund balance. The

disbursement fund records the transaction as a transfer out and a reduction of fund balance.

Capital Assets

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

Governmental Activities

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

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

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

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

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

Buildings	20 - 50 years
Sewer System	30 - 50 years

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

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

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

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

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

Unrestricted Net Assets – groups all capital assets 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.

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:

Reserved Fund Balance – indicates that portion of fund equity which has been legally segregated for specific purposes.

Undesignated and Unreserved Fund Balance – indicates that portion of fund equity which is available for appropriation and expenditure in future periods.

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, 2009	(4,506,905)
Add: governmental capital assets, including general fixed assets and infrastructure as of July 1, 2009	84,644,676
Add: school construction grants receivable as of July 1, 2009	442,816
Add: tax revenue receivable as of July 1, 2009	973,250
Deduct: accumulated depreciation as of July 1, 2009 on above governmental capital assets	(26,257,461)
Deduct: general obligation bonds payable as of July 1, 2009	(13,062,700)
Deduct: bond premium as of July 1, 2009	(250,565)
Deduct: capital lease payable as of July 1, 2009	(258,288)
Deduct: net pension obligation as of July 1, 2009	(441,656)
Deduct: OPEB obligation as of July 1, 2009	(2,074,417)
Deduct: compensation absences payable and other long-term liabilities as of July 1, 2009	(3,371,272)
NET ASSETS AS OF JULY 1, 2009	$ 35,837,478

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 $20,062,346 difference are as follows:

Bonds payable	$ 11,717,700
Bonds premium	233,860
Compensated absences	3,099,260
Net pension obligation	368,490
Other post-employment obligations	4,074,170
Capital leases	108,660
Post-closure landfill	460,206
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	$ 20,062,346

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between the net changes in fund balances - total governmental funds and the changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this $11,598,169 difference are as follows:

Capital outlay	$ 12,829,489
Depreciation expense	(1,231,320)
Net adjustment to increase net changes in fund balances - total governmental funds, to arrive at changes in net assets of governmental activities	$ 11,598,169

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 $603,448 difference are as follows:

Principal repayments:

General obligation debt	$ 1,345,000
Bond premium	16,705
Other miscellaneous long-term liabilities	18,235
Capital leases	149,628
Net pension obligation	73,166
Compensated absenses	(206,429)
Other post-employment obligations	(1,999,753)
Net adjustment to decrease net assets in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	$ (603,448)

NOTE 4 — BUDGETS AND BUDGETARY ACCOUNTING

General Fund

The City establishes its budget in accordance with provisions of the Connecticut General Statutes and its Charter. The Charter requires that the Board of Apportionment and Taxation shall lay such taxes as may be required upon the Grand List of the City, which shall have been made according to law, next before the laying of such tax. Each board of the City government and each officer of the City under whose control money is expended shall, on or before the first day of April of each year, submit to said Board an estimate of the amount of money required by such board or such officer for the next ensuing year, giving details as far as practicable. The Board of Apportionment and Taxation, at a meeting thereof to be held in May of each year, shall prepare an estimate of the amounts required by each department of the City government for the ensuing year, giving particulars as far as possible and recommending appropriations for all these expenses for said year and shall cause such estimates forthwith to be published in a newspaper published in New Haven County and having a circulation in said City. The Board of Apportionment and Taxation shall hold a meeting in May in each year, and may adjourn the same from time to time to a day not later than the last business day of May and at said meeting, or any adjournment thereof, it shall hear all parties who may desire to be heard relative to any alterations in such estimates and appropriations, and may make any alterations in such estimates and appropriations, and may make such additional appropriations as it shall deem proper. The Board of Apportionment and Taxation, having made such alterations as it may determine, shall prepare a statement of appropriations and tax rates which it proposes to make and levy, and cause the same to be published in a newspaper published in New Haven County and having a circulation in said City, not later than three days after the last business day in May in said year. The Board of Apportionment and Taxation is authorized to make appropriations and lay taxes for all City purposes and for all other purposes required by law and may fix the time when any tax laid by it shall become due and payable. The Board of Apportionment and Taxation shall have no authority to make appropriations in excess of the revenues of the City for any year, and in no case shall the expenses of the City exceed its revenue for any year, except in cases and for purposes for which the City is authorized by special act of general assembly to issue bonds and when bonds are in fact issued. The budget for the current year was adopted by the Board of Apportionment and Taxation and transfers and supplemental appropriations were approved during the year in accordance with provisions of the Connecticut General Statutes and the Charter of the City of Derby.

Annual budgets are prepared and employed for management control for the General Fund. Appropriations typically lapse at year end, except appropriations for capital projects which continue until completion of the project. Supplemental appropriations in the amount of $4,159,153 were approved by the Board of Apportionment and Taxation during the fiscal year. The budget for the General Fund is presented on a basis consistent with generally accepted accounting principles.

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

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

	Revenues	Expenditures	Fund Balance
Balance, budgetary basis at June 30, 2010	$ 35,884,234	$ 35,084,215	$ 2,185,140
State Teachers' Retirement on-behalf payments, not recognized for budgetary purposes	1,246,553	1,246,553	-
Balance, GAAP basis at June 30, 2010	$ 37,130,787	$ 36,330,768	$ 2,185,140

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, 2010, 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, 2010:

	Carrying and Fair Values
Deposits	$ 27,682,294
Money market accounts	1,002,412
Certificates of Deposit	2,164,271
	$ 30,848,977

At June 30, 2010, the carrying amount of the City's deposits was $30,848,977. The bank balances of funds on deposit totaled $35,233,125. Of the bank balances, $898,431 was covered by federal depository insurance, $3,518,469,404 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 $30,816,223 was uninsured and uncollateralized.

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

Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the City Treasurer. Investing is performed in accordance with investment policies adopted by the Board of Aldermen complying with State Statutes and the City Charter.

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

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

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

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

The City's investments at June 30, 2010 are shown below:

	Cost	Carrying and Fair Values	Average Credit Quality Ratings	Weighted Average Maturity (Years)
Library Endowment Fund:				
Mutual funds-Equity	$ 584,203	$ 712,753	N/A	N/A
Pension Trust Fund:				
Fixed income:				
Common stock	1,722,820	1,713,496	N/A	N/A
Bonds and notes				
Federal Home Loan Mortgage Corporation	1,165,576	558,093	AAA	2.72
United States Treasury Notes	535,954	871,543	AAA	11.27
Corporate bonds and notes	1,258,005	1,492,271	A	6.59
Mutual funds-Equity	3,013,343	2,378,618	N/A	N/A
	7,695,697	7,014,021		
TOTAL	$ 8,279,900	$ 7,726,774		

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

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

NOTE 6 – INTERFUND ACCOUNTS

As of June 30, 2010, interfund receivables and payables that resulted from various interfund transactions were as follows:

General	$ 657,986	$ 970
Enterprise	-	24,645
Middle School Project	-	28,675
Schoolwide	22,254	-
	680,240	54,290
Capital projects	126,570	202,520
Pension Trust	-	550,000
	$ 806,810	$ 806,810

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, 2010 is as follows:

Major Funds	Transfers from Other Funds	Transfers to Other Funds
General Fund	85,834	550,000
Enterprise Fund-WPCA	-	85,834
Pension Trust Fund	550,000	-
	$ 635,834	$ 635,834

The purpose of the transfers to/from the general fund to/from the WPCA is for the repayment of a loan.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Additions	Disposal	Balance June 30, 2010
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 5,794,955	$ -	$ -	$ 5,794,955
Contruction in progress	27,977,985	12,670,616	-	40,648,601
Total Capital Assets, not being depreciated	33,772,940	12,670,616	-	46,443,556
Capital assets, being depreciated:				
Buildings	20,211,600	-	-	20,211,600
Property under capital lease	2,176,728	-	-	2,176,728
Rolling equipment	3,938,378	48,518	-	3,986,896
Machinery, vehicles and equipment	3,131,837	75,511	-	3,207,348
Infrastructure	21,413,193	34,844	-	21,448,037
	50,871,736	158,873	-	51,030,609
Less accumulated depreciation for:				
Buildings	10,450,447	400,611	-	10,851,058
Property under capital lease	1,289,309	144,791	-	1,434,100
Rolling equipment	3,555,360	88,986	-	3,644,346
Machinery, vehicles and equipment	2,925,262	66,091	-	2,991,353
Infrastructure	8,037,083	530,841	-	8,567,924
	26,257,461	1,231,320	-	27,488,781
Total capital assets, being depreciated, net	24,614,275	(1,072,447)	-	23,541,828
Governmental activities capital assets, net	$ 58,387,215	$ 11,598,169	$ -	$ 69,985,384

	Balance July 1, 2009	Additions	Disposal	Balance June 30, 2010
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 594,858	$ -	$ -	$ 594,858
Capital assets, being depreciated:				
Buildings	11,801,026	38,613	-	11,839,639
Machinery, vehicles and equipment	908,078	-	-	908,078
	12,709,104	38,613	-	12,747,717
Less accumulated depreciation for:				
Buildings	7,050,550	211,923	-	7,262,473
Machinery, vehicles and equipment	710,860	33,444	-	744,304
	7,761,410	245,367	-	8,006,777
Total capital assets, being depreciated, net	4,947,694	(206,754)	-	4,740,940
Business-type activities capital assets, net	$ 5,542,550	$ (206,754)	$ -	$ 5,335,798

NOTE 8 - BOND ANTICIPATION NOTES

Bond anticipation note transactions for the year ended June 30, 2010 were as follows:

Outstanding, July 1, 2009	$ 11,000,000
New Borrowings	10,000,000
Repayments	11,000,000
Outstanding, June 30, 2010	$ 10,000,000

The outstanding balance at June 30, 2010 consists of one bond anticipation note due June 2, 2011 at an interest rate of 1.50% per annum.

NOTE 9 — LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Additions	Decreases	Balance June 30, 2010	Due within One Year
Governmental Activities:					
Refunding-2009	$ 2,097,700	$ -	$ -	$ 2,097,700	$ 255,500
Refunding	1,530,077	-	304,606	1,225,471	-
Capital improvements	2,059,923	-	315,394	1,744,529	-
Phase II	1,255,000	-	230,000	1,025,000	230,000
Phase III	270,000	-	170,000	100,000	170,000
General-2007	5,850,000	-	325,000	5,525,000	325,000
Total	13,062,700	-	1,345,000	11,717,700	980,500
Bond premium	250,565	-	16,705	233,860	16,705
Capital leases	258,288	-	149,628	108,660	108,660
Net pension obligation	441,656	-	73,166	368,490	368,490
OPEB obligation	2,074,417	1,999,753	-	4,074,170	-
Compensated absenses	2,892,831	216,721	10,292	3,099,260	100,000
Landfill postclosure care costs	478,441	-	18,235	460,206	20,000
Total governmental activities long-term liabilities	$ 19,458,898	$ 2,216,474	$ 1,613,026	$ 20,062,346	$1,594,355
Business-type activities					
Refunding-2009	$ 447,300	$ -	$ -	$ 447,300	$ 54,500
Loan payable	1,251,968	-	117,372	1,134,596	117,372
Total Business-type activities long-term liabilities	$ 1,699,268	$ -	$ 117,372	$ 1,581,896	$ 171,872

As of June 30, 2010, 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%	$ 2,097,700
$10,365,000 serial bond; issue of 2003; due September 2023; effective interest ranging from 2.5%-4.8%	4,095,000
$6,190,000 serial bond; issue of 2006; due September 2026; effective interest ranging from 3.5%-5.0%	5,525,000
	11,717,700
Less current portion	980,500
Total	$ 10,737,200

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

As of June 30, 2010, 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%	$ 447,300
$2,347,440 note payable in monthly payments of $9,781 plus interest at 2%, issued February 2001; and due February 2020	1,134,596
	1,581,896
Less current portion	171,872
Total	$ 1,410,024

Governmental Activities:	Principal	Interest	Total
2011	980,500	432,077	$ 1,412,577
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
	$ 11,717,700	$ 3,217,129	$ 14,934,829

Business-type activities:	Principal	Interest	Total
2011	171,872	36,538	208,410
2012	170,972	32,556	203,528
2013	170,072	28,600	198,672
2014	201,772	24,672	226,444
2015	169,172	19,792	188,964
2016	168,372	15,891	184,263
2017	167,472	11,503	178,975
2018	166,572	7,151	173,723
2019	117,372	2,837	120,209
2020	78,248	587	78,835
	$ 1,581,896	$ 180,127	$ 1,762,023

The Refunding-2009 bond issue includes an additional $447,000 which is included in the Derby Water Pollution Control Authority's (Enterprise Fund) financial statements. That portion of the bond issue is also supported by the full faith and credit of the City of Derby, Connecticut. Additionally, upon completion of major improvements to the water pollution control facilities, the Agency issued a note payable to the State of Connecticut, with interest at 3%, due February 29, 2020.

Capital Lease Obligations

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

	Payment
Total minimum lease payments due June 30, 2011	109,777
Less amount representing interest	1,117
Net present value of lease payments	$ 108,660

Property and equipment carried at a cost of $2,176,728 with accumulated amortization of $1,434,100 has been acquired under capital lease arrangements. The monthly payments under these leases were $21,616 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, 2010 ($168,297,479), nor shall the total authorized particular purpose debt exceed the individual debt limitations reflected in the table below:

Total tax collections (including interest and lien fees) for the year ended June 30, 2010,		$ 23,932,618
Reimbursement for revenue loss:		
Tax Relief for Elderly		109,879
	Base	$ 24,042,497

	General Purpose	Schools	Sewers	Urban Renewal	Unfunded Pension
Debt Limitation:					
2 ¼ times base	$ 54,095,618				
4 ½ times base		$ 108,191,237			
3 ¾ times base			$ 90,159,364		
3 ¼ times base				$ 78,138,115	
3 times base	-	-	-	-	$ 72,127,491
Total debt limitation	54,095,618	108,191,237	90,159,364	78,138,115	72,127,491
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	$ 34,647,918	$ 105,221,237	$ 90,159,364	$ 78,138,115	$ 72,127,491

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, 2010 is as follows:

	Water Pollution Control Authority	Parking Authority	Total Enterprise Funds
Operating Revenues	$ 1,826,668	$ 247,390	$ 2,074,058
Operating Expenses	1,998,850	247,898	2,246,748
Operating Income(Loss)	(172,182)	(508)	(172,690)
Non-Operating(Expenses) Revenues	2,334	336	2,670
Change in Net Assets	(169,848)	(172)	(170,020)
Beginning Net Assets	3,847,363	669,303	4,516,666
Ending Net Assets	3,677,515	669,131	4,346,646
Net Cash Provided By (Used In):			
Operating Activities	134,807	17,814	152,621
Capital and Financing Activities	(117,372)	(38,613)	(155,985)
Investing Activities	2,334	336	2,670
Beginning Cash and Equivalents	608,915	48,281	657,196
Ending Cash and Equivalents	$ 628,684	$ 27,818	$ 656,502

NOTE 11 - FUND DEFICITS

The following funds had a fund deficit as of June 30, 2010:

Major Funds:	
Middle School Project	$ 10,221,765
Other Capital Project Funds:	
-Landfill	$ 99,676
-Roads - Phase I	$ 33,103

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, 2007, 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		54
Active plan participants:		
Vested		58
Nonvested		41
Total Active Participants		99
	TOTAL	154

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

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

For the year ended June 30, 2010, the City's total payroll for all employees amounted to $16,737,285 and the City's total covered payroll amounted to $2,999,538. 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.

The City Public Employee Retirement System presents complete separate financial statements which may be obtained at the entity's retirement plan offices at City of Derby Pension Plan, 1 Elizabeth Street, Derby, Connecticut 06418.

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, 2007.

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, 2010 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, 2007 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 2010.

The contributed amounts were actuarially determined as described above and were based on an actuarial valuation as of July 1, 2007.

The computation of the pension contribution requirements for June 30, 2010, 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)	$	489,300
Interest on NPO		35,332
Adjustment to ARC		(47,798)
Annual Pension Cost (APC)		476,834
Contribution Made		550,000
Decrease in NPO		(73,166)
NPO beginning of year		441,656
NPO end of year	$	368,490

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
6/30/95	$198,762	107.2%	$ 77,783	$213,000
6/30/96	198,619	107.2%	118,592	213,000
6/30/97	253,048	111.0%	90,640	281,000
6/30/98	262,446	97.9%	96,086	257,000
6/30/99	262,293	107.1%	77,508	280,871
6/30/00	262,816	106.5%	60,324	280,000
6/30/01	225,493	124.2%	(33,982)	280,000
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

Concentrations

Investments that represent 5% or more of net assets available for benefits are listed in Note 5 on page 38.

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, 2010, the City's total payroll amounted to $16,737,285 and the City's total covered payroll of teachers amounted to $8,057,875.

The retirement system for teachers is funded by the State of Connecticut. During the year ended June 30, 2010, the City has recorded intergovernmental revenue and education expenditures in the amount of $1,246,553, 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 2010 is $51,700.

- 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, 2010 amounted to $243,170.

NOTE 13 - POST-RETIREMENT BENEFITS

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

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

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

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

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

Fiscal Year Ending	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Contributed	Net OPEB Obligation
June 30, 2010	3,088,409	1,088,656	35.2%	$ 4,074,170

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

Annual required contribution	$ 3,120,806
Interest on net pension asset	82,977
Adjustment to ARC	115,374
Annual OPEB cost	3,088,409
Contributions made	1,088,656
Increase in net OPEB liability	1,999,753
Net OPEB obligation, beginning of year	2,074,417
Net OPEB obligation, end of year	$ 4,074,170

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liability (UAL) (b) - (a)	Funded Ratio (a/b)	Covered payroll ©	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	30 Year Level
Actuarial accrued liability	Dollar, Open
Remaining amortization period	30 Year
Asset valuation method	Market Value
Actuarial assumptions	
Investment rate of return	4.00%
Inflation rate	5.00%

Health cost trend rates

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

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

NOTE 14 - COMMITMENTS AND CONTINGENT LIABILITIES

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

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

Construction Commitments

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

NOTE 15 - RISK MANAGEMENT

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

NOTE 16 - CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the City of Derby place a final cover on its landfill when it was closed, and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The recognition of these landfill closure and postclosure care costs is based on the amount of landfill used during the year. The estimated total current cost of the landfill closure is $1,100,000 and postclosure care is $478,441 totaling $1,578,441, which is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, maintain the landfill and construct a transfer station were completed as of June 30, 2010. 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 May 13, 2011, the date of the financial statements were available to be issued.

CITY OF DERBY, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010

PUBLIC EMPLOYEE RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS

YEAR ENDED JUNE 30	ANNUAL REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTED	ACTUAL CONTRIBUTION
1995	201,216	106%	213,000
1996	256,390	83%	213,000
1997	256,390	110%	281,000
1998	265,000	97%	257,000
1999	265,000	106%	280,871
2000	265,000	106%	280,000
2001	226,071	124%	280,000
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

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 ©	UAAL AS A PERCENT OF COVERED PAYROLL ((B-A)/C)
JULY 1, 1995	3,332,875	4,153,969	821,094	80.2%	1,994,852	41.2%
JULY 1, 1996	N/A	N/A				
JULY 1, 1997	4,191,760	4,684,388	492,628	89.5%	1,992,725	24.7%
JULY 1, 1998	N/A	N/A				
JULY 1, 1999	7,268,600	5,695,460	(1,573,140)	127.6%	2,225,465	(70.7%)
JULY 1, 2000	N/A	N/A				
JULY 1, 2001	7,184,399	6,681,846	(502,553)	107.5%	3,029,308	(16.6%)
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	N/A	N/A				

SUPPLEMENTAL INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

Library Endowment Fund – is used to account for the investments designated for library operations and improvements.

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 designated by a donor for a particular purpose.

CITY OF DERBY, CONNECTICUT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

	Special Revenue			
	School Lunch	Library Endowment Fund	Community Development	Other Special Revenue Funds
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 107,153	$ 15,333	$ 122,854	$ 121,233
Investments	-	712,753	-	-
Receivables - intergovernmental	66,907	-	-	-
Receivables - other	-	-	64,649	-
Inventory	3,830	-	-	-
Due from other funds	-	-	-	-
TOTAL ASSETS	$ 177,890	$ 728,086	$ 187,503	$ 121,233
LIABILITIES AND FUND BALANCES (DEFICITS)				
LIABILITIES				
Accounts payable	$ 41,732	$ -	$ 38,458	$ 1,408
Deferred revenue	19,469	-	143,790	32,244
Due to other funds	-	-	-	-
Total liabilities	61,201	-	182,248	33,652
FUND BALANCES (DEFICIT)				
Reserved for inventories	3,830	-	-	-
Unreserved:				
Undesignated and unreserved	112,859	728,086	5,255	87,581
Total fund balances (deficits)	116,689	728,086	5,255	87,581
TOTAL LIABILITIES AND FUND BALANCES	$ 177,890	$ 728,086	$ 187,503	$ 121,233

CITY OF DERBY, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

REVENUES				
Federal and State government	$ 381,883		$ 94,383	$ 11,893
Charges for services	258,401		-	62,296
Net increase in fair market value of investments	-	$ 75,997	-	-
Other	-	11,313	-	-
Interest on investments	-	108	1,401	24
TOTAL REVENUES	640,284	87,418	95,784	74,213
EXPENDITURES				
General government	-	-	-	133,070
Culture and recreation	-	18,840	-	-
Health and welfare	605,865	-	-	(4,800)
Capital outlay	-	-	91,643	-
TOTAL EXPENDITURES	605,865	18,840	91,643	128,270
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	34,419	68,578	4,141	(54,057)
OTHER FINANCING SOURCES				
Proceeds from Bonds	-	-	-	-
Payments to escrow agent	-	-	-	-
Operating transfers in	-	-	-	43,300
Operating transfers out	-	-	-	-
Total other financing sources	-	-	-	43,300
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	34,419	68,578	4,141	(10,757)
Fund balance(deficit) at July 1, 2009	82,270	659,508	1,114	98,338
FUND BALANCES (DEFICIT) AT JUNE 30, 2010	$ 116,689	$ 728,086	$ 5,255	$ 87,581

Capital Projects					
Library Construction	Land Acquisition	Phase III Roadways	Other Capital Project Funds	Permanent Funds	Total
$ 9,009	$ 88,904	$ 606,893	$ 49,392	$ 5,490	$ 1,126,261
-	-	-	-	-	712,753
-	-	-	-	-	66,907
-	-	-	-	-	64,649
-	-	-	-	-	3,830
103,282	-	-	23,288	-	126,570
$ 112,291	$ 88,904	$ 606,893	$ 72,680	$ 5,490	$ 2,100,970
$ -	$ -	-	$ -	$ -	$ 81,598
-	-	-	-	-	195,503
6,296	27,517	-	168,706	-	202,519
6,296	27,517	-	168,706	-	479,620
-	-	-	-	-	3,830
105,995	61,387	606,893	(96,026)	5,490	1,617,520
105,995	61,387	606,893	(96,026)	5,490	1,621,350
$ 112,291	$ 88,904	$ 606,893	$ 72,680	$ 5,490	$ 2,100,970
$ -	$ -	$ -	$ -	$ -	$ 488,159
-	-	-	-	-	320,697
				-	
-	-	-	-	-	75,997
-	-	-	-	-	11,313
-	245	-	19	84	1,881
-	245	-	19	84	898,047
-	-	-	-	-	133,070
-	-	-	-	-	18,840
-	-	-	-	-	601,065
-	4,750	34,844	22	-	131,259
-	4,750	34,844	22	-	884,234
-	(4,505)	(34,844)	(3)	84	13,813
-	-	-	-	-	-
-	-	(3,852)	-	-	(3,852)
-	-	3,852	-	-	47,152
-	-	-	-	-	-
-	-	-	-	-	43,300
-	(4,505)	(34,844)	(3)	84	57,113
105,995	65,892	641,737	(96,023)	5,406	1,564,237
$ 105,995	$ 61,387	$ 606,893	$ (96,026)	$ 5,490	$ 1,621,350

SUPPLEMENTAL INFORMATION

FIDUCIARY FUNDS

CITY OF DERBY, CONNECTICUT
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2010

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, 2010

		Agency Funds	
	Pension Trust Fund	School Scholarship Funds	Student Activity
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 2,033,624	$ 43,938	$ 140,134
Investments, at fair value	7,014,021	-	-
Other receivables	38,950	-	-
TOTAL ASSETS	$ 9,086,595	$ 43,938	$ 140,134
LIABILITIES AND			
FUND BALANCES			
CURRENT LIABILITIES			
Other liabilities	$ 550,000	$ 43,938	$ 140,134
TOTAL CURRENT LIABILITIES	550,000	43,938	140,134
FUND BALANCES			
Reserved for employee retirement system	8,536,595	-	-
TOTAL FUND BALANCES	8,536,595	-	-
TOTAL LIABILITIES AND FUND BALANCES	$ 9,086,595	$ 43,938	$ 140,134

CITY OF DERBY, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2010

ADDITIONS	
Contributions	
Employer contributions from general fund	$ 550,000
Employee contributions	118,174
Total contributions	668,174
Investment income	
Net appreciation in fair value of investments	572,684
Interest and dividends	230,025
	802,709
Less investment expenses - investment management fees	67,469
Net investment income	735,240
Total additions	1,403,414
DEDUCTIONS	
Benefits and other deductions	633,396
Net change in net assets	770,018
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES, Beginning of year	7,766,577
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES, End of year	$ 8,536,595

Performance Bonds	Total Agency Funds	Total Fiduciary Funds
$ 24,381,410	$ 24,565,482	$ 26,599,106
-	-	7,014,021
-	-	38,950
$ 24,381,410	$ 24,565,482	$ 33,652,077
$ 24,381,410	$ 24,565,482	$ 25,115,482
24,381,410	24,565,482	25,115,482
-	-	8,536,595
-	-	8,536,595
$ 24,381,410	$ 24,565,482	$ 33,652,077

CITY OF DERBY, CONNECTICUT
COMBINING SCHEDULE OF CHANGES IN ASSETS
AND LIABILITIES - AGENCY FUNDS
YEAR ENDED JUNE 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
STUDENT ACTIVITY FUNDS				
ASSETS				
Cash	$ 150,945	$ 259,629	$ 270,440	$ 140,134
LIABILITIES				
Due to student groups	$ 150,945	$ 259,629	$ 270,440	$ 140,134
STUDENT SCHOLARSHIP FUNDS				
ASSETS				
Cash	$ 37,625	$ 47,968	$ 41,655	$ 43,938
LIABILITIES				
Due to student groups	$ 37,625	$ 47,968	$ 41,655	$ 43,938
PERFORMANCE BONDS				
ASSETS				
Cash	$ 24,401,410	$ 25,000	$ 45,000	$ 24,381,410
LIABILITIES				
Due to developers	$ 24,401,410	$ 25,000	$ 45,000	$ 24,381,410
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash	$ 24,589,980	$ 332,597	$ 357,095	$ 24,565,482
Total Assets	$ 24,589,980	$ 332,597	$ 357,095	$ 24,565,482
LIABILITIES				
Due to student groups	$ 188,570	$ 307,597	$ 312,095	$ 184,072
Due to developers	24,401,410	25,000	45,000	24,381,410
Total Liabilities	$ 24,589,980	$ 332,597	$ 357,095	$ 24,565,482

OTHER SCHEDULES

CITY OF DERBY, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED,
COLLECTED AND OUTSTANDING - GENERAL FUND
YEAR ENDED JUNE 30, 2010

Grand List Year	Uncollected Taxes July 1, 2009 and Current List	Additions/ (Deductions)	Balance to be Collected
1994	$ 564		$ 564
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	21,155	$ (19,899)	1,256
2002	42,365	(32,113)	10,252
2003	61,109	(903)	60,206
2004	116,390	(1,319)	115,071
2005	155,590	(7,452)	148,138
2006	289,743	(7,391)	282,352
2007	626,814	(7,635)	619,179
	1,319,278	(76,712)	1,242,566
2008	23,958,925	(86,083)	23,872,842
	$ 25,278,203	$ (162,795)	$ 25,115,408

CITY OF DERBY, CONNECTICUT
SCHEDULE OF SPECIAL ASSESSMENTS
YEAR ENDED JUNE 30, 2010

Assessment of:		Uncollected Special Assessments June 30, 2010
1974		
	Academy Hill	$ 1,407
	Donna Avenue	1,407
	Kindle Lane	3,926
	Krakow Street	47,924
	Marshall Lane	5,483
	Paugassette Road	1,689
	Pine Street	3,274
	Roosevelt Drive	16,852
	Sodom Lane	4,492
		86,454
1976		
	David Humphrey's Road	1,626
	John Street	3,252
		4,878
1976		
	Harrison Avenue	2,700
	Water bills	1,716
	TOTAL	$ 95,748

Taxes	Collections Interest	Lien Fees	Total	Taxes Receivable June 30, 2010
				$ 564
				585
				597
				1,002
				1,238
				1,353
				773
$ 436	$ 984	$ 6	$ 1,426	820
2,018	2,648	36	4,702	8,234
7,391	4,037	78	11,506	52,815
27,796	22,395	246	50,437	87,275
29,120	21,847	283	51,250	119,018
87,561	35,175	875	123,611	194,791
307,540	70,119	2,185	379,844	311,639
461,862	157,205	3,709	622,776	780,704
23,219,129	89,265	1,448	23,309,842	653,713
$ 23,680,991	$ 246,470	$ 5,157	$ 23,932,618	$ 1,434,417