



**STATE OF CONNECTICUT  
OFFICE OF POLICY AND MANAGEMENT  
OFFICE OF FINANCE**

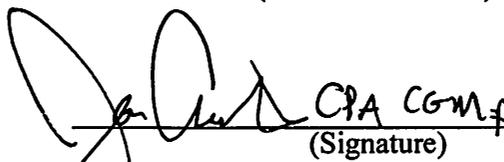
**FY 2020-2021 MUNICIPAL AUDIT QUESTIONNAIRE**

❖ This Questionnaire is required to be submitted to OPM with the audit reports of municipalities and audited agencies (as defined under Section 7-391 of the Connecticut General Statutes).

Name of Auditee City of Derby, Connecticut

Fiscal Period under Audit June 30, 2021

Accavallo & Company, LLC  
(Audit Firm Name)

 CPA CGMA  
(Signature)

7/25/22  
(Date)

This Questionnaire was reviewed with and a copy given to:

Agata Herasimowicz on 7/25/22  
Name of Municipal Official Date

Finance Director 203.736.1456  
Title of Municipal Official Telephone

YES      NO      NA

- |     |  |          |          |       |
|-----|--|----------|----------|-------|
| 1.  | Did you inform the town, city or Borough clerk of that part of Section 7-394 of the General Statutes which provides that within one week after receiving the audit report he/she shall cause to be published a legal notice in a newspaper having a substantial circulation in the municipality that the report is on file in said clerk's office? | <u>X</u> | _____    | _____ |
| 2.  | Did you obtain a letter from municipal counsel with respect to unpaid or pending judgments and as to any other legal proceeding affecting the municipality's finances?   | <u>X</u> | _____    | _____ |
| 3.  | Were financial statements and/or books and records of the entity made available within a reasonable time after the close of the fiscal year?   | _____    | <u>X</u> | _____ |
| 4.  | Did the entity issue tax anticipation notes (TANs) during the fiscal year?<br><br>(If yes, the notes to the financial statements should provide details regarding such TANs, including the purpose for which the TANs were issued.)  | _____    | <u>X</u> | _____ |
| 5.  | Was a separate management letter issued in addition to the Internal Control Report? If so, it must be submitted to the Office of Policy and Management with the audit report.  | _____    | <u>X</u> | _____ |
| 6.  | Were municipal officials (including the chief elected or executive official and governing body of the municipal entity) made aware of findings and recommendations resulting from the audit?   | <u>X</u> | _____    | _____ |
| 7.  | Federal Single Audit Act as Amended, 1996;<br>Uniform Guidance for Federal Awards (Title 2 of CFR, 12/26/13)   |          |          |       |
| (a) | Did you conduct a Single Audit of Federal Financial Assistance expended by the entity for FY 2020-21?  | <u>X</u> | _____    | _____ |
| (b) | Is a copy of the Single Audit included in the reporting package submitted?   | <u>X</u> | _____    | _____ |
| 8.  | State Single Audit (SSA) Act as amended by P.A. 09-7;<br>Regulations to the SSA Act as amended by P.A. 09-7  |          |          |       |
| (a) | Did you conduct a Single Audit of state financial assistance expended by the entity for FY 2020-21 or a program-specific audit of the entity's sole state program?   | <u>X</u> | _____    | _____ |
| (b) | Is a copy of the State Single Audit or program-specific audit included in the reporting package submitted?   | <u>X</u> | _____    | _____ |

|  | <u>YES</u> | <u>NO</u> | <u>NA</u> |
|--|------------|-----------|-----------|
| (c) If applicable, did officials prepare a Corrective Action Plan (CAP) in sufficient time for inclusion in the audit report package [C.G.S. Sec.4-233(d)] to be filed with OPM as the cognizant state agency (hardcopy and electronic)? | _____      | <u>X</u>  | _____     |
| (d) Did you upload the corrective action plan with the audit report package on OPM's Electronic Audit Reporting System?  | <u>X</u>   | _____     | _____     |

**CITY OF DERBY, CONNECTICUT**  
**AUDITED FINANCIAL STATEMENTS**  
**AND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2021**

**CITY OF DERBY, CONNECTICUT  
TABLE OF CONTENTS**

Page

|  |    |
|--|----|
| Independent Auditors’ Report .....   | 3  |
| Management’s Discussion and Analysis .....   | 5  |
| Basic Financial Statements:  |    |
| Government-Wide Financial Statements:  |    |
| Statement of Net Position.....   | 14 |
| Statement of Activities.....   | 15 |
| Fund Financial Statements:   |    |
| Balance Sheet – Governmental Funds .....   | 16 |
| Statement of Revenues, Expenditures and Changes in<br>Fund Balances – Governmental Funds.....  | 17 |
| Reconciliation of the Statement of Revenues, Expenditures<br>and Changes in Fund Balances of Governmental Funds to the Statement of Activities ..... | 18 |
| Statement of Revenues, Expenditures and Changes in<br>Fund Balance – Budget and Actual - General Fund .....  | 19 |
| Statement of Net Position – Proprietary Funds.....   | 20 |
| Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....   | 21 |
| Statement of Cash Flows – Proprietary Funds .....  | 22 |
| Statement of Fiduciary Net Position .....  | 23 |
| Statement of Changes in Fiduciary Net Position.....  | 24 |
| Notes to Financial Statements.....   | 25 |
| Required Supplementary Information   |    |
| Schedule of City’s Employers’ Retirement Plan Contributions .....  | 70 |
| Schedule of Changes in the Net Pension Liability and Related Ratios.....   | 71 |
| Schedule of City’s Municipal Employers’ Retirement System Contributions .....  | 72 |
| Schedule of City’s Total OPEB Liability and Related Ratios.....  | 73 |
| Schedule of City’s Proportionate Share of Net Pension Liability-Teachers<br>Retirement Plan .....  | 74 |
| Schedule of City’s Proportionate Share of OPEB Liability-Teachers<br>Retirement Plan .....   | 75 |
| Supplemental Information:  |    |
| Combining Balance Sheet – Nonmajor Governmental Funds .....  | 77 |
| Combining Statement of Revenues, Expenditures and<br>Changes in Fund Balances (Deficits) – Nonmajor Governmental Funds.....                          | 78 |
| Combining Balance Sheet – Nonmajor Special Revenue Funds.....  | 80 |
| Combining Statement of Revenues, Expenditures and<br>Changes in Fund Balances (Deficits) – Nonmajor Special Revenue Funds.....                       | 81 |
| Combining Statement of Revenues, Expenditures and<br>Changes in Fund Balances (Deficits) – Nonmajor Capital Project Funds.....                       | 83 |
| Combining Balance Sheet – Nonmajor Capital Project Funds .....   | 84 |
| Schedule of Property Taxes Levied, Collected and<br>Outstanding – General Fund.....  | 87 |
| Schedule of Nationally Recognized Municipal Securities Information Repository.....   | 88 |



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Marilyn L Ferris MBA CPA

## **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**

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, 2021, 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, 2021, 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 pension and OPEB related schedules as listed in the table of contents 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 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 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.

*Accavallo & Company, LLC*

Shelton, Connecticut

July 15, 2022

## 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, 2021. 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 \$34,321 (*net position*).
- The government's total net position increased by \$225.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$8,682, an increase in of \$2,539 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$5,785 or 10.52% of total general fund expenditures.
- The City's governmental funds total long-term debt decreased by \$10,307 or 12.44% during the current fiscal year.
- The City's business-type activities total long-term debt decreased by \$661 or 4.15% during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

The City maintains 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 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 16-18 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 25-69 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 70-75 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 77-84 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 \$21,992 (Net position) at the close of the fiscal year ended June 30, 2021.

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.

### City's Net position (\$000)

|   | <b>Governmental<br/>Activities</b> |                  | <b>Business-type<br/>Activities</b> |                  | <b>Total</b>     |                  |
|---|------------------------------------|------------------|-------------------------------------|------------------|------------------|------------------|
|   | <b>2021</b>                        | <b>2020</b>      | <b>2021</b>                         | <b>2020</b>      | <b>2021</b>      | <b>2020</b>      |
| Current and other assets                        | \$ 17,082                          | \$ 11,460        | \$ 10,739                           | \$ 7,134         | \$ 27,821        | \$ 18,594        |
| Capital assets                                  | 92,929                             | 95,769           | 20,064                              | 20,574           | 112,993          | 116,343          |
| Total assets                                    | <u>110,011</u>                     | <u>107,229</u>   | <u>30,803</u>                       | <u>27,708</u>    | <u>140,814</u>   | <u>134,937</u>   |
| Deferred outflows of resources                  | <u>11,176</u>                      | <u>9,234</u>     | -                                   | -                | <u>11,176</u>    | <u>9,234</u>     |
| Long-term liabilities outstanding               | \$ 72,515                          | 82,822           | 18,263                              | 15,924           | 90,778           | 98,746           |
| Other liabilities                               | <u>7,230</u>                       | <u>4,949</u>     | <u>907</u>                          | <u>901</u>       | <u>8,137</u>     | <u>5,850</u>     |
| Total liabilities                               | <u>79,745</u>                      | <u>87,771</u>    | <u>19,170</u>                       | <u>16,825</u>    | <u>98,915</u>    | <u>104,596</u>   |
| Deferred inflows of resources                   | <u>18,754</u>                      | <u>6,229</u>     | -                                   | -                | <u>18,754</u>    | <u>6,229</u>     |
| Net assets:                                     |                                    |                  |                                     |                  |                  |                  |
| Invested in capital assets, net of related debt | 67,452                             | 69,903           | 1,801                               | 4,650            | 69,253           | 74,553           |
| Restricted                                      | 584                                | 584              | -                                   | -                | 584              | 584              |
| Unrestricted                                    | <u>(45,348)</u>                    | <u>(48,024)</u>  | <u>9,832</u>                        | <u>6,233</u>     | <u>(35,516)</u>  | <u>(41,791)</u>  |
| Total net position                              | <u>\$ 22,688</u>                   | <u>\$ 22,463</u> | <u>11,633</u>                       | <u>\$ 10,883</u> | <u>\$ 34,321</u> | <u>\$ 33,346</u> |

At the close of the fiscal year ended June 30, 2021, 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The government total net position increased by \$975 in the current fiscal year. The majority of this increase was to WPCA revenues offset against depreciation of capital assets.

Governmental Activities — Governmental activities increased the City's net position by \$225. Key elements of this increase are as follows:

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

|  | <u>Governmental<br/>Activities</u> |                 | <u>Business-type<br/>Activities</u> |                  | <u>Total</u>    |                 |
|--|------------------------------------|-----------------|-------------------------------------|------------------|-----------------|-----------------|
|  | <u>2021</u>                        | <u>2020</u>     | <u>2021</u>                         | <u>2020</u>      | <u>2021</u>     | <u>2020</u>     |
| <b>REVENUES</b>  |                                    |                 |                                     |                  |                 |                 |
| Program revenues:  |                                    |                 |                                     |                  |                 |                 |
| Charges for services   | \$ 1,893                           | \$ 1,381        | \$ 4,842                            | \$ 4,364         | \$ 6,735        | \$ 5,745        |
| Operating grants and contributions                           | 21,540                             | 21,852          | -                                   | -                | 21,540          | 21,852          |
| Capital Grants and contributions                             | 268                                | 3,781           | -                                   | -                | 268             | 3,781           |
| General revenues:  |                                    |                 |                                     |                  |                 |                 |
| Property Taxes   | 32,678                             | 30,587          | -                                   | -                | 32,678          | 30,587          |
| Grants and contributions not restricted to specific programs | 2,695                              | 4,524           | -                                   | -                | 2,695           | 4,524           |
| Unrestricted investment earnings                             | 257                                | 144             | 1                                   | 18               | 258             | 162             |
| TOTAL REVENUES   | <u>59,331</u>                      | <u>62,269</u>   | <u>4,843</u>                        | <u>4,382</u>     | <u>64,174</u>   | <u>66,651</u>   |
| <b>EXPENSES</b>  |                                    |                 |                                     |                  |                 |                 |
| General government   | 17,097                             | 14,938          | -                                   | -                | 17,097          | 14,938          |
| Public works   | 1,373                              | 7,353           | 4,093                               | 3,138            | 5,466           | 10,491          |
| Public safety  | 4,053                              | 3,786           | -                                   | -                | 4,053           | 3,786           |
| Culture and recreation                                       | 1,505                              | 1,426           | -                                   | -                | 1,505           | 1,426           |
| Health and welfare   | 1,265                              | 1,249           | -                                   | -                | 1,265           | 1,249           |
| Education  | 32,844                             | 32,711          | -                                   | -                | 32,844          | 32,711          |
| Capital outlay   | 69                                 | 211             | -                                   | -                | 69              | 211             |
| Debt service   | 900                                | 1,736           | -                                   | -                | 900             | 1,736           |
| TOTAL EXPENSES   | <u>59,106</u>                      | <u>63,410</u>   | <u>4,093</u>                        | <u>3,138</u>     | <u>63,199</u>   | <u>66,548</u>   |
| Increase (Decrease) in Net Position before transfers         | 225                                | (1,141)         | 750                                 | 1,244            | 975             | 103             |
| Transfers  | -                                  | -               | -                                   | -                | -               | -               |
| INCREASE(DECREASE) IN NET POSITION                           | <u>225</u>                         | <u>(1,141)</u>  | <u>750</u>                          | <u>1,244</u>     | <u>975</u>      | <u>103</u>      |
| Net position at beginning of year, as restated               | <u>22,463</u>                      | <u>23,604</u>   | <u>10,883</u>                       | <u>9,639</u>     | <u>33,346</u>   | <u>33,243</u>   |
| NET POSITION, ending   | <u>\$ 22,688</u>                   | <u>\$22,463</u> | <u>\$ 11,633</u>                    | <u>\$ 10,883</u> | <u>\$34,321</u> | <u>\$33,346</u> |

Business-type Activities — Business-type activities increased the City's net position by \$750. The key element of this decrease is as follows:

- The Water Pollution Control Authority revenues were significantly higher than expenses by \$750, due to steady revenues and slightly reduced expenses compared to the previous year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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 of \$8,682, an increase of \$2,538 in comparison with the prior year. This increase is primarily caused by the General Fund surplus of \$2,048 added to surpluses in Library Endowment Fund \$200 and Other Governmental Funds of \$292.

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 \$5,785. 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 \$54,996. Unreserved and total fund balance represents 10.52% and 11.58% of total general fund expenditures.

The general fund balance increased by \$2,018 before net other financing sources and uses of \$30, during the current fiscal year. Key factors in this incline are as follows:

- An increase in Property Taxes of \$2,162
- An increase in Intergovernmental revenues of \$2,093
- An increase in City Department revenues of \$1,453
- An increase in Board of Education grant expenditures of \$2,150, (offset against grant revenues)
- An increase in General Government expenditures of \$967.
- An increase in Investment Income of \$904
- An increase in Public Safety of \$402.
- An increase in Public Works of \$104.
- A decrease in Board of Education expenditures of \$2,409.
- An increase in Debt Service of \$187.
- A decrease in Capital Outlay of \$272.
- An increase in Public Works of \$103.

**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 \$11,000 of which \$1,232 represents an investment in capital assets net of related debt. Net position of the Parking Authority at the end of the year amounted to \$633 of which \$569 represents an investment in capital assets net of related debt. The total increase in net position for the Business-Type Activities- Enterprise Fund was \$750. 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 (\$1,968 increase in appropriations) can be briefly summarized as follows:

- \$929 in increases in General Government which was primarily due to increases in fund balance replenishment of \$350, Covid grant \$183 and workers' compensation of \$276 offset against various budget decreases.
- \$629 in increases in Public Safety fare due to increases in outside extra duty \$550, equipment maintenance of \$51 and various other budgeted increase and decrease.
- \$271 in increases in Board of Education-Operations for increases due to Special Education.

### 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, 2021, amounts to \$108 (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 \$10,902 increase (8.39%) and \$8,244 increase (65.04%) for business-type activities.

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

|                         | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>      |
|-------------------------|------------------------------------|-------------------------------------|-------------------|
| Land                    | \$ 6,552                           | \$ 595                              | \$ 7,147          |
| Buildings and system    | 64,358                             | 18,799                              | 83,157            |
| Machinery and equipment | 2,532                              | 671                                 | 3,203             |
| Infrastructure          | 19,487                             | -                                   | 19,487            |
|                         | <u>\$ 92,929</u>                   | <u>\$ 20,065</u>                    | <u>\$ 112,994</u> |

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

### 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 \$23,420 and \$15,005 respectively. The City and WPCA also have capital lease obligations of \$718 and \$257, at year end, respectively.

*Net Pension Liability* — At the end of the current fiscal year, the City had total net pension liability of \$10,672. This obligation decreased \$1,802 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 \$31,505. This obligation decreased \$8,699 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          | \$ 1,395         | \$ 746          |
| Due in 2 to 6 years      | 6,600            | 2,826           |
| Due in 7 to 11 years     | 6,585            | 1,984           |
| Due in 12 to 16 years    | 6,530            | 938             |
| Due in 17 to 20 years    | 2,310            | 107             |
|                          | <u>\$ 23,420</u> | <u>\$ 6,600</u> |
| Business-type Activities |                  |                 |
| Due in one year          | \$ 815           | \$ 598          |
| Due in 2 to 6 years      | 4,060            | 2,404           |
| Due in 7 to 11 years     | 4,050            | 1,546           |
| Due in 12 to 16 years    | 4,030            | 727             |
| Due in 17 to 20 years    | 2,050            | 89              |
|                          | <u>\$ 15,005</u> | <u>\$ 5,364</u> |

The City's governmental activities total long-term debt decreased by \$10,307 (12.44%) and business type activities decreased by \$661 (4.15%) during the current fiscal year.

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

The current debt limitation for the City is \$227,352, 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 increased to 10% vs. 4.4% in line with the prior year, consistent with the Connecticut unemployment rate.
- The Connecticut state government has been reporting an anticipated deficit for 2020-2021, 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 2021-2022 fiscal year.

During the current fiscal year, undesignated and unreserved fund balance in the general fund increased to \$5,785. The City has not appropriated any amounts of fund balance for spending in the 2021-2022 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**

**CITY OF DERBY, CONNECTICUT  
STATEMENT OF NET POSITION  
JUNE 30, 2021**

|  | <b>Primary Government</b>          |                                     |                |
|--|------------------------------------|-------------------------------------|----------------|
|  | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>   |
| <b>ASSETS</b>  |                                    |                                     |                |
| Cash and cash equivalents  | \$ 14,267,935                      | \$ 9,000,470                        | \$ 23,268,405  |
| Investments  | 1,247,054                          | -                                   | 1,247,054      |
| Property taxes, net  | 1,387,644                          | -                                   | 1,387,644      |
| Special assessments  | -                                  | 668,090                             | 668,090        |
| Intergovernmental  | 419,867                            | -                                   | 419,867        |
| Other  | 710,404                            | 32,443                              | 742,847        |
| Notes receivable   | 84,420                             | -                                   | 84,420         |
| Inventories  | 3,983                              | -                                   | 3,983          |
| Due from other funds   | (1,039,303)                        | 1,039,303                           | -              |
| Capital assets (net of accumulated depreciation)                     |                                    |                                     |                |
| Land   | 6,551,792                          | 594,858                             | 7,146,650      |
| Buildings  | 64,358,196                         | 18,798,991                          | 83,157,187     |
| Machinery and equipment  | 2,532,171                          | 669,941                             | 3,202,112      |
| Infrastructure   | 19,487,166                         | -                                   | 19,487,166     |
| TOTAL ASSETS   | 110,011,329                        | 30,804,096                          | 140,815,425    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                |                                    |                                     |                |
| Deferred outflows related to pension                                 | 2,911,775                          | -                                   | 2,911,775      |
| Deferred outflows related to OPEB                                    | 8,264,424                          | -                                   | 8,264,424      |
|  | 11,176,199                         | -                                   | 11,176,199     |
| TOTAL ASSETS AND<br>DEFERRED OUTFLOWS OF RESOURCES                   | \$ 121,187,528                     | \$ 30,804,096                       | \$ 151,991,624 |
| <b>LIABILITIES AND NET POSITION</b>                                  |                                    |                                     |                |
| <b>LIABILITIES</b>   |                                    |                                     |                |
| Accounts payable and accrued liabilities                             | \$ 4,327,198                       | \$ 908,071                          | \$ 5,235,269   |
| Deferred revenue - grants  | 2,902,732                          | -                                   | 2,902,732      |
| Notes Payable:   |                                    |                                     |                |
| Due within one year  | 2,871,888                          | 3,873,621                           | 6,745,509      |
| Due in more than one year  | 69,643,173                         | 14,388,910                          | 84,032,083     |
| TOTAL LIABILITIES  | 79,744,991                         | 19,170,602                          | 98,915,593     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                 |                                    |                                     |                |
| Deferred inflows related to pension                                  | 4,284,217                          | -                                   | 4,284,217      |
| Deferred inflows related to OPEB                                     | 14,470,177                         | -                                   | 14,470,177     |
| TOTAL DEFERRED INFLOWS<br>OF RESOURCES                               | 18,754,394                         | -                                   | 18,754,394     |
| <b>NET POSITION</b>  |                                    |                                     |                |
| Investment in capital assets, net of related debt                    | 67,451,664                         | 1,801,259                           | 69,252,923     |
| Restricted   | 2,814,786                          | -                                   | 2,814,786      |
| Unrestricted   | (47,578,307)                       | 9,832,235                           | (37,746,072)   |
| TOTAL NET POSITION   | 22,688,143                         | 11,633,494                          | 34,321,637     |
| TOTAL LIABILITIES, DEFERRED INFLOWS<br>OF RESOURCES AND NET POSITION | \$ 121,187,528                     | \$ 30,804,096                       | \$ 151,991,624 |

See notes to financial statements.

**CITY OF DERBY, CONNECTICUT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

| Functions/Programs   | Expenses               | Program Revenues        |  |  | Changes in Net Assets<br>Primary Government |                              |                      |
|--|------------------------|-------------------------|--|--|---|------------------------------|----------------------|
|  |                        | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions           | Governmental<br>Activities                  | Business- Type<br>Activities | Total                |
| <b>PRIMARY GOVERNMENT</b>  |                        |                         |  |  |   |                              |                      |
| Governmental activities:   |                        |                         |  |  |   |                              |                      |
| General government   | \$ (17,097,168)        | \$ 622,862              | \$ 1,273,585                             | \$ 4,197   | \$ (15,196,524)                             | \$ -                         | \$ (15,196,524)      |
| Public works   | (1,373,446)            | 3,058                   | 1,500                                    | 263,823  | (1,105,065)                                 | -                            | (1,105,065)          |
| Public safety  | (4,053,399)            | 1,078,863               | 98,800                                   | -  | (2,875,736)                                 | -                            | (2,875,736)          |
| Culture and recreation   | (1,504,718)            | -                       | 38,057                                   | -  | (1,466,661)                                 | -                            | (1,466,661)          |
| Health and welfare   | (1,265,312)            | 188,682                 | 1,082,597                                | -  | 5,967                                       | -                            | 5,967                |
| Education  | (32,844,366)           | -                       | 19,045,421                               | -  | (13,798,945)                                | -                            | (13,798,945)         |
| Capital outlay   | (66,534)               | -                       | -  | 4  | (66,530)                                    | -                            | (66,530)             |
| Debt service   | (900,120)              | -                       | -  | -  | (900,120)                                   | -                            | (900,120)            |
| <b>TOTAL GOVERNMENTAL ACTIVITIES</b>   | <b>(59,105,063)</b>    | <b>1,893,465</b>        | <b>21,539,960</b>                        | <b>268,024</b>                                   | <b>(35,403,614)</b>                         | <b>-</b>                     | <b>(35,403,614)</b>  |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES-</b><br><b>SEWER AND PARKING AUTHORITY</b> | <b>(4,093,298)</b>     | <b>4,842,225</b>        | <b>-</b>                                 | <b>-</b>   | <b>-</b>                                    | <b>748,927</b>               | <b>748,927</b>       |
| <b>TOTAL PRIMARY GOVERNMENT</b>  | <b>\$ (63,198,361)</b> | <b>\$ 6,735,690</b>     | <b>\$ 21,539,960</b>                     | <b>\$ 268,024</b>                                | <b>(35,403,614)</b>                         | <b>748,927</b>               | <b>(34,654,687)</b>  |
| <b>GENERAL REVENUES</b>  |                        |                         |  |  |   |                              |                      |
| Property taxes   |                        |                         |  |  | 32,677,707                                  | -                            | 32,677,707           |
| Grants and contributions not restricted to specific programs                 |                        |                         |  |  | 2,695,395                                   | -                            | 2,695,395            |
| Unrestricted investment earnings   |                        |                         |  |  | 255,701                                     | 1,319                        | 257,020              |
|  |                        |                         |  | <b>TOTAL GENERAL REVENUES</b>                    | <b>35,628,803</b>                           | <b>1,319</b>                 | <b>35,630,122</b>    |
|  |                        |                         |  | <b>CHANGE IN NET POSITION</b>                    | <b>225,189</b>                              | <b>750,246</b>               | <b>975,435</b>       |
|  |                        |                         |  | <b>NET POSITION AT JULY 1, 2020, as restated</b> | <b>22,462,954</b>                           | <b>10,883,248</b>            | <b>33,346,202</b>    |
|  |                        |                         |  | <b>NET POSITION AT JUNE 30, 2021</b>             | <b>\$ 22,688,143</b>                        | <b>\$ 11,633,494</b>         | <b>\$ 34,321,637</b> |

See notes to financial statements.

**CITY OF DERBY, CONNECTICUT**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**

|   | <b>General</b>       | <b>Library<br/>Endowment<br/>Fund</b> | <b>School<br/>Roof<br/>2014</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Totals<br/>Governmental<br/>Funds</b> |
|---|----------------------|---------------------------------------|---------------------------------|---|--|
| <b>ASSETS</b>   |                      |                                       |                                 |   |  |
| Cash and cash equivalents   | \$ 12,194,020        | \$ 34,030                             | \$ 270,466                      | \$ 1,769,413                            | \$ 14,267,929                            |
| Investments   | -                    | 1,215,072                             | -                               | 31,982                                  | 1,247,054                                |
| Receivables:  |                      |                                       |                                 |   |  |
| Property taxes, net of allowance of \$220,000                             | 1,387,644            | -                                     | -                               | -                                       | 1,387,644                                |
| Intergovernmental   | 229,404              | -                                     | -                               | 190,463                                 | 419,867                                  |
| Other   | 710,404              | -                                     | -                               | 84,420                                  | 794,824                                  |
| Inventories   | -                    | -                                     | -                               | 3,983                                   | 3,983                                    |
| Due from other funds  | 909,331              | -                                     | -                               | 83,696                                  | 993,027                                  |
| <b>TOTAL ASSETS</b>   | <b>\$ 15,430,803</b> | <b>\$ 1,249,102</b>                   | <b>\$ 270,466</b>               | <b>\$ 2,163,957</b>                     | <b>\$ 19,114,328</b>                     |
| <b>LIABILITIES</b>  |                      |                                       |                                 |   |  |
| Accounts payable and accrued liabilities                                  | \$ 4,235,143         | \$ -                                  | \$ -                            | \$ 92,056                               | \$ 4,327,199                             |
| Due to other funds  | 1,054,656            | -                                     | 394,685                         | 582,989                                 | 2,032,330                                |
| <b>TOTAL LIABILITIES</b>  | <b>5,289,799</b>     | <b>-</b>                              | <b>394,685</b>                  | <b>675,045</b>                          | <b>6,359,529</b>                         |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                      |                                       |                                 |   |  |
| Deferred revenue-taxes  | 1,169,807            | -                                     | -                               | -                                       | 1,169,807                                |
| Deferred revenue-grants   | 2,602,363            | -                                     | -                               | 300,369                                 | 2,902,732                                |
|   | 3,772,170            | -                                     | -                               | 300,369                                 | 4,072,539                                |
| <b>FUND BALANCES(DEFICITS)</b>  |                      |                                       |                                 |   |  |
| Nonspendable  | -                    | -                                     | -                               | 3,983                                   | 3,983                                    |
| Restricted  | -                    | 1,215,072                             | -                               | 1,011,955                               | 2,227,027                                |
| Committed   | 583,776              | -                                     | -                               | -                                       | 583,776                                  |
| Assigned  | -                    | 34,030                                | -                               | -                                       | 34,030                                   |
| Unassigned  | 5,785,058            | -                                     | (124,219)                       | 172,605                                 | 5,833,444                                |
| <b>TOTAL FUND BALANCES (DEFICIT)</b>                                      | <b>6,368,834</b>     | <b>1,249,102</b>                      | <b>(124,219)</b>                | <b>1,188,543</b>                        | <b>8,682,260</b>                         |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> | <b>\$ 15,430,803</b> | <b>\$ 1,249,102</b>                   | <b>\$ 270,466</b>               | <b>\$ 2,163,957</b>                     |  |

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.   | 92,929,325           |
| Long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.  | 1,169,807            |
| 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 fund | (7,578,188)          |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.  | (72,515,061)         |
| Net position of governmental activities   | <b>\$ 22,688,143</b> |

See notes to financial statements.

**CITY OF DERBY, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2021**

|   | <b>General</b>      | <b>Library<br/>Endowment<br/>Fund</b> | <b>School Roof<br/>2014</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|---------------------|---------------------------------------|-----------------------------|---|---|
| <b>REVENUES</b>   |                     |                                       |                             |   |   |
| Property taxes  | \$ 32,154,954       | \$ -                                  | \$ -                        | \$ -                                    | \$ 32,154,954                           |
| Interest and lien fees  | 303,861             | -                                     | -                           | -                                       | 303,861                                 |
| Intergovernmental   | 21,111,250          | -                                     | -                           | 1,623,888                               | 22,735,138                              |
| City departments  | 3,421,645           | -                                     | -                           | 240,947                                 | 3,662,592                               |
| Net increase(decrease) in fair<br>market value of investments | -                   | 227,149                               | -                           | -                                       | 227,149                                 |
| Other   | -                   | 7,089                                 | -                           | -                                       | 7,089                                   |
| Investment income   | 21,722              | 95                                    | -                           | 26,084                                  | 47,901                                  |
| <b>TOTAL REVENUES</b>   | <u>57,013,432</u>   | <u>234,333</u>                        | <u>-</u>                    | <u>1,890,919</u>                        | <u>59,138,684</u>                       |
| <b>EXPENDITURES</b>   |                     |                                       |                             |   |   |
| Current:  |                     |                                       |                             |   |   |
| General government  | 12,707,965          | -                                     | -                           | 603,301                                 | 13,311,266                              |
| Public safety   | 5,118,681           | -                                     | -                           | -                                       | 5,118,681                               |
| Public works  | 3,106,138           | -                                     | -                           | -                                       | 3,106,138                               |
| Culture and recreation  | 985,203             | 4,790                                 | -                           | -                                       | 989,993                                 |
| Health and welfare  | 362,290             | -                                     | -                           | 822,855                                 | 1,185,145                               |
| Board of education-operations                                 | 25,539,563          | -                                     | -                           | 99,220                                  | 25,638,783                              |
| Board of education-grants                                     | 5,447,511           | -                                     | -                           | -                                       | 5,447,511                               |
| Capital outlay  | 551,559             | -                                     | -                           | 73,919                                  | 625,478                                 |
| Debt service:   |                     |                                       |                             |   |   |
| Principal retirement  | 257,540             | -                                     | -                           | -                                       | 257,540                                 |
| Interest  | 919,470             | -                                     | -                           | -                                       | 919,470                                 |
| <b>TOTAL EXPENDITURES</b>                                     | <u>54,995,920</u>   | <u>4,790</u>                          | <u>-</u>                    | <u>1,599,295</u>                        | <u>56,600,005</u>                       |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b>                     | <u>2,017,512</u>    | <u>229,543</u>                        | <u>-</u>                    | <u>291,624</u>                          | <u>2,538,679</u>                        |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                     |                                       |                             |   |   |
| Operating transfers in  | 30,000              | -                                     | -                           | -                                       | 30,000                                  |
| Operating transfers out                                       | -                   | (30,000)                              | -                           | -                                       | (30,000)                                |
| <b>TOTAL OTHER FINANCING (USES) SOURCE:</b>                   | <u>30,000</u>       | <u>(30,000)</u>                       | <u>-</u>                    | <u>-</u>                                | <u>-</u>                                |
| Net Changes in fund balances                                  | 2,047,512           | 199,543                               | -                           | 291,624                                 | 2,538,679                               |
| Fund balance(deficit) at July 1, 2020, as restated            | 4,321,322           | 1,049,559                             | (124,219)                   | 896,919                                 | 6,143,581                               |
| <b>FUND BALANCES (DEFICIT) AT JUNE 30, 2021</b>               | <u>\$ 6,368,834</u> | <u>\$ 1,249,102</u>                   | <u>\$ (124,219)</u>         | <u>\$ 1,188,543</u>                     | <u>\$ 8,682,260</u>                     |

See notes to financial statements.

**CITY OF DERBY, CONNECTICUT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

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

Net change in fund balances - total governmental funds \$ 2,538,679

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. (2,839,299)

Revenues that are reported as in the year revenues provide current financial resources to governmental funds. 218,893

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. 501,632

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. (194,716)

Change in Net Position \$ 225,189

**CITY OF DERBY, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2021**

|  | <u>Budgeted Amounts</u>          |                               | <u>Actual</u>       | <u>Variance with</u>                                       |
|--|----------------------------------|-------------------------------|---------------------|--|
|  | <u>Original</u><br><u>Budget</u> | <u>Final</u><br><u>Budget</u> |                     | <u>Final Budget-<br/>Favorable</u><br><u>(Unfavorable)</u> |
| <b>REVENUES</b>  |                                  |                               |                     |  |
| Property taxes   | \$ 32,324,956                    | \$ 32,324,956                 | \$ 32,154,954       | \$ (170,002)   |
| Interest and lien fees                                     | 150,000                          | 150,000                       | 303,861             | 153,861  |
| Intergovernmental  | 9,338,078                        | 10,257,762                    | 14,341,864          | 4,084,102  |
| Investment income  | 125,000                          | 125,000                       | 21,722              | (103,278)  |
| City departments   | 4,120,303                        | 5,168,461                     | 3,421,645           | (1,746,816)  |
| TOTAL REVENUES   | <u>46,058,337</u>                | <u>48,026,179</u>             | <u>50,244,046</u>   | <u>2,217,867</u>   |
| <b>EXPENDITURES</b>  |                                  |                               |                     |  |
| Current  |                                  |                               |                     |  |
| General government   | 13,975,309                       | 14,904,233                    | 12,707,965          | 2,196,268  |
| Public safety  | 4,519,222                        | 5,148,441                     | 5,118,681           | 29,760   |
| Public works   | 3,431,906                        | 3,443,406                     | 3,106,138           | 337,268  |
| Culture and recreation                                     | 1,026,431                        | 1,087,376                     | 985,203             | 102,173  |
| Health and welfare   | 387,379                          | 420,974                       | 362,290             | 58,684   |
| Board of Education-operations                              | 19,376,606                       | 19,648,392                    | 18,770,177          | 878,215  |
| Board of Education-grants                                  | -                                | -                             | 5,447,511           | (5,447,511)  |
| Capital outlay   | 564,468                          | 575,268                       | 551,559             | 23,709   |
| Debt service   |                                  |                               |                     |  |
| Principal retirements                                      | 257,540                          | 257,540                       | 257,540             | -  |
| Interest   | 2,519,476                        | 2,540,549                     | 919,470             | 1,621,079  |
| TOTAL EXPENDITURES   | <u>46,058,337</u>                | <u>48,026,179</u>             | <u>48,226,534</u>   | <u>(200,355)</u>   |
| REVENUES OVER(UNDER) EXPENDITURES                          | -                                | -                             | 2,017,512           | 2,017,512  |
| <b>OTHER FINANCING SOURCES</b>                             |                                  |                               |                     |  |
| Operating transfers in                                     | -                                | -                             | 30,000              | 30,000   |
| REVENUES AND OTHER FINANCING<br>SOURCES UNDER EXPENDITURES | <u>-</u>                         | <u>-</u>                      | <u>30,000</u>       | <u>30,000</u>  |
| Fund balance at July 1, 2020                               | <u>\$ -</u>                      | <u>\$ -</u>                   | <u>4,321,322</u>    | <u>\$ 2,047,512</u>  |
| FUND BALANCE AT JUNE 30, 2021                              |                                  |                               | <u>\$ 6,368,834</u> |  |

See notes to financial statements.

**CITY OF DERBY, CONNECTICUT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2021**

|   | <b>Business-type Activities - Enterprise Funds</b> |                              |                      |
|---|--|------------------------------|----------------------|
|   | <b>Water Pollution<br/>Control Authority</b>       | <b>Parking<br/>Authority</b> | <b>Total</b>         |
| <b>ASSETS</b>   |  |                              |                      |
| <b>CURRENT ASSETS</b>   |  |                              |                      |
| Cash  | \$ 8,953,891                                       | \$ 46,579                    | \$ 9,000,470         |
| Sewer assessments receivable (net of allowance for uncollectible of \$20,000) | 668,090  | -                            | 668,090              |
| Accounts receivable   | -  | 32,443                       | 32,443               |
| Due from other funds  | 1,057,385  | -                            | 1,057,385            |
| <b>TOTAL CURRENT ASSETS</b>   | <b>10,679,366</b>                                  | <b>79,022</b>                | <b>10,758,388</b>    |
| <b>CAPITAL ASSETS (net of accumulated depreciation)</b>                       |  |                              |                      |
| Land  | 212,500  | 382,358                      | 594,858              |
| Buildings   | 18,620,720   | 178,271                      | 18,798,991           |
| Machinery and equipment   | 661,460  | 8,481                        | 669,941              |
|   | <u>19,494,680</u>                                  | <u>569,110</u>               | <u>20,063,790</u>    |
| <b>TOTAL ASSETS</b>   | <b>\$ 30,174,046</b>                               | <b>\$ 648,132</b>            | <b>\$ 30,822,178</b> |
| <b>LIABILITIES AND NET POSITION</b>   |  |                              |                      |
| <b>CURRENT LIABILITIES</b>  |  |                              |                      |
| Accounts payable and accrued liabilities                                      | \$ 895,704   | \$ 12,368                    | \$ 908,072           |
| Due to other funds  | 15,487   | 2,595                        | 18,082               |
| Bond anticipation note  | 3,000,000  | -                            | 3,000,000            |
| Capital lease-current portion   | 58,621   | -                            | 58,621               |
| Bonds and loan payable-current portion  | 815,000  | -                            | 815,000              |
| <b>TOTAL CURRENT LIABILITIES</b>  | <b>4,784,812</b>                                   | <b>14,963</b>                | <b>4,799,775</b>     |
| <b>NONCURRENT LIABILITIES</b>   |  |                              |                      |
| Capital lease   | 198,910  | -                            | 198,910              |
| Bonds and loan payable  | 14,190,000   | -                            | 14,190,000           |
| <b>TOTAL LIABILITIES</b>  | <b>19,173,722</b>                                  | <b>14,963</b>                | <b>19,188,685</b>    |
| <b>NET POSITION</b>   |  |                              |                      |
| Investment in capital assets, net of related debt                             | 1,232,149  | 569,110                      | 1,801,259            |
| Reserved for digester   | 30,000   | -                            | 30,000               |
| Reserved for capital improvements   | 1,536,764  | -                            | 1,536,764            |
| Unrestricted  | 8,201,411  | 64,059                       | 8,265,470            |
| <b>TOTAL NET POSITION</b>   | <b>11,000,324</b>                                  | <b>633,169</b>               | <b>11,633,493</b>    |
| <b>TOTAL LIABILITIES AND NET POSITION</b>                                     | <b>\$ 30,174,046</b>                               | <b>\$ 648,132</b>            | <b>\$ 30,822,178</b> |

See notes to financial statements.

**CITY OF DERBY, CONNECTICUT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION - PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2021**

|                                    | <b>Business Type Activities- Enterprise Funds</b> |                              |                      |
|------------------------------------|---|------------------------------|----------------------|
|                                    | <b>Water Pollution<br/>Control Authority</b>      | <b>Parking<br/>Authority</b> | <b>Total</b>         |
| OPERATING REVENUES                 |   |                              |                      |
| Sewer usage fees                   | \$ 2,658,739                                      | \$ -                         | \$ 2,658,739         |
| Rental and fees                    | -   | 20,445                       | 20,445               |
| Other revenues                     | 21,529  | -                            | 21,529               |
| Interest and lien fees             | 110,322   | -                            | 110,322              |
| Total operating revenues           | 2,790,590   | 20,445                       | 2,811,035            |
| OPERATING EXPENSES                 | 3,188,864   | 80,397                       | 3,269,261            |
| OPERATING INCOME(LOSS)             | (398,274)   | (59,952)                     | (458,226)            |
| NONOPERATING REVENUES (EXPENSES)   |   |                              |                      |
| Capital fees                       | 2,031,189   | -                            | 2,031,189            |
| Interest income                    | 1,319   | -                            | 1,319                |
| Interest expense                   | (824,037)   | -                            | (824,037)            |
| Total nonoperating income(expense) | 1,208,471   | -                            | 1,208,471            |
| OPERATING TRANSFERS OUT            | -   | -                            | -                    |
| CHANGE IN NET POSITION             | 810,197   | (59,952)                     | 750,245              |
| Net position at July 1, 2020       | 10,190,127  | 693,121                      | 10,883,248           |
| NET POSITION AT JUNE 30, 2021      | <u>\$ 11,000,324</u>                              | <u>\$ 633,169</u>            | <u>\$ 11,633,493</u> |

See notes to financial statements.

**CITY OF DERBY, CONNECTICUT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2021**

|   | <b>Business-type Activities - Enterprise Funds</b> |                              |                     |
|---|--|------------------------------|---------------------|
|   | <b>Water Pollution<br/>Control Authority</b>       | <b>Parking<br/>Authority</b> | <b>Total</b>        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |  |                              |                     |
| Receipts from customers and users   | \$ 2,570,525                                       | \$ 45,190                    | \$ 2,615,715        |
| Cash payments to suppliers  | (1,269,535)  | (95,841)                     | (1,365,376)         |
| Cash payments to employees  | (794,302)  | -                            | (794,302)           |
| <b>NET CASH PROVIDED FROM OPERATING ACTIVITIES</b>                                      | <b>506,688</b>                                     | <b>(50,651)</b>              | <b>456,037</b>      |
| <b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>                                 |  |                              |                     |
| Capital fee revenue   | 1,875,650  | -                            | 1,875,650           |
| Due from other funds  | 576,295  | -                            | 576,295             |
| Proceeds from bond anticipation note  | 3,000,000  | -                            | 3,000,000           |
| Purchase of capital assets  | (383,984)  | -                            | (383,984)           |
| Payment of principal and interest   | (1,695,161)  | -                            | (1,695,161)         |
| <b>NET CASH FROM CAPITAL AND FINANCING ACTIVITIES</b>                                   | <b>3,372,800</b>                                   | <b>-</b>                     | <b>3,372,800</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |  |                              |                     |
| Investment income   | 1,319  | -                            | 1,319               |
| <b>NET INCREASE (DECREASE) IN CASH AND<br/>CASH EQUIVALENTS</b>                         | <b>3,880,807</b>                                   | <b>(50,651)</b>              | <b>3,830,156</b>    |
| Cash and cash equivalents at July 1, 2020   | 5,073,084  | 97,230                       | 5,170,314           |
| <b>CASH AND CASH EQUIVALENTS AT JUNE 30, 2021</b>                                       | <b>\$ 8,953,891</b>                                | <b>\$ 46,579</b>             | <b>\$ 9,000,470</b> |
| <b>RECONCILIATION OF OPERATING<br/>INCOME TO NET CASH<br/>FROM OPERATING ACTIVITIES</b> |  |                              |                     |
| Operating income (loss) from operations   | \$ (398,274)                                       | \$ (59,952)                  | \$ (458,226)        |
| Adjustments to reconcile operating loss to<br>net cash used in operating activities:    |  |                              |                     |
| Depreciation  | 1,089,219  | 15,050                       | 1,104,269           |
| Allowance for doubtful accounts   | (16,768)   | -                            | (16,768)            |
| Changes in assets and liabilities:  |  |                              |                     |
| Accounts receivable   | (203,299)  | 24,747                       | (178,552)           |
| Accounts payable  | 35,810   | (30,496)                     | 5,314               |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>   | <b>\$ 506,688</b>                                  | <b>\$ (50,651)</b>           | <b>\$ 456,037</b>   |
| <b>Supplemental cash flow information</b>   |  |                              |                     |
| Cash paid during the year for interest  | \$ 801,079   | \$ -                         |                     |
| Financed purchase of equipment  | \$ 209,952   | \$ -                         |                     |

See notes to financial statements.

**CITY OF DERBY, CONNECTICUT  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2021**

|   | <b><u>Pension<br/>Trust Fund</u></b> |
|---|--------------------------------------|
| <b>ASSETS</b>   |                                      |
| Cash and cash equivalents   | \$ 381,581                           |
| Investments, at fair value  | 18,398,204                           |
| Other receivables   | <u>6,097</u>                         |
| <b>TOTAL ASSETS</b>   | <b><u>\$ 18,785,882</u></b>          |
| <br><b>LIABILITIES</b>  |                                      |
| Due to Others   | <u>\$ -</u>                          |
| <b>TOTAL LIABILITIES</b>  | <b><u>-</u></b>                      |
| <b>NET POSITION HELD IN TRUST FOR PENSION<br/>BENEFITS AND OTHER PURPOSES</b> | <b><u>\$ 18,785,882</u></b>          |

See notes to financial statements.

**CITY OF DERBY, CONNECTICUT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2021**

|  | <b>Pension<br/>Trust Fund</b> |
|--|-------------------------------|
| <b>ADDITIONS</b>   |                               |
| Contributions  |                               |
| City of Derby  | \$ 190,000                    |
| Plan members   | 54,392                        |
| Total contributions  | 244,392                       |
| Investment income  |                               |
| Net realized/unrealized gain (loss) on investments                 | 4,604,604                     |
| Interest and dividends   | 98,811                        |
|  | 4,703,415                     |
| Less investment management fees                                    | (77,145)                      |
| Net investment income (loss)                                       | 4,626,270                     |
|  | 4,870,662                     |
|  | <b>TOTAL ADDITIONS</b>        |
| DEDUCTIONS - benefits and other deductions                         | 1,074,958                     |
|  | <b>CHANGE IN NET POSITION</b> |
| Net position held in trust for<br>pension benefits at July 1, 2020 | 14,990,178                    |
| <b>NET POSITION HELD IN TRUST FOR BENEFITS</b>                     |                               |
| <b>AT JUNE 30, 2021</b>  | <b>\$ 18,785,882</b>          |

See notes to financial statements.

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

**Reporting Entity**

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

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

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

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

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

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

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

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

Derby Water Pollution Control Authority  
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, 2021**

**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.

**Government-wide and Fund Financial Statements**

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., 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

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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) *School Roof Project 2014* – is a capital project fund used to account for the improvements to the school buildings.

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

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

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

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

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

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

1. Transactions to reimburse the fund for expenditures made by it for the benefit of another fund. These transactions are recorded as expenditures in the disbursing fund and as a reduction of expenditures in the receiving fund.
2. Transactions to shift revenue or contributions from the fund budgeted to receive them to the fund budgeted to expend them. These transactions are recorded as transfers in to and out of the respective funds.
3. Transactions to record equity contributions between funds. The receiving fund records such transactions as a transfer in and an addition to fund balance. The disbursement fund records the transaction as a transfer out and a reduction of fund balance.

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

#### Governmental Activities

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

**CITY OF DERBY, CONNECTICUT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

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

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

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

|              |               |
|--------------|---------------|
| Buildings    | 20 – 50 years |
| Sewer System | 30 – 50 years |

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

*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, 2021, \$11,276,199 were required to be reported as deferred outflows of resources of which \$2,911,775 was related to the Pension and \$8,264,424 was related to Other Post-Employment Benefits (OPEB). As of June 30, 2021, \$18,754,394 were required to be reported as deferred inflows of resources of which \$4,284,217 was related to the Pension and \$14,470,177 was related to Other Post-Employment Benefits (OPEB).

*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.

*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.

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

*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.

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**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 \$72,515,061 difference are as follows:

|  |                      |
|--|----------------------|
| Bonds and note payable   | \$ 23,419,822        |
| Bonds premium  | 1,339,627            |
| Compensated absences   | 4,611,627            |
| Net pension liability  | 10,672,167           |
| Other post-employment obligations  | 31,505,139           |
| Capital leases   | 718,212              |
| Post-closure landfill  | <u>248,467</u>       |
| Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities | <u>\$ 72,515,061</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 \$2,839,299 difference are as follows:

|   |                       |
|---|-----------------------|
| Capital outlay  | \$ 504,773            |
| Depreciation expense  | <u>(3,344,072)</u>    |
| Net adjustment to decrease net changes in fund balances - total governmental funds, to arrive at changes in net position of governmental activities | <u>\$ (2,839,299)</u> |

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases)” provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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.”

**CITY OF DERBY, CONNECTICUT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

The details of this \$10,306,702 difference are as follows:

|   |                      |
|---|----------------------|
| Principal repayments/(increase in long-term liabilities):   |                      |
| Note principal payments   | \$ 257,540           |
| Other miscellaneous long-term liabilities   | 17,263               |
| Capital leases  | 130,045              |
| Net pension liability   | 1,801,986            |
| Compensated absences  | (599,564)            |
| Other post-employment obligations   | <u>8,699,432</u>     |
| Net adjustment to decrease net position in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 10,306,702</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 transfers and supplemental appropriations were approved during the year in accordance with provisions of the Connecticut General Statutes and the Charter of the City of Derby.

Annual budgets are prepared and employed for management control for the General Fund. Appropriations typically lapse at year end, except appropriations for capital projects which continue until completion of the project. Supplemental appropriations in the amount of \$1,967,842 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.

**CITY OF DERBY, CONNECTICUT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

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:

|  | <b>Revenues</b> | <b>Expenditures</b> | <b>Fund<br/>Balance</b> |
|--|-----------------|---------------------|-------------------------|
| Balance, budgetary basis<br>at June 30, 2021     | \$ 50,244,046   | \$ 48,226,534       | \$ 6,368,834            |
| State Teachers' Retirement<br>on-behalf payments | 6,458,743       | 6,458,743           | -                       |
| State Teachers' OPEB                             | 310,643         | 310,643             | -                       |
| Balance, GAAP basis at June 30, 2021             | \$ 57,013,432   | \$ 54,995,920       | \$ 6,368,834            |

**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, 2021, 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.

**CITY OF DERBY, CONNECTICUT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

**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, 2021:

|                         | <b>Carrying and<br/>Fair Values</b> |
|-------------------------|-------------------------------------|
| Deposits                | \$ 23,189,560                       |
| Money market accounts   | 457,241                             |
| Certificates of Deposit | 3,179                               |
|                         | \$ 23,649,980                       |
| <br>                    |                                     |
| Govt                    | \$ 14,267,929                       |
| Business                | 9,000,470                           |
| Fiduciary               | 381,581                             |
|                         | \$ 23,649,980                       |

At June 30, 2021, the carrying amount of the City’s deposits was \$23,649,980. The bank balances of funds on deposit totaled \$21,595,028. Of the bank balances, \$1,132,624 was covered by federal depository insurance (up to \$250,000) or Security Investor Protection Corporation (up to \$500,000), \$2,046,162 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 \$18,415,461 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.

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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, 2021 are shown below:

|   | <b>Cost</b>          | <b>Carrying<br/>and<br/>Fair Values</b> | <b>Average Credit<br/>Quality Ratings</b> | <b>Weighted Average<br/>Maturity (Years)</b> |
|---|----------------------|---|---|--|
| Library Endowment Fund:                         |                      |   |   |  |
| Mutual funds-Equity                             | \$ 777,725           | \$ 1,215,072                            | N/A                                       | N/A  |
| School Scholarship Fund:                        |                      |   |   |  |
| Mutual funds-Equity                             | 35,411               | 31,982                                  | N/A                                       | N/A  |
| Pension Trust Fund:                             |                      |   |   |  |
| Mutual funds-Stocks                             | 2,097,840            | 3,167,197                               | N/A                                       | N/A  |
| Mutual funds-Equity                             | 993,815              | 1,298,367                               | N/A                                       | N/A  |
| Stocks  | 3,602,750            | 6,173,196                               | N/A                                       | N/A  |
| Corporate Bonds                                 | 558,189              | 574,121                                 | BBB                                       | 8.81   |
| US Treasury Securities                          | 245,131              | 241,461                                 | AA+                                       | 9.13   |
| Federal Home Loan Mortgage Bonds                | 226,459              | 225,090                                 | AA+                                       | 25.83  |
| Other Holdings                                  | 43,190               | 66,432                                  | N/A                                       | N/A  |
| Greywolf Containership Offshore Fund LP         | 500,000              | 568,284                                 | N/A                                       | N/A  |
| Golden Tree Distresses Fund 2014                | 373,000              | 384,088                                 | N/A                                       | N/A  |
| Boyd Watterson-GSA Fund                         | 1,885,632            | 2,289,992                               | N/A                                       | N/A  |
| Boyd Watterson-State Government Fund LP         | 351,873              | 430,877                                 | N/A                                       | N/A  |
| Verition Interenational Multi-Strategy Fund LTD | 300,000              | 477,000                                 | N/A                                       | N/A  |
| EntrustPermal Structured Income Fund II-A Ltd.  | 839,656              | 938,553                                 | N/A                                       | N/A  |
| Verition Interenational Multi-Strategy Fund LTD | 300,000              | 454,862                                 | N/A                                       | N/A  |
| Golub Capital Partners Int'l 12, L.P.           | 412,433              | 433,208                                 | N/A                                       | N/A  |
| Arsenal III, L.P.                               | 352,198              | 675,476                                 | N/A                                       | N/A  |
| TOTAL   | <u>\$ 13,895,302</u> | <u>\$ 19,645,258</u>                    |   |  |

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

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

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 5 — RECEIVABLES**

As of June 30, 2021, receivables by type for the City’s government-wide financial statements were as follows:

|   | <u>General</u>      | <u>Nonmajor<br/>governmental<br/>Funds</u> | <u>Water Pollution<br/>Control Authority</u> | <u>Total</u>        |
|---|---------------------|--|--|---------------------|
| Receivables:                            |                     |  |  |                     |
| Taxes and interest                      | \$ 1,607,644        | \$ -                                       | \$ -   | \$ 1,607,644        |
| Accounts and Other                      | 710,404             | 84,420                                     | 32,443                                       | 827,267             |
| Sewer Assessments                       | -                   | -  | 688,090                                      | 688,090             |
| Intergovernmental                       | <u>229,404</u>      | <u>190,463</u>                             | <u>-</u>                                     | <u>419,867</u>      |
| Gross receivables                       | 2,547,452           | 274,883                                    | 720,533                                      | 3,542,868           |
| Less allowance for<br>collection losses | <u>220,000</u>      | <u>-</u>                                   | <u>20,000</u>                                | <u>240,000</u>      |
| Net receivables                         | <u>\$ 2,327,452</u> | <u>\$ 274,883</u>                          | <u>\$ 700,533</u>                            | <u>\$ 3,302,868</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    | \$ 1,169,807        | \$ -                |
| Various education grants     |                     | 2,602,363           |
| Nonmajor governmental funds: |                     |                     |
| Community Development        | -                   | 88,774              |
| Police Grant                 | <u>-</u>            | <u>211,595</u>      |
|                              | <u>\$ 1,169,807</u> | <u>\$ 2,902,732</u> |

**CITY OF DERBY, CONNECTICUT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 6 — INTERFUND ACCOUNTS**

As of June 30, 2021, interfund receivables and payables that resulted from various interfund transactions were as follows:

| <u><b>Funds</b></u>              | <u><b>Due from<br/>Other Funds</b></u> | <u><b>Due to<br/>Other Funds</b></u> |
|----------------------------------|--|--------------------------------------|
| Major:                           |  |                                      |
| General                          | \$ 909,332                             | \$ 1,054,656                         |
| Enterprise                       | 1,057,385                              | 18,083                               |
| School Roof Project 2015         | -                                      | 394,685                              |
|                                  | <u>1,966,717</u>                       | <u>1,467,424</u>                     |
| Nonmajor funds:                  |  |                                      |
| School Lunch                     | -                                      | 126,186                              |
| Board of Education Activity Fund | 62,371                                 | 429,286                              |
| Middle School Project            | 21,325                                 | -                                    |
| Land acquisition                 | -                                      | 27,517                               |
|                                  | <u>83,696</u>                          | <u>582,989</u>                       |
| Total                            | <u>\$ 2,050,413</u>                    | <u>\$ 2,050,413</u>                  |

The General Fund interfund payable is due to various Sewer Projects Funds for advances of bond monies received by the General Fund yet to be remitted to their respective Sewer 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. School lunch payroll is paid by the Board of Education and is later repaid by the School Lunch Program.

The interfund transfers for the year ended June 30, 2021 is as follows:

| <u><b>Funds</b></u>    | <u><b>Transfers from<br/>Other Funds</b></u> | <u><b>Transfers to<br/>Other Funds</b></u> |
|------------------------|--|--|
| Major:                 |  |  |
| General Fund           | \$ 30,000                                    | \$ -                                       |
| Library Endowment Fund | -  | 30,000                                     |
| Total                  | <u>\$ 30,000</u>                             | <u>\$ 30,000</u>                           |

The Library Endowment Fund transfer was to the General fund was for library operating expenses.

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 7 — CAPITAL ASSETS**

Governmental activities - capital asset activity for the year ended June 30, 2021 was as follows:

|  | <u>Balance<br/>July 1, 2020</u> | <u>Additions/<br/>Transfers</u> | <u>Disposal/<br/>Transfers</u> | <u>Balance<br/>June 30, 2021</u> |
|--|---------------------------------|---------------------------------|--------------------------------|----------------------------------|
| Governmental activities:                     |                                 |                                 |                                |                                  |
| Capital assets, not being depreciated:       |                                 |                                 |                                |                                  |
| Land   | \$ 6,551,792                    | \$ -                            | \$ -                           | \$ 6,551,792                     |
| Construction in progress                     | 4,562,020                       | -                               | 4,562,020                      | -                                |
| Total Capital Assets, not being depreciated  | 11,113,812                      | -                               | 4,562,020                      | 6,551,792                        |
| Capital assets, being depreciated:           |                                 |                                 |                                |                                  |
| Buildings                                    | 84,787,109                      | 4,672,197                       | -                              | 89,459,306                       |
| Property under capital lease                 | 5,074,639                       | 158,300                         | -                              | 5,232,939                        |
| Rolling equipment                            | 5,029,340                       | 137,929                         | -                              | 5,167,269                        |
| Machinery, vehicles and equipment            | 3,827,864                       | 61,080                          | -                              | 3,888,944                        |
| Infrastructure                               | 37,555,896                      | 37,287                          | -                              | 37,593,183                       |
|  | <u>136,274,848</u>              | <u>5,066,793</u>                | -                              | <u>141,341,641</u>               |
| Less accumulated depreciation for:           |                                 |                                 |                                |                                  |
| Buildings                                    | 23,056,892                      | 2,044,218                       | -                              | 25,101,110                       |
| Property under capital lease                 | 3,297,364                       | 227,322                         | -                              | 3,524,686                        |
| Rolling equipment                            | 4,531,986                       | 111,614                         | -                              | 4,643,600                        |
| Machinery, vehicles and equipment            | 3,526,300                       | 62,395                          | -                              | 3,588,695                        |
| Infrastructure                               | 17,207,494                      | 898,523                         | -                              | 18,106,017                       |
|  | <u>51,620,036</u>               | <u>3,344,072</u>                | -                              | <u>54,964,108</u>                |
| Total capital assets, being depreciated, net | <u>84,654,812</u>               | <u>1,722,721</u>                | -                              | <u>86,377,533</u>                |
| Governmental activities capital assets, net  | <u>\$ 95,768,624</u>            | <u>\$ 1,722,721</u>             | <u>\$ 4,562,020</u>            | <u>\$ 92,929,325</u>             |

Depreciation expense by function for the year ended June 30, 2021 is as follows:

|                        |                     |
|------------------------|---------------------|
| Education              | \$ 1,427,553        |
| General                | 1,111,064           |
| Public safety          | 229,190             |
| Public works           | 328,505             |
| Culture and recreation | 247,760             |
|                        | <u>\$ 3,344,072</u> |

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

Business-type activities - capital asset activity for the year ended June 30, 2021 was as follows:

|  | <u>July 1, 2020</u>  | <u>Additions/<br/>Transfers</u> | <u>Disposal /<br/>Transfers</u> | <u>June 30, 2021</u> |
|--|----------------------|---------------------------------|---------------------------------|----------------------|
| Business-type activities:                    |                      |                                 |                                 |                      |
| Capital assets, not being depreciated:       |                      |                                 |                                 |                      |
| Land   | \$ 594,858           | \$ -                            | \$ -                            | \$ 594,858           |
| Construction in progress                     | <u>14,945,028</u>    | <u>317,209</u>                  | <u>15,262,237</u>               | <u>-</u>             |
|  | 15,539,886           | 317,209                         | 15,262,237                      | 594,858              |
| Capital assets, being depreciated:           |                      |                                 |                                 |                      |
| Buildings                                    | 12,959,960           | 16,336,754                      | -                               | 29,296,714           |
| Machinery, vehicles and equipment            | <u>3,062,601</u>     | <u>209,952</u>                  | <u>1,007,745</u>                | <u>2,264,808</u>     |
|  | 16,022,561           | 16,546,706                      | 1,007,745                       | 31,561,522           |
| Less accumulated depreciation for:           |                      |                                 |                                 |                      |
| Buildings                                    | 9,228,843            | 1,268,880                       | -                               | 10,497,723           |
| Machinery, vehicles and equipment            | <u>1,759,481</u>     | <u>120,551</u>                  | <u>285,165</u>                  | <u>1,594,867</u>     |
|  | 10,988,324           | 1,389,431                       | 285,165                         | 12,092,590           |
| Total capital assets, being depreciated, net | <u>5,034,237</u>     | <u>15,157,275</u>               | <u>722,580</u>                  | <u>19,468,932</u>    |
| Business-type activities capital assets, net | <u>\$ 20,574,123</u> | <u>\$ 15,474,484</u>            | <u>\$ 15,984,817</u>            | <u>\$ 20,063,790</u> |

**NOTE 8 – BOND ANTICIPATION NOTE**

Bond anticipation note transaction for the year ended June 30, 2021 was as follows:

|                            |                     |
|----------------------------|---------------------|
| Outstanding, July 1, 2020  | \$ -                |
| New Borrowings             | 3,000,000           |
| Repayments                 | <u>-</u>            |
| Outstanding, June 30, 2021 | <u>\$ 3,000,000</u> |

The bond anticipation note was issued in November 2020 for \$3,000,000 with an interest rate of 1.50% per annum was issued in the business-type activities with an August 2021 due date.

Subsequent to year end the \$3,000,000 bond anticipation note was refinanced at .668% due August 2022.

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 9 — LONG-TERM DEBT**

Changes in long-term debt for the year ended June 30, 2021 was as follows:

|                                  | <u>Balance</u><br><u>July 1, 2020</u> | <u>Additions</u>    | <u>Decreases</u>     | <u>Balance</u><br><u>June 30, 2021</u> | <u>Due within</u><br><u>One Year</u> |
|----------------------------------|---------------------------------------|---------------------|----------------------|--|--------------------------------------|
| <b>Governmental Activities:</b>  |                                       |                     |                      |  |                                      |
| General-2015                     | \$ 2,130,000                          | \$ -                | \$ -                 | \$ 2,130,000                           | \$ -                                 |
| General-2018                     | 2,090,000                             | -                   | -                    | 2,090,000                              | -                                    |
| General-2019                     | 13,870,000                            | -                   | -                    | 13,870,000                             | 1,135,000                            |
| Note payable                     | 5,587,362                             | -                   | 257,540              | 5,329,822                              | 260,049                              |
|                                  | <u>23,677,362</u>                     | <u>-</u>            | <u>257,540</u>       | <u>23,419,822</u>                      | <u>1,395,049</u>                     |
| Bond premium                     | 1,339,627                             | -                   | -                    | 1,339,627                              | 130,066                              |
| Capital leases                   | 848,257                               | 158,300             | 288,345              | 718,212                                | 276,773                              |
| Net pension liability            | 12,474,153                            | 780,686             | 2,582,672            | 10,672,167                             | 950,000                              |
| OPEB obligation                  | 40,204,571                            | -                   | 8,699,432            | 31,505,139                             | -                                    |
| Compensated absences             | 4,012,063                             | 633,769             | 34,205               | 4,611,627                              | 100,000                              |
| Landfill postclosure             | 265,730                               | -                   | 17,263               | 248,467                                | 20,000                               |
| Total                            | <u>\$ 82,821,763</u>                  | <u>\$ 1,572,755</u> | <u>\$ 11,879,457</u> | <u>\$ 72,515,061</u>                   | <u>\$ 2,871,888</u>                  |
| <b>Business-type activities:</b> |                                       |                     |                      |  |                                      |
| Refunding-2009                   | \$ 7,000,000                          | \$ -                | \$ 370,000           | \$ 6,630,000                           | \$ 370,000                           |
| Bonds-2019                       | 8,825,000                             | -                   | 450,000              | 8,375,000                              | 445,000                              |
|                                  | <u>15,825,000</u>                     | <u>-</u>            | <u>820,000</u>       | <u>15,005,000</u>                      | <u>815,000</u>                       |
| Capital leases                   | 98,703                                | 209,952             | 51,124               | 257,531                                | 58,621                               |
| Total                            | <u>\$ 15,923,703</u>                  | <u>\$ 209,952</u>   | <u>\$ 871,124</u>    | <u>\$ 15,262,531</u>                   | <u>\$ 873,621</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.

As of June 30, 2021, the City's outstanding general obligation bonds and note payable were as follows:

|  | <u>Outstanding</u><br><u>Amount</u> |
|--|-------------------------------------|
| <b>Governmental Activities:</b>  |                                     |
| \$5,210,000 serial bond; issue of 2018;<br>due October 2038;<br>effective interest ranging from 3.0%-5.0%                          | \$ 2,090,000                        |
| \$13,870,000 serial bond; issue of 2019; due September 2029;<br>effective interest ranging from 2.05%-5.0%                         | 13,870,000                          |
| \$8,580,000 serial B bond; issue of 2015;<br>due September 2035;<br>effective interest ranging from 2.0%-5.0%                      | 2,130,000                           |
| \$5,587,362 note payable in monthly payments, including<br>principal and interest at 3.04%,<br>issued April 9,2020; due March 2037 | <u>\$ 5,329,822</u>                 |
|  | 23,419,822                          |
| Less current portion   | <u>1,395,049</u>                    |
| Long term portion  | <u>\$ 22,024,773</u>                |

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

As of June 30, 2021, the City's outstanding business-type obligation bonds were as follows:

|  | <b>Outstanding<br/>Amount</b> |
|--|-------------------------------|
| <b>Business-type activities:</b>   |                               |
| \$7,370,000 serial bond; issue of 2018;<br>due October 2038; effective interest ranging from 3.0%-5.0%     | \$ 6,630,000                  |
| \$13,870,000 serial bond; issue of 2019; due September 2029;<br>effective interest ranging from 2.05%-5.0% | 8,375,000                     |
|  | 15,005,000                    |
| Less current portion   | 815,000                       |
| Long term portion  | \$ 14,190,000                 |

The annual requirements to amortize all bonded debt outstanding as of June 30, 2021 for governmental activities is as follows:

The annual requirements to amortize all bonded debt outstanding as of June 30, 2021, are as follows:

| <b>Governmental Activities:</b> | <b>Principal</b> | <b>Interest</b> | <b>Total</b>  |
|---------------------------------|------------------|-----------------|---------------|
| 2022                            | \$ 1,135,000     | \$ 496,205      | \$ 1,631,205  |
| 2023                            | 1,115,000        | 472,864         | 1,587,864     |
| 2024                            | 1,095,000        | 449,385         | 1,544,385     |
| 2025                            | 1,070,000        | 425,576         | 1,495,576     |
| 2026                            | 1,050,000        | 401,201         | 1,451,201     |
| 2027                            | 1,030,000        | 376,246         | 1,406,246     |
| 2028                            | 1,010,000        | 350,751         | 1,360,751     |
| 2029                            | 990,000          | 325,004         | 1,315,004     |
| 2030                            | 970,000          | 299,281         | 1,269,281     |
| 2031                            | 950,000          | 273,366         | 1,223,366     |
| 2032                            | 935,000          | 251,613         | 1,186,613     |
| 2033                            | 920,000          | 212,364         | 1,132,364     |
| 2034                            | 905,000          | 180,676         | 1,085,676     |
| 2035                            | 890,000          | 149,295         | 1,039,295     |
| 2036                            | 880,000          | 117,946         | 997,946       |
| 2037                            | 835,000          | 88,418          | 923,418       |
| 2038                            | 810,000          | 61,050          | 871,050       |
| 2039                            | 770,000          | 34,750          | 804,750       |
| 2040                            | 730,000          | 10,950          | 740,950       |
|                                 | \$ 18,090,000    | \$ 4,976,941    | \$ 23,066,941 |

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

The annual requirements to amortize all bonded debt outstanding as of June 30, 2021 for business-type activities is as follows:

| <b>Business-type activities:</b> | <b>Principal</b>     | <b>Interest</b>     | <b>Total</b>         |
|----------------------------------|----------------------|---------------------|----------------------|
| 2022                             | \$ 815,000           | \$ 598,050          | \$ 1,413,050         |
| 2023                             | 815,000              | 557,300             | 1,372,300            |
| 2024                             | 815,000              | 516,550             | 1,331,550            |
| 2025                             | 810,000              | 477,775             | 1,287,775            |
| 2026                             | 810,000              | 442,825             | 1,252,825            |
| 2027                             | 810,000              | 409,725             | 1,219,725            |
| 2028                             | 810,000              | 376,625             | 1,186,625            |
| 2029                             | 810,000              | 343,294             | 1,153,294            |
| 2030                             | 810,000              | 309,500             | 1,119,500            |
| 2031                             | 810,000              | 275,244             | 1,085,244            |
| 2032                             | 810,000              | 241,800             | 1,051,800            |
| 2033                             | 810,000              | 209,400             | 1,019,400            |
| 2034                             | 805,000              | 177,100             | 982,100              |
| 2035                             | 805,000              | 144,900             | 949,900              |
| 2036                             | 805,000              | 112,700             | 917,700              |
| 2037                             | 805,000              | 82,700              | 887,700              |
| 2038                             | 805,000              | 54,900              | 859,900              |
| 2039                             | 805,000              | 27,100              | 832,100              |
| 2040                             | 440,000              | 6,600               | 446,600              |
|                                  | <u>\$ 15,005,000</u> | <u>\$ 5,364,088</u> | <u>\$ 20,369,088</u> |

**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:

| <b>Year Ended<br/>June 30,</b>      | <b>Governmental<br/>Activities<br/>Payment</b> | <b>Business-Type<br/>Activities<br/>Payment</b> |
|-------------------------------------|--|---|
| 2022                                | \$ 302,170                                     | \$ 71,160                                       |
| 2023                                | 201,136  | 71,160  |
| 2024                                | 201,136  | 59,858  |
| 2025                                | 67,274   | 40,976  |
| 2026                                | -  | 40,975  |
| Thereafter                          | -  | 6,829   |
|                                     | <u>771,716</u>                                 | <u>290,958</u>                                  |
| Less amount representing interest   | <u>53,504</u>                                  | <u>33,427</u>                                   |
| Net present value of lease payments | <u>\$ 718,212</u>                              | <u>\$ 257,531</u>                               |

**Governmental Activities**

Property and equipment carried at a cost of \$1,881,608 with accumulated amortization of \$448,053 has been acquired under capital lease arrangements. The bi-annual payments under these leases were \$151,085 with interest rates ranging from 5.2% to 7.4%. The capital lease obligations are financed by the general fund.

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Business-Type Activities**

Property and equipment carried at a cost of \$338,151 with accumulated amortization of \$35,395 has been acquired under capital lease arrangement. The annual required payments under these leases were \$71,160 with interest rates ranging from 4.15% to 8.4%. 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.

**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, 2021 (\$227,352,175), 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, 2021, | \$ 32,478,882      |
| Reimbursement for revenue loss:  |                    |
| Tax Relief for Elderly   | -                  |
|  | Base \$ 32,478,882 |

|  | <b>General Purpose</b> | <b>Schools</b> | <b>Sewers</b>  | <b>Urban Renewal</b> | <b>Unfunded Pension</b> |
|--|------------------------|----------------|----------------|----------------------|-------------------------|
| Debt Limitation:   |                        |                |                |                      |                         |
| 2 ¼ times base   | \$ 73,077,485          |                |                |                      |                         |
| 4 ½ times base   |                        | \$ 146,154,970 |                |                      |                         |
| 3 ¾ times base   |                        |                | \$ 121,795,808 |                      |                         |
| 3 ¼ times base   |                        |                |                | \$ 105,556,367       |                         |
| 3 times base   | -                      | -              | -              | -                    | \$ 97,436,647           |
| Total debt limitation  | 73,077,485             | 146,154,970    | 121,795,808    | 105,556,367          | 97,436,647              |
| Indebtedness:  |                        |                |                |                      |                         |
| Bonds payable  | 2,350,792              | 15,739,208     | 15,005,000     | -                    | -                       |
| Note payable   | 5,329,822              | -              | 3,000,000      | -                    | -                       |
| Bonds authorized and unissued                                | -                      | 380,212        | 14,910,000     | -                    | -                       |
|  | 7,680,614              | 16,119,420     | 32,915,000     | -                    | -                       |
| Debt Limitation in excess of outstanding and authorized debt | \$ 65,396,871          | \$ 130,035,550 | \$ 88,880,808  | \$ 105,556,367       | \$ 97,436,647           |

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**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, 2021 is as follows:

|                                  | <u>Water Pollution<br/>Control Authority</u> | <u>Parking<br/>Authority</u> | <u>Total<br/>Enterprise<br/>Funds</u> |
|----------------------------------|--|------------------------------|---------------------------------------|
| Operating Revenues               | \$ 2,790,590                                 | \$ 20,445                    | \$ 2,811,035                          |
| Operating Expenses               | 3,188,864                                    | 80,397                       | 3,269,261                             |
| Operating Income(Loss)           | (398,274)                                    | (59,952)                     | (458,226)                             |
| Non-Operating(Expenses) Revenues | 1,208,471                                    | -                            | 1,208,471                             |
| Change in Net Position           | 810,197                                      | (59,952)                     | 750,245                               |
| Beginning Net Position           | 10,190,127                                   | 693,121                      | 10,883,248                            |
| Ending Net Position              | 11,000,324                                   | 633,169                      | 11,633,493                            |
| Net Cash Provided By (Used In):  |  |                              |                                       |
| Operating Activities             | 506,688                                      | (50,651)                     | 456,037                               |
| Capital and Financing Activities | -  | -                            | -                                     |
| Noncapital Financing Activities  | 3,372,800                                    | -                            | 3,372,800                             |
| Investing Activities             | 1,319  | -                            | 1,319                                 |
| Beginning Cash and Equivalents   | 5,073,084                                    | 97,230                       | 5,170,314                             |
| Ending Cash and Equivalents      | <u>\$ 8,953,891</u>                          | <u>\$ 46,579</u>             | <u>\$ 9,000,470</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, 2021 are as follows:

|  | <u>General<br/>Fund</u> | <u>Library<br/>Endowment<br/>Fund</u> | <u>School Roof<br/>2014</u> | <u>Other<br/>Governmental<br/>Funds</u> |
|--|-------------------------|---------------------------------------|-----------------------------|---|
| Nonspendable:                            |                         |                                       |                             |   |
| Inventories                              | \$ -                    | \$ -                                  | \$ -                        | \$ 3,983                                |
|  | -                       | -                                     | -                           | 3,983                                   |
| Restricted:                              |                         |                                       |                             |   |
| Capital projects                         | -                       | -                                     | -                           | 134,078                                 |
| Education                                | -                       | -                                     | -                           | 877,877                                 |
| Library                                  | -                       | 1,215,072                             | -                           | -                                       |
|  | -                       | 1,215,072                             | -                           | 1,011,955                               |
| Committed:                               |                         |                                       |                             |   |
| Medical                                  | 348,009                 | -                                     | -                           | -                                       |
| Board of Education-<br>Special Education | 235,767                 | -                                     | -                           | -                                       |
|  | 583,776                 | -                                     | -                           | -                                       |
| Assigned:                                |                         |                                       |                             |   |
| Library                                  | -                       | 34,030                                | -                           | -                                       |
| Unassigned:                              | 5,785,058               | -                                     | (124,219)                   | 172,605                                 |
| Total                                    | <u>\$ 6,368,834</u>     | <u>\$ 1,249,102</u>                   | <u>\$ (124,219)</u>         | <u>\$ 1,188,543</u>                     |

**CITY OF DERBY, CONNECTICUT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

The following fund had a fund deficit as of June 30, 2021:

|                  |                   |
|------------------|-------------------|
| School Roof 2014 | <u>\$ 124,219</u> |
|------------------|-------------------|

The deficits for School Roof 2014 will be reduced or eliminated through permanent financing or the receipt of grant funds.

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

|                           |                       |
|---------------------------|-----------------------|
| Board of Education-grants | <u>\$ 5,447,511</u> * |
|---------------------------|-----------------------|

\* The Board of Education-grant budget is fully subsidized with grant revenues.

**NOTE 12– RESTATEMENT OF PRIOR YEAR FUND BALANCE AND NET POSITION**

The City previously reported the activities of the Student Activities Agency Fund, Scholarship Fund, Performance Bonds as fiduciary funds. As a result of implementation of GASB No. 84, Fiduciary Activities, as of July 1, 2020, the City made the following reporting changes: The activities of the Performance Bonds are reported with the general fund activities, and the Student Activities Fund/Scholarship Fund are reported as a special revenue fund. Accordingly, the City restated the beginning assets and liabilities of the General Fund by \$3,500. The remaining assets of \$821,071 previously reported in the agency fund were recognized as assets, liabilities and fund balance of the newly created special revenue fund. The City restated beginning balances of the assets, liabilities, fund balance and net position as follows:

|  | Governmental<br>Activities Net<br>Position | Nonmajor<br>Governmental<br>Funds Fund<br>Balance |
|--|--|---|
| Governmental Funds:  |  |   |
| Balance as previously reported June 30, 2020                                     | \$ 21,991,813                              | \$ 291,513  |
| Field House Project Fund previously reported as a<br>Nonmajor Governmental Funds | -  | 134,265   |
| Adjustment:  |  |   |
| Student Activities now reported as a Special Revenue Fund                        | 471,141                                    | 471,141   |
| Balance as restated July 1, 2020   | \$ 22,462,954                              | \$ 896,919  |
|  |  | <u>Agency Funds</u>                               |
| Fiduciary Funds:   |  |   |
| Balance as previously reported June 30, 2020                                     |  | \$ 824,571  |
| Student Activities now reported as a Special Revenue Fund                        |  | (407,198)   |
| Student Scholarships now being reported as a Special Revenue Fund                |  | (63,943)  |
| Student Activities liabilities are now reported as a Special Revenue Fund        |  | (349,930)   |
| Performance Bonds and Escrow Accounts now reported within the General Fund       |  | (3,500)   |
| Balance as restated July 1, 2020   |  | \$ -  |

**CITY OF DERBY, CONNECTICUT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 13– 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.

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.

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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.

### **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 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 2020 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, 2020. 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, 2020, the City reported a liability of \$7,071,194 for its proportionate share of the CMERS' net pension liability. The net pension liability was measured as of June 30, 2020. 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, 2020, to the measurement date of June 30, 2020.

**CITY OF DERBY, CONNECTICUT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

The components of the net pension liability of the City at June 30, 2021 was as follows:

|   | Derby<br>Police<br>MERS |
|---|-------------------------|
| Total pension liability   | \$ 24,532,758           |
| Plan fiduciary net assets   | 17,461,564              |
| Net Pension Liability   | \$ 7,071,194            |
| Plan fiduciary net position as a percentage<br>of the total pension liability | 71.18%                  |
| Percentage of the total   | 8.569%                  |

**Pension expense and deferred outflows/inflows of resources**

For the year ended June 30, 2021, the City recognized pension expense for their portion of the CMERS of \$2,201,065. At June 30, 2021, the County reported deferred outflows of resources related to pensions from the following sources:

|   | Derby<br>Police<br>MERS           |
|---|-----------------------------------|
|   | Deferred Outflows<br>of Resources |
| Differences between expected and actual<br>experience   | \$ -                              |
| Changes in assumptions  | 1,144,148                         |
| Changes in proportion and difference between<br>employers contributions and proportionate share<br>of contributions | 292,873                           |
| Net difference between projected and<br>actual earnings on investments  | 776,312                           |
| Total   | \$ 2,213,333                      |
| Percentage of total   | 8.569%                            |
| Pension Expense   | \$ 2,201,065                      |

**CITY OF DERBY, CONNECTICUT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

| Year Ending June 30, | Police<br>MERS |
|----------------------|----------------|
| 2021                 | \$ 459,622     |
| 2022                 | 579,834        |
| 2023                 | 118,549        |
| 2024                 | 46,310         |
| Total                | \$ 1,204,315   |

**Actuarial Assumptions**

The collective total pension liability was determined by an actuarial valuation as of June 30, 2020, 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<br>investment expense, including<br>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.

**CITY OF DERBY, CONNECTICUT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

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, 2020 are summarized in the following table:

| Asset Class                    | MERS -<br>Target<br><u>Allocation</u> | MERS- Long-Term<br>Expected Real Rate of<br><u>Return</u> |
|--------------------------------|---------------------------------------|---|
| 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>                           |   |

**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<br/>to 6%</u> | <u>Current<br/>Discount<br/>Rate 7%</u> | <u>1% Increased<br/>to 8%</u> |
|--------------------------------------|------------------------------|---|-------------------------------|
| Derby Police-MERS                    | <u>\$ 10,192,189</u>         | <u>\$ 7,071,194</u>                     | <u>\$ 4,462,124</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.

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**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](http://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.

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.

**CITY OF DERBY, CONNECTICUT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

**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:**

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 \$6,458,743 for the year ended June 30, 2021.

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2021, 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>\$ 45,088,705</u> |
| Total   | <u>\$ 45,088,705</u> |
| City's covered-employee payroll   | <u>\$ -</u>          |
| City's proportionate share of the net pension liability                           | <u>0%</u>            |
| Plan fiduciary net position as a percentage                                       | <u>49.24%</u>        |

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.50%  |
| Salary increase           | 3.00-6.50%, including inflation                                    |
| Investment rate of return | 6.90%, 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, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

Future cost-of-living increases for teachers who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

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:

**CITY OF DERBY, CONNECTICUT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

| <u>Asset Class</u>                | <u>Target<br/>Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|-----------------------------------|------------------------------|---|
| Domestic Equity Fund              | 20%                          | 5.6%  |
| Developed Market Intl. Stock Fund | 11%                          | 6.0%  |
| Emerging Market Intl. Stock Fund  | 9%                           | 7.9%  |
| Core Fixed Income Fund            | 16%                          | 2.1%  |
| Inflation Linked Bond Fund        | 5%                           | 1.1%  |
| Emerging Market Debt Fund         | 5%                           | 2.7%  |
| High Yield Bond Fund              | 6%                           | 4.0%  |
| Real Estate Fund                  | 10%                          | 4.5%  |
| Private Equity                    | 10%                          | 7.3%  |
| Alternative Investments           | 7%                           | 2.9%  |
| Liquidity Fund                    | 1%                           | 0.4%  |
|                                   | <u>100%</u>                  |   |

**Discount Rate**

The discount rate used to measure the total pension liability was 6.9%. 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 following presents the net pension liability, calculated using the discount rate of 6.90% 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>1% Decrease to<br/>5.9%</u> | <u>Current Discount<br/>Rate 6.9%</u> | <u>1% Increased to<br/>7.9%</u> |
|---|--------------------------------|---------------------------------------|---------------------------------|
| State's share of NPL associated with the City | <u>\$ 56,392,956</u>           | <u>\$ 45,088,705</u>                  | <u>\$ 35,703,856</u>            |

**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 OF DERBY, CONNECTICUT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

**City Employees' Retirement Plan**

**Plan Description**

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

As of July 1, 2019, 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><br><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 those 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, 2021, the City's total payroll for all employees amounted to \$24,006,214 and the City's total covered payroll amounted to \$4,984,176. 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.

**CITY OF DERBY, CONNECTICUT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

|   | <b>Pension<br/>Trust Fund</b> |
|---|-------------------------------|
| <b>ASSETS</b>                                 |                               |
| <b>CURRENT ASSETS</b>                         |                               |
| Cash and cash equivalents                     | \$ 381,581                    |
| Investments, at fair value                    | 18,398,204                    |
| Other receivables                             | 6,097                         |
| <b>TOTAL ASSETS</b>                           | <b>\$ 18,785,882</b>          |
| <b>LIABILITIES AND<br/>NET POSITION</b>       |                               |
| <b>CURRENT LIABILITIES</b>                    |                               |
| Other liabilities                             | \$ -                          |
| <b>TOTAL CURRENT LIABILITIES</b>              | <b>-</b>                      |
| <b>NET POSITION</b>                           |                               |
| Reserved for employee<br>retirement system    | 18,785,882                    |
| <b>TOTAL NET POSITION</b>                     | <b>18,785,882</b>             |
| <b>TOTAL LIABILITIES AND<br/>NET POSITION</b> | <b>\$ 18,785,882</b>          |

**CITY OF DERBY, CONNECTICUT  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2021**

|   |                      |
|---|----------------------|
| <b>ADDITIONS</b>  |                      |
| <b>Contributions</b>  |                      |
| Employer contributions<br>from general fund                                 | \$ 190,000           |
| Employee contributions  | 54,392               |
| Total contributions   | 244,392              |
| <b>Investment income</b>  |                      |
| Net appreciation in fair value of investments                               | 4,604,604            |
| Interest and dividends  | 98,811               |
|   | 4,703,415            |
| Less investment expenses -<br>investment management fees                    | 77,145               |
| Net investment income   | 4,626,270            |
| Total additions   | 4,870,662            |
| <b>DEDUCTIONS</b>   |                      |
| Benefits and other deductions   | 1,074,958            |
| Net change in net assets  | 3,795,704            |
| Net position held in trust for pension benefits at July 1, 2020             | 14,990,178           |
| <b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS<br/>AT JUNE 30, 2021</b> | <b>\$ 18,785,882</b> |

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**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                       | City Employees' Retirement |                                  |              |
|-----------------------------------|----------------------------|----------------------------------|--------------|
|                                   | Long-Term                  |                                  |              |
|                                   | Target<br>Allocation       | Expected Real Rate<br>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>                |                                  | <u>3.70%</u> |
| Long-term inflation expectation   |                            |                                  | <u>2.50%</u> |
| Long-term expected nominal return |                            |                                  | <u>6.20%</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 6.75% was used.

Valuation Date and Roll Forward Process: The July 1, 2019 Actuarial Valuation directly calculated the July 1<sup>st</sup>, 2019 Total Pension Liability (TPL). The July 1, 2019 TPL was increased by service cost and interest and decreased by benefit payments to estimate the TPL as of June 30, 2021. The TPL as of June 30, 2021 was also adjusted to reflect any material plan changes after the valuation, if applicable.

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Net Pension Liability of the City**

The components of the net pension liability of the City at June 30, 2021 were as follows:

|   | City<br>Employees'<br>Retirement<br>2021 |
|---|--|
|   |  |
| Total pension liability   | \$ 22,380,757                            |
| Plan fiduciary net assets   | 18,779,784                               |
| Net Pension Liability   | \$ 3,600,973                             |
| Plan fiduciary net position as a percentage<br>of the total pension liability | <u>83.91%</u>                            |
| Covered-employee payroll  | \$ <u>4,984,176</u>                      |
| Net pension liability as a % of covered payroll                               | <u>72.25%</u>                            |

The City's net pension liability is recorded on the governmental-wide statement of net position at June 30, 2021.

**Actuarial Assumptions (GASB 67)**

The actuarial assumptions are as follows:

|                               | City's<br>Retirement<br>Plan          |
|-------------------------------|---------------------------------------|
|                               |                                       |
| Valuation date                | July 1, 2019                          |
| Actuarial cost method         | Aggregate<br>Actuarial cost<br>method |
| Actuarial accrued liability   | N/A                                   |
| Remaining amortization period | N/A                                   |
| Asset valuation method        | Expected value                        |
| Investment rate of return     | 6.75%                                 |
| Inflation                     | 2.50%                                 |
| Retirement age                | 63                                    |
| Mortality                     | MP-2019                               |

There have been no significant changes between the valuation date and the fiscal year end.

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Concentrations**

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

The discount rate used to measure the total pension liability was 6.75%. 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 6.75%, 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      | Current<br>Discount Rate | 1% Increased to     |
|--------------------------------------|---------------------|--------------------------|---------------------|
| <u>Net Pension Liability (Asset)</u> | <u>5.75%</u>        | <u>6.75%</u>             | <u>7.75%</u>        |
| City Employees' Retirement           | <u>\$ 6,173,467</u> | <u>\$ 3,600,973</u>      | <u>\$ 1,418,376</u> |

**Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions**

For the year ended June 30, 2021, the City recognized pension expense of \$214,496 for the City Pension Plan. The City reported deferred outflows of resources related to pensions from the following sources:

|  | City Pension                         |                                     |
|--|--------------------------------------|-------------------------------------|
|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
| Differences between expected and actual experience                     | \$ 7,754                             | \$ (547,152)                        |
| Changes in assumptions   | 690,688                              | (536,588)                           |
| Net difference between projected and<br>actual earnings on investments |                                      | (2,191,459)                         |
| Total  | \$ 698,442                           | \$ (3,275,199)                      |

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.

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

Amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | City Pension   |
|----------------------|----------------|
| 2022                 | \$ (858,275)   |
| 2023                 | (577,677)      |
| 2024                 | (452,540)      |
| 2025                 | (688,265)      |
| 2026                 | -              |
| Total                | \$ (2,576,757) |

**NOTE 14 - 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, 2020. 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, 2020, the date of the last actuarial valuation.

|                     |     |
|---------------------|-----|
| Active plan members | 258 |
| Retirees            | 58  |
| Spouses of Retirees | -   |
| Total members       | 316 |

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

|  |               |
|--|---------------|
| Total OPEB liability                           | \$ 31,505,139 |
| Plan fiduciary net position                    | -             |
| Towns net OPEB liability                       | \$ 31,505,139 |
| Covered payroll                                | \$ 17,863,562 |
| Total OPEB liability as a % of covered payroll | 176%          |

**CITY OF DERBY, CONNECTICUT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

**Valuation Date and Roll Forward Process**

The July 1, 2020 Actuarial Valuation directly calculated the July 1, 2020 Total OPEB Liability (TOL). The July 1, 2020 TOL was increased by service cost and interest and decreased by benefit payments to estimate the TOL as of June 30, 2021. The TOL as of June 30, 2021 was also adjusted to reflect any material plan changes after the valuation, if applicable.

**Discount rate**

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

**Actuarial Assumptions**

|                             |  |
|-----------------------------|--|
| Valuation Date              | July 1, 2020   |
| Measurement date            | June 30, 2021  |
| 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, 2020            | \$ 40,204,571        |
| Service cost                           | 2,567,845            |
| Interest on net OPEB liability         | 936,850              |
| Benefit payments                       | (766,204)            |
| Investment gains or losses             |                      |
| Differences between expected & actual  | (11,402,728)         |
| Expected assumptions changes or inputs | (35,195)             |
| Contributions made                     | <u>-</u>             |
| Decrease in net OPEB liability         | <u>(8,699,432)</u>   |
| Net OPEB liability, ending             | <u>\$ 31,505,139</u> |

**Sensitivity Analysis**

The following presents the total OPEB liability of the City, calculated using the discount rate of 1.21%, 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 or 1 percentage point higher than the current rate.

|                    | 1% Decrease<br>(1.16%) | Current Discount<br>Rate (2.16%) | 1% Increase<br>(3.16%) |
|--------------------|------------------------|----------------------------------|------------------------|
| Net OPEB liability | <u>\$ 37,914,137</u>   | <u>\$ 31,505,139</u>             | <u>\$ 26,469,619</u>   |

**CITY OF DERBY, CONNECTICUT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

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<br>(6.5%<br>decreasing to<br>4.40%) | Health care cost<br>(5.50%<br>decreasing to<br>3.40%) | 1% Increase<br>(7.5%<br>decreasing to<br>5.4%) |
|--------------------|---|---|--|
| Net OPEB liability | <u>\$ 31,505,139</u>                            | <u>\$ 25,225,652</u>                                  | <u>\$ 39,950,431</u>                           |

**OPEB Expense and Deferred outflows and inflows of Resources**

The City recognized OPEB expense of \$2,541,771. The City reported deferred outflows and inflows of resources related to OPEB from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred Inflows<br>of Resources |
|--|--------------------------------------|----------------------------------|
| Differences between expected and actual experience   | \$ 74,376                            | \$ (13,459,918)                  |
| Net difference between projected and actual earnings | -                                    | -                                |
| Changes of assumptions or other inputs               | <u>8,190,048</u>                     | <u>(1,010,259)</u>               |
| Total  | <u>\$ 8,264,424</u>                  | <u>\$ (14,470,177)</u>           |

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

| <u>Year Ending June 30,</u> |              |
|-----------------------------|--------------|
| 2022                        | \$ (949,944) |
| 2023                        | (949,944)    |
| 2024                        | (949,944)    |
| 2025                        | (949,944)    |
| 2026                        | (949,944)    |
| Thereafter                  | (1,456,033)  |

**Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan**

**Plan description**

Teachers, principals, superintendents, supervisors and professional employees at State schools of higher education if they choose to be covered that are currently receiving a retirement or disability benefit are eligible to participate in the Connecticut State Teachers' Retirement System Retiree Health Insurance Plan ("TRS-RHIP") - a cost sharing multiple-employer defined benefit other post-employment benefit plan administered by the Teachers' Retirement Board ("TRB"). Chapter 167a Section 10-183t of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS-RHIP issues a publicly available financial report that can be obtained at [www.ct.gov/trb](http://www.ct.gov/trb).

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Benefit provisions**

The Plan provides for retiree health insurance benefits. Eligibility is as follows:

- Normal Retirement: Eligibility - 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.
- Early Retirement: Eligibility - 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.
- Proratable Retirement: Eligibility - Age 60 with 10 years of Credited Service.
- Disability Retirement: Eligibility - 5 years of Credited Service in Connecticut if not incurred in the performance of duty and no service requirement if incurred in the performance of duty.
- Termination of Employment: Eligibility – 10 or more years of Credited Service.

**Retiree health care coverage**

Any member that is currently receiving a retirement or disability benefit is eligible to participate in the Plan. There are two types of the health care benefits offered through the system. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the CTRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

Any member that is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute and has not increased since July of 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost and contributes at least \$220 per month towards coverage under a local school district plan.

Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits).

Those participants electing vision, hearing, and/or dental are required by the System's funding policy to pay the full cost of coverage for these benefits, and no liability is assumed by the Plan for these benefits.

**CITY OF DERBY, CONNECTICUT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

**Survivor health care coverage**

Survivors of former employees or retirees remain eligible to participate in the Plan and continue to be eligible to receive either the \$110 monthly subsidy or participate in the TRB-Sponsored Medicare Supplemental Plans, as long as they do not remarry.

**Contributions-State of Connecticut**

Per Connecticut General Statutes Section 10-183z, contribution requirements of active employees and the State of Connecticut are amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The State contributions are not currently actuarially funded. The State appropriates from the General Fund one third of the annual costs of the Plan. Administrative costs of the Plan are financed by the State. Based upon Chapter 167a, Subsection D of Section 10- 183t of the Connecticut statutes, it is assumed the State will pay for any long-term shortfall arising from insufficient active member contributions.

**Employer (School Districts)**

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

**Employees**

Each member is required to contribute 1.25% of their annual salary.

**OPEB liabilities, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB**

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

|  |                            |
|--|----------------------------|
| City's proportionate share of the OPEB liability liability                 | \$ -                       |
| State's proportionate share of the OPEB liability associated with the City | \$ <u>6,724,982</u>        |
| Total  | \$ <u><u>6,724,982</u></u> |

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The City has no proportionate share of the net OPEB liability. The City recognized OPEB expense and revenue of \$642,117 for on-behalf amounts for the contributions to the plan by the State.

**CITY OF DERBY, CONNECTICUT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

**Actuarial Assumptions**

|  |   |
|--|---|
| Inflation  | 2.50%   |
| Real Wage Growth   | 0.50%   |
| Wage Inflation   | 3.00%   |
| Salary increases   | 3.00-6.50%, including inflation   |
| Long-term investment rate of return                          | 3.00%, net of OPEB plan investment<br>expense, including inflation          |
| Municipal bond index rate:                                   | Measurement Date 2.21%<br>Prior Measurement Date 3.50%                      |
| Projected fiduciary net position is projected to be depleted | 2021  |
| <u>Single equivalent interest rate:</u>                      |   |
| Measurement Date   | 2.21%, net of OPEB plan investment<br>expense, including price inflation    |
| Prior Measurement Date                                       | 3.50%, net of OPEB plan investment<br>expense,<br>including price inflation |
| <u>Healthcare cost trend rates:</u>                          |   |
| Medicare   | 5.125% for 2020 decreasing to an ultimate<br>Rate of 4.50% by 2023          |

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females as ages 82 and above), projected generationally with MP-2019 for the period after service retirement.

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, 2010 - June 30, 2015.

**Changes in assumptions and inputs**

The discount rate was decreased from 3.50% to 2.21% to reflect the change in the Municipal Bond Index rate. Additionally, expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience both before and after the plan change that became effective on January 1, 2019. Further, the expected rate of inflation was decreased and the Real Wage Growth assumption was increased.

The Board adopted new assumptions as the result of an experience study for the five-year period ending June 30, 2019. The changes in assumptions are summarized below:

- Decrease the annual rate of real wage increase assumption from 0.75% to 0.50%.
- Decrease payroll growth assumption from 3.25% to 3.00%.
- Rates of withdrawal, disability, retirement, mortality, and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

**Long-term expected rate of return**

The long-term expected rate of return on OPEB 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 OPEB 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

All the plan assets are assumed to be invested in cash equivalents due to the need for liquidity. The expected rate of return is 2.00%.

**Affordable Care Act (ACA)**

The impact of the Affordable Care Act (ACA) was addressed in this valuation. Review of the information currently available did not identify any specific provisions of the ACA that are anticipated to significantly impact results. While the impact of certain provisions such as the excise tax on high-value health insurance plans beginning in 2020 (if applicable), mandated benefits and participation changes due to the individual mandate should be recognized in the determination of liabilities, overall future plan costs and the resulting liabilities are driven by amounts employers and retirees can afford (i.e., trend). The trend assumption forecasts the anticipated increase to initial per capita costs, taking into account health care cost inflation, increases in benefit utilization, plan changes, government-mandated benefits, and technological advances.

Given the uncertainty regarding the ACA's implementation (e.g., the impact of excise tax on high-value health insurance plans, changes in participation resulting from the implementation of state-based health insurance exchanges), continued monitoring of the ACA's impact on the Plan's liability will be required.

**Discount rate**

The discount rate used to measure the total OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate contribution rates and the member rate.

**Sensitivity of the OPEB liability to changes in the discount rate and the health care cost trend rate**

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

**Plan fiduciary net position**

Detailed information about the Connecticut State Teachers' OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report at [www.ct.gov](http://www.ct.gov).

**NOTE 15 –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.

**Construction Commitments**

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

**CITY OF DERBY, CONNECTICUT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 16 -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 17- 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 \$248,467, 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, 2021. 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 18 – 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:

|  | <b>Year ended</b>    |                      |
|--|----------------------|----------------------|
|  | <b>June 30, 2021</b> | <b>June 30, 2020</b> |
| Amount of claims liabilities at the beginning of the fiscal year | \$ 828,222           | \$ 698,156           |
| Incurred claims  | 5,732,561            | 6,533,718            |
| Payments on claims   | <u>5,311,489</u>     | <u>6,403,652</u>     |
| Amount of claims liabilities at the end of the fiscal year       | <u>\$ 1,249,294</u>  | <u>\$ 828,222</u>    |

**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 19 – SUBSEQUENT EVENTS**

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 15, 2022, the date of the financial statements were available to be issued.

**REQUIRED SUPPLEMENTAL INFORMATION**

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

|   | <b>For the Years Ended June 30,</b> |                     |                     |                     |                     |                     |                     |
|---|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | <b>2021</b>                         | <b>2020</b>         | <b>2019</b>         | <b>2018</b>         | <b>2017</b>         | <b>2016</b>         | <b>2015</b>         |
| Contractually required contribution                                     | \$ 994,770                          | \$ 840,082          | \$ 811,673          | \$ 1,003,231        | \$ 969,392          | \$ 849,200          | \$ 849,200          |
| Contributions in relation to the<br>contractually required contribution | <u>190,000</u>                      | <u>190,000</u>      | <u>190,000</u>      | <u>572,000</u>      | <u>572,000</u>      | <u>572,000</u>      | <u>572,000</u>      |
| Contribution deficiency(excess)   | <u>\$ 804,770</u>                   | <u>\$ 650,082</u>   | <u>\$ 621,673</u>   | <u>\$ 431,231</u>   | <u>\$ 397,392</u>   | <u>\$ 277,200</u>   | <u>\$ 277,200</u>   |
| City's Covered payroll  | <u>\$ 4,984,176</u>                 | <u>\$ 4,815,629</u> | <u>\$ 5,523,439</u> | <u>\$ 5,336,656</u> | <u>\$ 5,165,262</u> | <u>\$ 4,990,591</u> | <u>\$ 4,990,591</u> |
| Contributions as a percentage of covered payroll                        | <u>3.81%</u>                        | <u>3.95%</u>        | <u>3.44%</u>        | <u>10.72%</u>       | <u>11.07%</u>       | <u>11.46%</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<br>Retirement<br>Plan          |
| Valuation date                | July 1, 2019                          |
| Actuarial cost method         | Aggregate<br>Actuarial cost<br>method |
| Actuarial accrued liability   | N/A                                   |
| Remaining amortization period | N/A                                   |
| Asset valuation method        | Expected value                        |
| Investment rate of return     | 6.75%                                 |
| Inflation                     | 2.50%                                 |
| Retirement age                | 63                                    |
| Mortality                     | MP-2019                               |

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

|  | Year ending<br>June 30, 2021<br>City<br>Retirement<br>Plan | Year ending<br>June 30, 2020<br>City<br>Retirement<br>Plan | Year ending<br>June 30, 2019<br>City<br>Retirement<br>Plan | Year ending<br>June 30, 2018<br>City<br>Retirement<br>Plan | Year ending<br>June 30, 2017<br>City<br>Retirement<br>Plan | Year ending June<br>30, 2016<br>City<br>Retirement<br>Plan | Year ending<br>June 30, 2015<br>City<br>Retirement<br>Plan |
|--|--|--|--|--|--|--|--|
| <b>Total Pension Liability</b>                           |  |  |  |  |  |  |  |
| Service cost   | \$ 649,080   | \$ 676,977   | \$ 654,084   | \$ 776,874   | \$ 750,603   | \$ 664,870   | \$ 614,710   |
| Interest on total pension liability                      | 1,449,718  | 1,403,388  | 1,334,277  | 1,431,319  | 1,348,949  | 1,267,010  | 1,194,069  |
| Effect of economic/demographic gains or (losses)         | -  | (655,805)  | -  | (526,463)  | -  | 240,440  | -  |
| Change in assumptions                                    | -  | 1,067,879  | -  | (1,967,488)  | -  | 1,039,443  | -  |
| Benefit payments   | <u>(1,074,958)</u>   | <u>(997,055)</u>   | <u>(1,049,921)</u>   | <u>(908,031)</u>   | <u>(988,834)</u>   | <u>(852,970)</u>   | <u>(918,621)</u>   |
| Net change in total pension liability                    | 1,023,840  | 1,495,384  | 938,440  | (1,193,789)  | 1,110,718  | 2,358,793  | 890,158  |
| Total Pension Liability, beginning                       | <u>21,356,917</u>  | <u>19,861,533</u>  | <u>18,923,093</u>  | <u>20,116,882</u>  | <u>19,006,164</u>  | <u>16,647,371</u>  | <u>15,757,213</u>  |
| Total pension liability, ending (a)                      | 22,380,757   | 21,356,917   | 19,861,533   | 18,923,093   | 20,116,882   | 19,006,164   | 16,647,371   |
| <b>Fiduciary Net Position</b>                            |  |  |  |  |  |  |  |
| Employer contributions                                   | \$ 190,000   | \$ 190,000   | \$ 190,000   | \$ 572,000   | \$ 572,000   | \$ 572,000   | \$ 572,000   |
| Member contributions                                     | 54,392   | 82,229   | 182,134  | 91,864   | 101,178  | 149,599  | 214,256  |
| Investment income net of investment expenses             | 4,514,626  | 212,510  | 583,425  | 1,491,886  | 2,000,627  | (360,774)  | 431,291  |
| Benefit payments   | <u>(1,074,958)</u>   | <u>(997,055)</u>   | <u>(1,049,921)</u>   | <u>(908,031)</u>   | <u>(988,834)</u>   | <u>(852,970)</u>   | <u>(918,621)</u>   |
| Administrative expenses                                  | <u>(77,548)</u>  | <u>(20,929)</u>  | <u>(44,105)</u>  | <u>(61,928)</u>  | <u>(39,030)</u>  | <u>(48,745)</u>  | <u>(15,281)</u>  |
| Net change in plan fiduciary net position                | 3,606,512  | (533,245)  | (138,467)  | 1,185,791  | 1,645,941  | (540,890)  | 283,645  |
| Fiduciary Net Position, beginning                        | 15,173,272   | 15,713,422   | 15,851,889   | 14,666,098   | 13,020,157   | 13,561,047   | 13,277,402   |
| Fiduciary net position, ending (b)                       | <u>18,779,784</u>  | <u>15,180,177</u>  | <u>15,713,422</u>  | <u>15,851,889</u>  | <u>14,666,098</u>  | <u>13,020,157</u>  | <u>13,561,047</u>  |
| Net pension liability, ending (a)-(b)                    | <u>\$ 3,600,973</u>  | <u>\$ 6,176,740</u>  | <u>\$ 4,148,111</u>  | <u>\$ 3,071,204</u>  | <u>\$ 5,450,784</u>  | <u>\$ 5,986,007</u>  | <u>\$ 3,086,324</u>  |
| Fiduciary net position as a % of total pension liability | <u>83.91%</u>  | <u>71.08%</u>  | <u>79.11%</u>  | <u>83.77%</u>  | <u>72.90%</u>  | <u>68.50%</u>  | <u>81.46%</u>  |
| Covered payroll  | <u>\$ 4,984,176</u>  | <u>\$ 4,815,629</u>  | <u>\$ 5,523,439</u>  | <u>\$ 5,336,656</u>  | <u>\$ 5,165,262</u>  | <u>\$ 4,990,591</u>  | <u>\$ 4,776,920</u>  |
| Net pension liability as a % of covered payroll          | <u>72.25%</u>  | <u>128.26%</u>   | <u>75.10%</u>  | <u>57.55%</u>  | <u>105.53%</u>   | <u>119.95%</u>   | <u>64.61%</u>  |

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

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

|   | <b>For the Years Ended June 30,</b> |                     |                     |                     |                     |
|---|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
|   | <u>2021</u>                         | <u>2020</u>         | <u>2019</u>         | <u>2018</u>         | <u>2017</u>         |
| Contractually required contribution                                     | \$ 853,292                          | \$ 753,664          | \$ 606,612          | \$ 600,669          | \$ 650,374          |
| Contributions in relation to the<br>contractually required contribution | <u>853,292</u>                      | <u>753,664</u>      | <u>606,612</u>      | <u>600,669</u>      | <u>650,374</u>      |
| Contribution deficiency(excess)   | <u>\$ -</u>                         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         |
| City's Covered payroll  | <u>\$ 3,424,096</u>                 | <u>\$ 3,975,436</u> | <u>\$ 3,424,096</u> | <u>\$ 3,424,096</u> | <u>\$ 3,424,096</u> |
| Contribtions as a percentage of covered payroll                         | <u>24.92%</u>                       | <u>18.96%</u>       | <u>17.72%</u>       | <u>17.54%</u>       | <u>18.99%</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 OPEB LIABILITY**

|  | <b>Years Ending June 30,</b> |                          |                          |                         |
|--|------------------------------|--------------------------|--------------------------|-------------------------|
|  | <b>2021</b>                  | <b>2020</b>              | <b>2019</b>              | <b>2018</b>             |
| <b>Total OPEB liability</b>                        |                              |                          |                          |                         |
| Service cost                                       | \$ 2,567,845                 | \$ 1,732,574             | \$ 1,961,535             | \$ 2,024,591            |
| Interest on net OPEB liability                     | 936,850                      | 1,104,280                | 1,209,690                | 1,079,295               |
| Changes in benefit terms                           | -                            | -                        | 292,448                  | -                       |
| Differences between expected & actual              | (11,402,728)                 | 50,681                   | (4,379,369)              | 42,901                  |
| Expected assumptions changes or inputs             | (35,195)                     | 7,918,496                | 1,970,701                | (1,328,731)             |
| Benefit payments                                   | (766,204)                    | (654,108)                | (592,335)                | (696,720)               |
|  | (8,699,432)                  | 10,151,923               | 462,670                  | 1,121,336               |
| Total OPEB Liability - beginning                   | <u>40,204,571</u>            | <u>30,052,648</u>        | <u>29,589,978</u>        | <u>28,468,642</u>       |
| Total OPEB Liability - ending                      | <u>\$ 31,505,139</u>         | <u>\$ 40,204,571</u>     | <u>\$ 30,052,648</u>     | <u>\$29,589,978</u>     |
| <br>Covered Payroll                                | <br><u>\$ 17,863,562</u>     | <br><u>\$ 16,298,430</u> | <br><u>\$ 15,900,907</u> | <br><u>\$19,546,413</u> |
| <br>Total OPEB liability as a % of covered payroll | <br><u>176.37%</u>           | <br><u>246.68%</u>       | <br><u>189.00%</u>       | <br><u>151.38%</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**

|   | For the Years Ended June 30, |                      |                      |                      |                      |
|---|------------------------------|----------------------|----------------------|----------------------|----------------------|
|   | <u>2021</u>                  | <u>2020</u>          | <u>2019</u>          | <u>2018</u>          | <u>2017</u>          |
| City's proportionate share of the net pension liability   | \$ -                         | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| State's proportionate share of the net pension liability associated with the City                       | <u>\$ 45,088,705</u>         | <u>\$ 39,111,989</u> | <u>\$ 30,157,616</u> | <u>\$ 29,767,390</u> | <u>\$ 31,404,825</u> |
| Total   | <u>\$ 45,088,705</u>         | <u>\$ 39,111,989</u> | <u>\$ 30,157,616</u> | <u>\$ 29,767,390</u> | <u>\$ 31,404,825</u> |
| City's covered-employee payroll   | <u>\$ -</u>                  | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ 12,983,001</u> | <u>\$ 12,604,855</u> |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | <u>0%</u>                    | <u>0%</u>            | <u>0%</u>            | <u>0%</u>            | <u>0%</u>            |
| Plan fiduciary net position as a percentage of the total pension liability                              | <u>49.24%</u>                | <u>52.00%</u>        | <u>57.69%</u>        | <u>55.93%</u>        | <u>52.26%</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 TOTAL OPEB LIABILITY AND RELATED RATIOS  
TEACHERS RETIREMENT PLAN**

**Schedule of Proportionate Share of the Net OPEB Liability**

|  | <u>2021</u>         | <u>2020</u>         | <u>2019</u>         | <u>2018</u>         |
|--|---------------------|---------------------|---------------------|---------------------|
| City's proportionate share of the net OPEB liability   | \$ -                | \$ -                | \$ -                | \$ -                |
| State's proportionate share of the net OPEB liability associated with the City                       | <u>\$ 6,724,982</u> | <u>\$ 6,099,737</u> | <u>\$ 6,028,724</u> | <u>\$ 7,661,778</u> |
| Total  | <u>\$ 6,724,982</u> | <u>\$ 6,099,737</u> | <u>\$ 6,028,724</u> | <u>\$ 7,661,778</u> |
| City's covered-employee payroll  | (1) <u>N/A</u>      | <u>N/A</u>          | <u>N/A</u>          | <u>N/A</u>          |
| City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | <u>0.00%</u>        | <u>0.00%</u>        | <u>0.00%</u>        | <u>0.00%</u>        |
| Plan fiduciary net position as a percentage of the total OPEB liability                              | <u>0.24%</u>        | <u>0.33%</u>        | <u>0.33%</u>        | <u>0.32%</u>        |

**Schedule of Contributions**

|  |                |              |              |              |
|--|----------------|--------------|--------------|--------------|
| Contractually required contribution                                  | (2) \$ -       | \$ -         | \$ -         | \$ -         |
| Contributions in relation to the contractually required contribution | <u>\$ -</u>    | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| Contribution deficiency (excess)                                     | <u>\$ -</u>    | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| City's covered payroll   | (3) <u>N/A</u> | <u>N/A</u>   | <u>N/A</u>   | <u>N/A</u>   |
| Contributions as a percentage of covered payroll                     | <u>0.00%</u>   | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> |

- (1) Not applicable since 0% proportional share of the net OPEB liability  
(2) Local employers are not required to contribute to the plan  
(3) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

**SUPPLEMENTAL INFORMATION**  
**NONMAJOR GOVERNMENTAL FUNDS**

**CITY OF DERBY, CONNECTICUT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2021**

|                                      | <u>Special<br/>Revenue<br/>Fund</u> | <u>Capital<br/>Projects<br/>Fund</u> | <u>Total</u>        |
|--------------------------------------|-------------------------------------|--------------------------------------|---------------------|
| <b>ASSETS</b>                        |                                     |                                      |                     |
| <b>CURRENT ASSETS</b>                |                                     |                                      |                     |
| Cash and cash equivalents            | \$ 1,460,677                        | \$ 308,736                           | \$ 1,769,413        |
| Investments                          | 31,982                              |                                      | 31,982              |
| Receivables - intergovernmental      | 190,463                             | -                                    | 190,463             |
| Receivables - other                  | 84,420                              | -                                    | 84,420              |
| Inventory                            | 3,983                               | -                                    | 3,983               |
| Due from other funds                 | 62,371                              | 21,325                               | 83,696              |
| TOTAL ASSETS                         | <u>\$ 1,833,896</u>                 | <u>\$ 330,061</u>                    | <u>\$ 2,163,957</u> |
| <b>LIABILITIES AND FUND BALANCES</b> |                                     |                                      |                     |
| <b>LIABILITIES</b>                   |                                     |                                      |                     |
| Accounts payable                     | \$ 92,056                           | \$ -                                 | \$ 92,056           |
| Deferred revenue                     | 300,369                             | -                                    | 300,369             |
| Due to other funds                   | 555,472                             | 27,517                               | 582,989             |
| TOTAL LIABILITIES                    | <u>947,897</u>                      | <u>27,517</u>                        | <u>975,414</u>      |
| <b>FUND BALANCES</b>                 |                                     |                                      |                     |
| Nonspendable                         | 3,983                               | -                                    | 3,983               |
| Restricted                           | 877,877                             | 134,078                              | 1,011,955           |
| Unassigned                           | 4,139                               | 168,466                              | 172,605             |
| Total fund balances                  | <u>885,999</u>                      | <u>302,544</u>                       | <u>1,188,543</u>    |
| TOTAL LIABILITIES AND FUND BALANCES  | <u>\$ 1,833,896</u>                 | <u>\$ 330,061</u>                    | <u>\$ 2,163,957</u> |

**CITY OF DERBY, CONNECTICUT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
 BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2021**

|   |                   |                   |                     |
|---|-------------------|-------------------|---------------------|
| REVENUES  |                   |                   |                     |
| Federal and State government                    | \$ 1,623,888      | \$ -              | \$ 1,623,888        |
| Charges for services                            | 240,947           | -                 | 240,947             |
| Interest on investments                         | 26,080            | 4                 | 26,084              |
| TOTAL REVENUES                                  | <u>1,890,915</u>  | <u>4</u>          | <u>1,890,919</u>    |
| EXPENDITURES                                    |                   |                   |                     |
| General government                              | 603,301           | -                 | 603,301             |
| Board of Education                              | 99,220            | -                 | 99,220              |
| Health and welfare                              | 822,855           | -                 | 822,855             |
| Capital outlay                                  | -                 | 73,919            | 73,919              |
| TOTAL EXPENDITURES                              | <u>1,525,376</u>  | <u>73,919</u>     | <u>1,599,295</u>    |
| EXCESS OF REVENUES<br>OVER (UNDER) EXPENDITURES |                   |                   |                     |
|   | 365,539           | (73,915)          | 291,624             |
| OTHER FINANCING SOURCES                         |                   |                   |                     |
| Operating transfers in (out)                    | -                 | -                 | -                   |
| Fund balance at July 1, 2020, as restated       | <u>520,460</u>    | <u>376,459</u>    | <u>896,919</u>      |
| FUND BALANCES<br>AT JUNE 30, 2021               | <u>\$ 885,999</u> | <u>\$ 302,544</u> | <u>\$ 1,188,543</u> |

**CITY OF ANSONIA, CONNECTICUT  
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2021**

**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

*Board of Education Activity Fund*— are used to account for the Student Activities, Student Athletics and other miscellaneous Board of Education related activities.

*Police Grant Fund* — are used to account for the federal and state grant income and related expenditures.

**CITY OF DERBY, CONNECTICUT**  
**COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2021**

|  | <b>School<br/>Lunch</b> | <b>Community<br/>Development</b> | <b>Board of<br/>Education<br/>Activity Fund</b> | <b>Police Grant<br/>Fund</b> | <b>Total</b>        |
|--|-------------------------|----------------------------------|---|------------------------------|---------------------|
| <b>ASSETS</b>                              |                         |                                  |   |                              |                     |
| <b>CURRENT ASSETS</b>                      |                         |                                  |   |                              |                     |
| Cash and cash equivalents                  | \$ 409,200              | \$ 8,493                         | \$ 831,389                                      | \$ 211,595                   | \$ 1,460,677        |
| Investments                                | -                       | -                                | 31,982  | -                            | 31,982              |
| Receivables - intergovernmental            | 190,463                 | -                                | -   | -                            | 190,463             |
| Receivables - other                        | -                       | 84,420                           | -   | -                            | 84,420              |
| Inventory                                  | 3,983                   | -                                | -   | -                            | 3,983               |
| Due from other funds                       | -                       | -                                | 62,371  | -                            | 62,371              |
| <b>TOTAL ASSETS</b>                        | <b>\$ 603,646</b>       | <b>\$ 92,913</b>                 | <b>\$ 925,742</b>                               | <b>\$ 211,595</b>            | <b>\$ 1,833,896</b> |
| <b>LIABILITIES AND FUND BALANCES</b>       |                         |                                  |   |                              |                     |
| <b>LIABILITIES</b>                         |                         |                                  |   |                              |                     |
| Accounts payable                           | \$ 88,778               | \$ -                             | \$ 3,278  | \$ -                         | \$ 92,056           |
| Deferred revenue                           | -                       | 88,774                           | -   | 211,595                      | 300,369             |
| Due to other funds                         | 126,186                 | -                                | 429,286   | -                            | 555,472             |
| <b>TOTAL LIABILITIES</b>                   | <b>214,964</b>          | <b>88,774</b>                    | <b>432,564</b>                                  | <b>211,595</b>               | <b>947,897</b>      |
| <b>FUND BALANCES</b>                       |                         |                                  |   |                              |                     |
| Nonspendable                               | 3,983                   | -                                | -   | -                            | 3,983               |
| Restricted                                 | 384,699                 | -                                | 493,178   | -                            | 877,877             |
| Unassigned                                 | -                       | 4,139                            | -   | -                            | 4,139               |
| Total fund balances                        | 388,682                 | 4,139                            | 493,178   | -                            | 885,999             |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 603,646</b>       | <b>\$ 92,913</b>                 | <b>\$ 925,742</b>                               | <b>\$ 211,595</b>            | <b>\$ 1,833,896</b> |

**CITY OF DERBY, CONNECTICUT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE– NONMAJOR SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2021**

|   | <u>School<br/>Lunch</u> | <u>Community<br/>Development</u> | <u>Board of<br/>Education<br/>Activity Fund</u> | <u>Police Grant<br/>Fund</u> | <u>Total</u>      |
|---|-------------------------|----------------------------------|---|------------------------------|-------------------|
| <b>REVENUES</b>   |                         |                                  |   |                              |                   |
| Federal and State government  | \$ 1,024,626            | \$ 599,262                       | \$ -  | \$ -                         | \$ 1,623,888      |
| Charges for services  | 128,961                 | -                                | 111,986   | -                            | 240,947           |
| Other   | -                       | -                                | -   | -                            | -                 |
| Interest on investments   | -                       | 16,809                           | 9,271   | -                            | 26,080            |
| TOTAL REVENUES  | <u>1,153,587</u>        | <u>616,071</u>                   | <u>121,257</u>                                  | <u>-</u>                     | <u>1,890,915</u>  |
| <b>EXPENDITURES</b>   |                         |                                  |   |                              |                   |
| General government  | -                       | 603,301                          | -   | -                            | 603,301           |
| Board of Education  | -                       | -                                | 99,220  | -                            | 99,220            |
| Health and welfare  | 822,855                 | -                                | -   | -                            | 822,855           |
| TOTAL EXPENDITURES  | <u>822,855</u>          | <u>603,301</u>                   | <u>99,220</u>                                   | <u>-</u>                     | <u>1,525,376</u>  |
| <b>EXCESS OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b>   |                         |                                  |   |                              |                   |
|   | 330,732                 | 12,770                           | 22,037  | -                            | 365,539           |
| <b>OTHER FINANCING SOURCES</b>  |                         |                                  |   |                              |                   |
| Operating transfers in (out)  | -                       | -                                | -   | -                            | -                 |
| <b>EXCESS (DEFICIENCY) OF REVENUES AND<br/>OTHER FINANCING SOURCES OVER EXPENDITURES<br/>AND OTHER FINANCING SOURCES (USES)</b> |                         |                                  |   |                              |                   |
|   | 330,732                 | 12,770                           | 22,037  | -                            | 365,539           |
| Fund balance at July 1, 2020, as restated   | 57,950                  | (8,631)                          | 471,141   | -                            | 520,460           |
| <b>FUND BALANCES</b>  |                         |                                  |   |                              |                   |
| AT JUNE 30, 2021  | <u>\$ 388,682</u>       | <u>\$ 4,139</u>                  | <u>\$ 493,178</u>                               | <u>\$ -</u>                  | <u>\$ 885,999</u> |

## **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.

*Field House Project* — is used to account for the funds principally used for the construction a new field house.

*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.

**CITY OF DERBY, CONNECTICUT**  
**COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS**  
**JUNE 30, 2021**

|                                      | <u>Middle<br/>School<br/>Project</u> | <u>Field House<br/>Project</u> | <u>Land<br/>Acquisitions</u> | <u>Phase III<br/>Roadways</u> | <u>System-wide<br/>School Capital<br/>Improvements</u> | <u>Other<br/>Capital<br/>Project Funds</u> | <u>Total</u>      |
|--------------------------------------|--------------------------------------|--------------------------------|------------------------------|-------------------------------|--|--|-------------------|
| <b>ASSETS</b>                        |                                      |                                |                              |                               |  |  |                   |
| <b>CURRENT ASSETS</b>                |                                      |                                |                              |                               |  |  |                   |
| Cash and cash equivalents            | \$ 147,141                           | 80,611                         | \$ 69,423                    | \$ 5,323                      | \$ 6,238   | \$ -                                       | \$ 308,736        |
| Due from other funds                 | 21,325                               | -                              | -                            | -                             | -  | -  | 21,325            |
| TOTAL ASSETS                         | <u>\$ 168,466</u>                    | <u>\$ 80,611</u>               | <u>\$ 69,423</u>             | <u>\$ 5,323</u>               | <u>\$ 6,238</u>  | <u>\$ -</u>                                | <u>\$ 330,061</u> |
| <b>LIABILITIES AND FUND BALANCES</b> |                                      |                                |                              |                               |  |  |                   |
| <b>LIABILITIES</b>                   |                                      |                                |                              |                               |  |  |                   |
| Due to other funds                   | \$ -                                 | \$ -                           | \$ 27,517                    | \$ -                          | \$ -   | \$ -                                       | \$ 27,517         |
| TOTAL LIABILITIES                    | <u>-</u>                             | <u>-</u>                       | <u>27,517</u>                | <u>-</u>                      | <u>-</u>   | <u>-</u>                                   | <u>27,517</u>     |
| <b>FUND BALANCES</b>                 |                                      |                                |                              |                               |  |  |                   |
| Restricted                           | -                                    | 80,611                         | 41,906                       | 5,323                         | 6,238  | -  | 134,078           |
| Unassigned                           | 168,466                              | -                              | -                            | -                             | -  | -  | 168,466           |
| Total fund balances                  | <u>168,466</u>                       | <u>80,611</u>                  | <u>41,906</u>                | <u>5,323</u>                  | <u>6,238</u>   | <u>-</u>                                   | <u>302,544</u>    |
| TOTAL LIABILITIES AND FUND BALANCES  | <u>\$ 168,466</u>                    | <u>\$ 80,611</u>               | <u>\$ 69,423</u>             | <u>\$ 5,323</u>               | <u>\$ 6,238</u>  | <u>\$ -</u>                                | <u>\$ 330,061</u> |

**CITY OF DERBY, CONNECTICUT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE– NONMAJOR CAPITAL PROJECT FUNDS  
 YEAR ENDED JUNE 30, 2021**

|   | <u>Middle<br/>School<br/>Project</u> | <u>Field House<br/>Project</u> | <u>Land<br/>Acquisitions</u> | <u>Phase III<br/>Roadways</u> | <u>System-wide<br/>School Capital<br/>Improvements</u> | <u>Other<br/>Capital<br/>Project Funds</u> | <u>Total</u>      |
|---|--------------------------------------|--------------------------------|------------------------------|-------------------------------|--|--|-------------------|
| REVENUES  |                                      |                                |                              |                               |  |  |                   |
| Interest on investments                         | \$ -                                 | \$ -                           | \$ -                         | \$ -                          | \$ 4   | \$ -                                       | \$ 4              |
| TOTAL REVENUES                                  | -                                    | -                              | -                            | -                             | 4  | -  | 4                 |
| EXPENDITURES                                    |                                      |                                |                              |                               |  |  |                   |
| Capital outlay                                  | 1,600                                | 53,654                         | -                            | 18,659                        | -  | 6  | 73,919            |
| TOTAL EXPENDITURES                              | 1,600                                | 53,654                         | -                            | 18,659                        | -  | 6  | 73,919            |
| EXCESS OF REVENUES<br>OVER (UNDER) EXPENDITURES | (1,600)                              | (53,654)                       | -                            | (18,659)                      | 4  | (6)  | (73,915)          |
| Fund balance at July 1, 2020,                   | 170,066                              | 134,265                        | 41,906                       | 23,982                        | \$ 6,234   | 6  | 376,459           |
| FUND BALANCES<br>AT JUNE 30, 2021               | <u>\$ 168,466</u>                    | <u>\$ 80,611</u>               | <u>\$ 41,906</u>             | <u>\$ 5,323</u>               | <u>\$ 6,238</u>  | <u>\$ -</u>                                | <u>\$ 302,544</u> |

**SUPPLEMENTAL INFORMATION**

**OTHER SCHEDULES**

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF PROPERTY TAXES LEVIED,  
COLLECTED AND OUTSTANDING – GENERAL FUND  
YEAR ENDED JUNE 30, 2021**

| <b>Grand<br/>List Year</b> | <b>Uncollected<br/>Taxes<br/>July 01, 2020<br/>and Current List</b> | <b>Additions/<br/>(Deductions)</b> | <b>Balance<br/>to be<br/>Collected</b> | <b>Collections</b>   |                   |                  |                      | <b>Taxes<br/>Receivable<br/>June 30, 2021</b> |
|----------------------------|---|------------------------------------|--|----------------------|-------------------|------------------|----------------------|---|
|                            |   |                                    |  | <b>Taxes</b>         | <b>Interest</b>   | <b>Lien Fees</b> | <b>Total</b>         |   |
| 2004                       | \$ 2,080  | \$ (2,080)                         | \$ -                                   | \$ -                 | \$ -              | \$ -             | \$ -                 | \$ -  |
| 2005                       | 1,923   | -                                  | 1,923                                  | -                    | -                 | -                | -                    | 1,923   |
| 2006                       | 5,239   | -                                  | 5,239                                  | -                    | -                 | -                | -                    | 5,239   |
| 2007                       | 6,568   | -                                  | 6,568                                  | -                    | -                 | -                | -                    | 6,568   |
| 2008                       | 6,611   | -                                  | 6,611                                  | -                    | -                 | -                | -                    | 6,611   |
| 2009                       | 8,082   | -                                  | 8,082                                  | -                    | -                 | -                | -                    | 8,082   |
| 2010                       | 11,643  | -                                  | 11,643                                 | -                    | 20                | -                | 20                   | 11,643  |
| 2011                       | 12,914  | -                                  | 12,914                                 | -                    | -                 | -                | -                    | 12,914  |
| 2012                       | 15,745  | -                                  | 15,745                                 | (138)                | -                 | -                | (138)                | 15,883  |
| 2013                       | 26,127  | 255.12                             | 26,382                                 | 2,411                | 2,853             | 24               | 5,288                | 23,971  |
| 2014                       | 49,303  | (168.70)                           | 49,134                                 | 5,417                | 4,572             | 48               | 10,037               | 43,717  |
| 2015                       | 67,510  | (470.76)                           | 67,039                                 | 5,630                | 6,022             | 24               | 11,676               | 61,409  |
| 2016                       | 104,160   | 489.47                             | 104,649                                | 14,496               | 8,085             | 78               | 22,659               | 90,154  |
| 2017                       | 216,420   | 5,947.16                           | 222,367                                | 57,666               | 21,902            | 126              | 79,694               | 164,701                                       |
| 2018                       | <u>859,694.00</u>   | <u>1,217.93</u>                    | <u>860,912</u>                         | <u>615,222</u>       | <u>111,195</u>    | <u>2,834</u>     | <u>729,250</u>       | <u>245,690</u>                                |
|                            | 1,394,019   | 5,190                              | 1,399,209                              | 700,704              | 154,649           | 3,134            | 858,487              | 698,505                                       |
| 2018                       | <u>32,656,244</u>   | <u>(258,760.00)</u>                | <u>32,397,484</u>                      | <u>31,488,345</u>    | <u>131,944</u>    | <u>106</u>       | <u>31,620,395</u>    | <u>909,139</u>                                |
|                            | <u>\$ 34,050,263</u>  | <u>\$ (253,570)</u>                | <u>\$ 33,796,693</u>                   | <u>\$ 32,189,049</u> | <u>\$ 286,593</u> | <u>\$ 3,240</u>  | <u>\$ 32,478,882</u> | <u>\$ 1,607,644</u>                           |

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF NATIONALLY RECOGNIZED MUNICIPAL  
SECURITIES INFORMATION REPOSITORY  
YEAR ENDED JUNE 30, 2021**

|                                  |                |
|----------------------------------|----------------|
| Gross Grand List-October 1, 2019 | \$ 743,802,042 |
| Net Grand List-October 1, 2019   | \$ 737,824,703 |

| Ten Largest Taxpayers:               | <u>Grand List<br/>Assessment</u> |
|--------------------------------------|----------------------------------|
| United Illuminating Co.              | \$ 14,893,490                    |
| Antinozzi, Peter, Concetta & Justine | 11,927,140                       |
| 500 NHA LLC                          | 10,341,660                       |
| 49 Pershing Drive LLC                | 9,425,500                        |
| Home Depot                           | 8,899,091                        |
| Yankee Gas Services Co.              | 6,811,280                        |
| Realty Income SUB 318, LLC           | 5,441,380                        |
| Red Raider Derby LLC                 | 5,086,620                        |
| GMS Brothers & Sons, LLC             | 4,939,780                        |
| Opuszynski Jean A                    | 2,939,300                        |

Debt Statement as of June 30, 2021:

|                                  |                      |
|----------------------------------|----------------------|
| Short Term Debt                  | \$ 2,486,822         |
| Long Term Debt                   | 39,143,034           |
| Total Direct Debt                | <u>41,629,856</u>    |
| Less: School construction grants | -                    |
| Total Net Direct Debt            | <u>\$ 41,629,856</u> |

Current Debt Ratios

(Pro Forma)

|   |                  |
|---|------------------|
| Population (2019)*                        | 12,485           |
| Net Grand List(Taxable) - October 1, 2018 | \$ 737,824,703   |
| Estimated Full Value (70%)                | \$ 743,802,042   |
| Equalized Net Taxable Grand List (2021)*  | \$ 1,237,558,917 |
| Money Income per Capita (2021)*           | \$ 82,147        |

\* Connecticut Economic Resource Center, Inc. (Cerc)

\*\* State of Connecticut, Office of Policy and Management

|   | <u>Total<br/>Direct Debt</u> | <u>Total Net<br/>Direct Debt</u> |
|---|------------------------------|----------------------------------|
| Per Capita                                | 3,334                        | 3,334                            |
| Ratio to Net Taxable Grand List           | 5.64%                        | 5.64%                            |
| Ratio to Estimated Full Value             | 5.60%                        | 5.60%                            |
| Ratio to Equalized Net Taxable Grand List | 3.36%                        | 3.36%                            |
| Per Capita to Money Income per Capita     | 4.06%                        | 4.06%                            |

**FEDERAL SINGLE AUDIT  
AND  
STATE SINGLE AUDIT REPORTS  
CITY OF DERBY, CONNECTICUT  
YEAR ENDED JUNE 30, 2021**

**FEDERAL SINGLE AUDIT AND STATE SINGLE AUDIT REPORTS  
CITY OF DERBY, CONNECTICUT  
TABLE OF CONTENTS**

**INDEPENDENT AUDITORS' REPORT:**

|   | <u>Page</u> |
|---|-------------|
| Independent Auditors' 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..... | 3           |

**FEDERAL SINGLE AUDIT:**

|   |    |
|---|----|
| Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance..... | 6  |
| Schedule of Expenditures of Federal Awards .....  | 9  |
| Note to the Schedule of Expenditures of Federal Awards .....  | 10 |
| Schedule of Findings and Questioned Costs .....   | 11 |
| Disposition of Prior Year's Findings and Questioned Costs.....  | 21 |

**STATE SINGLE AUDIT:**

|  |    |
|--|----|
| Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; Report on the Schedule of Expenditures of State Financial Assistance as Required by State Single Audit Act..... | 25 |
| Schedule of Expenditures of State Financial Assistance.....  | 28 |
| Notes to the Schedule of Expenditures of State Financial Assistance .....  | 30 |
| Schedule of Findings and Questioned Costs .....  | 31 |
| Disposition of Prior Year's Findings and Questioned Costs.....   | 32 |



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**Principals**  
John A. Accavallo CPA  
Marilyn L Ferris MBA CPA

**INDEPENDENT AUDITORS' 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 Honorable Mayor,  
Members of the Board of Alderman and  
Members of the Board of Apportionment and Taxation  
City of Derby, Connecticut

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Derby, Connecticut as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City of Derby, Connecticut's basic financial statements, and have issued our report thereon dated July 15, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 City of Derby, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Derby, Connecticut's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying *schedule of findings and questioned costs*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Derby, Connecticut's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying *schedule of findings and questioned costs* to be material weaknesses as identified as items 21-1 to 21-06.

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. We considered the deficiencies described in the accompanying *schedule of findings and questioned costs* to be significant deficiencies as items 21-07 to 21-11.

## **City of Derby, Connecticut's Responses to Findings**

City of Derby, Connecticut's responses to the findings identified in our audit is described in the accompanying schedule of and questioned costs. City of Derby, Connecticut's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 financial statements. 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 result of that testing, and not to provide an opinion on the effectiveness of the City of Derby, Connecticut'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.

*Accavallo & Company, LLC*  
Shelton, Connecticut  
July 15, 2022

**FEDERAL SINGLE AUDIT**



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor,  
Members of the Board of Alderman and  
Members of the Board of Apportionment and Taxation  
City of Derby, Connecticut

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

We have audited City of Derby, Connecticut's compliance with the types of compliance requirements described in the OMB Circular Compliance Supplement that could have a direct and material effect on each of City of Derby, Connecticut's major federal programs for the year ended City of Derby, Connecticut. 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Derby, Connecticut's major federal programs based on our audit of the types of compliance requirements referred to above. 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*, is-sued by the Comptroller General 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). Those standards and the Uniform Guidance re-quire 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 federal program occurred. An audit includes examining, on a test basis, evidence about City of Derby, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Derby, Connecticut's compliance.

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

In our opinion, 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, 2021.

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

Management of the City of Derby, Connecticut is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Derby, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Derby, Connecticut's 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 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 21-10 and 21-11 that we consider to be significant deficiencies.

City of Derby, Connecticut's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Derby, Connecticut's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 City of Derby, Connecticut as of and for the year ended June 30, 2021, and have issued our report thereon dated July 15, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 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 financial statements or to the 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Accavallo Company, LLC*  
Shelton, Connecticut  
July 15, 2022

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021**

| Federal Grantor/Pass Through<br>Grantor/Program Title              | Federal<br>CFDA Number | Pass-Through Entity<br>Identifying Number | Pass-Through to<br>Subrecipients | Federal<br>Expenditures |
|--|------------------------|---|----------------------------------|-------------------------|
| <u>Department of Education:</u>                                    |                        |   |                                  |                         |
| Passed through the Connecticut Department of Education:            |                        |   |                                  |                         |
| Title I, Part A  | 84.010                 | 12060-SDE64370-20679-2021-82070           | \$ -                             | \$ 317,861              |
| Title I, Part A  | 84.010                 | 12060-SDE64370-20679-2020-82070           | -                                | 109,078                 |
| Title I, Part A  | 84.010                 | 12060-SDE64370-20679-2019-82070           | -                                | 13,898                  |
| Title I, Part A  | 84.010                 | 12060-SDE64370-20679-2021-82071           | -                                | 222,667                 |
| Title I, Part A  | 84.010                 | 12060-SDE64370-20679-2020-82071           | -                                | 71,842                  |
|  |                        | Title I, Part A Cluster                   | -                                | 735,346                 |
| IDEA Part B Section 611  | 84.027                 | 12060-SDE64370-20977-2021-82032           | -                                | 264,780                 |
| IDEA Part B Section 611  | 84.027                 | 12060-SDE64370-20977-2020-82032           | -                                | 45,764                  |
| IDEA Part B Section 619  | 84.173                 | 12060-SDE64370-20983-2021-82032           | -                                | 15,390                  |
|  |                        | Special Education Cluster                 | -                                | 325,934                 |
| Education of Homeless Children and You                             | 84.196                 | 12060-SDE64370-20770-2019-82079           | -                                | 1,168                   |
| Carl D. Perkins Vocational and Applied I                           | 84.048                 | 12060-SDE64370-20742                      | -                                | 29,481                  |
| Carl D. Perkins Vocational and Applied I                           | 84.048                 | 12060-SDE64370-20742                      | -                                | 2,129                   |
|  |                        |   | -                                | 31,610                  |
| Improving Teacher Quality  | 84.367                 | 12060-SDE64370-20858-2021-84131           | -                                | 57,008                  |
| Improving Teacher Quality  | 84.367                 | 12060-SDE64370-20858-2020-84131           | -                                | 5,945                   |
|  |                        |   | -                                | 62,953                  |
| Title III-English  | 84.365                 | 12060-SDE64370-20868-2021-82075           | -                                | 3,649                   |
| Title IV Part A Student Support Grant                              | 84.424                 | 12060-SDE64370-22854-2021-82079           | -                                | 7,458                   |
| Title IV Part A Student Support Grant                              | 84.424                 | 12060-SDE64370-22854-2020-82079           | -                                | 7,955                   |
|  |                        |   | -                                | 15,413                  |
| ESSERF K-12 Fund   | 84.425D                | 12060-SDE64370-29571-2021-82079           | -                                | 105,380                 |
| ESSERF K-12 Fund   | 84.425D                | 12060-SDE64370-29571-2020-82079           | -                                | 366,193                 |
|  |                        |   | -                                | 471,573                 |
| Total Department of Education                                      |                        |   | -                                | 1,647,646               |
| <u>Department of Housing and Urban Development:</u>                |                        |   |                                  |                         |
| Passed through the Connecticut Department of Economic Development: |                        |   |                                  |                         |
| Small Cities Program   | 14.228                 | 12060-DOH46920-20730                      | -                                | 478,284                 |
| CDBG-Disaster Recovery   | 14.231                 | 12060-DOH46961-29501                      | -                                | 10                      |
|  |                        |   | -                                | 478,294                 |
| <u>Department of the Treasury:</u>                                 |                        |   |                                  |                         |
| Passed through the Connecticut Department of Education:            |                        |   |                                  |                         |
| Coronavirus Relief Fund  | 21.019                 | 12060-SDE64370-29561                      | -                                | 283,627                 |
| Passed through the Connecticut State Library:                      |                        |   |                                  |                         |
| Coronavirus Relief Fund  | 21.019                 | 12060-CSL66011-29561                      | -                                | 29,111                  |
| Passed through the Connecticut Office of Policy & Management:      |                        |   |                                  |                         |
| Coronavirus Relief Fund  | 21.019                 | 12060-OPM20600-29561                      | -                                | 98,800                  |
|  |                        |   | -                                | 411,538                 |
| <u>Department of Agriculture:</u>                                  |                        |   |                                  |                         |
| Passed through the Connecticut Department of Education:            |                        |   |                                  |                         |
| Summer Food Program  | 10.559                 | 12060-SDE64370-20540                      | -                                | 656,615                 |
| Summer Food Program  | 10.559                 | 12060-SDE64370-20548                      | -                                | 67,356                  |
| CARES Act Summer Food Admin  | 10.559                 | 12060-SDE64370-29573                      | -                                | 13,524                  |
| CARES Act Summer Food  | 10.559                 | 12060-SDE64370-29574                      | -                                | 131,734                 |
| National School Lunch Program                                      | 10.555                 |   | -                                | 28,463                  |
|  |                        | Child Nutrition Cluster                   | -                                | 897,692                 |
| TOTAL FEDERAL FINANCIAL AWARD EXPENDITURES                         |                        |   | \$ -                             | \$ 3,435,170            |

The accompanying notes are an integral part of this schedule.

**CITY OF DERBY, CONNECTICUT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021**

**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, 2021. The information in the 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 the operations of the City of Derby, Connecticut, it is not intended to, and does not, present the financial position, changes in fund balance, 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 using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3- NONCASH AWARDS**

The City received and expended \$28,463 of USDA donated commodities under the National School Lunch Program.

**NOTE 4- INDIRECT COST RECOVERY**

City of Derby, Connecticut, did not recover its indirect costs using the 10% de minimis indirect cost rate provided under Section 200.414 of the Uniform Guidance.

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**SUMMARY STATEMENT**

**I. SUMMARY OF AUDITORS' RESULTS**

Financial Statements

|  |               |            |               |               |
|--|---------------|------------|---------------|---------------|
| Type of auditors' report issued:   |               | Unmodified |               |               |
| Internal control over financial reporting:   |               |            |               |               |
| • Material weakness (es) identified?   | <u>  X  </u>  | Yes        | <u>      </u> | No            |
| • Significant Deficiencies identified that are not considered to be material weaknesses? | <u>  X  </u>  | Yes        | <u>      </u> | None reported |
| Noncompliance material to financial statements noted?                                    | <u>      </u> | Yes        | <u>  X  </u>  | No            |

Federal Awards

|  |               |     |               |               |
|--|---------------|-----|---------------|---------------|
| Internal control over major programs:  |               |     |               |               |
| • Material weakness(es) identified?  | <u>      </u> | Yes | <u>  X  </u>  | No            |
| • Significant Deficiencies identified that are not considered to be material weakness(es)?                 | <u>  X  </u>  | Yes | <u>      </u> | None reported |
| Type of auditors' 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)? | <u>  X  </u>  | Yes | <u>      </u> | No            |

Identification of major programs:

| <u>Federal Grantor and Program</u>   | <u>Federal CFDA Number</u>  | <u>Expenditure</u>        |
|--------------------------------------|-----------------------------|---------------------------|
| Department of Agriculture<br>Title I | 10.555 and 10.559<br>84.010 | 897,692<br><u>735,346</u> |
|                                      |                             | <u>\$ 1,633,038</u>       |

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?        Yes   X   No

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**II. FINANCIAL STATEMENT FINDINGS**

Our report on internal control over financial reporting indicated the following significant deficiencies:

**\*21-01 Double-Entry Accounting System**

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

**Criteria:** The use of a double-entry accounting software system, including the preparation of a balanced general ledger would improve the City's ability to detect accounting errors, provide the basis for monthly account and ledger reconciliations, and facilitate financial reporting for all Special Revenue Funds, Fiduciary Funds and its long-term debt and fixed assets.

**Condition:** The City does not maintain a double-entry accounting system or process a general ledger utilizing an accounting software system for all Special Revenue Funds, Fiduciary Funds and its long-term debt and fixed assets.

**Cause:** The financial activity is maintained annually on ledger sheets for most of these funds and for others the only sources of documentation are canceled checks and bank statements

**Effect:** The City does not have the ability to detect accounting errors, provide the basis for monthly account and ledger reconciliations, and prepare meaningful financial reports.

**Recommendation:** We recommend that the City adopt a general ledger accounting software system for all funds and activities, including federal and state financial assistance funds. The use of a double-entry accounting software system, including the preparation of a balanced general ledger would improve the City's ability to detect accounting errors, provide the basis for monthly account and ledger reconciliations, and facilitate financial reporting. The Chart of Accounts, developed for the General Fund, should be utilized for the other funds of the City to ensure consistency with account names and numbers and to develop an internal reporting package.

**Management's Response:** The City could use a new accounting system as it is highly regarded to enhance accountability. However, due to a lack of adequate personnel and available funding, the implementation of the new software is not possible at this time.

The current accounting software addressed the issue of a decentralized accounting system by consolidating two ledgers into a single accounting ledger to capture all activities. This will capture all information for accounting and address the problem of recording transactions. Currently, special revenues and capital projects (with the exception of the Library's trust fund) are tracked using the GEM system. After years of only recording via manual checkbooks, all transactions are currently tracked on the GEM accounting system. Additional work has been done on the Miscellaneous Donations Account, which was previously never recorded by the City. The City has begun to account for new grant fund activities, using the general ledger system.

The City is not utilizing a pool cash concept and unnecessary work is still done on regular basis to journalize due to / from activities. This issue could also be solved by a

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

new accounting system. We do hope to implement this system in the future when we have adequate resources.

**\*21-02 Bank Reconciliations and Approval of Bank Reconciliations**

- Finding:** Bank reconciliations were not formally prepared during the year for general fund checking accounts.
- Criteria:** The Finance Department should be preparing the bank reconciliations and the Finance Director should formally approve the bank reconciliations on all City bank accounts.
- Cause:** Lack of formal procedures.
- Effect:** Possible material errors could occur and not be detected timely.
- Recommendation:** We recommend that all bank reconciliations be prepared by the Finance department within a reasonable period after the month end. These reconciliations should then be reviewed by the Finance Director for accuracy and completeness.
- Management's Response:** There was a reduction in staff, which left the City with inadequate staffing to maintain the established segregation of duties. A temporary bookkeeper was hired to focus on bank reconciliations, which are done in a timely manner at the end of the month. This process has been successful since November, 2021.

**\*21-03 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, 2021, did not start until November 2021. In addition, some schedules and required information were not available for audit until June 2022.
- Criteria:** Information related to financial statements should be presented at the close of the fiscal year or at a reasonable time thereafter.
- Cause:** Lack of monthly and year-end closing procedures.
- Effect:** The timely availability of information related to the financial statements has delayed the completion of the audited financial statements and other submissions that rely upon the audited financial statements.
- Recommendation:** The preparation of information relative to the financial statements in accordance with the City of Derby, Connecticut's reporting requirements should be provided in a timely manner. Schedules, reports and other financial information related to the City's financial condition should be maintained monthly throughout the year, forwarded to the Finance Department when that information becomes available and reconciled to the books and records of the City. A review of the financial statements should be done by accounting personnel to determine that all schedules and records are provided timely.

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

Management's  
Response:

The City Finance Director currently supports some HR functions and Treasury banking functions. Due to these frequent staffing changes, the audit information has become secondary and keeping up with daily processes becoming a priority.

The current fiscal year audit information was built from the ground up through auditor files. Some of the processes were left unattended due to lack of proper staff and time for oversight. The City has improved on recording and reviewing information on a monthly basis, except with information related educational activities. The Board of Education just hired a new Business Manager to work with the City on its reconciliation processes. Currently, the Finance Director has established processes and a few recurring files for the auditor to keep on a year-to-year basis. In January 2022, the City recruited an Interim Deputy Finance Director who will aid the Finance Director with providing this information. In January 2022, the City began to use an existing payroll software to account for time off. This will track the compensated absences for future audits.

**\*21-04 Accounts Payable Cut-off-Board of Education**

Finding: The Board of Education's accounts payable were not properly recorded at year end on the City's general ledger. Accounts payable payments were made up to February 2022 related to June 30, 2021.

Criteria: Expenditures should be accrued when incurred in accordance with accounting principles generally accepted in the United States of America.

Cause: Lack of monthly reconciliations with the City and Board Education ledgers.

Effect: Account payable and accrued payroll in the amount of \$1,567,618 were incurred as of June 30, 2021 and were not properly recorded.

Recommendation: We recommend that accounts payable and accrued payroll be recorded when incurred monthly. A reconciliation with the City's general ledger and the Board of Education ledger should be done monthly to ensure that liabilities and expenditures are properly recorded.

Management's  
Response:

In 4<sup>th</sup> quarter Fiscal year 2021-2022, the Board of Education committed to adhering to cut-off requirements are specified by the City and Auditor and use the cut-off date of September 30<sup>th</sup> going forward.

**\*21-05 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.

Criteria: A formal reconciliation should be performed monthly to ensure agreement of the City's general ledger accounts with the Board of Education records.

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

Cause: No formal reconciliation process is being performed between the City and Board of Education monthly.

Effect: Adjustment to various cash accounts and liability accounts were required.

Recommendation: We recommend that the Board of Education utilize the accounting system to reconcile cash, accounts receivable, accounts payable, deferred inflows of financial resources in addition to the income and expenditure ledgers that are already being utilized to have a complete self-balancing set of accounts. The reconciliations should be to the general ledger. This will assist to quickly identify variances. That information should be timely shared between the City and Board of Education to ensure that both the City and Board of Education ledgers agree. Expenditures should be reported at gross amounts and any amounts received should be communicated to the City so those receipts can be properly classified and recorded. Various refunds that take place after the fiscal year for the previous fiscal year's expenditures that were incurred and paid by the City should be returned to the City.

Management's

Response:

The Board of Education (BOE) Business Office does not have sufficient staff to complete timely reporting to the City. The BOE maintains its own bank accounts and does not report additional expenditure credits to the City. With considerable autonomy, the reconciliation occurs only at the time of the audit.

A new process of reporting total expenditures for the month was requested from the BOE. However, the trial balance and cash reconciliation were not provided. The BOE hired a third-party agency in November 2021 to aid with reconciliations. The trial balances were provided to the City for June 2021 in December 2021. The City Finance Office has been recording transactions based on cash and the total expenditures but still needs their monthly bank reconciliations. The BOE office requires competent accounting staff to work with the BOE GL.

**\*21-06 Cash Account Activity- General Fund Operating and Board of Education**

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

Criteria: All cash activity should be recorded in the City's general ledger.

Cause: Lack of policies and procedures.

Effect: Cash accounts were contained significant errors that were not corrected by the Finance Department timely.

Recommendation: We recommend that all cash transactions be reflected in the general ledger and that transactions are reported at their gross amounts. In addition, accounts that have separate bank statements have separate general ledger accounts. All cash accounts should be reconciled monthly and reviewed by the comptroller.

Management's

Response:

The Board of Education (BOE) Business Office does not have sufficient staff to complete timely reporting to the City. The BOE maintains its own bank accounts and does not report

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

additional expenditure credits to the City. With considerable autonomy, the reconciliation occurs only at the time of the audit. A new process of reporting total expenditures for the month was requested from the BOE. However, the trial balance and cash reconciliation were not provided. The BOE hired a third-party agency in November 2021 to aid with reconciliations. The trial balances were provided to the City for June 2021 in December 2021. The City Finance Office has been recording transactions based on the total cash and asked for expenditures to balance the activities monthly. The new Business Manager started June 2022 and will continue to work on reconciliation process

**\*21-07 Compensated Absences-City**

**Finding:** There is no formal reconciliation of compensated absences.

**Criteria:** The City should establish a policy of reconciling, on a regular basis or at year end, the departmental employees' days for vacation, sick or personal leave to the payroll records.

**Condition:** Individual departments currently maintain compensated absence records for their departmental employees entitled to compensated absences as dictated by various union bargaining agreements

**Cause:** Individual departments currently maintain compensated absence records.

**Effect:** Lack of consistency of reporting compensated absences.

**Recommendation:** We recommend that the City establish a procedure for maintaining centralized records related to available used and unused vacation, sick and personal leave days to properly evaluate the liability for compensated absences. This process should include a summary of the bargaining agreement provisions related to the various employee categories to be used by the individuals who are summarizing the compensated absence data. This centralized record should be related to the employee history files as generated from the payroll system and should be reconciled to departmental records quarterly or semi-annually.

**Management's**

**Response:** The current a manual process for tracking absences is prone to mistakes not and is not audit oriented. In January 2022, the City began to use an existing payroll software to account for time off. This will track the compensated absences for future audits. The system is working however beginning balances were not established and require additional staff hours. The City needs modernization of its operations and transition period is take longer than expected

**\*21-08 Parking Authority**

**Finding:** Parking ticket revenues are not recorded on an accrual basis.

**Criteria:** The revenue from the parking tickets should be recorded on the general ledger when they are issued (accrual basis).

**Condition:** While the parking ticket system put in place in January of 1999 on a computerized parking ticket system appears to be working properly, the revenue from the parking tickets is not

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

being recorded on the general ledger until the tickets are paid (cash basis) instead of when they are issued (accrual basis). Parking tickets deemed uncollectible are not being written off nor is there a formal procedure for the acting director to authorize such write-offs, although in some cases, the acting director alone is authorizing corrections and write-offs.

Cause: Lack of understanding by the bookkeeper.

Effect: Untimely recording of revenues from parking tickets.

Recommendation: We recommend that the City of Derby consider assigning additional personnel, independent of the accounting function to duties such as receipt and listing of checks, preparation and review of bank reconciliations, approval of purchase orders and invoices and signing and distribution of checks, to provide the necessary checks and balances of the internal control system. Consideration should also be given to utilizing the cash receipts procedure of the General Fund of the City of Derby to compensate for the lack of personnel and segregation of duties in this Division. We also recommend that all checks be issued to an individual or a company as opposed to cash as the payee and that for all subcontractors paid more than \$600, that the appropriate 1099s be filed with the Internal Revenue Service.

Management's

Response: The City resolved the Parking Authority activities in September 2021. The General Fund now reports on its operations. Facilities management has been transferred to a third party for invoicing and revenue collection.

**\*21-09 Comingling of Funds**

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

Criteria: A separate bank account should be maintained for grant income and expenditures to properly track inflows and outflows of grant monies. Assets such as grants receivable and liabilities such as deferred inflows and accounts payable should also be recorded and reconciled monthly.

Cause: Improper classification of grant funds.

Effect: Significant errors can occur and not be timely detected. Also see findings 21-01, 21-04 to 21-06.

Recommendation: We recommend that the Board of Education utilize the accounting system to reconcile cash, accounts receivable, accounts payable, deferred inflows of financial resources in addition to the income and expenditures for educational grants. In addition, we recommend moving the grant accounting from the General Fund to a Special Revenue Fund where it is better classified.

Management's

Response: This was started in Fiscal Year 2019-2020, when a new account was opened for the Board of Ed to prevent the comingling of funds at the Board of Education. They are working to complete this corrective action in Fiscal Year 2021-2022.

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**21-10 Unrecorded Transactions-Community Development (Small Cities and Urban Act Grants)**

Finding: Grant revenues and expenditures were not recorded.

Criteria: The general ledger should accurately record the activity of its respective funds.

Cause: Not properly recording cash activity for the year.

Effect: Grant income and expenditures were under reported by \$589,511 prior to proposed audit adjustments.

Recommendation: We recommend that the City record all cash activity, even the grant income and expenditures that net to zero to properly reflect the transactions in accordance with Generally Accepted Accounting Principles.

Management's Response: The City will record all cash activity to properly reflect the transactions in accordance with Generally Accepted Accounting Principles.

**\*21-11 Federal and State Single Audit Schedules**

Finding: The Finance Department did not prepare a schedule of expenditures of federal awards and state financial assistance for the year ended June 30, 2021. These schedules are derived from federal and state grant awards received by the General Government and the Board of Education of the City. The Board of Education grant awards primarily are passed through the State Department of Education, while the City receives their grants primarily through the State Department of Housing and Urban Development, the State Department of Health and Human Resources, the State Department of Agriculture and the Office of Policy and Management. The preparation of these schedules of expenditures has, in the past, been made by the auditors, including decision making concerning the federal CFDA number, the pass-through entity number and the amount of federal and state expenditures incurred by the City for the fiscal year. The auditor then reports on the Schedules of Expenditures of Federal and State Financial Assistance and renders his opinion with respect to the compliance with laws, regulations, contracts and grants and with the City's internal control over compliance with requirements of the laws, regulations, contracts and grants.

Criteria: The schedules of federal awards and state financial assistance are required to be prepared by the City.

Cause: Lack of a staff member assigned to identify and obtain grant revenue and prepare the appropriate federal and state financial schedules.

Effect: The auditor is preparing these schedules and auditing them.

Recommendation: We recommend that the Finance Department and/or the Board of Education annually prepare the Schedule of Expenditures of Federal Awards and State Financial Assistance to be presented to the auditor for audit. The auditor can then render an opinion with respect to compliance with and internal control over compliance with laws, regulations, contracts and grants. This will provide the proper segregation of responsibilities over the preparation of

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

the schedules and the rendering of an opinion of these schedules.

Management's

Response:

The City will work with the auditor in the coming months to establish protocols and determine staffing required to meet this recommendation. The projected completion date is September 30, 2022.

\* indicates that these findings are repeated from the previous year.

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

Findings or questioned costs relating to Federal Award Programs are as follows: Items 21-10 and 21-11 (page 18 and 19).

**CITY OF DERBY, CONNECTICUT  
DISPOSITION OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**\*20-1 Double-Entry Accounting System**

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

Disposition: **Repeated as item 21-01**

**\*20-2 Bank Reconciliations and Approval of Bank Reconciliations**

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

Disposition: **Repeated as item 21-02**

**\*20-3 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, 2021, did not start until November 2021. In addition, some schedules, bank reconciliations and other required information were not available for audit until June 2022.

Disposition: **Repeated as item 21-03**

**\*20-4 WPCA Purchase Order Approval Process**

Finding: The bookkeeper performed recordkeeping, custodial and approval functions.

Disposition: **Cleared**

**\*20-5 Accounts Payable Cut-off-Board of Education**

Finding: The Board of Education's accounts payable were not properly recorded at year end on the City's general ledger.

Disposition: **Repeated as item 21-04**

**\*20-6 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.

Disposition: **Repeated as item 21-05**

**CITY OF DERBY, CONNECTICUT  
DISPOSITION OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**\*20-07 Cash Account Activity- General Fund Operating and Board of Education**

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

Disposition: **Repeated as item 21-06**

**\*20-8 Encumbrance System**

Finding: The City departments are not fully utilizing the encumbrance system.

Disposition: **Cleared**

**\*20-09 Interfund Transfers**

Finding: Interfund balances are not repaid timely.

Disposition: **Cleared**

**\*20-10 Compensated Absences-City**

Finding: There is no formal reconciliation of compensated absences.

Disposition: **Repeated as item 21-07**

**\*20-11 Parking Authority**

Finding: Parking ticket revenues are not recorded on an accrual basis.

Disposition: **Repeated as item 21-08**

**\*20-12 Revenues Classification**

Finding: Revenues were not properly recorded in their respective general ledger accounts

Disposition: **Cleared**

**\*20-13 Comingling of Funds**

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

Disposition: **Repeated as item 21-09**

**CITY OF DERBY, CONNECTICUT  
DISPOSITION OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**\*20-14 Federal and State Single Audit Schedules**

Finding: The Finance Department did not prepare a schedule of expenditures of federal awards and state financial assistance for the year ended June 30, 2021. These schedules are derived from federal and state grant awards received by the General Government and the Board of Education of the City. The Board of Education grant awards primarily are passed through the State Department of Education, while the City receives their grants primarily through the State Department of Housing and Urban Development, the State Department of Health and Human Resources, the State Department of Agriculture and the Office of Policy and Management. The preparation of these schedules of expenditures has, in the past, been made by the auditors, including decision making concerning the federal CFDA number, the pass-through entity number and the amount of federal and state expenditures incurred by the City for the fiscal year. The auditor then reports on the Schedules of Expenditures of Federal and State Financial Assistance and renders his opinion with respect to the compliance with laws, regulations, contracts and grants and with the City's internal control over compliance with requirements of the laws, regulations, contracts and grants.

Disposition: **Repeated as item 21-11**

**\*20-15 Community Development Agency**

Finding: The bookkeeper performs recordkeeping, custodial and approval functions.

Disposition: **Cleared**

\* indicates that these findings are repeated from the previous year.

**STATE SINGLE AUDIT**



**Accavallo & Company LLC**  
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**Principals**  
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Marilyn L Ferris MBA CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REPORT ON THE SCHEDULE OF  
EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE  
AUDIT ACT**

To the Honorable Mayor,  
Members of the Board of Alderman and  
Members of the Board of Apportionment and Taxation  
City of Derby, Connecticut

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

We have audited 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 City of Derby, Connecticut's major state programs for the year ended June 30, 2021. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Derby, Connecticut's major state programs based on our audit of the types of compliance requirements referred to above. 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. An audit includes examining, on a test basis, evidence about City of Derby, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of City of Derby, Connecticut's compliance.

**Opinion on Each Major State Program**

In our opinion, 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, 2021.

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

Management of City of Derby, Connecticut, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Derby, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Derby, Connecticut's 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. 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 21-010 and 21-011, that we consider to be significant deficiencies.

City of Derby, Connecticut's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Derby, Connecticut's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 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 City of Derby, Connecticut, as of and for the year ended June 30, 2021 and have issued our report thereon dated July 15, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the 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 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 financial statements or to the 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 financial statements as a whole.

*Accavallo & Company, LLC*  
Shelton, Connecticut  
July 15, 2022

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2021**

| State Grantor/Pass-Through<br>Grantor/Program Title      | State Grant Program<br>Identification Number | Pass-Through to<br>Subrecipients | Expenditures |
|--|--|----------------------------------|--------------|
| <u>Department of Education:</u>                          |  |                                  |              |
| Commissioner's Network                                   | 11000-SDE64370-12547                         | \$ -                             | \$ 513,113   |
| Talent Development                                       | 11000-SDE64370-12552                         | -                                | 3,656        |
| Child Nutrition State Match                              | 11000-SDE64370-16211                         | -                                | 8,394        |
| Healthy Foods  | 11000-SDE64370-16212                         | -                                | 14,111       |
| Adult Education  | 11000-SDE64370-17030                         | -                                | 134,211      |
| Health and Welfare - Private Schools                     | 11000-SDE64370-17034                         | -                                | 11,363       |
| Alliance Grant   | 11000-SDE64370-17041                         | -                                | 1,670,801    |
| Alliance Grant   | 11000-SDE64370-17041                         | -                                | 306,942      |
| Breakfast Program  | 12052-SDE64370-43728                         | -                                | 10,862       |
| Low Performing Schools                                   | 11000-SDE64370-17108                         | -                                | 150,766      |
|  |  | -                                | 2,824,219    |
| <u>Office of Early Childhood:</u>                        |  |                                  |              |
| School Readiness   | 11000-OEC64845-16274-83014                   | -                                | 101,511      |
| Smart Start  | 12052-OEC64845-16279-83004                   | -                                | 153,400      |
| Child Care Quality Enhancement                           | 11000-OEC64845-16158-82079                   | -                                | 3,881        |
|  |  | -                                | 258,792      |
| <u>Department of Children and Families</u>               |  |                                  |              |
| Youth Service Bureau                                     | <u>11000-DCF91141-17052</u>                  | -                                | 14,189       |
| Youth Service Bureau- Enhancement                        | <u>11000-DCF91141-17107</u>                  | -                                | 8,588        |
|  |  | -                                | 22,777       |
| <u>Office of Policy and Management:</u>                  |  |                                  |              |
| PILOT: State owned property                              | 11000-OPM20600-17004                         | -                                | 29,550       |
| Reimburse Prop Tax-Disability Exemption                  | 11000-OPM20600-17011                         | -                                | 2,308        |
| Property Tax Relief for Veterans                         | 11000-OPM20600-17024                         | -                                | 16,670       |
| PILOT: Private Colleges and General Hospitals            | 11000-OPM20600-17006                         | -                                | 690,309      |
| Municipal Purposes & Projects                            | 12052-OPM20600-43587                         | -                                | 14,728       |
|  |  | -                                | 753,565      |
| <u>Department of Transportation:</u>                     |  |                                  |              |
| Fees and Permits   | 13033-DOT57124-41390                         | -                                | 31           |
| Town Aid Road Grant-STO                                  | 12052-DOT57131-43459                         | -                                | 131,912      |
| Town Aid Road Grants muni                                | 12052-DOT57131-43455                         | -                                | 131,912      |
|  |  | -                                | 263,854      |
| <u>Department of Economic and Community Development:</u> |  |                                  |              |
| Urban Act Grant  | 13019-ECD46210-41240                         | -                                | 120,977      |
| <u>Department of Administrative Services:</u>            |  |                                  |              |
| Alliance District General Improvements                   | 12052-DAS27635-43651                         | -                                | 477,600      |
| <u>Department of Environmental Protection:</u>           |  |                                  |              |
| Environmental Conservation Fund                          | 11000-DEP44910-12491                         | -                                | 4,409        |
| <u>Department of Justice:</u>                            |  |                                  |              |
| Other expenses   | 11000-JUD95405-10020                         | -                                | 9,718        |
| Non-Budgeted Operating Appropriation                     | 34006-JUD95162-40001                         | -                                | 1,998        |
|  |  | -                                | 11,716       |

The accompanying notes are an integral part of this schedule.

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2021**

| State Grantor/Pass-Through<br>Grantor/Program Title     | State Grant Program<br>Identification Number | Pass-Through to<br>Subrecipients | Expenditures  |
|---|--|----------------------------------|---------------|
| <u>Connecticut State Library:</u>                       |  |                                  |               |
| Connecticard  | 11000-CSL66051-17010                         | -                                | 446           |
| Historic Document Preservation Grant                    | 11000-CLS66094-35150                         | -                                | 5,500         |
| IMLS LSTA ARPA  | 12060-CSL66011-29642                         | -                                | 3,000         |
|   |  | -                                | 8,946         |
| <u>Secretary of State:</u>                              |  |                                  |               |
| Help America Vote Act                                   | 12060-SOS12500-21465                         | -                                | 7,948         |
| TOTAL STATE FINANCIAL ASSISTANCE BEFORE EXEMPT PROGRAMS |  |                                  | 4,754,802     |
| <u>EXEMPT PROGRAMS</u>                                  |  |                                  |               |
| <u>Department of Education:</u>                         |  |                                  |               |
| Education Cost Sharing                                  | 11000-SDE64370-17041                         | -                                | 6,696,902     |
| Special Education-Excess Costs                          | 11000-SDE64370-17047                         | -                                | 692,155       |
| Municipal Stabilization Grant                           | 1100-OPM20600-17104                          | -                                | 205,327       |
|   |  | -                                | 7,594,384     |
| <u>Office of Policy and Management:</u>                 |  |                                  |               |
| Mashantucket Pequot                                     | 12009-OPM20600-17005                         | -                                | 207,304       |
| TOTAL EXEMPT PROGRAMS                                   |  |                                  | 7,801,688     |
| TOTAL STATE FINANCIAL ASSISTANCE                        |  |                                  | \$ 12,556,490 |

The accompanying notes are an integral part of this schedule.

**CITY OF DERBY, CONNECTICUT  
NOTES TO THE SCHEDULE OF EXPENDITURES  
OF STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2021**

Various departments and agencies of the State Government have provided financial assistance to the City of Derby, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. This financial assistance funds several programs including housing, education, health and human services and general government activities.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the *City* conform to accounting principles generally accepted in the United States of America as applicable to *governmental organizations*.

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. Certain grants are recognized based on grant award since they are considered entitlement grants; other grants, which are dependent upon expenditure factors for determining eligibility, recognize grant revenue to the extent of expenditures.
- Expenditures are recorded on the accrual basis; i.e. recognized when incurred.

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the modified accrual basis of accounting. 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 expenditures column of the Schedule of Expenditures of State Financial Assistance.

**2. LOAN PROGRAM**

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the Schedule of Expenditures of State Financial Assistance shall include loans and loan activities. The following is a summary of the loan program activity for the year ended June 30, 2021:

Department of Environmental Protection:

Clean Water Funds 21014-OTT14230-4001:

| Issue<br>Date | Interest<br>Rate | Original<br>Amount | Balance<br>July 1, 2020 | Issued | Retired   | Balance<br>June 30, 2021 |
|---------------|------------------|--------------------|-------------------------|--------|-----------|--------------------------|
| 367CFeb 2001  | 2%               | \$ 2,347,440       | \$ 78,248               | \$ -   | \$ 78,248 | \$ -0-                   |

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**I. SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

- Material weakness (es) identified?   X   Yes        No
- Significant deficiencies identified?   X   Yes        No
- Noncompliance material to financial statements noted?        Yes   X   No

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiencies identified?   X   Yes        No

Type of auditors' 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?   X   Yes        No

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

| <u>State Grantor And Program</u>              | <u>Identification Number</u> | <u>Expenditures</u> |
|---|------------------------------|---------------------|
| <u>Office of the Policy and Management:</u>   |                              |                     |
| PILOT: Private Colleges and General Hospitals | 11000-OPM20600-17006         | \$ 690,309          |
| <u>Department of Education:</u>               |                              |                     |
| Alliance Grant                                | 11000-SDE64370-17041         | 1,977,743           |
| Commissioner's Network                        | 11000-SDE64370-12547         | 513,113             |
| <u>Department of Administrative Services:</u> |                              |                     |
| Alliance District General Improvements        | 12052-DAS27635-43651         | 477,600             |
| <u>Department of Transportation:</u>          |                              |                     |
| Town Aid Road Grant-STO                       | 12052-DOT57131-43459         | 131,912             |
| Town Aid Road Grants muni                     | 12052-DOT57131-43455         | 131,912             |
|   | Total                        | <u>\$ 3,922,588</u> |

Dollar threshold used to distinguish between Type A and Type B programs: \$200,000

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**II. SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

- We issued reports, dated July 15, 2022, on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated significant deficiencies as items 21-1 to 21-11 (page 12 to 19) of which we consider items 21-1 to 21-6 to be material weaknesses.

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

Findings or questioned costs relating to State financial assistance programs are as follows: Items 21-10 and 21-11 (page 18 to 19).

**DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES:**

The dispositions of prior year's significant deficiencies are reported as items 20-01 to 20-15 on pages 21 to 23.

