

**CITY OF DERBY, CONNECTICUT**

FEDERAL AND STATE  
SINGLE AUDIT REPORTS

June 30, 2025

**RECEIVED**

*By Office of Derby Town Clerk Marc J. Garofalo, MPA, MMC, MCTC at 2:11 pm, Apr 01, 2026*

**CITY OF DERBY, CONNECTICUT**

FEDERAL AND STATE  
SINGLE AUDIT REPORTS  
JUNE 30, 2025

**TABLE OF CONTENTS**

	<b><u>Page Number</u></b>
<b><u>Financial Statements</u></b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
<b><u>Federal Single Audit</u></b>	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	3-5
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8-11
Summary Schedule of Prior Years Audit Findings	12
<b><u>State of Connecticut Single Audit</u></b>	
Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act	13-15
Schedule of Expenditures of State Financial Assistance	16-17
Notes to the Schedule of Expenditures of State Financial Assistance Programs	18
Schedule of Findings and Questioned Costs	19-20

**RECEIVED**

By Office of Derby Town Clerk Marc J. Garofalo, MPA, MMC, MCTC at 2:11 pm, Apr 01, 2026

# CLERMONT

ACCOUNTANTS • ADVISORS

Clermont & Associates, LLC  
301 Highland Avenue  
Waterbury CT 06708

Main: 203-758-6658  
Fax: 203-758-6758

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To The Board of Aldermen  
City of Derby, Connecticut  
Derby, Connecticut 06484

We have audited, in accordance with the 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, the 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, 2025, and the related notes to the financial statements, which collectively comprise the City of Derby, Connecticut's basic financial statements, and have issued our report thereon dated February 26, 2026.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Derby, Connecticut's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Derby, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Derby, Connecticut's internal control.

A deficiency *in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 25-01 that we consider to be significant deficiencies.

**RECEIVED**

By Office of Derby Town Clerk Marc J. Garofalo, MPA, MMC, MCTC at 2:12 pm, Apr 01, 2026

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Derby, Connecticut's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This 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, and compliance. Accordingly, this communication is not suitable for any other purpose.

## CLERMONT & ASSOCIATES LLC

Waterbury, Connecticut



February 26, 2026

**RECEIVED**

By Office of Derby Town Clerk Marc J. Garofalo, MPA, MMC, MCTC at 2:12 pm, Apr 01, 2026

# CLERMONT

ACCOUNTANTS • ADVISORS

Clermont & Associates,  
LLC  
301 Highland Avenue  
Waterbury CT 06708

Main: 203-758-6658  
Fax: 203-758-6758

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Aldermen  
City of Derby, Connecticut  
Shelton, Connecticut 06484

### **Report on Compliance for Each Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited the City of Derby, Connecticut's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Derby, Connecticut's major federal programs for the year ended June 30, 2025. The City of Derby, Connecticut's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Derby, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

#### ***Basis for Opinion on Each Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance sections of our report.

We are required to be independent of The City of Derby, Connecticut and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Derby, Connecticut's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Derby, Connecticut's federal programs.

#### ***Auditor's Responsibilities for the Audit for Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Derby, Connecticut's compliance based on our audit.

**RECEIVED**

By Office of Derby Town Clerk Marc J. Garofalo, MPA, MMC, MCTC at 2:12 pm, Apr 01, 2026

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City of Derby, Connecticut' compliance with the requirements of each federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we;

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures included examining, on a test basis, evidence regarding the City of Derby, Connecticut' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Derby, Connecticut's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Derby, Connecticut's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Report on Internal Control Over Compliance***

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, 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, 2025, and related notes to the financial statements, which collectively comprise of the City of Derby, Connecticut's basic financial statements. We issued our report thereon dated February 26, 2026, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**CLERMONT & ASSOCIATES, LLC**

Waterbury, Connecticut



February 26, 2026

**RECEIVED**

By Office of Derby Town Clerk Marc J. Garofalo, MPA, MMC, MCTC at 2:12 pm, Apr 01, 2026

**CITY OF DERBY, CONNECTICUT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2025**

Federal Grantor/Pass-Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number/ Project Number	Expenditures	Passed Through to
<b>U.S. Department of Agriculture:</b>				
<i>Passed through the State Department of Education:</i>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	12060-SDE64370-20508	\$ 300,431	
National School Lunch Program	10.555	12060-SDE64370-20560	749,481	
Summer School Program	10.559	12060-SDE64370-20540	19,225	
Summer School Program - Admin	10.559	12060-SDE64370-20548	1,971	
Total Child Nutrition Cluster:			\$ 1,071,108	
<b>Total U.S. Department of Agriculture</b>			\$ 1,071,108	-
<b>U.S. Department of Education:</b>				
<i>Passed through the State Department of Education:</i>				
Title I Grants to Local Educational Agencies (2024)	84.010	12060-SDE64370-20679	\$ 5,239	
Title I Grants to Local Educational Agencies (2025)	84.010	12060-SDE64370-20679	486,467	
Opportunity District ESSA SIG - Cohort 2 (2024)	84.010	12060-SDE64370-20679	10,227	
Opportunity District ESSA SIG - Cohort 2 (2025)	84.010	12060-SDE64370-20679	196,503	
Special Education Cluster:				
Special Education - Grants to States (2024)	84.027	12060-SDE64370-20977	5,281	
Special Education - Transition Support Activities (TSA) (2024)	84.027	12060-SDE64370-20977	10,000	
Special Education - Extended Support Para-educator (2024)	84.027	12060-SDE64370-20977	4,978	
Special Education - Grants to States (2025)	84.027	12060-SDE64370-20977	410,153	
Special Education - Activities (2025)	84.027	12060-SDE64370-20977	289,212	
Special Education - Preschool Grants (2025)	84.173	12060-SDE64370-20983	17,528	
Total Special Education Cluster			\$ 737,152	-
Career and Technical Education	84.048	12060-SDE64370-20742	27,725	
Improving Teacher Quality State Grants (2024)	84.367	12060-SDE64370-20858	30,788	
Improving Teacher Quality State Grants (2025)	84.367	12060-SDE64370-20858	10,533	
Title IV - Student Support (2024)	84.042	12060-SDE64370-22854	12,617	
Title IV - Student Support (2025)	84.042	12060-SDE64370-22854	19,934	
Connecticut Stronger Connections Grant	84.042	12060-SDE64370-23275	26,012	
Element. and Secondary School Emerg. Relief II (2021)	84.425U	12060-SDE64370-29636	56,944	
Element. and Secondary School Emerg. Relief II - Set-Aside (2021)	84.425U	12060-SDE64370-29636	200,000	
Element. and Secondary School Emerg. Relief II - Ed. Rising (2021)	84.425U	12060-SDE64370-29636	10,000	
Element. and Secondary School Emerg. Relief II - Dual Cr. Expan. (2021)	84.425U	12060-SDE64370-29636	10,000	
<b>Total U.S. Department of Education</b>			\$ 1,840,141	-
<b>U.S. Department of the Treasury:</b>				
<i>Passed through the State Department of Education:</i>				
ARPA - State and Local Recovery Funds - Mental Health Services	21.027	12060-SDE64370-28096	\$ 55,218	
ARPA - State and Local Recovery Funds - Para educational PD	21.027	12060-SDE64370-28098	6,000	
ARPA - State and Local Recovery Funds - Education Workforce Dev.	21.027	12060-SDE64370-28295	7,500	
ARPA - State and Local Recovery Funds - Smart Start	21.027	12060-SDE64370-28879	75,000	
ARPA - State and Local Recovery Funds - Right to Read	21.027	12060-SDE64370-29732	12,611	
<i>Passed through the State Office of Policy and Management:</i>				
ARPA - State and Local Recovery Funds - Auto Theft and Violence	21.027	12060-OPM20600-28122	35,000	
ARPA - State and Local Recovery Funds - Early Voting	21.027	12060-OPM20600-28478	2,778	
			\$ 194,107	-
<b>Total Expenditures of Federal Awards</b>			\$ 3,105,356	-

See Notes to Schedule of Expenditures of Federal Awards



**CITY OF DERBY, CONNECTICUT**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year ended June 30, 2025

---

**Note 1 – Basis of Presentation**

The accompanying schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the City of Derby, Connecticut under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the City of Derby, Connecticut, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Derby, Connecticut.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**Note 3 – Indirect Cost Recovery**

The City of Derby, Connecticut, did not recover its indirect costs using the 10% de minimis direct cost provided under Section 200.41, of the Uniform Guidance rules.

**RECEIVED**

By Office of Derby Town Clerk Marc J. Garofalo, MPA, MMC, MCTC at 2:12 pm, Apr 01, 2026

**CITY OF DERBY, CONNECTICUT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2025

---

**I. SUMMARY OF AUDITORS RESULTS**

***Financial Statements***

Type of auditor's report issued:

**Unmodified**

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes  no

Significant deficiency(ies) identified?

yes \_\_\_\_\_ none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes  no

***Federal Awards***

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes  no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes  none reported

Type of auditor's report issued on compliance for major programs:

**Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule?

\_\_\_\_\_ yes  no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027 & 84.173  
84.010

Special Education Cluster  
Title I Grants to Local Agencies

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low risk auditee?

\_\_\_\_\_ yes  no

**RECEIVED**

*By Office of Derby Town Clerk Marc J. Garofalo, MPA, MMC, MCTC at 2:12 pm, Apr 01, 2026*

**CITY OF DERBY, CONNECTICUT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2025

---

**II. FINANCIAL STATEMENT FINDINGS**

***Finding #2025-01***

***Board of Education's Special Education Grants and Fiduciary from Prior Years***

**Condition:** The Board of Education's special education and fiduciary fund accounts include beginning-of-year balances for which sufficient supporting documentation is not available to substantiate the nature, origin, or underlying transactions giving rise to these balances. This lack of documentation impairs the ability to verify the accuracy and appropriateness of the recorded amounts and indicates a deficiency in internal controls over financial reporting and account reconciliation. This would include residual balances from prior year's grant programs and the segregation of the student activity accounts.

**Criteria:** In accordance with Government Accountability Office *Government Auditing Standards (Yellow Book)*, management is responsible for establishing and maintaining effective internal control over financial reporting, including the preparation and maintenance of accurate, complete, and adequately supported accounting records. This includes ensuring that account balances, including beginning balances, are properly substantiated, reconciled, and supported by sufficient, appropriate documentation to provide a clear audit trail.

**Context:** The June 30, 2024 audit noted several findings that relate to this issue, which were repeated for several years. During the fiscal year, the Board of Education reorganized the general ledger and worked with a consultant to reconcile all accounts and properly report the grant expenditures to the funding agency. However, the supporting information during the prior years was difficult to locate during the audit. The prior year's finding relating to this finding concluded:

*24-04 The Board of Education cash, accounts receivable, accounts payable, income and expenditures and City corresponding accounts were not reconciled at year end. In addition, there were several instances of netting revenues against expenditures in the Board of Education*

*24-05 Various cash accounts had activity that was found not to be recorded or recorded in net amounts.*

*24-06 The Board of Education maintains one cash account for operations and grants. The comingling of operational and grant monies makes it difficult if not impossible to reconcile with the City.*

**Cause:** Although the City has corrected the significant deficiencies identified in prior years, the prior conditions resulted in gaps in the completeness and reliability of historical information.

**Effect:** As a result, the current administration faces challenges in providing timely and accurate responses to information requests as the relate to prior year's activity. The administration was able to provide accurate records for all current activity.

**RECEIVED**

By Office of Derby Town Clerk Marc J. Garofalo, MPA, MMC, MCTC at 2:12 pm, Apr 01, 2026

**CITY OF DERBY, CONNECTICUT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2025

---

**II. FINANCIAL STATEMENT FINDINGS**

***Finding #2025-01 (Continued)***

**Recommendation:** We recommend that the Board of Education research and document the origin of existing balances, resolve or formally address unsupported amounts, and implement procedures to maintain adequate supporting documentation and ongoing account reconciliation. This would include separating the student activities by funding source and verifying the unexpended balances of prior year's state and federal grants.

**RECEIVED**

*By Office of Derby Town Clerk Marc J. Garofalo, MPA, MMC, MCTC at 2:12 pm, Apr 01, 2026*

**CITY OF DERBY, CONNECTICUT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2025

---

**III. FEDERAL AWARDS FINDINGS**

No items required to be reported.

**RECEIVED**

*By Office of Derby Town Clerk Marc J. Garofalo, MPA, MMC, MCTC at 2:12 pm, Apr 01, 2026*

## CITY OF DERBY, CONNECTICUT

### SUMMARY SCHEDULE OF PRIOR YEARS AUDIT FINDINGS June 30, 2025

---

#### FEDERAL AWARDS FINDINGS

*No findings are required to be reported.*

#### FINANCIAL STATEMENT FINDINGS

##### 24-01 Double Entry Accounting System

**Finding:** The City does not use double-entry accounting for all funds.

**Current Status:** Corrective action taken

##### 24-02 Bank Reconciliations

**Finding:** Bank reconciliations were not formally prepared during the year for general fund checking accounts.

**Current Status:** Corrective action taken

##### 24-03 Availability of Financial Information

**Finding:** During the audit process, information from various departments related to numerous audit schedules and related information was unavailable in a timely manner. The City's audit for the year ended June 30, 2024, did not start until October 2024. In addition, some schedules and required information were not available for audit until April 2025.

**Current Status:** Corrective action taken.

##### 24-04 Reconciliation of City and Board of Education Accounts

**Finding:** The Board of Education cash, accounts receivable, accounts payable, income and expenditures and City corresponding accounts were not reconciled at year end. In addition, there were several instances of netting of revenues against expenditures in the Board of Education expenditures.

**Current Status:** Corrective action taken but references in finding 25-01.

##### 24-05 Cash Account Activity-General Operating and Board of Education

**Finding:** Various cash accounts had activity that was found not to be recorded or recorded in net amounts.

**Current Status:** Corrective action taken but references in finding 25-01.

##### 24-06 Comingling of Funds

**Finding:** The Board of Education maintains one cash account for operations and grants. The comingling of operational and grant monies makes it difficult if not impossible to reconcile with the City.

**Current Status:** Corrective action taken but references in finding 25-01.

**RECEIVED**

By Office of Derby Town Clerk Marc J. Garofalo, MPA, MMC, MCTC at 2:12 pm, Apr 01, 2026

# CLERMONT

ACCOUNTANTS • ADVISORS

Clermont & Associates, LLC  
301 Highland Avenue  
Waterbury CT 06708

Main: 203-758-6658  
Fax: 203-758-6758

## REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

### Independent Auditor's Report

Board of Aldermen  
City of Derby, Connecticut  
Shelton, Connecticut 06484

### **Report on Compliance for Each State Program**

#### ***Opinion on Each Major State Program***

We have audited the City of Derby, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the City of Derby, Connecticut's major state programs for the year ended June 30, 2025. The City of Derby, Connecticut's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Derby, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2025.

#### ***Basis for Opinion on Each State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance sections of our report.

We are required to be independent of the City of Derby, Connecticut and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the City of Derby, Connecticut's compliance with the compliance requirements referred to above.

**RECEIVED**

By Office of Derby Town Clerk Marc J. Garofalo, MPA, MMC, MCTC at 2:12 pm, Apr 01, 2026

### **Management's Responsibility**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Derby, Connecticut' state programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Derby, Connecticut's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236) will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City of Derby, Connecticut's compliance with the requirements of each state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we;

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures included examining, on a test basis, evidence regarding the City of Derby, Connecticut's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Derby, Connecticut's internal control over compliance relevant to the audit in order to design audit procedures that ate appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of the City of Derby, Connecticut's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis.

**RECEIVED**

By Office of Derby Town Clerk Marc J. Garofalo, MPA, MMC, MCTC at 2:12 pm, Apr 01, 2026

A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act**

We have audited the financial statements of the government 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, 2025, and the related notes to the financial statements, which collectively comprise the City of Derby, Connecticut's basic financial statements. We have issued our report thereon dated February 26, 2026, which contained unmodified opinions on those financial statements. 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 accompanying Schedule of Expenditures of State Financial assistance is presented for the purpose of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 Schedule of Expenditures of State Financial Assistance is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**CLERMONT & ASSOCIATES LLC**  
Waterbury, Connecticut



February 26, 2026

**RECEIVED**

By Office of Derby Town Clerk Marc J. Garofalo, MPA, MMC, MCTC at 2:12 pm, Apr 01, 2026

**CITY OF DERBY, CONNECTICUT**

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2025

State Grantor/Pass-Through Grantor/Program Title	State Grant Program Core-CT Number	Expenditures	Passed Through to Subrecipient
<b>Office of Policy and Management:</b>			
Reimbursement of Property Taxes Disability Exemption	11000-OPM20600-17011	\$ 2,227	
Property Tax Relief for Veterans	11000-OPM20600-17024	10,886	
Payment In Lieu of Taxes - Tiered	11000-OPM20600-17111	1,414,156	
Municipal Purpose and Projects Grant	12052-OPM20600-43587	14,728	
Local Capital Improvement Program	12050-OPM20600-40254	157,663	
<b>Total Office of Policy and Management</b>		<b>\$ 1,599,660</b>	<b>-</b>
<b>Department of Education:</b>			
Commissioner's Network	11000-SDE64370-12547	\$ 318,983	
Talent Development	11000-SDE64370-12552	2,762	
Youth Services Bureau - Enhancement	11000-SDE64370-16201	8,604	
Health Foods Initiative	11000-SDE64370-16212	16,253	
Extended School Hours Program Grant	11000-SDE64370-17108-82054	12,073	
Summer School Accountability Grant	11000-SDE64370-17109-82055	30,272	
Adult Education	11000-SDE64370-17030	230,240	
Nonpublic Health Services	11000-SDE64370-17034	20,586	
Alliance District	11000-SDE64370-17041-82164	3,700,000	
Alliance District - Educator Diversity	11000-SDE64370-17041-84144	32,006	
Priority School Districts	11000-SDE64370-17043-82052	533,403	
School Breakfast	11000-SDE64370-17046	11,157	
Child Nutrition Match	11000-SDE64370-17052	8,503	
Youth Services Bureau	11000-SDE64370-17052	14,103	
<b>Total Department of Education</b>		<b>\$ 4,938,945</b>	<b>-</b>
<b>Office of Early Childhood:</b>			
Child Care Quality Enhancement	11000-OEC64845-16158	\$ 3,827	
School Readiness in Competitive Municipalities	11000-OEC64845-16274	111,561	
Smart Start	11000-OEC64845-16279	150,000	
<b>Total Office of Early Childhood</b>		<b>\$ 265,388</b>	<b>-</b>
<b>Connecticut State Library:</b>			
Connecticard Payments	11000-CSL66051-17010	\$ 6,388	
Historical Document Preservation	12060-CSL66094-35150	5,500	
<b>Total Connecticut State Library</b>		<b>\$ 11,888</b>	<b>-</b>
<b>Department of Transportation:</b>			
Town Road Aid Grant STO	12052-DOT57131-43455	\$ 260,849	
<b>Total Department of Transportation</b>		<b>\$ 260,849</b>	<b>-</b>
<b>Department of Economic and Community Development:</b>			
Urban Action Bonds	13019-ECD46210-41240-093	\$ 915,000	
<b>Total Department of Economic and Community Development</b>		<b>\$ 915,000</b>	<b>-</b>
<b>Department of Children and Families:</b>			
Community Based Prevention Programs	11000-DCF91100-16092	3,728	
<b>Total Department of Economic and Community Development</b>		<b>\$ 3,728</b>	<b>-</b>
<b>Department of Public Safety:</b>			
Volunteer Firefighter Training	12060-DPS32251-17110	\$ 13,302	
<b>Total Department of Public Safety</b>		<b>\$ 13,302</b>	<b>-</b>
<b>Total Expenditures of State Financial Assistance Before Exempt Programs</b>		<b>\$ 8,008,760</b>	<b>-</b>

**RECEIVED**

By Office of Derby Town Clerk Marc J. Garofalo, MPA, MMC, MCTC at 2:12 pm, Apr 01, 2026

**CITY OF DERBY, CONNECTICUT**

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2025

State Grantor/Pass-Through Grantor/Program Title	State Grant Program Core-CT Number	Expenditures	Passed Through to Subrecipient
<b><u>Exempt Programs</u></b>			
<b>Department of Education:</b>			
Educational Cost Sharing	11000-SDE64370-17041	\$ 6,924,949	
Excess Cost Student Based and Equity	11000-SDE64370-17047	642,304	
Excess Cost - per SA 25-1	12600-SDE64370-34822	141,994	
<b>Office of Policy and Management:</b>			
Municipal Revenue Sharing	12009-OPM20600-17005	207,304	
Municipal Transition Grant - Motor Vehicles	11000-OPM20600-17102	205,327	
Municipal Transition Grant	11000-OPM20600-17103	598,582	
<b>Total Exempt Programs</b>		<b>\$ 8,720,460</b>	-
<b>Total Expenditures of State Financial Assistance</b>		<b>\$ 16,729,220</b>	-

See Notes to Schedule of Expenditures of State Financial Assistance

**RECEIVED**

*By Office of Derby Town Clerk Marc J. Garofalo, MPA, MMC, MCTC at 2:12 pm, Apr 01, 2026*

**CITY OF DERBY, CONNECTICUT**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2025**

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the City of Derby, Connecticut under programs of the State of Connecticut for the fiscal year ended June 30, 2025. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including education, public safety, and general government services.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Derby, Connecticut conform to accounting principles generally accepted in the United States of America as applicable to governments.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

**Basis of Accounting**

The financial statements contained in the City's annual audit report are prepared on the modified accrual basis. The following is a summary of such basis:

Revenues are recognized when earned and available. Certain grants are recognized based on grant award since they are considered entitlement grants; other grants, such as grants that are dependent upon expenditure factor for determining eligibility, recognize grant revenue to the extent of expenditures.

Expenditures are recorded when the related liability is incurred. Encumbrances are reflected as a reserve against fund balance and accordingly are not reflected as expenditures.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditure column of the Schedule of Expenditures of State Financial Assistance.



**CITY OF DERBY, CONNECTICUT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**I. SUMMARY OF AUDIT RESULTS**

***Financial Statements***

Type of auditor's report issued:

**Unmodified**

Internal control over financial reporting:  
Material weakness(es) identified?

\_\_\_\_\_ yes  no

Significant deficiency(ies) identified?

yes \_\_\_\_\_ none reported

Noncompliance material to financial statements  
noted?

\_\_\_\_\_ yes  no

***State Financial Assistance***

Internal control over major programs:  
Material weakness(es) identified?

\_\_\_\_\_ yes  no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes  none reported

Type of auditor's report issued on compliance for major programs:

**Unmodified**

Any audit findings disclosed that are required to be  
reported in accordance with Section 4-236-24 of the  
Regulations to the State Single Audit Act?

\_\_\_\_\_ yes  no

**RECEIVED**

*By Office of Derby Town Clerk Marc J. Garofalo, MPA, MMC, MCTC at 2:12 pm, Apr 01, 2026*

**CITY OF DERBY, CONNECTICUT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

The following schedule reflects the major programs included in the audit:

<u>State Grantor and Program</u>	<u>State Core – CT Number</u>	<u>Expenditures</u>
<b>Department of Education:</b>		
Alliance District	11000-SDE64370-17041	\$ 3,732,006
<b>Department of Economic and Community Development:</b>		
Urban Action Bonds	12052-EDC46210-41240	915,000

Dollar threshold used to distinguish type A and type B programs \$ 300,000

**II. FINANCIAL STATEMENTS FINDINGS**

We issued reports, dated February 26, 2026, on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

Our report on internal control over financial reporting indicated one finding.

**III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

No findings or questioned costs are reported relating to State Financial Assistance Programs.

**RECEIVED**

By Office of Derby Town Clerk Marc J. Garofalo, MPA, MMC, MCTC at 2:12 pm, Apr 01, 2026