

CITY OF DERBY, CONNECTICUT
AUDITED FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019

2020 AUG 3 AM 11:41

**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

Report on the Financial Statements

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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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the

general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedules of Employer Contributions, Changes in the Net Pension Liability and Related Ratios, City's Municipal Employers' Retirement System Contributions, City's Proportionate Share of Net Pension Liability-Teachers Retirement System and the City's Total OPEB Liability and Related Ratios on pages 5-11 and pages 66-70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Derby, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules on pages 73 to 82 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statement and other schedules on pages 73 to 82 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Derby, Connecticut's internal control over financial reporting and compliance.

AO & Company, LLC
Shelton, Connecticut
July 28, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Derby, Connecticut (City), we offer readers of the City's financial statements this narrative overview and analysis of the financing activities of the City for the fiscal year ended June 30, 2019. 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 \$28,205 (*net position*).
- The government's total net position increased by \$6,467.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund deficit of \$3,155, a decrease in the deficiency of \$3,186 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$(1,794) or (3.30%) of total general fund expenditures.
- The City's governmental funds total debt increased by \$7,488 or 14.06% during the current fiscal year.
- The City's business-type activities total debt increased by \$7,176 or 2,515% during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in 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 14-15 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 fifteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Library Endowment, the Field House Project, School Roof 2014 and the Sewer 2015, Roads 2015 funds, 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 15-18 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 20-22 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 23-24 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 25-64 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 66-70 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 73-77 of this report followed by other schedules.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of City, assets exceeded liabilities by \$18,566 (Net position) at the close of the fiscal year ended June 30, 2019.

By far the largest portion of the City's net position 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.

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City's Net position (\$000)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 9,214	\$ 13,846	\$ 4,720	\$ 3,132	\$ 13,934	\$ 16,978
Capital assets	88,002	73,701	12,675	5,525	100,677	79,226
Total assets	97,216	87,547	17,395	8,657	114,611	96,204
Deferred outflows of resources	-	-	-	-	-	-
Long-term liabilities outstanding	\$ 60,736	53,247	7,462	285	68,198	53,532
Other liabilities	11,684	19,300	294	355	11,978	19,655
Total liabilities	72,420	72,547	7,756	640	80,176	73,187
Deferred inflows of resources	6,229	1,279	-	-	6,229	1,279
Net assets:						
Invested in capital assets, net of related debt	64,682	49,713	5,214	5,240	69,896	54,953
Restricted	9	9	-	-	9	9
Unrestricted	(46,125)	(36,001)	4,425	2,777	(41,700)	(33,224)
Total net position	\$ 18,566	\$ 13,721	9,639	\$ 8,017	\$ 28,205	\$ 21,738

MANAGEMENT'S DISCUSSION AND ANALYSIS

At the close of the fiscal year ended June 30, 2019, the City is able to report positive balances in all categories of net position 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 total net position increased by \$6,467 in the current fiscal year. The majority of this increase was due to grants related to the Field House Capital Project.

Governmental Activities — Governmental activities increased the City's net position by \$4,845, thereby accounting for the decrease in the net position of City. Key elements of this increase are as follows:

CITY'S CHANGES IN NET POSITION (\$000)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
REVENUES						
Program revenues:						
Charges for services	\$ 1,602	\$ 1,307	\$ 4,317	\$ 2,593	\$ 5,919	\$ 3,900
Operating grants and contributions	18,247	16,806	-	-	18,247	16,806
Capital Grants and contributions	15,897	492	-	-	15,897	492
General revenues:						
Property Taxes	28,798	28,688	-	-	28,798	28,688
Grants and contributions not restricted to specific programs	2,933	2,939	-	-	2,933	2,939
Unrestricted investment earnings	223	262	-	-	223	262
TOTAL REVENUES	<u>67,700</u>	<u>50,494</u>	<u>4,317</u>	<u>2,593</u>	<u>72,017</u>	<u>53,087</u>
EXPENSES						
General government	14,410	14,640	-	-	14,410	14,640
Public works	4,023	3,727	2,625	2,304	6,648	6,031
Public safety	10,148	5,168	-	-	10,148	5,168
Culture and recreation	1,497	1,349	-	-	1,497	1,349
Health and welfare	1,242	1,126	-	-	1,242	1,126
Education	30,851	27,478	-	-	30,851	27,478
Capital outlay	96	1,200	-	-	96	1,200
Debt service	658	756	-	-	658	756
TOTAL EXPENSES	<u>62,925</u>	<u>55,444</u>	<u>2,625</u>	<u>2,304</u>	<u>65,550</u>	<u>57,748</u>
Increase (Decrease) in Net Position before transfers	4,775	(4,950)	1,692	289	6,467	(4,661)
Transfers	70	141	(70)	(141)	-	-
INCREASE(DECREASE) IN NET POSITION	<u>4,845</u>	<u>(4,809)</u>	<u>1,622</u>	<u>148</u>	<u>6,467</u>	<u>(4,661)</u>
Net position at beginning of year	<u>13,721</u>	<u>18,530</u>	<u>8,017</u>	<u>7,869</u>	<u>21,738</u>	<u>26,399</u>
NET POSITION, ending	<u>\$ 18,566</u>	<u>\$ 13,721</u>	<u>\$ 9,639</u>	<u>\$ 8,017</u>	<u>\$ 28,205</u>	<u>\$ 21,738</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-type Activities — Business-type activities increased the City's net position by \$289. The key element of this decrease is as follows.

- The Water Pollution Control Authority revenues were significantly higher than expenses by \$1,622, due to steady revenues and slightly reduced expenses compared to the previous year.

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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 \$3,155, a decrease in the deficiency of \$3,186 in comparison with the prior year. This deficit is primarily caused by the General Fund (\$1,794), Sewer 2015(\$4,568). The deficits will be eliminated with reduced spending, increased taxes and a future bond issue.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the unassigned fund was \$(1,794). 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 \$54,329. Unreserved and total fund balance represents (3.30%) of total general fund expenditures.

The general fund balance decreased by \$1,310 before operating transfers in of \$2,060, during the current fiscal year. Key factors in this incline are as follows:

- An increase in Property Taxes of \$348
- An increase in Intergovernmental revenues of \$3,179
- An increase in City Department revenues of \$190
- A decrease in General Government expenditures of \$1,572.
- An increase in Public Safety of \$214.
- An increase in Board of Education expenditures of \$2,261.
- An increase in Board of Education grant expenditures of \$705, which are offset against grant revenues.
- A decrease in Debt Service of \$334.
- A decrease in Capital Outlay of \$2,158.
- A decrease in Public Works of \$209.

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 position of the Water Pollution Control Authority at the end of the year amounted to \$8,916 of which \$4,624 represents an investment in capital assets net of related debt. Net position of the Parking Authority at the end of the year amounted to \$722 of which \$589 represents an investment in capital assets net of related debt. The total increase in net position for the Business-Type Activities- Enterprise Fund was \$1,622. Other factors concerning the finances of the fund have already been addressed in the discussion of the City's business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget (\$482 increase in appropriations) can be briefly summarized as follows:

- \$34 in increases in General Government which was primarily due to increased workers compensation costs.
- \$111 in increases in Public Safety primarily due to overtime-extra duty wages.
- \$66 in increases in Public Works primarily increased wages and motorized maintenance costs.
- \$161 in increases in capital outlay due to anticipation of acquiring new equipment.

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, 2019, amounts to \$100,678 (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 governmental activities investment in capital assets for the current fiscal year was \$14,301 increase (19%) and \$7,151 increase (129%) for business-type activities.

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 6,552	\$ 595	\$ 7,147
Construction in progress	-	7,371	7,371
Buildings and system	57,837	3,396	61,233
Machinery and equipment	2,348	1,314	3,662
Infrastructure	21,265	-	21,265
	<u>\$ 88,002</u>	<u>\$ 12,676</u>	<u>\$ 100,678</u>

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

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LONG TERM DEBT

Long-Term Debt — At the end of the current fiscal year, the City and WPCA had total bonded debt and notes payable outstanding of \$16,300 and \$7,448 respectively. The City and WPCA also have capital lease obligations of \$771 and \$13, at year end, respectively.

Net Pension Liability — At the end of the current fiscal year, the City had total net pension liability of \$8,923. This obligation increased \$2,895 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 \$30,053. This obligation increased \$463 during the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	<u>Principal</u>	<u>Interest</u>
Governmental Activities		
Due in one year	\$ 1,345	\$ 657
Due in 2 to 6 years	5,940	2,038
Due in 7 to 11 years	4,105	1,180
Due in 12 to 16 years	3,445	596
Due in 17 to 20 years	1,465	91
	<u>\$ 16,300</u>	<u>\$ 4,561</u>
Business-type Activities		
Due in one year	\$ 448	\$ 424
Due in 2 to 6 years	1,850	1,147
Due in 7 to 11 years	1,850	793
Due in 12 to 16 years	1,840	474
Due in 17 to 20 years	1,460	117
	<u>\$ 7,448</u>	<u>\$ 2,955</u>

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The City's governmental activities total debt increased by \$7,488 (14.06%) and business type activities decreased by \$7,176 (2,516%) 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 \$199,238, 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 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- The unemployment rate for the County for the fiscal year decreased to 4.4% vs. 5.5% in the prior year, consistent with the Connecticut unemployment rate.
- The Connecticut state government has been reporting an anticipated deficit for 2018-2019, which will translate into decreased 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 2019-2020 fiscal year.

During the current fiscal year, undesignated and unreserved fund balance in the general fund decreased to \$(1,794). The City has not appropriated any amounts of fund balance for spending in the 2019-2020 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 POSITION
JUNE 30, 2019**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,416,293	\$ 4,315,626	\$ 9,731,919
Investments	1,016,118	-	1,016,118
Receivables:			
Property taxes, net of allowance for collection losses of \$220,000	1,151,551	-	1,151,551
Special assessments, net of allowance for collection losses of \$3,232	-	314,399	314,399
Intergovernmental	1,154,379	-	1,154,379
Other	162,425	37,104	199,529
Notes receivable	81,255	-	81,255
Inventories	8,573	-	8,573
Due from other funds	223,235	53,543	276,778
Capital assets (net of accumulated depreciation)			
Land	6,551,792	594,858	7,146,650
Buildings	57,837,910	3,396,340	61,234,250
Machinery and equipment	2,347,908	1,314,198	3,662,106
Construction in progress	-	7,370,000	7,370,000
Infrastructure	21,264,567	-	21,264,567
TOTAL ASSETS	\$ 97,216,006	\$ 17,396,068	\$ 114,612,074
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 5,718,685	\$ 295,489	\$ 6,014,174
Deferred revenue - grants	637,376	-	637,376
Bonds anticipation notes	5,330,000	-	5,330,000
Notes Payable:			
Due within one year	10,691,988	461,552	11,153,540
Due in more than one year	50,043,647	7,000,000	57,043,647
TOTAL LIABILITIES	72,421,696	7,757,041	80,178,737
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	2,891,566	-	2,891,566
Deferred inflows related to OPEB	3,337,131	-	3,337,131
	6,228,697	-	6,228,697
NET POSITION			
Investment in capital assets, net of related debt	64,682,442	5,213,844	69,896,286
Restricted for:			
Inventories	8,573	-	8,573
Unrestricted:			
Net position	(46,125,402)	4,425,183	(41,700,219)
TOTAL NET POSITION	18,565,613	9,639,027	28,204,640
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 97,216,006	\$ 17,396,068	\$ 114,612,074

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See notes to financial statements.

**CITY OF DERBY, CONNECTICUT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

PRIMARY GOVERNMENT FUNCTIONS/PROGRAMS	Program Revenues			Changes in Net Assets Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities:							
General government	\$ (14,410,357)	\$ 713,249	\$ 369,906	\$ 2,193,780	\$ (11,133,422)		\$ (11,133,422)
Public works	(4,023,058)	1,450	-	373,373	(3,648,235)		(3,648,235)
Public safety	(10,147,912)	736,756	-	-	(9,411,156)		(9,411,156)
Culture and recreation	(1,496,791)	-	2,943	-	(1,493,848)		(1,493,848)
Health and welfare	(1,242,424)	150,587	755,453	-	(336,384)		(336,384)
Education	(30,850,510)	-	17,118,545	-	(13,731,965)		(13,731,965)
Capital outlay	(96,094)	-	-	13,330,259	13,234,165		13,234,165
Debt service	(658,091)	-	-	-	(658,091)		(658,091)
TOTAL GOVERNMENTAL ACTIVITIES	(62,925,237)	1,602,042	18,246,847	15,897,412	(27,178,936)		(27,178,936)
TOTAL BUSINESS-TYPE ACTIVITIES- SEWER AND PARKING AUTHORITY	(2,624,705)	4,316,828	-	-	-	\$ 1,692,123	1,692,123
TOTAL PRIMARY GOVERNMENT	\$ (65,549,942)	\$ 5,918,870	\$ 18,246,847	\$ 15,897,412	(27,178,936)	1,692,123	(25,486,813)
GENERAL REVENUES							
Property taxes					28,798,107	-	28,798,107
Grants and contributions not restricted to specific programs					2,932,695	-	2,932,695
Unrestricted investment earnings(loss)					222,296	12	222,308
TRANSFERS					70,000	(70,000)	-
TOTAL GENERAL REVENUES AND TRANSFERS					32,023,098	(69,988)	31,953,110
CHANGE IN NET POSITION					4,844,162	1,622,135	6,466,297
NET POSITION AT JULY 1, 2018					13,721,451	8,016,892	21,738,343
NET POSITION AT JUNE 30, 2019					\$ 18,565,613	\$ 9,639,027	\$ 28,204,640

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See notes to financial statements.

CITY OF DERBY, CONNECTICUT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Library Endowment Fund	Field House Project	School Roof 2014	Sewer 2015	Roads 2015	Other Governmental Funds	Totals Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 2,401,450	\$ 24,378	\$ 2,014,581	\$ 270,466	\$ 145,350	\$ 43,642	\$ 516,426	\$ 5,416,293
Investments	-	1,016,118	-	-	-	-	-	1,016,118
Receivables:								
Property taxes, net of allowance of \$220,000	1,151,551	-	-	-	-	-	-	1,151,551
Intergovernmental	828,002	-	-	-	-	-	326,377	1,154,379
Other	162,425	-	-	-	-	-	81,255	243,680
Inventories	-	-	-	-	-	-	8,573	8,573
Due from other funds	710,922	-	-	-	877,285	-	170,149	1,758,356
TOTAL ASSETS	\$ 5,254,350	\$ 1,040,496	\$ 2,014,581	\$ 270,466	\$ 1,022,635	\$ 43,642	\$ 1,102,780	\$ 10,748,950
LIABILITIES								
Accounts payable and accrued liabilities	\$ 5,055,962	\$ -	\$ -	\$ -	\$ 590,248	\$ 34,531	\$ 37,944	\$ 5,718,685
Bond anticipation notes payable	-	-	-	-	5,000,000	-	330,000	5,330,000
Due to other funds	943,575	-	-	394,685	-	-	196,861	1,535,121
TOTAL LIABILITIES	5,999,537	-	-	394,685	5,590,248	34,531	564,805	12,583,806
DEFERRED INFLOWS OF RESOURCES								
Deferred revenue-taxes	683,242	-	-	-	-	-	-	683,242
Deferred revenue-grants	366,037	-	-	-	-	-	271,339	637,376
	1,049,279	-	-	-	-	-	271,339	1,320,618
FUND BALANCES(DEFICITS)								
Nonspendable	-	-	-	-	-	-	8,573	8,573
Restricted	-	1,016,118	2,014,581	-	-	-	519,289	3,549,988
Assigned	-	24,378	-	-	-	-	-	24,378
Unassigned	(1,794,466)	-	-	(124,219)	(4,567,613)	9,111	(261,226)	(6,738,413)
TOTAL FUND BALANCES (DEFICIT)	(1,794,466)	1,040,496	2,014,581	(124,219)	(4,567,613)	9,111	266,636	(3,155,474)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,254,350	\$ 1,040,496	\$ 2,014,581	\$ 270,466	\$ 1,022,635	\$ 43,642	\$ 1,102,780	

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.	88,002,177
Long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	683,242
Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.	(6,228,697)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(60,735,635)
Net position of governmental activities	<u>\$ 18,565,613</u>

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See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	General	Library Endowment Fund	Field House Project	School Roof 2014	Sewer 2015	Roads 2015	Other Governmental Funds	Total Governmental Funds
REVENUES								
Property taxes	\$ 28,740,196	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,740,196
Interest and lien fees	263,468	-	-	-	-	-	-	263,468
Intergovernmental	20,411,816	-	-	-	-	-	782,707	21,194,523
City departments	3,265,149	-	-	-	-	-	150,587	3,415,736
Net increase(decrease) in fair market value of investments	-	(149,683)	-	-	-	-	-	(149,683)
Other	-	15,006	13,311,080	-	-	-	-	13,326,086
Investment income	338,646	57	18,934	-	-	-	33,523	391,160
TOTAL REVENUES	53,019,275	(134,620)	13,330,014	-	-	-	966,817	67,181,486
EXPENDITURES								
Current:								
General government	11,184,627	-	-	-	-	-	65,809	11,250,436
Public safety	4,883,452	-	-	-	-	-	-	4,883,452
Public works	3,043,336	-	-	-	-	-	-	3,043,336
Culture and recreation	959,818	6,520	-	-	-	-	-	966,338
Health and welfare	360,536	-	-	-	-	-	792,690	1,153,226
Board of education-operations	24,121,100	-	-	-	-	-	-	24,121,100
Board of education-grants	5,229,636	-	-	-	-	-	-	5,229,636
Capital outlay	2,781,484	-	15,184,838	27,270	5,185,850	976,011	76,844	24,232,297
Debt service:								
Principal retirement	1,090,000	-	-	-	-	-	-	1,090,000
Interest	674,796	-	-	-	-	-	-	674,796
TOTAL EXPENDITURES	54,328,785	6,520	15,184,838	27,270	5,185,850	976,011	935,343	76,644,617
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,309,510)	(141,140)	(1,854,824)	(27,270)	(5,185,850)	(976,011)	31,474	(9,463,131)
OTHER FINANCING SOURCES (USES)								
Proceeds from bonds	12,580,000	-	-	-	-	-	-	12,580,000
Operating transfers in	110,000	-	-	1,775,000	5,035,000	3,700,000	120,000	10,740,000
Operating transfers out	(10,630,000)	(40,000)	-	-	-	-	-	(10,670,000)
TOTAL OTHER FINANCING (USES) SOURCES	2,060,000	(40,000)	-	1,775,000	5,035,000	3,700,000	120,000	12,650,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	750,490	(181,140)	(1,854,824)	1,747,730	(150,850)	2,723,989	151,474	3,186,869
Fund balance(deficit) at July 1, 2018	(2,544,956)	1,221,636	3,869,405	(1,871,949)	(4,416,763)	(2,714,878)	115,162	(6,342,343)
FUND BALANCES (DEFICIT) AT JUNE 30, 2019	\$ (1,794,466)	\$ 1,040,496	\$ 2,014,581	\$ (124,219)	\$ (4,567,613)	\$ 9,111	\$ 266,636	\$ (3,155,474)

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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, 2019**

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

Net change in fund balances - total governmental funds \$ 3,186,869

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.

14,301,313

Revenues that are reported as in the year revenues provide current financial resources to governmental funds.

(205,557)

City pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension/OPEB liability is measured a year before the City's report date. Pension/OPEB expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

(7,845,384)

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.

(4,593,079)

Change in Net Position \$ 4,844,162

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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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
REVENUES				
Property taxes	\$ 28,193,431	\$ 28,193,431	\$ 28,740,196	\$ 546,765
Interest and lien fees	80,000	80,000	263,468	183,468
Intergovernmental	11,376,333	11,399,391	15,024,418	3,625,027
Investment income	25,000	25,000	338,646	313,646
City departments	<u>2,567,606</u>	<u>3,026,469</u>	<u>3,265,149</u>	<u>238,680</u>
TOTAL REVENUES	42,242,370	42,724,291	47,631,877	4,907,586
EXPENDITURES				
Current				
General government	12,627,652	12,661,391	11,184,627	1,476,764
Public safety	4,291,233	4,402,489	4,883,452	(480,963)
Public works	3,344,680	3,410,713	3,043,336	367,377
Culture and recreation	966,072	1,019,935	959,818	60,117
Health and welfare	331,003	386,405	360,536	25,869
Board of Education-operations	18,242,262	18,242,262	18,733,702	(491,440)
Board of Education-grants	-	-	5,229,636	(5,229,636)
Capital outlay	589,468	751,096	2,781,484	(2,030,388)
Debt service				
Principal retirements	1,850,000	1,702,515	1,090,000	612,515
Interest	-	147,485	674,796	(527,311)
TOTAL EXPENDITURES	<u>42,242,370</u>	<u>42,724,291</u>	<u>48,941,387</u>	<u>(6,217,096)</u>
REVENUES OVER(UNDER) EXPENDITURES	-	-	(1,309,510)	(1,309,510)
OTHER FINANCING SOURCES				
Proceeds from bonds	-	-	12,580,000	12,580,000
Operating transfers in	-	-	110,000	110,000
Operating transfers out	-	-	<u>(10,630,000)</u>	<u>(10,630,000)</u>
REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES	<u>-</u>	<u>-</u>	<u>2,060,000</u>	<u>2,060,000</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>750,490</u>	<u>\$ 750,490</u>
Fund balance(deficit) at July 1, 2018			(2,544,956)	
FUND BALANCE(DEFICIT) AT JUNE 30, 2019			<u>\$ (1,794,466)</u>	

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See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2019

	Business-type Activities - Enterprise Funds		
	Water Pollution Control Authority	Parking Authority	Total
ASSETS			
CURRENT ASSETS			
Cash	\$ 4,207,039	\$ 108,588	\$ 4,315,627
Sewer assessments receivable (net of allowance for uncollectible of \$3,232)	314,400	-	314,400
Grant receivable	-	-	-
Accounts receivable	-	37,104	37,104
Due from other funds	66,290	-	66,290
TOTAL CURRENT ASSETS	4,587,729	145,692	4,733,421
CAPITAL ASSETS (net of accumulated depreciation)			
Land	212,500	382,358	594,858
Construction in progress	7,370,000	-	7,370,000
Buildings	3,191,689	204,651	3,396,340
Machinery and equipment	1,311,850	2,348	1,314,198
	12,086,039	589,357	12,675,396
TOTAL ASSETS	\$ 16,673,768	\$ 735,049	\$ 17,408,817
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 285,738	\$ 9,751	\$ 295,489
Due to other funds	10,153	2,595	12,748
Capital lease-current portion	13,304	-	13,304
Bonds and loan payable-current portion	448,248	-	448,248
TOTAL CURRENT LIABILITIES	757,443	12,346	769,789
NONCURRENT LIABILITIES			
Capital lease	-	-	-
Bonds and loan payable	7,000,000	-	7,000,000
TOTAL LIABILITIES	7,757,443	12,346	7,769,789
NET POSITION			
Investment in capital assets, net of related debt	4,624,487	589,357	5,213,844
Unrestricted	4,291,838	133,346	4,425,184
TOTAL NET POSITION	8,916,325	722,703	9,639,028
TOTAL LIABILITIES AND NET POSITION	\$ 16,673,768	\$ 735,049	\$ 17,408,817

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See notes to financial statements.

**CITY OF DERBY, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019**

	<u>Business Type Activities- Enterprise Funds</u>		
	<u>Water Pollution Control Authority</u>	<u>Parking Authority</u>	<u>Total</u>
OPERATING REVENUES			
Sewer usage fees	\$ 4,055,406	\$ -	\$ 4,055,406
Rental and fees	-	154,517	154,517
Other revenues	34,006	-	34,006
Interest and lien fees	72,899	-	72,899
Total operating revenues	4,162,311	154,517	4,316,828
OPERATING EXPENSES	<u>2,312,779</u>	<u>207,125</u>	<u>2,519,904</u>
OPERATING INCOME(LOSS)	1,849,532	(52,608)	1,796,924
NONOPERATING REVENUES (EXPENSES)			
Grant income	-	-	-
Interest income	12	-	12
Interest expense	(104,800)	-	(104,800)
Total nonoperating income(expense)	(104,788)	-	(104,788)
OPERATING TRANSFERS OUT	<u>(70,000)</u>	<u>-</u>	<u>(70,000)</u>
CHANGE IN NET POSITION	1,674,744	(52,608)	1,622,136
Net position at July 1, 2018	<u>7,241,581</u>	<u>775,311</u>	<u>8,016,892</u>
NET POSITION AT JUNE 30, 2019	<u>\$ 8,916,325</u>	<u>\$ 722,703</u>	<u>\$ 9,639,028</u>

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See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water Pollution Control Authority</u>	<u>Parking Authority</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 4,104,394	\$ 203,843	\$ 4,308,237
Cash payments to suppliers	(1,451,353)	(193,723)	(1,645,076)
Due to general fund	-	-	-
Cash payments to employees	(744,546)	-	(744,546)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	1,908,495	10,120	1,918,615
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES			
Transfer out	(70,000)	-	(70,000)
Purchase of capital assets	(7,471,770)	-	(7,471,770)
Proceeds from Bonds	7,370,000	-	7,370,000
Payment of principal and interest	(298,518)	-	(298,518)
NET CASH FROM CAPITAL AND FINANCING ACTIVITIES	(470,288)	-	(470,288)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	12	-	12
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,438,219	10,120	1,448,339
Cash and cash equivalents at July 1, 2018	2,768,820	98,468	2,867,288
Cash and cash equivalents at June 30, 2019	<u>\$ 4,207,039</u>	<u>\$ 108,588</u>	<u>\$ 4,315,627</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss) from operations	\$ 1,849,532	\$ (52,608)	\$ 1,796,924
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	305,592	15,270	320,862
Changes in assets and liabilities:			
Accounts receivable	(68,529)	49,328	(19,201)
Due from other funds	(120,512)	-	(120,512)
Accounts payable	(57,588)	(1,870)	(59,458)
Due to other funds	-	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 1,908,495</u>	<u>\$ 10,120</u>	<u>\$ 1,918,615</u>

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See notes to financial statements.

**CITY OF DERBY, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019**

	<u>Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 893,305
Investments, at fair value	14,813,557
Other receivables	<u>6,560</u>
TOTAL ASSETS	<u>\$ 15,713,422</u>
LIABILITIES - other	<u>-</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES	<u>15,713,422</u>

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See notes to financial statements.

**CITY OF DERBY, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2019**

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions	
City of Derby	\$ 218,189
Plan members	<u>90,310</u>
Total contributions	308,499
Investment income	
Net realized/unrealized gain (loss) on investments	634,310
Interest and dividends	<u>99,258</u>
	733,568
Less investment management fees	<u>(140,483)</u>
Net investment income(loss)	<u>593,085</u>
TOTAL ADDITIONS	901,584
DEDUCTIONS - benefits and other deductions	<u>1,049,921</u>
CHANGE IN NET POSITION	(148,337)
Net position held in trust for pension benefits at July 1, 2018	<u>15,861,759</u>
NET POSITION HELD IN TRUST FOR BENEFITS	
AT JUNE 30, 2019	<u>\$ 15,713,422</u>

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See notes to financial statements.

**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

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 conform to accounting principles generally accepted in the United States of America as applicable to governments.

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

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

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

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

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

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

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

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

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Implementation of New Accounting Standards

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented on July 1, 2017. This statement revised and established new financial reporting requirements for most governments that provide their employees with postemployment benefits other than pensions. Among other requirements, Statement No. 75 required governments to report a liability on the face of the financial statements for the OPEB that they provide: 1) Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability—the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. 2) Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. 3) Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. The effects of the implementation of this statement is discussed in Note 19.

Government-wide and Fund Financial Statements

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The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) 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.,

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

Those revenues susceptible to accrual are property taxes, special assessments and interest revenue. Fines, permits and charges for services are not susceptible to accrual because generally they are not measurable until received in cash.

The government reports the following major governmental funds:

- (i) *General Fund* — The General Fund is the general operating fund of the City government. All unrestricted resources except those required to be accounted for in another fund are accounted for in this fund. From this fund are paid general operating expenditures, fixed charges, principal and interest on long-term debt, and capital improvement costs of the City, which are not paid through a special fund.
- (ii) *Library Endowment Fund* — The Library Endowment Fund is a permanent fund used to account for donations used for the betterment of the City’s library. Monies are restricted for the intended purpose of the donor.
- (iii) *Field House Project* — The Field House Project is a capital project fund used to account for funds which are principally used for construction of a new field house.
- (iv) *School Roof Project 2014* – is a capital project fund used to account for the improvements to the school buildings.
- (v) *Sewer 2015* – is a capital project fund used to account for the improvements to the City Sewer’s system.
- (vi) *Roads 2015*– is a capital project fund used to account for the improvements to the City Road Improvements.

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:

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- (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.

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.

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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.

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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

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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

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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.

Deferred Outflows/Inflows of Resources — In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. As of June 30, 2019, \$6,228,697 were required to be reported as deferred inflows of resources related to the pension (\$2,891,566) and OPEB (\$3,337,131).

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 position. Bonds payable are reported net of the applicable bond premium or discount.

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Net Position — Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes, net investment in capital assets, restricted for debt service and special revenue funds. The balance is classified as unrestricted.

Fund Balance — Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance — amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance — when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for capital projects and debt service obligations and for other items contained in the Connecticut statutes.

Committed fund balance — amounts that can only be used for specific purposes pursuant to formal action of the City's highest level of decision making authority. The Board of Apportionment and Taxation and the Board of Selectmen are the highest level of decision making authority for the City that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the Board of Finance and Board of Representatives removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain amounts established and approved by the Board of Apportionment and Taxation and the Board of Selectmen.

Assigned fund balance— in the General Fund, will represent amounts constrained by Board of Apportionment and Taxation and the Board of Selectmen for amounts assigned for balancing the subsequent year's budget or the Comptroller for amounts assigned for encumbrances. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

Unassigned fund balance— in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows of resources, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows of resources.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, the City considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

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NOTE 2 — RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities are reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$60,735,636 difference are as follows:

Bonds payable	\$ 16,300,000
Bonds premium	632,470
Compensated absences	3,770,427
Net pension liability	8,922,826
Other post-employment obligations	30,052,648
Capital leases	771,254
Post-closure landfill	<u>286,011</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 60,735,636</u>

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

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 position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$21,671,313 difference are as follows:

Capital outlay	\$ 24,164,913
Depreciation expense	<u>(2,493,600)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds, to arrive at changes in net position of governmental activities	<u>\$ 21,671,313</u>

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Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases)” provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of 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 \$7,488,278 difference are as follows:

Principal repayments/(increase in long-term liabilities):	
Bond principal payments	\$ 1,090,000
Bond proceeds	\$ (5,210,000)
Bond premium	16,704
Other miscellaneous long-term liabilities	16,607
Capital leases	(27,709)
Net pension liability	(2,895,199)
Compensated absences	(16,011)
Other post-employment obligations	<u>(462,670)</u>
Net adjustment to decrease net position in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (7,488,278)</u>

NOTE 3 — 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

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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 \$481,921 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 and State Teacher's OPEB, 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, 2019	\$ 47,631,877	\$ 48,941,387	\$(1,794,466)
State Teachers' Retirement on-behalf payments	3,384,659	3,384,659	-
State Teachers' OPEB	2,002,739	2,002,739	-
Balance, GAAP basis at June 30, 2019	\$ 53,019,275	\$ 54,328,785	\$(1,794,466)

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Encumbrances

Encumbrances, which are purchase orders, contracts and other legal commitments, are recorded in order to reserve the unexpended portion of the applicable appropriation. In the General Fund, encumbrances outstanding at year end are reported as reservations of fund balance since they do not constitute expenditures or liabilities and provide the authority for the carryover of appropriations to the subsequent year in order to complete these transactions. As of June 30, 2019, 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 will carryover until completion of the grants.

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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 4 — DEPOSITS AND INVESTMENTS

Deposits and Investment Balances

Following is a reconciliation of the City's deposit and investment balances as of June 30, 2019:

	Carrying and Fair Values
Deposits	\$ 10,263,024
Money market accounts	999,599
Certificates of Deposit	3,376
	\$ 11,265,999
Govt	\$ 5,416,293
Business	4,315,626
Fiduciary	1,534,080
	\$ 11,265,999

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At June 30, 2019, the carrying amount of the City's deposits was \$11,265,999. The bank balances of funds on deposit totaled \$12,875,153. Of the bank balances, \$1,548,351 was covered by federal depository insurance (up to \$250,000) or Security Investor Protection Corporation (up to \$500,000), \$1,263,910 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 \$10,375,193 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.

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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, 2019 are shown below:

	<u>Cost</u>	<u>Carrying and Fair Values</u>	<u>Average Credit Quality Ratings</u>	<u>Weighted Average Maturity (Years)</u>
Library Endowment Fund:				
Mutual funds-Equity	\$ 997,854	\$ 1,016,118	N/A	N/A
School Scholarship Fund:				
Mutual funds-Equity	40,448	40,448	N/A	N/A
Pension Trust Fund:				
Investment at Beirne Wealth				
Aqr Small Cap Multi Style Fund CI I	839,009	819,895 *	N/A	N/A
Other Mutual funds-Equity Funds	3,344,155	3,734,282	N/A	N/A
Stocks	2,976,783	4,042,437	N/A	N/A
Corporate Bonds	386,022	394,910	BBB	5.54
US Treasury Securities	154,526	163,918	AA+	5.34
Federal Home Loan Mortgage Bonds	273,056	275,721	AA+	15.48
Other Holdings	33,432	43,639	N/A	N/A
EntrustPermal Structured Income Fund II-A Ltd.	1,000,000	1,061,900 *	N/A	N/A
Mendon Capital Ltd	300,000	218,548	N/A	N/A
Verition Interenational Multi-Strategy Fund LTD	300,000	326,946	N/A	N/A
Verition Interenational Multi-Strategy Fund LTD	300,000	311,965	N/A	N/A
Golden Tree Distresses Fund 2014	400,000	451,051	N/A	N/A
Boyd Watterson-State Government Fund LP	375,000	394,644	N/A	N/A
Boyd Watterson-GSA Fund	2,000,000	2,173,416 *	N/A	N/A
Greywolf Containership Offshore Fund LP	400,285	400,285		
TOTAL	\$ 14,120,570	\$ 15,870,123		

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

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

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NOTE 5 — RECEIVABLES

As of June 30, 2019, receivables by type for the City's government-wide financial statements were as follows:

	<u>General</u>	Nonmajor governmental <u>Funds</u>	Water Pollution <u>Control Authority</u>	<u>Total</u>
Receivables:				
Taxes and interest	1,371,551	\$ -	\$ -	\$ 1,371,551
Accounts and Other	162,425	81,255	-	243,680
Sewer Assessments	-	-	249,107	249,107
Intergovernmental	828,002	<u>326,377</u>	<u>-</u>	<u>1,154,379</u>
Gross receivables	2,361,978	407,632	249,107	3,018,717
Less allowance for collection losses	<u>220,000</u>	<u>-</u>	<u>3,232</u>	<u>223,232</u>
Net receivables	<u>\$ 2,141,978</u>	<u>\$ 407,632</u>	<u>\$ 245,875</u>	<u>\$ 2,795,485</u>

Governmental funds report deferred inflows of resources in connection with receivables that are not considered available to be liquidate liabilities for the current period. Governmental funds also record unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund		
Delinquent property taxes	683,242	\$ -
Various education grants		366,037
Nonmajor governmental funds:		
Community Development	-	111,044
Police Grant	<u>-</u>	<u>160,295</u>
	<u>\$ 683,242</u>	<u>\$ 637,376</u>

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NOTE 6 — INTERFUND ACCOUNTS

As of June 30, 2019, interfund receivables and payables that resulted from various interfund transactions were as follows:

<u>Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major:		
General	\$ 710,922	\$ 943,575
Enterprise	66,290	12,748
Sewer 2015	877,285	-
School Roof Project 2015	-	394,685
	<u>1,654,497</u>	<u>1,351,008</u>
Nonmajor funds:		
School Lunch	-	-
Library construction	103,282	6,296
Middle School Project	21,325	-
Road construction 2015	-	-
System-wide School Capital	22,254	-
Other capital projects	23,288	163,048
Land acquisition	-	27,517
	<u>170,149</u>	<u>196,861</u>
Trust and Agency Funds		
Student Activity Funds	-	276,777
Total	<u>\$ 1,824,646</u>	<u>\$ 1,824,646</u>

The General Fund interfund payable is due to various Capital Projects Funds for advances of bond monies received by the General Fund yet to be remitted to their respective Capital Project Funds. These amounts are 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, 2019 is as follows:

<u>Funds</u>	<u>Transfers from Other Funds</u>	<u>Transfers to Other Funds</u>
Major:		
General Fund	\$ 110,000	\$ 10,630,000
Enterprise	-	70,000
Sewer 2015	5,035,000	-
Roads 2015	3,700,000	-
Library Endowment Fund	-	40,000
School Roof Project 2015	1,775,000	-
	<u>10,620,000</u>	<u>10,740,000</u>
Nonmajor funds:		
Middle School	120,000	-
Total	<u>\$ 10,740,000</u>	<u>\$ 10,740,000</u>

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The purpose of the transfers to the general fund and School Roof Project 2015 from the Enterprise and Sewer 2015 funds is for the repayments of bond anticipation notes. The Library Endowment Fund transfer was to the General fund was for library operating expenses. The transfer to the Community Development Fund from the Library Endowment fund was for library renovations.

NOTE 7 — CAPITAL ASSETS

Governmental activities - capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Disposal/ Transfers</u>	<u>Balance</u> <u>June 30, 2019</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,551,792	\$ -	\$ -	\$ 6,551,792
Construction in progress	1,150,898	-	1,150,898	-
Total Capital Assets, not being depreciated	7,702,690	-	1,150,898	6,551,792
Capital assets, being depreciated:				
Buildings	60,657,208	18,532,439	-	79,189,647
Property under capital lease	4,377,544	329,422	-	4,706,966
Rolling equipment	4,865,503	68,962	-	4,934,465
Machinery, vehicles and equipment	3,605,585	95,585	-	3,701,170
Infrastructure	38,483,048	6,289,403	7,370,000	37,402,451
	111,988,888	25,315,811	7,370,000	129,934,699
Less accumulated depreciation for:				
Buildings	20,130,953	1,220,784	-	21,351,737
Property under capital lease	2,873,256	217,097	-	3,090,353
Rolling equipment	4,334,170	98,464	-	4,432,634
Machinery, vehicles and equipment	3,425,446	46,259	-	3,471,705
Infrastructure	15,226,889	910,996	-	16,137,885
	45,990,714	2,493,600	-	48,484,314
Total capital assets, being depreciated, net	65,998,174	22,822,211	7,370,000	81,450,385
Governmental activities capital assets, net	<u>\$ 73,700,864</u>	<u>\$ 22,822,211</u>	<u>\$ 8,520,898</u>	<u>\$ 88,002,177</u>

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Depreciation expense by function for the year ended June 30, 2019 is as follows:

Education	\$ 763,950
General	924,663.00
Public safety	250,927.00
Public works	301,873.00
Culture and recreation	<u>252,187</u>
	<u>\$ 2,493,600</u>

Business-type activities - capital asset activity for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Disposal	Balance June 30, 2019
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 594,858	\$ -	\$ -	\$ 594,858
Construction in progress	<u>-</u>	<u>7,370,000</u>	<u>-</u>	<u>7,370,000</u>
	594,858	7,370,000	-	7,964,858
Capital assets, being depreciated:				
Buildings	12,435,928	-	-	12,435,928
Machinery, vehicles and equipment	<u>2,815,442</u>	<u>101,770</u>	<u>-</u>	<u>2,917,212</u>
	15,251,370	101,770	-	15,353,140
Less accumulated depreciation for:				
Buildings	8,859,809	179,779	-	9,039,588
Machinery, vehicles and equipment	<u>1,461,933</u>	<u>141,082</u>	<u>-</u>	<u>1,603,015</u>
	10,321,742	320,861	-	10,642,603
Total capital assets, being depreciated, net	<u>4,929,628</u>	<u>(219,091)</u>	<u>-</u>	<u>4,710,537</u>

NOTE 8 – BOND ANTICIPATION NOTES

Bond anticipation note transactions for the year ended June 30, 2019 were as follows:

Outstanding, July 1, 2018	\$ 13,360,000
New Borrowings	5,330,000
Repayments	<u>13,360,000</u>
Outstanding, June 30, 2019	<u>\$ 5,330,000</u>

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The outstanding balance at June 30, 2019 consists of one bond anticipation note due October 2019 at an interest rate of 2.75% per annum.

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NOTE 9 — LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2019 was as follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due within</u> <u>One Year</u>
Governmental Activities:					
General-2013	\$ 1,460,000	\$ -	\$ 325,000	\$ 1,135,000	\$ 320,000
General-2015	3,000,000	-	335,000	2,665,000	335,000
General-2015	7,720,000	-	430,000	7,290,000	430,000
General-2018	-	5,210,000	-	5,210,000	260,000
Total	12,180,000	5,210,000	1,090,000	16,300,000	1,345,000
Bond premium	649,174	-	16,704	632,470	16,705
Capital leases	743,545	329,422	301,713	771,254	287,457
Net pension liability	6,027,627	2,895,199	-	8,922,826	8,922,826
OPEB obligation	29,589,978	462,670	-	30,052,648	-
Compensated absences	3,754,416	16,011	-	3,770,427	100,000
Landfill postclosure care costs	302,618	-	16,607	286,011	20,000
Total governmental activities long-term liabilities	<u>\$ 53,247,358</u>	<u>\$ 8,913,302</u>	<u>\$ 1,425,024</u>	<u>\$ 60,735,636</u>	<u>\$10,691,988</u>
Business-type activities:					
Refunding-2009	\$ -	\$ 7,370,000	\$ -	\$ 7,370,000	\$ 370,000
Loan payable	195,620	-	117,372	78,248	78,248
Total	195,620	7,370,000	117,372	7,448,248	448,248
Capital lease	89,649	-	76,345	13,304	13,304
Total Business-type activities long-term liabilities	<u>\$ 285,269</u>	<u>\$ 7,370,000</u>	<u>\$ 193,717</u>	<u>\$ 7,461,552</u>	<u>\$ 461,552</u>

The governmental activities outstanding debt is funded through the general fund operations. The business-type activities outstanding debt is funded through the sewer use collections.

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As of June 30, 2019, the City's outstanding general obligation bonds were as follows:

	<u>Outstanding Amount</u>
Governmental Activities:	
\$5,210,000 serial bond; issue of 2018; due October 2038; effective interest ranging from 3.0%-5.0%	\$ 5,210,000
\$2,980,000 serial bond; issue of 2013; due September 2023; effective interest 2.20%	1,135,000
\$3,880,000 Series A bond; issue of 2015; due September 2026; effective interest ranging from 2.0%-5.0%	2,665,000
\$8,580,000 serial B bond; issue of 2015; due September 2035; effective interest ranging from 2.0%-5.0%	<u>7,290,000</u>
	16,300,000
Less current portion	<u>1,345,000</u>
Long term portion	<u><u>\$ 14,955,000</u></u>

As of June 30, 2019, the City's outstanding business-type obligation bonds were as follows:

	<u>Outstanding Amount</u>
Business-type activities:	
\$7,370,000 serial bond; issue of 2018; due October 2038; effective interest ranging from 3.0%-5.0%	\$ 7,370,000
\$2,347,440 note payable in monthly payments of \$9,781 plus interest at 2%, issued February 2001; and due February 2020	<u>78,248</u>
	7,448,248
Less current portion	<u>448,248</u>
Long term portion	<u><u>\$ 7,000,000</u></u>

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The annual requirements to amortize all bonded debt outstanding as of June 30, 2019, are as follows:

Governmental Activities:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,345,000	\$ 656,843	\$ 2,001,843
2021	1,335,000	509,737	1,844,737
2022	1,195,000	458,621	1,653,621
2023	1,195,000	405,254	1,600,254
2024	1,190,000	351,942	1,541,942
2025	1,025,000	312,332	1,337,332
2026	1,020,000	285,600	1,305,600
2027	1,015,000	258,056	1,273,056
2028	690,000	233,094	923,094
2029	690,000	212,232	902,232
2030	690,000	190,775	880,775
2031	690,000	168,457	858,457
2032	690,000	144,625	834,625
2033	685,000	119,531	804,531
2034	690,000	94,422	784,422
2035	690,000	69,213	759,213
2036	685,000	43,838	728,838
2037	260,000	26,000	286,000
2038	260,000	15,600	275,600
2039	260,000	5,200	265,200
	<u>\$ 16,300,000</u>	<u>\$ 4,561,372</u>	<u>\$ 20,861,372</u>

Business-type activities:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 448,248	\$ 423,986	\$ 872,234
2021	370,000	266,125	636,125
2022	370,000	247,625	617,625
2023	370,000	229,125	599,125
2024	370,000	210,625	580,625
2025	370,000	193,975	563,975
2026	370,000	181,025	551,025
2027	370,000	169,925	539,925
2028	370,000	158,825	528,825
2029	370,000	147,493	517,493
2030	370,000	135,700	505,700
2031	370,000	123,443	493,443
2032	370,000	109,800	479,800
2033	370,000	95,000	465,000
2034	365,000	80,300	445,300
2035	365,000	65,700	430,700
2036	365,000	51,100	416,100
2037	365,000	36,500	401,500
2038	365,000	21,900	386,900
2039	365,000	7,300	372,300
	<u>\$ 7,448,248</u>	<u>\$ 2,955,472</u>	<u>\$ 10,403,720</u>

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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:

<u>Year Ended</u>	<u>Governmental Activities Payment</u>	<u>Business-Type Activities Payment</u>
June 30, 2020	\$ 312,551	\$ 13,856
June 30, 2021	312,551	-
June 30, 2022	181,781	-
June 30, 2022	-	-
	<u>806,883</u>	<u>13,856</u>
Less amount representing interest	<u>35,629</u>	<u>552</u>
Net present value of lease payments	<u>\$ 771,254</u>	<u>\$ 13,304</u>

Governmental Activities

Property and equipment carried at a cost of \$4,706,966 with accumulated amortization of \$3,090,353 has been acquired under capital lease arrangements. The bi-annual payments under these leases were \$156,276 at an interest rate ranging from 5.2% to 6.3%. The capital lease obligations are financed by the general fund.

Business-Type Activities

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Property and equipment carried at a cost of \$39,240 with accumulated amortization of \$6,349 has been acquired under capital lease arrangement. The annual required payments under these leases were \$13,856 at an interest rate of 4.15%. The capital lease obligation is financed by the Water Pollution Control Authority.

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.

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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, 2019 (\$199,237,822), 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, 2019,	\$ 28,462,546
Reimbursement for revenue loss:	
Tax Relief for Elderly	-
	Base <u>\$ 28,462,546</u>

	General Purpose	Schools	Sewers	Urban Renewal	Unfunded Pension
Debt Limitation:					
2 ¼ times base	\$ 64,040,729				
4 ½ times base		\$ 128,081,457			
3 ¾ times base			\$ 106,734,548		
3 ¼ times base				\$ 92,503,275	
3 times base	-	-	-	-	\$ 85,387,638
Total debt limitation	64,040,729	128,081,457	106,734,548	92,503,275	85,387,638
Indebtedness:					
Bonds payable	5,345,643	10,954,357	7,448,248	-	-
Bond anticipation note:	-	330,000	5,000,000	-	-
Bonds authorized and unissued	160,000	22,670,643	18,791,752	-	-
	5,505,643	33,955,000	31,240,000	-	-
Debt Limitation in excess of outstanding and authorized debt	<u>\$ 58,535,086</u>	<u>\$ 94,126,457</u>	<u>\$ 75,494,548</u>	<u>\$ 92,503,275</u>	<u>\$ 85,387,638</u>

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**CITY OF DERBY, CONNECTICUT
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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, 2019 is as follows:

	<u>Water Pollution Control Authority</u>	<u>Parking Authority</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 4,162,311	\$ 154,517	\$ 4,316,828
Operating Expenses	<u>2,312,779</u>	<u>207,125</u>	<u>2,519,904</u>
Operating Income(Loss)	1,849,532	(52,608)	1,796,924
Non-Operating(Expenses) Revenues	<u>(104,788)</u>	<u>-</u>	<u>(104,788)</u>
Change in Net Position	1,744,744	(52,608)	1,692,136
Beginning Net Position	<u>7,241,581</u>	<u>775,311</u>	<u>8,016,892</u>
Ending Net Position	8,916,325	722,703	9,639,028
Net Cash Provided By (Used In):			
Operating Activities	1,908,495	10,120	1,918,615
Capital and Financing Activities	-	-	-
Noncapital Financing Activities	(470,288)	-	(470,288)
Investing Activities	12	-	12
Beginning Cash and Equivalents	<u>2,768,820</u>	<u>98,468</u>	<u>2,867,288</u>
Ending Cash and Equivalents	<u>\$ 4,207,039</u>	<u>\$ 108,588</u>	<u>\$ 4,315,627</u>

NOTE 11 – FUND BALANCE/DEFICITS AND EXPENDITURES IN EXCESS OF BUDGETED AMOUNTS

The components of fund balance for the governmental funds at June 30, 2019 are as follows:

	General Fund	Library Endowment Fund	Field House Project	School Roof 2014	Sewer 2015	Roads 2015	Governmental Funds
Nonspendable:							
Inventories	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,573
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,573</u>
Restricted:							
Capital projects	-	-	2,014,581	-	-	9,111	200,191
Education	-	-	-	-	-	-	319,098
Library	-	1,016,118	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-
	<u>-</u>	<u>1,016,118</u>	<u>2,014,581</u>	<u>-</u>	<u>-</u>	<u>9,111.00</u>	<u>519,289</u>
Assigned:							
Library	-	24,378	-	-	-	-	-
Unassigned:	<u>(1,794,466)</u>	<u>-</u>	<u>-</u>	<u>(124,219)</u>	<u>(4,567,613)</u>	<u>-</u>	<u>(261,226)</u>
	<u>\$ (1,794,466)</u>	<u>\$ 1,040,496</u>	<u>\$ 2,014,581</u>	<u>\$ (124,219)</u>	<u>\$ (4,567,613)</u>	<u>\$ 9,111</u>	<u>\$ 266,636</u>

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Other

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The following funds had a fund deficit as of June 30, 2019:

Major Funds:

General Fund	<u>\$ 1,794,466</u>
School Roof 2015	<u>\$ 124,219</u>
Sewer 2015	<u>\$ 4,567,613</u>

Nonmajor:

Other Capital Projects	<u>\$ 103,663</u>
Middle School Project	<u>\$ 157,563</u>

The General Fund deficit will be eliminated with additional taxation and a reduction of spending. The deficits for Other Capital Project Funds will be reduced or eliminated through permanent financing or the receipt of grant funds. The Middle School, Sewer 2015, Roads 2015 deficits will be eliminated with bond proceeds.

The following expenditure categories within the General Fund exceeded their respective budgets by the amounts indicated:

Public safety	<u>\$ 480,963</u>
Board of Education-operations	<u>\$ (491,440)</u>
Board of Education-grants	<u>\$ (5,229,636)</u>
Capital outlay	<u>\$ (2,030,388)</u>
Interest	<u>\$ (527,311)</u>

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NOTE 12- EMPLOYEE RETIREMENT PLANS

CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT PLAN

Organization

Connecticut's Municipal Employees Retirement System (CMERS) is the public pension plan offered by the State of Connecticut for municipal employees in participating municipalities. The plan was established in 1947 and is governed by Connecticut Statute Title 7, Chapter 113. CMERS is a multiemployer pension plan administered by the Connecticut State Retirement Commission. The State Retirement Commission is responsible for the administration of the Connecticut Municipal Employees Retirement System (CMERS). The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members.

Plan description

Municipalities may designate which departments (including elective officers if so specified) are to be covered under the Municipal Employees Retirement System. This designation may be the result of collective bargaining. Only employees covered under the State Teachers Retirement System may not be included. There is no minimum age or service requirements. Membership is mandatory for all regular full-time employees of participating departments except Police and Fire hired after age 60.

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The plan has 4 sub plans as follows:

- General employees with social security
- General employees without social security
- Policemen and firemen with social security
- Policemen and firemen without social security

Benefit provisions

The plan provides retirement, disability and death benefits as defined in the statutes.

General Employees-Employees are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate service, or 25 years of aggregate service.

Policemen and Firemen-Compulsory retirement age for police and fire members is age 65.

Normal Retirement: For members not covered by social security, the benefit is 2% of average final compensation times years of service.

For members covered by social security, the benefit is 1.5 % of the average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint, times years of service.

The maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually. Both the minimum and the maximum include workers' compensation and social security benefits.

If any member covered by social security retires before age 62, the benefit until age 62 is reached or a social security disability award is received, is computed as if the member is not under social security.

Early Retirement: Employees are eligible after 5 years of continuous or 15 years of active aggregate service. The benefit is calculated on the basis of average final compensation and service to date of termination. Deferred to normal retirement age, or an actuarially reduced allowance may begin at the time of separation.

Disability Retirement: Employees are eligible for service-related disability benefits from being permanently or totally disabled from engaging in the service of the municipality provided such disability has arisen out of and in the course of employment with the municipality. Disability due to hypertension or heart disease, in the case of firemen and policemen, is presumed to have been suffered in the line of duty. Disability benefits are calculated based on compensation and service to the date of the disability with a minimum benefit (including workers' compensation benefits) of 50% of compensation at the time of disability.

Employees are eligible for non-service-related disability benefits with 10 years of service and being permanently or totally disabled from engaging in gainful employment in the service of the municipality. Disability benefits are calculated based on compensation and service to the date of the disability.

Pre-Retirement Death Benefit: The plan also offers a lump sum return of contributions with interest or surviving spouse benefit depending on length of service.

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Contributions

Employer:

Participating municipalities make annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment which covers the

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liabilities of the system not met by member contributions. There is also an annual administrative fee per active & retired member

Employees:

For employees not covered by social security, each person is required to contribute 5% of compensation. For employees covered by social security, each person is required to contribute 2.25% of compensation up to the social security taxable wage base plus 5% of compensation, if any, in excess of such base.

Allocation methodology for Pension Liability, Pension Expense and Deferred outflows/inflows of resources

The schedules of employer allocations were calculated based upon the 2016 actuarial (expected) payroll amounts reported by participating employers. Expected payroll adjusts actual payroll for known changes in the status of employees, annualized salaries for partial year employees and anticipated salary increases. The employer allocations were then applied to the net pension liability, pension expense, deferred inflows, sensitivity analysis and the deferred inflow amounts to be recognized in fiscal years subsequent to the reporting date to determine the amount applicable to each employer. The schedules of employer allocations reflect actuarial employer payroll for the fiscal year ended June 30, 2016. Based upon the employer's payroll as compared to the total, an employer allocation percentage is calculated to six decimal places and is used to allocate the elements noted above.

Pension Liability

At June 30, 2019, the City reported a liability of \$4,768,155 for its proportionate share of the CMERS' net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2018. Net Pension Liability of the City: The components of the net pension liability of the City at June 30, 2019 was as follows:

	Derby Police MERS
Total pension liability	\$ 65,506,935
Plan fiduciary net assets	<u>60,738,779</u>
 Net Pension Liability	 <u>\$ 4,768,155</u>
 Plan fiduciary net position as a percentage of the total pension liability	 92.72%
 Percentage of the total	 <u>7.018%</u>

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Pension expense and deferred outflows/inflows of resources

For the year ended June 30, 2019, the City recognized pension expense for their portion of the CMERS of \$1,105,306. At June 30, 2019, the County reported deferred outflows of resources related to pensions from the following sources:

	<u>Derby Police MERS</u>
	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 133,280
Changes in assumptions	1,888,516
Changes in proportion and difference between employers contributions and proportionate share of contributions	46,405
Net difference between projected and actual earnings on investments	<u>342,508</u>
Total	<u>\$ 2,410,709</u>
Percentage of total	<u>7.0183%</u>
Pension Expense	<u>\$ 1,105,306</u>

Deferred outflows of resources related to CMERS pension will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Police MERS</u>
2019	\$ 614,102
2020	478,015
2021	262,605
2022	<u>358,478</u>
Total	<u>\$ 1,713,200</u>

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Actuarial Assumptions

The collective total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement period:

Inflation	2.50%
Salary	3.5-10.00%, including inflation
Investment rate of return	7% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for annuitants and non-annuitants (set forward one year for males and set back one year for females).

Future Cost-of-Living adjustments for members who retire on or after January 1, 2002 are 60% of the annual increase in the CPI up to 6%. The minimum annual COLA is 2.5%, the maximum is 6%.

Long-term rate of return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	MERS - Target Allocation	MERS- Long-Term Expected Real Rate of Return
Domestic equity	20.0%	5.3%
Developed market international	11.0%	5.1%
Emerging Markets(non-US)	9.0%	7.4%
Core fixed income	16.0%	1.6%
Inflation linked bond fund	5.0%	1.3%
Emerging market debt	5.0%	2.9%
High yield bonds	6.0%	3.4%
Real estate	10.0%	4.7%
Private equity	10.0%	7.3%
Alternative investments	7.0%	3.2%
Liquidity fund	<u>1.0%</u>	0.9%
	<u>100%</u>	

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**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

Sensitivity

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability, calculated using the discount rate of 7.00% as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>Net Pension Liability (Asset)</u>	<u>1% Decrease to 6%</u>	<u>Current Discount Rate 7%</u>	<u>1% Increased to 8%</u>
Derby Police-MERS	<u>\$ 7,888,614</u>	<u>\$ 4,768,155</u>	<u>\$ 3,133,637</u>

Connecticut State Teachers' Retirement Fund

Organization

The Connecticut Teachers' Retirement System (TRS) is the public pension plan offered by the State of Connecticut to provide retirement, disability, survivorship and health insurance benefits for Connecticut public school teachers and their beneficiaries. The plan is governed by Connecticut Statute Title 10, Chapter 167a of the Connecticut General Statutes. TRS is a multiemployer pension plan administered by the Connecticut State Teachers' Retirement Board. The State Teachers' Retirement Board (TRB) is responsible for the administration of the Connecticut Teachers' Retirement System. The State Treasurer is responsible for investing TRS funds for the exclusive benefit of TRS members.

Plan description

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System - a cost sharing multiemployer defined benefit pension plan administered by the Teachers' Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at www.ct.gov.

Benefit provisions

The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Normal Retirement: Retirement benefits for the employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

In addition, amounts derived from the accumulation of 1 % contributions made prior to July 1, 1989 and voluntary contributions are payable.

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**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

Early Retirement: Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service. Benefit amounts are reduced by 6% per year for the first 5 years preceding normal retirement age and 4% per year for the next 5 years preceding normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year by which retirement precedes normal retirement date.

Minimum Benefit: Effective January 1, 1999, Public Act 98-251 provides a minimum monthly benefit of \$1,200 to teachers who retire under the normal retirement provisions and who have completed at least 25 years of full time Connecticut service at retirement.

Disability Retirement: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of social security benefits and workers' compensation cannot exceed 75% of average annual salary.

A plan member who leaves service and has attained 10 years of service will be entitled to 100% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60 and early retirement reductions are based on the number of years of service the member would have had if they had continued work until age 60.

Pre-Retirement Death Benefit: The plan also offers a lump-sum return of contribution with interest or surviving spouse benefit depending on length of service.

Contributions-State of Connecticut

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut is amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earning, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employer (School Districts)

School district employers are not required to make contributions to the plan.

Employees:

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Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

In addition, the City has recognized revenues and expenditures for on-behalf payments for pension contributions paid directly to the Connecticut State Teachers' Retirement System by the State of Connecticut. Such on-behalf payments were \$3,384,659 for the year ended June 30, 2019.

**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

PENSION LIABILITIES, PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2019, the City reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

City's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the City	<u>\$ 30,157,616</u>
Total	<u>\$ 30,157,616</u>

ACTUARIAL ASSUMPTIONS

The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	3.25-6.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

Future cost-of-living increases for members who retire on or after September 1, 1992 are assumed to be an annual cost-of-living adjustment of 2%.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

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**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. equities	21%	5.80%
Developed non-U.S. equities	18%	6.60%
Emerging markets (non-U.S.)	9%	8.30%
Real estate	7%	5.10%
Private equity	11%	7.60%
Alternative investments	8%	4.10%
Core fixed income	7%	1.30%
High yield bonds	5%	3.90%
Emerging market bond	5%	3.70%
Inflation linked bond fund	3%	1.00%
Cash	<u>6%</u>	0.40%
Total	<u>100%</u>	

DISCOUNT RATE

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The City's proportionate share of the net pension liability is \$-0- and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the City has no obligation to contribute to the plan.

A copy of the plan's comprehensive annual financial report can be obtained from the State of Connecticut Teachers Retirement Board.

CITY EMPLOYEES' RETIREMENT PLAN

Plan Description

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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.

**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2018, employee membership data related to the pension plan was as follows:

Inactive plan members or beneficiaries currently receiving benefits	65
Terminations	
Lump sum payments	(1)
Deaths	
Without death benefits	(5)
New beneficiaries	1
New members	11
Active plan members	<u>163</u> <u>234</u>

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

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

For the year ended June 30, 2019, the City's total payroll for all employees amounted to \$21,303,865 and the City's total covered payroll amounted to \$5,523,439. 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.

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**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

	Pension Trust Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 893,305
Investments, at fair value	14,813,557
Other receivables	6,559
TOTAL ASSETS	\$ 15,713,421
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Other liabilities	\$ -
Due to general fund	-
TOTAL CURRENT LIABILITIES	-
NET POSITION	
Reserved for employee retirement system	15,713,422
TOTAL NET POSITION	15,713,422
TOTAL LIABILITIES AND NET POSITION	\$ 15,713,422

**CITY OF DERBY, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2019**

ADDITIONS	
Contributions	
Employer contributions from general fund	\$ 218,189
Employee contributions	90,310
Total contributions	308,499
Investment income	
Net appreciation in fair value of investments	634,310
Interest and dividends	99,258
	733,568
Less investment expenses - investment management fees	140,483
Net investment income	593,085
Total additions	901,584
DEDUCTIONS	
Benefits and other deductions	1,049,921
Net change in net assets	(148,337)
NET POSITION HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES, Beginning of year	15,861,759
NET POSITION HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES, End of year	\$ 15,713,422

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**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

Investments and Rate of Return:

Investment Policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following was the adopted allocation policy as of June 30, 2015.

Asset Class	Target Allocation	City Employees' Retirement	
		Long-Term Expected Real Rate of Return*	Weighting
Large Cap Equity	30.00%	4.69%	1.41%
Mid/Small Cap Equity	10.00%	5.05%	0.51%
International Equity	20.00%	6.14%	1.23%
High Quality Fixed Income	35.00%	1.14%	0.40%
High Yield Fixed Income	5.00%	3.09%	0.15%
Alternatives	0.00%	2.92%	0.00%
Cash	<u>0.00%</u>	0.65%	<u>0.00%</u>
	<u>100%</u>		3.70%
Long-term inflation expectation			<u>2.50%</u>

*Long Term Returns are provided by Beirne Wealth Consulting.

Rate of Return: The returns are geometric means. The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return are developed. Best estimates of the real rates of return for each major asset class are included in the pension plan's target asset allocation. The information above is based on geometric means and does not reflect additional returns through investment selection, asset allocation and rebalancing. The investment return assumption used assumed a change in the long-term asset allocation shown above. The plan sponsor will be reviewing the plan's investment and corresponding assumptions in the coming year. Based on the results of this analysis, we expect that there will be changes in the asset allocation and/or investment return assumption. An expected rate of return of 7.00% was used. The July 1, 2018 Actuarial Valuation directly calculated the July 1st, 2018 Total Pension Liability (TPL). The July 1, 2018 TPL was increased by service cost and interest and decreased by benefit payments to estimate the TPL as of June 30, 2019.

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**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

Net Pension Liability of the City: The components of the net pension liability of the City at June 30, 2019 were as follows:

	<u>Employees' Retirement 2019</u>
Total pension liability	\$ 19,861,533
Plan fiduciary net assets	15,706,862
	<hr/>
Net Pension Liability	<u>\$ 4,154,671</u>
Plan fiduciary net position as a percentage of the total pension liability	79.08%
Covered-employee payroll	<u>\$ 5,523,439</u>
Net pension liability as a % of covered payroll	<u>75.22%</u>

The City's net pension liability is recorded on the governmental-wide statement of net position at June 30, 2018.

Actuarial Assumptions (GASB 67): The total pension liability was determined by an actuarial valuation as of July 1, 2017, calculated based on the discount rate and actuarial assumptions below, and then was projected forward to the measurement date July 1, 2017. There have been no significant changes between the valuation date and the fiscal year end.

	<u>City's Retirement Plan</u>
Valuation date	July 1, 2017
Actuarial cost method	Aggregate Actuarial cost method
Actuarial accrued liability	N/A
Remaining amortization period	N/A
Asset valuation method	Expected value
Investment rate of return	7.00%
Inflation	2.75%
Retirement age	63
Mortality	RP-2014

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Concentrations

Investments that represent 5% or more of net position available for benefits are listed in Note 4.

**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

Discount Rate: The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Therefore, the long-term expected rates of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate: The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.00%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the rate utilized:

	1% Decrease to 6.0%	Current Discount Rate 7.0%	1% Increased to 8.0%
Net Pension Liability (Asset)			
City Employees' Retirement	\$ 6,414,710	\$ 4,154,671	\$ 2,235,270

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions: For the year ended June 30, 2019, the City recognized pension expense of \$690,730 for the City Pension Plan. The City reported deferred outflows of resources related to pensions from the following sources:

	City Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 85,316	\$ (335,021)
Changes in assumptions	368,835	(1,252,038)
Net difference between projected and actual earnings on investments	-	(45,458)
Total	\$ 454,151	\$(1,632,517)

Actual investment earnings below (or above) projected earnings are amortized over 5 years. Change of assumption and experience losses (gains) are amortized over the average remaining service period of actives and inactive, which was also 5 years. Amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

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**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

Year Ending June 30,	City Pension
2018	\$ (186,624)
2019	(460,870)
2020	(405,735)
2021	(125,137)
2022	-
Total	\$ (1,178,366)

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 July 1, 2018. The post-retirement plan does not issue stand-alone financial reports.

GASB 75 governs the specifics of accounting for public OPEB plan obligations for participating employers and is required to be implemented for employer fiscal years beginning after June 15, 2017. GASB 75 requires a liability for OPEB obligations, known as the Net OPEB Liability (Total OPEB Liability for unfunded plans), to be recognized on the balance sheets of participating employers. Changes in the Net OPEB Liability (Total OPEB Liability for unfunded plans) will be immediately recognized as OPEB Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

The employer does not pre-fund benefits. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis.

Membership in the plan consisted of the following at July 1, 2018, the date of the last actuarial valuation.

Active plan members	267
Retirees	77
Spouses of Retirees	-
Total members	344

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

Total OPEB liability	\$ 30,052,648
Plan fiduciary net position	-

Towns net OPEB liability	\$ 30,052,648
--------------------------	---------------

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Covered payroll	\$ 15,900,907
Total OPEB liability as a % of covered payroll	189%

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 74 and 75.

**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

Discount rate

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

Actuarial Assumptions

Valuation Date	July 1, 2018
Measurement date	June 30, 2018
Actuarial cost method	Entry Age Normal
Inflation	2.50%
Healthcare cost trend rates	6.5% - 4.50% over 65 years
Salary increases	Grade by service for certified, 3.50% for all others

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

Balance as of June 30, 2018	\$ 29,589,978
Service cost	1,961,535
Interest on net OPEB liability	1,209,690
Administrative expenses	-
Investment gains or losses	-
Differences between expected & actual	(4,379,369)
Expected assumptions changes or inputs	2,263,149
Contributions made	<u>(592,335)</u>
Decrease in net OPEB liability	<u>462,670</u>
Net OPEB liability, ending	<u>\$ 30,052,648</u>

Sensitivity Analysis

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.51%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51%) or 1 percentage point higher (4.51%) than the current rate.

	1% Decrease (2.51%)	Current Discount Rate (3.51%)	1% Increase (4.51%)
Net OPEB liability	<u>\$ 35,551,696</u>	<u>\$ 30,052,648</u>	<u>\$ 25,669,604</u>

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**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

The following presents the total OPEB liability of the City, calculated using the current healthcare cost trend rates as well as what the City's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease (5.50% decreasing to 3.5%)	Health care cost (6.5% decreasing to 4.50%)	1% Increase (7.5% decreasing to 5.5%)
Net OPEB liability	\$ 24,662,266	\$ 30,052,648	\$ 37,151,790

OPEB Expense and Deferred outflows/inflows of Resources

The City recognized OPEB expense of 3,172,691. The City reported deferred inflows of resources related to OPEB from the following sources:

Differences between expected and actual experience	\$ 37,257	\$ (4,037,231)	
Net difference between projected and actual earnings	-	-	
Changes of assumptions or other inputs	<u>1,816,740</u>	<u>(1,153,897)</u>	
Total	<u>\$ 1,853,997</u>	<u>\$ (5,191,128)</u>	

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

2020	\$	(272,772)
2021	\$	(272,772)
2022	\$	(272,772)
2023	\$	(272,772)
2024	\$	(272,772)
Thereafter		(1,973,271)

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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.

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.

**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

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.

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 remaining cost of the postclosure care is \$286,011, 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, 2019. 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 – SELF INSURANCE

The City is self-insured for liabilities for most health benefits, third-party claims, and workers' compensation which is accounted for in the general fund. The Risk Management office actively manages risk on behalf of the City, through a combination of loss prevention and control, risk retention and risk transfer. The City continually evaluates its risk management program, including its self-insured retention levels, claims frequency and loss trends. Currently, there is a stop loss limit on claim exceeding \$100,000. A reconciliation of changes in the aggregate liabilities for claims (including IBNR claims) for the current fiscal year and the prior fiscal year is as follows:

	Year ended	
	June 30, 2019	June 30, 2018
Amount of claims liabilities at the beginning of the fiscal year	\$ 916,063	\$ 467,100
Incurred claims	5,867,892	6,594,415
Payments on claims	<u>6,085,799</u>	<u>6,145,452</u>
Amount of claims liabilities at the end of the fiscal year	<u>\$ 698,156</u>	<u>\$ 916,063</u>

**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 18 – SUBSEQUENT EVENTS

The City issued general obligations bonds in the amount of \$11,005,000 series A (ranging from 3.0% to 5.0%) and are payable starting in August 2020 through August 2039 and general obligations bonds in the amount of \$11,690,000 series B (ranging from 2.05% to 3.1%) are payable starting in August 2021 through August 2036.

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations results of the City of Derby, Connecticut could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The City of Derby, Connecticut has not included any contingencies in the financial statements specific to this issue.

Subsequent events were evaluated through July 28, 2020, the date of the financial statements were available to be issued.

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**CITY OF DERBY, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
CITY EMPLOYEE RETIREMENT SYSTEM
PENSION CONTRIBUTIONS
JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 811,673	\$ 1,003,231	\$ 969,392	\$ 849,200
Contributions in relation to the contractually required contribution	<u>190,000</u>	<u>572,000</u>	<u>572,000</u>	<u>572,000</u>
Contribution deficiency(excess)	<u>\$ 621,673</u>	<u>\$ 431,231</u>	<u>\$ 397,392</u>	<u>\$ 277,200</u>
City's Covered payroll	<u>\$ 5,523,439</u>	<u>\$ 5,336,656</u>	<u>\$ 5,165,262</u>	<u>\$ 4,990,591</u>
Contributions as a percentage of covered payroll	<u>3.44%</u>	<u>10.72%</u>	<u>11.07%</u>	<u>11.46%</u>

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	City's Retirement Plan
Valuation date	July 1, 2017
Actuarial cost method	Aggregate Actuarial cost method
Actuarial accrued liability	N/A
Remaining amortization period	N/A
Asset valuation method	Expected value
Investment rate of return	7.00%
Inflation	2.75%
Retirement age	63
Mortality	RP-2014

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**CITY OF DERBY, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS**

	Year ending June 30, 2019 City Retirement Plan	Year ending June 30, 2018 City Retirement Plan	Year ending June 30, 2017 City Retirement Plan	Year ending June 30, 2016 City Retirement Plan
Total Pension Liability				
Service cost	\$ 654,084	\$ 776,874	\$ 750,603	\$ 664,870
Interest on total pension liability	1,334,277	1,431,319	1,348,949	1,267,010
Effect of economic/demographic gains or (losses)	-	(526,463)	-	240,440
Change in assumptions	-	(1,967,488)	-	1,039,443
Benefit payments	<u>(1,049,921)</u>	<u>(908,031)</u>	<u>(988,834)</u>	<u>(852,970)</u>
Net change in total pension liability	938,440	(1,193,789)	1,110,718	2,358,793
Total Pension Liability, beginning	<u>18,923,093</u>	<u>20,116,882</u>	<u>19,006,164</u>	<u>16,647,371</u>
Total pension liability, ending (a)	19,861,533	18,923,093	20,116,882	19,006,164
Fiduciary Net Position				
Employer contributions	\$ 190,000	\$ 572,000	\$ 572,000	\$ 572,000
Member contributions	182,134	91,864	101,178	149,599
Investment income net of investment expenses	583,425	1,491,886	2,000,627	(360,774)
Benefit payments	(1,049,921)	(908,031)	(988,834)	(852,970)
Administrative expenses	<u>(44,105)</u>	<u>(61,928)</u>	<u>(39,030)</u>	<u>(48,745)</u>
Net change in plan fiduciary net position	(138,467)	1,185,791	1,645,941	(540,890)
Fiduciary Net Position, beginning	15,851,889	14,666,098	13,020,157	13,561,047
Fiduciary net position, ending (b)	<u>15,713,422</u>	<u>15,851,889</u>	<u>14,666,098</u>	<u>13,020,157</u>
Net pension liability, ending (a)-(b)	<u>\$ 4,148,111</u>	<u>\$ 3,071,204</u>	<u>\$ 5,450,784</u>	<u>\$ 5,986,007</u>
Fiduciary net position as a % of total pension liability	<u>79.11%</u>	<u>83.77%</u>	<u>72.90%</u>	<u>68.50%</u>
Covered payroll	<u>\$ 5,523,439</u>	<u>\$ 5,336,656</u>	<u>\$ 5,165,262</u>	<u>\$ 4,990,591</u>
Net pension liability as a % of covered payroll	<u>75.10%</u>	<u>57.55%</u>	<u>105.53%</u>	<u>119.95%</u>

Note: See notes to the financial statements for actuarial methods and assumptions.

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**CITY OF DERBY, CONNECTICUT
 REQUIRED SUPPLEMENTARY INFORMATION
 DERBY POLICE MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
 PENSION CONTRIBUTIONS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 606,612	\$ 606,612	\$ 600,669	\$ 650,374
Contributions in relation to the contractually required contribution	<u>606,612</u>	<u>606,612</u>	<u>600,669</u>	<u>650,374</u>
Contribution deficiency(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered payroll	<u>\$ 3,975,436</u>	<u>\$ 3,424,096</u>	<u>\$ 3,424,096</u>	<u>\$ 3,166,730</u>
Contributions as a percentage of covered payroll	<u>15.26%</u>	<u>17.72%</u>	<u>17.54%</u>	<u>20.54%</u>

Note: See notes to the financial statements for actuarial methods and assumptions.

**CITY OF DERBY, CONNECTICUT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
 TEACHERS RETIREMENT PLAN**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the City	<u>\$ 30,157,616</u>	<u>\$ 29,767,390</u>	<u>\$ 31,404,825</u>	<u>\$ 25,021,409</u>
Total	<u>\$ 30,157,616</u>	<u>\$ 29,767,390</u>	<u>\$ 31,404,825</u>	<u>\$ 25,021,409</u>
City's covered-employee payroll	\$ -	\$ 12,983,001	\$ 12,604,855	\$ 12,237,723
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	57.69%	55.93%	52.26%	59.50%

Note: See notes to the financial statements for actuarial methods and assumptions.

**CITY OF DERBY, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS**

Total OPEB liability	
Service cost	\$ 1,961,535
Interest on net OPEB liability	1,209,690
Administrative expenses	-
Investment gains or losses	-
Differences between expected & actual	(4,379,369)
Expected assumptions changes or inputs	2,263,149
Contributions made	<u>(592,335)</u>
	462,670
Total OPEB Liability - beginning	<u>29,589,978</u>
Total OPEB Liability - ending	<u>\$ 30,052,648</u>
Covered Payroll	<u>\$ 15,900,907</u>
Total OPEB liability as a % of covered payroll	<u>189.00%</u>

Note: This schedule is intended to show information for ten years. Additional years information will be displayed as it becomes available. See notes to the financial statements for actuarial methods and assumptions

SUPPLEMENTAL INFORMATION
NONMAJOR GOVERNMENTAL FUNDS

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**CITY OF DERBY, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

SPECIAL REVENUE FUNDS

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

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

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

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

CAPITAL PROJECTS FUNDS

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

Middle School Project — is used to account for the construction of the middle school.

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.

System-wide School Capital Improvements — is used to account for the improvements to the City's School improvements.

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

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CITY OF DERBY, CONNECTICUT
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue		
	School Lunch	Community Development	Other Special Revenue Funds
	ASSETS		
CURRENT ASSETS			
Cash and cash equivalents	\$ 15,916	\$ 44,538	\$ 160,295
Receivables - intergovernmental	301,377	25,000	-
Receivables - other	-	81,255	-
Inventory	8,573	-	-
Due from other funds	-	-	-
TOTAL ASSETS	\$ 325,866	\$ 150,793	\$ 160,295
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ 37,944	\$ -	\$ -
Deferred revenue	-	111,044	160,295
Bond anticipation note payable	-	-	-
Due to other funds	-	-	-
TOTAL LIABILITIES	37,944	111,044	160,295
FUND BALANCES (DEFICIT)			
Nonspendable	8,573	-	-
Restricted	279,349	39,749	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances (deficits)	287,922	39,749	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 325,866	\$ 150,793	\$ 160,295

CITY OF DERBY, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

REVENUES			
Federal and State government	\$ 676,532	\$ 89,988	\$ 16,187
Charges for services	150,587	-	-
Other	-	-	-
Interest on investments	-	33,279	-
TOTAL REVENUES	827,119	123,267	16,187
EXPENDITURES			
General government	-	65,808	1
Culture and recreation	-	-	-
Health and welfare	776,503	-	16,187
Capital outlay	15,000	-	-
TOTAL EXPENDITURES	791,503	65,808	16,188
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	35,616	57,459	(1)
OTHER FINANCING SOURCES			
Operating transfers in	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	35,616	57,459	(1)
Fund balance(deficit) at July 1, 2018	252,306	(17,710)	1
FUND BALANCES (DEFICIT) AT JUNE 30, 2019	\$ 287,922	\$ 39,749	\$ -

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Capital Projects

<u>Middle School Project</u>	<u>Library Construction</u>	<u>Land Acquisitions</u>	<u>Phase III Roadways</u>	<u>System-wide School Capital Improvements</u>	<u>Other Capital Project Funds</u>	<u>Total</u>
\$ 151,112	\$ 9,018	\$ 69,284	\$ 24,000	\$ 6,166	\$ 36,097	\$ 516,426
-	-	-	-	-	-	326,377
-	-	-	-	-	-	81,255
-	-	-	-	-	-	8,573
<u>21,325</u>	<u>103,282</u>	<u>-</u>	<u>-</u>	<u>22,254</u>	<u>23,288</u>	<u>170,149</u>
<u>\$ 172,437</u>	<u>\$ 112,300</u>	<u>\$ 69,284</u>	<u>\$ 24,000</u>	<u>\$ 28,420</u>	<u>\$ 59,385</u>	<u>\$ 1,102,780</u>

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,944
-	-	-	-	-	-	271,339
330,000	-	-	-	-	-	330,000
-	<u>6,296</u>	<u>27,517</u>	-	-	<u>163,048</u>	<u>196,861</u>
<u>330,000</u>	<u>6,296</u>	<u>27,517</u>	-	-	<u>163,048</u>	<u>836,144</u>
-	-	-	-	-	-	8,573
-	106,004	41,767	24,000	28,420	-	519,289
-	-	-	-	-	-	-
<u>(157,563)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(103,663)</u>	<u>(261,226)</u>
<u>(157,563)</u>	<u>106,004</u>	<u>41,767</u>	<u>24,000</u>	<u>28,420</u>	<u>(103,663)</u>	<u>266,636</u>
<u>\$ 172,437</u>	<u>\$ 112,300</u>	<u>\$ 69,284</u>	<u>\$ 24,000</u>	<u>\$ 28,420</u>	<u>\$ 59,385</u>	<u>\$ 1,102,780</u>

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\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 782,707
-	-	-	-	-	-	150,587
-	-	-	-	-	-	-
-	-	<u>139</u>	-	<u>105</u>	-	<u>33,523</u>
-	-	<u>139</u>	-	<u>105</u>	-	<u>966,817</u>
-	-	-	-	-	-	65,809
-	-	-	-	-	-	-
-	-	-	-	-	-	792,690
<u>61,820</u>	-	-	<u>24</u>	-	-	<u>76,844</u>
<u>61,820</u>	-	-	<u>24</u>	-	-	<u>935,343</u>
(61,820)	-	139	(24)	105	-	31,474
<u>120,000</u>	-	-	-	-	-	<u>120,000</u>
58,180	-	139	(24)	105	-	151,474
<u>(215,743)</u>	<u>106,004</u>	<u>41,628</u>	<u>24,024</u>	<u>\$ 28,315</u>	<u>(103,663)</u>	<u>115,162</u>
<u>\$ (157,563)</u>	<u>\$ 106,004</u>	<u>\$ 41,767</u>	<u>\$ 24,000</u>	<u>\$ 28,420</u>	<u>\$ (103,663)</u>	<u>\$ 266,636</u>

SUPPLEMENTAL INFORMATION

FIDUCIARY FUNDS

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FIDUCIARY FUNDS

Fiduciary 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.

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

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**CITY OF DERBY, CONNECTICUT
COMBINING SCHEDULE OF CHANGES IN ASSETS
AND LIABILITIES – AGENCY FUNDS
YEAR ENDED JUNE 30, 2019**

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
STUDENT ACTIVITY FUNDS				
ASSETS				
Cash	\$ 493,254	\$ 290,630	\$ 162,475	\$ 621,409
LIABILITIES				
Due to student groups	\$ 314,706	\$ 192,401	\$ 162,475	\$ 344,632
Due to General Fund	178,548	98,229	-	276,777
Total Liabilities	<u>\$ 493,254</u>	<u>\$ 290,630</u>	<u>\$ 162,475</u>	<u>\$ 621,409</u>
STUDENT SCHOLARSHIP FUNDS				
ASSETS				
Cash	\$ (8,825)	\$ 79,537	\$ 54,846	\$ 15,866
Investments	56,242	12,663	28,457	40,448
Total Assets	<u>\$ 47,417</u>	<u>\$ 92,200</u>	<u>\$ 83,303</u>	<u>\$ 56,314</u>
LIABILITIES				
Due to student groups	<u>\$ 47,417</u>	<u>\$ 92,200</u>	<u>\$ 83,303</u>	<u>\$ 56,314</u>
PERFORMANCE BONDS				
ASSETS				
Cash	<u>\$ 3,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,500</u>
LIABILITIES				
Due to developers	<u>\$ 3,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,500</u>
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash	\$ 487,929	\$ 370,167	\$ 217,321	\$ 640,775
Investments	56,242	12,663	28,457	40,448
Total Assets	<u>\$ 544,171</u>	<u>\$ 382,830</u>	<u>\$ 245,778</u>	<u>\$ 681,223</u>
LIABILITIES				
Due to student groups	\$ 362,123	\$ 284,601	\$ 245,778	\$ 400,946
Due to developers	3,500	-	-	3,500
Due to General Fund	178,548	98,229	-	276,777
Total Liabilities	<u>\$ 544,171</u>	<u>\$ 382,830</u>	<u>\$ 245,778</u>	<u>\$ 681,223</u>

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OTHER SCHEDULES

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**CITY OF DERBY, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED,
COLLECTED AND OUTSTANDING – GENERAL FUND
YEAR ENDED JUNE 30, 2019**

Grand List Year	Uncollected Taxes July 01, 2018 and Current List	Additions/ (Deductions)	Balance to be Collected
2003	\$ 1,997	\$ -	\$ 1,997
2004	2,080	-	2,080
2005	3,498	-	3,498
2006	5,239	-	5,239
2007	7,761	-	7,761
2008	24,074	-	24,074
2009	24,826	-	24,826
2010	33,959	-	33,959
2011	35,159	(341)	34,818
2012	43,972	-	43,972
2013	60,942	(512)	60,430
2014	131,253	(5,853)	125,400
2015	236,022	(4,490)	231,532
2016	590,582	(57,116)	533,466
	1,201,364	(68,312)	1,133,052
2017	28,542,051	(86,859)	28,455,192
	<u>\$ 29,743,415</u>	<u>\$ (155,171)</u>	<u>\$ 29,588,244</u>

**CITY OF DERBY, CONNECTICUT
SCHEDULE OF SPECIAL ASSESSMENTS
YEAR ENDED JUNE 30, 2019**

Assessment of:	Uncollected Special Assessments June 30, 2019
1974	
Academy Hill	\$ 1,407
Donna Avenue	1,407
Kindle Lane	3,926
Krakow Street	47,924
Marshall Lane	5,483
Paugassette Road	1,689
Pine Street	3,274
Roosevelt Drive	16,852
Sodom Lane	4,492
	<u>86,454</u>
1976	
David Humphrey's Road	1,626
John Street	3,252
	<u>4,878</u>
1976	
Harrison Avenue	2,700
Water bills	1,716
	<u>4,416</u>
TOTAL	<u>\$ 95,748</u>

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Collections				Taxes
Taxes	Interest	Lien Fees	Total	Receivable
				June 30, 2019
\$ -	\$ -	\$ -	\$ -	\$ 1,997
-	-	-	-	2,080
-	-	-	-	3,498
-	-	-	-	5,239
225	1,923.00	24.00	2,172	7,536
136	791.00	-	927	23,938
-	-	-	-	24,826
-	-	-	-	33,959
2	3.00	22.00	27	34,816
4,410	4,367.00	24.00	8,801	39,562
5,766	4,636.00	123.00	10,525	54,664
28,719	17,464.00	1,005.00	47,188	96,681
96,483	36,448.00	545.00	133,476	135,049
275,858	64,129.00	1,696.00	341,683	257,608
411,599	129,761	3,439	544,799	721,453
27,805,094	111,876	777	27,917,747	650,098
\$ 28,216,693	\$ 241,637	\$ 4,216	\$ 28,462,546	\$ 1,371,551

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**CITY OF DERBY, CONNECTICUT
SCHEDULE OF NATIONALLY RECOGNIZED MUNICIPAL
SECURITIES INFORMATION REPOSITORY
YEAR ENDED JUNE 30, 2019**

Gross Grand List-October 1, 2017	\$ 727,291,659
Net Grand List-October 1, 2017	\$ 719,415,722

Ten Largest Taxpayers:	<u>Grand List Assessment</u>
United Illuminating Co.	\$ 12,407,811
Antinozzi, Peter, Concetta & Justine	11,462,400
500 NHA LLC	10,341,660
49 Pershing Drive LLC	9,425,500
Home Depot	8,894,180
Yankee Gas Services Co.	6,462,616
Realty Income SUB 318, LLC	5,441,380
Red Raider Derby LLC	5,086,620
Opuszynski Jean A	4,813,550
GMS Brothers & Sons, LLC	4,122,730

Debt Statement as of June 30, 2019:

Short Term Debt	\$ 5,330,000
Long Term Debt	<u>16,300,000</u>
Total Direct Debt	21,630,000
Less: School construction grants	-
Water assessments receivable, net of allowance	-
Total Net Direct Debt	<u>\$ 21,630,000</u>

Current Debt Ratios

(Pro Forma)

Population (2016)*	13,250
Net Grand List(Taxable) - October 1, 2017	\$ 719,415,722
Estimated Full Value (70%)	\$ 727,291,659
Equalized Net Taxable Grand List (2017)**	\$ 1,118,231,607
Money Income per Capita (2019)*	\$ 57,432

* Connecticut Economic Resource Center, Inc. (Cerc)

** State of Connecticut, Office of Policy and Management

	<u>Total Direct Debt</u>	<u>Total Net Direct Debt</u>
Per Capita	1,632	1,632
Ratio to Net Taxable Grand List	3.01%	3.01%
Ratio to Estimated Full Value	2.97%	2.97%
Ratio to Equalized Net Taxable Grand List	1.93%	1.93%
Per Capita to Money Income per Capita	2.84%	2.84%