



CONNECTICUT

Policy and Management

FY 2023-24 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 _____

Fiscal Period under Audit _____

(Audit Firm Name)

(Signature)

(Date)

This Questionnaire was reviewed with and a copy given to:

Name of Municipal Official

on _____
Date

Title of Municipal Official

Telephone

	<u>YES</u>	<u>NO</u>	<u>NA</u>
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?	_____	_____	_____
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?	_____	_____	_____
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?	_____	_____	_____
4. Did the entity issue tax anticipation notes (TANs) or revenue anticipation notes (RANs) during the fiscal year?	_____	_____	_____
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.	_____	_____	_____
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?	_____	_____	_____
7. Did you clearly identify in the report each repeated audit Finding and identify the fiscal year in which the finding initially occurred?	_____	_____	_____
8. Were there any audit findings repeated from both of the two most prior fiscal year ended audits? (FY2022 and FY2023)?	_____	_____	_____
9. Were municipal officials made aware of section 2(c) of P.A. 23-197 for a public meeting to be held when the OPM Secretary makes certain findings based upon the review of the audit report?	_____	_____	_____
10. Federal Single Audit Act as Amended, 1996; 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 2023-24?	_____	_____	_____
(b) Is a copy of the Single Audit included in the reporting package submitted?	_____	_____	_____

	<u>YES</u>	<u>NO</u>	<u>NA</u>
11. State Single Audit (SSA) Act as amended by P.A. 09-7; 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 2023-24 or a program-specific audit of the entity's sole state program?	_____	_____	_____
(b) Is a copy of the State Single Audit or program-specific audit included in the reporting package submitted?	_____	_____	_____
(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)?	_____	_____	_____
(d) Did you upload the corrective action plan with the audit report package on OPM's Electronic Audit Reporting System?	_____	_____	_____

CITY OF DERBY, CONNECTICUT
AUDITED FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024

CITY OF DERBY, CONNECTICUT

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2024, 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.

Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Derby, Connecticut, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Derby, Connecticut's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Derby, Connecticut's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Derby, Connecticut's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 6 through 12 and the required supplementary information on pages 72 through 77 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The General Fund budgetary comparison detail, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements or to the basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the General Fund budgetary comparison detail, 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 May 28, 2024, 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

June 25, 2025

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, 2024. 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 \$33.826 (*net position*).
- The government's total net position decreased by \$4,424.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$5,399, an increase of \$798 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$4,425 or 7.25% of total general fund expenditures.
- The City's governmental funds total long-term debt decreased by \$411 or .59% during the current fiscal year.
- The City's business-type activities total long-term debt decreased by \$869 or 6.43% 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 15-16 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 ARPA/Roads 2015 funds, all of which are considered to be major funds. Data from the other eleven 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 17-18 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 21-23 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 24-25 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 26-68 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 \$19,698 (Net position) at the close of the fiscal year ended June 30, 2024.

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)

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 18,088	\$ 19,750	\$ 8,800	\$ 7,893	\$ 26,888	\$ 27,643
Capital assets	86,518	8,800	20,535	20,535	107,053	29,335
Total assets	104,606	28,550	29,335	28,428	133,941	56,978
Deferred outflows of resources	11,400	11,380	-	-	11,400	11,380
Long-term liabilities outstanding	\$ 68,730	69,141	14,643	15,513	83,373	84,654
Other liabilities	10,346	13,598	564	856	10,910	14,454
Total liabilities	79,076	82,739	15,207	16,369	94,283	99,108
Deferred inflows of resources	17,228	19,057	-	-	17,228	19,057
Net assets:						
Invested in capital assets, net of related debt	65,881	65,090	7,891	5,571	73,772	70,661
Restricted	584	584	-	-	584	584
Unrestricted	(46,767)	(48,881)	6,237	7,037	(40,530)	(41,844)
Total net position	\$ 19,698	\$ 16,793	14,128	\$ 12,608	\$ 33,826	\$ 29,401

At the close of the fiscal year ended June 30, 2024, 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 decreased by \$4,424 in the current fiscal year. The majority of this decrease was related to increase Governmental expenditures offset against decrease WPCA expenditures.

Governmental Activities — Governmental activities increased the City's net position by \$2,904. Key elements of this decrease are as follows:

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

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
REVENUES						
Program revenues:						
Charges for services	\$ 3,025	\$ 1,874	\$ 5,220	\$ 4,572	\$ 8,245	\$ 6,446
Operating grants and contributions	24,030	22,159	-	-	24,030	22,159
Capital Grants and contributions	845	868	-	-	845	868
General revenues:						
Property Taxes	33,448	32,007	-	-	33,448	32,007
Grants and contributions not restricted to specific programs	5,245	4,613	-	-	5,245	4,613
Unrestricted investment earnings	398	251	248	38	646	289
TOTAL REVENUES	66,991	61,772	5,468	4,610	72,459	66,382
EXPENSES						
General government	15,512	15,718	-	-	15,512	15,718
Public works	5,299	6,353	3,948	4,499	9,247	10,852
Public safety	2,211	3,383	-	-	2,211	3,383
Culture and recreation	1,258	1,181	-	-	1,258	1,181
Health and welfare	3,818	1,617	-	-	3,818	1,617
Education	34,888	35,531	-	-	34,888	35,531
Capital outlay	638	647	-	-	638	647
Debt service	463	560	-	-	463	560
TOTAL EXPENSES	64,087	64,990	3,948	4,499	68,035	69,489
Increase (Decrease) in Net Position before transfers	2,904	(3,218)	1,520	111	4,424	(3,107)
Transfers	-	-	-	-	-	-
INCREASE(DECREASE) IN NET POSITION	2,904	(3,218)	1,520	111	4,424	(3,107)
Net position at beginning of year	16,794	20,012	12,608	12,497	29,402	32,509
NET POSITION, ending	\$ 19,698	\$ 16,794	\$ 14,128	\$ 12,608	\$ 33,826	\$ 29,402

Business-type Activities — Business-type activities increased the City's net position by \$1,520. The key element of this increase is as follows:

- The Water Pollution Control Authority revenues were significantly higher than expenses by \$1,520, due to steady revenues and slightly reduced expenses compared to the previous year.

FUNDS FINANCIAL ANALYSIS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$5,399, an increase of \$798 in comparison with the prior year. This decrease is primarily caused by the General Fund and Other Governmental Fund surpluses of \$1,843 and \$234, respectively netted against a deficit in the Silo Fund \$1,278,759.

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 \$4,425. 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 \$61,073. Unreserved and total fund balance represents 7.25% of total general fund expenditures.

The general fund balance increased by \$1,843 during the current fiscal year. Key factors in this decline are as follows:

- An increase in Property Taxes of \$556
- An increase in Intergovernmental revenues of \$1,500
- An increase in City Department revenues of \$1,011
- An increase in Investment income of \$217
- A decrease in General Government expenditures of \$982.
- A increase in Public Safety of \$325.
- A increase in Public Works of \$660.
- A decrease in Culture and recreation of \$37.
- An increase in Health and welfare of \$22.
- A decrease in Board of Education expenditures of \$113.
- A decrease in Board of Education grant expenditures of \$357, (offset against grant revenues)
- An increase in Capital Outlay of \$135.
- An increase in Debt Service of \$29.

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 \$13,574 of which \$5,337 represents an investment in capital assets net of related debt. Net position of the Parking Authority at the end of the year amounted to \$554 of which \$554 represents an investment in capital assets net of related debt. The total increase in net position for the Business-Type Activities- Enterprise Fund was \$1,520. 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

During 2023-2024 there the significant budget amendments between the original budget and the final budget were due to increasing anticipated revenues for intergovernmental grants and the related offsetting appropriations.

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, 2024, amounts to \$107,052 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, machinery and equipment, and infrastructure. The total decrease in the City's governmental activities investment in capital assets for the current fiscal year was \$2,599 or 1.828%, primarily due to depreciation of \$3,543. The majority of the purchases were for infrastructure improvements paid for with bond anticipation notes.

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

	Governmental Activities	Business-type Activities	Total
Land	\$ 6,552	\$ 595	\$ 7,147
Buildings and system	58,354	19,624	77,978
Machinery and equipment	2,348	315	2,663
ROU-Lease Assets	8	-	8
Infrastructure	19,256	-	19,256
	<u>\$ 86,518</u>	<u>\$ 20,534</u>	<u>\$ 107,052</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, bond anticipation notes and notes payable outstanding of \$24,370 and \$12,560 respectively. The City and WPCA also have capital lease obligations of \$200 and \$86, at year end, respectively.

Net Pension Liability — At the end of the current fiscal year, the City had total net pension liability of \$12,840. This obligation increased \$546 during the fiscal year.

Other Post-Employment Benefits – At the end of the current fiscal year, the City had total other post-employment benefit obligation of \$30,300. This obligation increased \$1,053 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	\$ 1,317	\$ 566
Due in 2 to 6 years	6,569	2,332
Due in 7 to 11 years	6,636	1,383
Due in 12 to 16 years	4,848	350
Due in 17 to 20 years	-	-
	<u>\$ 19,370</u>	<u>\$ 4,630</u>
Business-type Activities		
Due in one year	\$ 810	\$ 478
Due in 2 to 6 years	4,050	1,882
Due in 7 to 11 years	4,040	1,048
Due in 12 to 16 years	3,660	284
Due in 17 to 20 years	-	-
	<u>\$ 12,560</u>	<u>\$ 3,692</u>

The City's governmental activities total long-term debt increased by \$410 (.59%) and business type activities decreased by \$869 (6.43%) during the current fiscal year.

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

The current debt limitation for the City is \$232,092, 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 4% vs. 5% in line with the prior year, consistent with the Connecticut unemployment rate.
- The Connecticut state government has been reporting an anticipated deficit for 2023-2024, 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 2024-2025 fiscal year.

During the current fiscal year, undesignated and unreserved fund balance in the general fund decreased to \$4,425. The City has not appropriated any amounts of fund balance for spending in the 2024-2025 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, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,238,825	\$ 7,786,345	\$ 17,025,170
Investments	1,207,342	-	1,207,342
Property taxes, net	2,568,512	-	2,568,512
Special assessments	-	1,788,792	1,788,792
Intergovernmental	636,175	-	636,175
Other	3,327,291	269,750	3,597,041
Notes receivable	60,998	-	60,998
Inventories	3,983	-	3,983
Due from other funds	1,044,451	(1,044,451)	-
Capital assets (net of accumulated depreciation)			
Land	6,551,792	594,858	7,146,650
Buildings	58,353,840	19,624,495	77,978,335
Machinery and equipment	2,348,229	315,179	2,663,408
ROU-Lease Assets	7,679	-	7,679
Infrastructure	19,256,252	-	19,256,252
TOTAL ASSETS	104,605,369	29,334,968	133,940,337
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	3,078,288	-	3,078,288
Deferred outflows related to OPEB	8,321,352	-	8,321,352
	<u>11,399,640</u>	<u>-</u>	<u>11,399,640</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 116,005,009	\$ 29,334,968	\$ 145,339,977
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts payable and accrued liabilities	4,245,373	\$ 563,847	\$ 4,809,220
Deferred revenue - grants	439,585	-	439,585
Deferred revenue-other	2,661,068	-	2,661,068
Bonds anticipation notes	3,000,000	2,000,000	5,000,000
Notes Payable:			
Due within one year	1,745,352	846,962	2,592,314
Due in more than one year	66,984,449	11,796,231	78,780,680
TOTAL LIABILITIES	79,075,827	15,207,040	94,282,867
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	1,403,245	-	1,403,245
Deferred inflows related to OPEB	15,824,931	-	15,824,931
TOTAL DEFERRED INFLOWS OF RESOURCES	17,228,176	-	17,228,176
NET POSITION			
Investment in capital assets, net of related debt	65,880,787	7,891,339	73,772,126
Restricted	1,368,128	-	1,368,128
Unrestricted	(47,547,909)	6,236,589	(41,311,320)
TOTAL NET POSITION	19,701,006	14,127,928	33,828,934
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 116,005,009	\$ 29,334,968	\$ 145,339,977

See notes to financial statements.

**CITY OF DERBY, CONNECTICUT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

		Program Revenues			Changes in Net Assets Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ (15,511,856)	\$ 1,067,597	\$ 2,574,766	\$ 1,110	\$ (11,868,383)	\$ -	\$ (11,868,383)
Public works	(5,298,677)	1,200	-	407,131	(4,890,346)	-	(4,890,346)
Public safety	(2,211,177)	1,459,616	-	-	(751,561)	-	(751,561)
Culture and recreation	(1,257,802)	111,223	61,905	-	(1,084,674)	-	(1,084,674)
Health and welfare	(3,818,351)	385,341	1,191,789	-	(2,241,221)	-	(2,241,221)
Education	(34,887,929)	-	20,201,116	-	(14,686,813)	-	(14,686,813)
Capital outlay	(638,288)	-	-	436,397	(201,891)	-	(201,891)
Debt service	(462,765)	-	-	-	(462,765)	-	(462,765)
TOTAL GOVERNMENTAL ACTIVITIES	(64,086,845)	3,024,977	24,029,576	844,638	(36,187,654)	-	(36,187,654)
TOTAL BUSINESS-TYPE ACTIVITIES-							
SEWER AND PARKING AUTHORITY	(3,947,814)	5,219,857	-	-	-	1,272,043	1,272,043
TOTAL PRIMARY GOVERNMENT	<u>\$ (68,034,659)</u>	<u>\$ 8,244,834</u>	<u>\$ 24,029,576</u>	<u>\$ 844,638</u>	(36,187,654)	1,272,043	(34,915,611)
GENERAL REVENUES							
Property taxes					33,447,936	-	33,447,936
Grants and contributions not restricted to specific programs					5,244,859	-	5,244,859
Unrestricted investment expenses					398,189	248,320	646,509
			TOTAL GENERAL REVENUES		<u>39,090,984</u>	<u>248,320</u>	<u>39,339,304</u>
			CHANGE IN NET POSITION		2,903,330	1,520,363	4,423,693
			NET POSITION AT JULY 1, 2023		<u>16,797,676</u>	<u>12,607,565</u>	<u>29,405,241</u>
			NET POSITION AT JUNE 30, 2024	\$	19,701,006	\$ 14,127,928	\$ 33,828,934

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2024

	<u>General</u>	<u>Silo Fund</u>	<u>ARPA/Roads 2015</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 6,311,705	\$ 1,725,310	\$ 975	\$ 1,200,834	\$ 9,238,824
Investments	-	-	-	1,207,342	1,207,342
Receivables:					
Property taxes, net of allowance of \$	2,568,512	-	-	-	2,568,512
Intergovernmental	458,252	-	-	177,923	636,175
Other	3,327,291	-	-	60,998	3,388,289
Inventories	-	-	-	3,983	3,983
Due from other funds	1,388,186	138,241	-	80,299	1,606,726
TOTAL ASSETS	<u>\$ 14,053,946</u>	<u>\$ 1,863,551</u>	<u>\$ 975</u>	<u>\$ 2,731,379</u>	<u>\$ 18,649,851</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 4,215,089	\$ 1,500	\$ -	\$ 28,783	\$ 4,245,372
Due to other funds	360,451	-	-	201,825	562,276
Deferred revenue-grants	50,018	-	975	354,850	405,843
Deferred revenue-other	2,661,068	33,741	-	-	2,694,809
Bond anticipation notes	-	3,000,000	-	-	3,000,000
TOTAL LIABILITIES	<u>7,286,626</u>	<u>3,035,241</u>	<u>975</u>	<u>585,458</u>	<u>10,908,300</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue-taxes	2,342,299	-	-	-	2,342,299
FUND BALANCES(DEFICITS)					
Nonspendable	-	-	-	3,983	3,983
Restricted	-	-	-	1,947,527	1,947,527
Assigned	-	-	-	118,329	118,329
Unassigned	4,425,021	(1,171,690)	-	76,082	3,329,413
TOTAL FUND BALANCES (DEFICIT)	<u>4,425,021</u>	<u>(1,171,690)</u>	<u>-</u>	<u>2,145,921</u>	<u>5,399,252</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 14,053,946</u>	<u>\$ 1,863,551</u>	<u>\$ 975</u>	<u>\$ 2,731,379</u>	

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.	86,517,792
Long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	2,342,299
Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.	(5,828,536)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(68,729,801)
Net position of governmental activities	<u><u>\$ 19,701,006</u></u>

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

	General	Silo Fund	ARPA/Roads 2015	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 32,321,953	\$ -	\$ -	\$ -	\$ 32,321,953
Interest and lien fees	331,927	-	-	-	331,927
Intergovernmental	25,338,261	\$ 787,757	436,397	1,135,075	27,697,490
City departments	4,570,644	-	-	351,536	4,922,180
Net increase(decrease) in fair market value of investments	-	-	-	-	-
Other	-	49,111	-	505,160	554,271
Investment income	353,650	-	-	44,539	398,189
TOTAL REVENUES	62,916,435	836,868	436,397	2,036,310	66,226,010
EXPENDITURES					
Current:					
General government	14,670,451	-	-	3,159	14,673,610
Public safety	5,507,389	-	-	-	5,507,389
Public works	3,982,919	-	-	-	3,982,919
Culture and recreation	1,026,433	-	-	-	1,026,433
Health and welfare	407,635	-	-	1,300,563	1,708,198
Board of education-operations	25,194,945	-	-	463,344	25,658,289
Board of education-grants	7,980,763	-	-	-	7,980,763
Capital outlay	375,784	2,115,627	436,397	35,592	2,963,400
Debt service:					
Principal retirement	-	-	-	-	-
Interest	1,927,069	-	-	-	1,927,069
TOTAL EXPENDITURES	61,073,388	2,115,627	436,397	1,802,658	65,428,070
REVENUES OVER (UNDER) EXPENDITURES	1,843,047	(1,278,759)	-	233,652	797,940
Fund balance(deficit) at July 1, 2023	2,581,974	107,069	-	1,912,269	4,601,312
FUND BALANCES (DEFICIT) AT JUNE 30, 2024	\$ 4,425,021	\$ (1,171,690)	\$ -	\$ 2,145,921	\$ 5,399,252

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, 2024**

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

Net change in fund balances - total governmental funds	\$	797,940
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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.		(943,749)
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Revenues that are reported as in the year revenues provide current financial resources to governmental funds.		764,165
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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.		274,840
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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.		2,010,134
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Change in Net Position	\$	2,903,330
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See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
GENERAL FUND
YEAR ENDED JUNE 30, 2024

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget-</u>
	<u>Budget</u>	<u>Budget</u>		<u>Favorable</u>
				<u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 33,632,426	\$ 33,692,426	\$ 32,321,953	\$ (1,370,473)
Interest and lien fees	200,000	200,000	331,927	131,927
Intergovernmental	9,514,975	12,141,493	20,325,490	8,183,997
Investment income	66,921	66,921	353,650	286,729
City departments	<u>4,476,272</u>	<u>4,809,172</u>	<u>4,570,644</u>	<u>(238,528)</u>
TOTAL REVENUES	47,890,594	50,910,012	57,903,664	6,993,652
EXPENDITURES				
Current				
General government	14,901,238	16,721,476	14,670,451	2,051,025
Public safety	4,700,116	4,798,628	5,507,389	(708,761)
Public works	3,422,534	4,056,147	3,982,919	73,228
Culture and recreation	1,054,731	1,054,731	1,026,433	28,298
Health and welfare	452,984	458,039	407,635	50,404
Board of Education-operations	19,607,966	20,069,966	20,182,174	(112,208)
Board of Education-grants	-	-	7,980,763	(7,980,763)
Capital outlay	342,508	342,508	375,784	(33,276)
Debt service				
Principal retirements		-		-
Interest	<u>3,408,517</u>	<u>3,408,517</u>	<u>1,927,069</u>	<u>1,481,448</u>
TOTAL EXPENDITURES	<u>47,890,594</u>	<u>50,910,012</u>	<u>56,060,617</u>	<u>(5,150,605)</u>
REVENUES OVER(UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	1,843,047	<u>\$ 1,843,047</u>
Fund balance at July 1, 2023			<u>2,581,974</u>	
FUND BALANCE AT JUNE 30, 2024			<u>\$ 4,425,021</u>	

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2024

	Business-type Activities - Enterprise Funds		
	Water Pollution Control Authority	Parking Authority	Total
ASSETS			
CURRENT ASSETS			
Cash	\$ 7,786,345	\$ -	\$ 7,786,345
Sewer assessments receivable (net of allowance for uncollectible of \$20,000)	1,788,792	-	1,788,792
Accounts receivable -other	269,750	-	269,750
TOTAL CURRENT ASSETS	9,844,887	-	9,844,887
CAPITAL ASSETS (net of accumulated depreciation)			
Land	212,500	382,358	594,858
Buildings	19,459,414	165,081	19,624,495
Machinery and equipment	308,289	6,890	315,179
	19,980,203	554,329	20,534,532
TOTAL ASSETS	\$ 29,825,090	\$ 554,329	\$ 30,379,419
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 563,849	\$ -	\$ 563,849
Due to other funds	1,044,451	-	1,044,451
Bond anticipation note	2,000,000	-	2,000,000
Capital lease-current portion	36,962	-	36,962
Bonds and loan payable-current portion	810,000	-	810,000
TOTAL CURRENT LIABILITIES	4,455,262	-	4,455,262
NONCURRENT LIABILITIES			
Capital lease	46,231	-	46,231
Bonds and loan payable	11,750,000	-	11,750,000
TOTAL LIABILITIES	16,251,493	-	16,251,493
NET POSITION			
Investment in capital assets, net of related debt	5,337,010	554,329	5,891,339
Reserved for digester	30,000	-	30,000
Reserved for capital improvements	4,563,563	-	4,563,563
Unrestricted	3,643,024	-	3,643,024
TOTAL NET POSITION	13,573,597	554,329	14,127,926
TOTAL LIABILITIES AND NET POSITION	\$ 29,825,090	\$ 554,329	\$ 30,379,419

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2024

	Business Type Activities- Enterprise Funds		
	Water Pollution Control Authority	Parking Authority	Total
OPERATING REVENUES			
Sewer usage fees	\$ 2,629,998	\$ -	\$ 2,629,998
Other revenues	647,155	-	647,155
Interest and lien fees	130,994	-	130,994
Total operating revenues	3,408,147	-	3,408,147
OPERATING EXPENSES	3,269,020	-	3,269,020
OPERATING INCOME(LOSS)	139,127	-	139,127
NONOPERATING REVENUES (EXPENSES)			
Capital fees	1,811,710	-	1,811,710
Interest income	248,318	-	248,318
Interest expense	(678,794)	-	(678,794)
Total nonoperating income(expense)	1,381,234	-	1,381,234
OPERATING TRANSFERS OUT	-	-	-
CHANGE IN NET POSITION	1,520,361	-	1,520,361
Net position at July 1, 2023	12,053,236	554,329	12,607,565
NET POSITION AT JUNE 30, 2024	<u>\$ 13,573,597</u>	<u>\$ 554,329</u>	<u>\$ 14,127,926</u>

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2024

	Business-type Activities - Enterprise Funds		
	Water Pollution Control Authority	Parking Authority	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,999,153	\$ -	\$2,999,153
Cash payments to suppliers	(1,086,927)	-	(1,086,927)
Cash payments to employees	(1,408,885)	-	(1,408,885)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	503,341	-	503,341
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES			
Capital fee revenue	1,590,512	-	1,590,512
Due from other funds	191,268	-	191,268
Purchase of capital assets	(696,791)	-	(696,791)
Payment of principal and interest	(1,548,515)	-	(1,548,515)
NET CASH FROM CAPITAL AND FINANCING ACTIVITIES	(463,526)	-	(463,526)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	248,318	-	248,318
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	288,133	-	288,133
Cash and cash equivalents at July 1, 2023	7,498,212	-	7,498,212
CASH AND CASH EQUIVALENTS AT JUNE 30, 2024	\$ 7,786,345	\$ -	\$7,786,345
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss) from operations	\$ 139,127	\$ -	\$ 139,127
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	1,246,077	-	1,246,077
Allowance for doubtful accounts	-	-	-
Changes in assets and liabilities:			
Sewer Accounts receivable	(408,994)	-	(408,994)
Accounts receivable-other	(179,499)	-	(179,499)
Accounts payable and accrued expenses	(293,370)	-	(293,370)
NET CASH FROM OPERATING ACTIVITIES	\$ 503,341	\$ -	\$ 503,341
Supplemental cash flow information			
Cash paid during the year for interest	\$ 678,794	\$ -	
Financed purchase of equipment	\$ -	\$ -	

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2024

	<u>Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 630,461
Investments, at fair value	18,935,719
Other receivables	<u>-</u>
TOTAL ASSETS	<u><u>\$ 19,566,180</u></u>
LIABILITIES	
Due to Others	<u>\$ -</u>
TOTAL LIABILITIES	<u>-</u>
NET POSITION HELD IN TRUST FOR PENSION	
BENEFITS AND OTHER PURPOSES	<u><u>\$ 19,566,180</u></u>

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2024

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions	
City of Derby	\$ 500,000
Plan members	<u>124,823</u>
Total contributions	624,823
Investment income	
Net realized/unrealized gain (loss) on investments	1,616,389
Interest and dividends	<u>37,112</u>
	1,653,501
Less investment management fees	<u>(18,541)</u>
Net investment income (loss)	<u>1,634,960</u>
TOTAL ADDITIONS	2,259,783
DEDUCTIONS - benefits and other deductions	<u>1,251,689</u>
CHANGE IN NET POSITION	1,008,094
Net position held in trust for	
pension benefits at July 1, 2023	<u>18,558,086</u>
NET POSITION HELD IN TRUST FOR BENEFITS	
AT JUNE 30, 2024	<u><u>\$ 19,566,180</u></u>

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

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 Parking Authority's operations have ceased during 2022.

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

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

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

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, 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:

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- (i) *General Fund* — The General Fund is the general operating fund of the City government. All unrestricted resources except those required to be accounted for in another fund are accounted for in this fund. From this fund are paid general operating expenditures, fixed charges, principal and interest on long-term debt, and capital improvement costs of the City, which are not paid through a special fund.
- (ii) *Silo Fund* — are used to account for the federal and state grant income and related expenditures and cultural events.
- (iii) *ARPA/ Roads 2015* — is a capital project fund used to account for the use of ARPA funds for capital projects.

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.

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

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

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

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

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

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

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

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

Governmental Activities

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

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

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

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Right-of-Use – Leased assets	5 -15 years
SBITAs	2-5 years

In the governmental fund financial statements, capital outlay (assets) are reported as expenditures and no depreciation is recognized.

Leases and similar subscription-based information technology arrangement

The City is the lessee for noncancellable leases of equipment and property. The City is also a buyer of noncancellable subscription information technology arrangements (similar to a lease) for the right-to-use information technology hardware and software (SBITAs). The City has recognized intangible right-to-use lease assets (lease assets) and Subscription IT asset in the financial statements. The City recognizes lease and SBIT liabilities with an initial, individual value of \$5,000 or more.

The lease assets are measured at the start of the lease as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

At subscription commencement, the City initially measures the subscription IT liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription IT liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription IT liability, less subscription payments made at or before the subscription commencement date, less any vendor incentives received at or before the subscription commencement date, plus the capitalizable implementation costs. Subsequently, the subscription IT asset is amortized into right-to-use amortization expense on a straight-line basis over the shorter of the subscription term or the useful life of the underlying hardware or software.

Key estimates and judgments related to leases include how the City determines the discount rate it uses to discount the expected lease and SBITA payments to present value, lease and SBITA term and lease and SBITA payments. The City uses the interest rate charged by the lessor/vendor as the discount rate. When the interest rate is not provided, the City uses its estimated incremental borrowing rate as the discount rate for leases and SBITAs. The lease or subscription term includes the noncancellable period of the lease. Lease and SBITA payments included in the measurement of the lease and SBITA liability are composed of fixed payments and a purchase option price that the City is reasonably certain to exercise. The City monitors changes in circumstances that would require a remeasurement of its lease and SBITA and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease and SBITA liability.

Lease and SBITA assets are reported with capital assets on the statement of net position.

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

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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, 2024, \$11,399,640 were required to be reported as deferred outflows of resources of which \$3,078,288 was related to the Pension and \$8,321,352 was related to Other Post-Employment Benefits (OPEB). As of June 30, 2024, \$17,228,176 were required to be reported as deferred inflows of resources of which \$1,403,245 was related to the Pension and \$15,824,931 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.

LEASES — The City determines if an arrangement is a lease at inception. Leases are included in lease assets and lease liabilities in the statements of net position.

Lease assets represent the City’s control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the Town’s obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the Town will exercise that option.

The Town has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Town has elected to use their incremental borrowing rate to calculate the present value of expected lease payments.

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

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creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes, net investment in capital assets, restricted for debt service and special revenue funds. The balance is classified as unrestricted.

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

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

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

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

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

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

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

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

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

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities are reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$68,729,802 difference are as follows:

Bonds and note payable	\$ 19,370,136
Bonds premium	1,059,137
Compensated absences	4,756,394
Net pension liability	12,839,940
Other post-employment obligations	30,300,035
Capital leases	200,053
Lease Payable - ROU Assets	7,565
Post-closure landfill	<u>196,542</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 68,729,802</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 \$943,749 difference are as follows:

Capital outlay	\$ 2,598,959
Depreciation expense	<u>(3,542,708)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds, to arrive at changes in net position of governmental activities	<u>\$ (943,749)</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.”

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The details of this \$410,825 difference are as follows:

Principal repayments/(increase in long-term liabilities):

Note principal payments	\$ 1,325,328
Bond premium	138,976
Other miscellaneous long-term liabilities	18,879
Capital leases	267,304
Net pension liability	(546,397)
Compensated absences	259,647
Other post-employment obligations	<u>(1,052,912)</u>

Net adjustment to decrease net position in fund balances - total
governmental funds to arrive at changes in net position
of governmental activities

\$ 410,825

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. There were \$3,019,418 in supplemental appropriations were approved by the Board of Apportionment

CITY OF DERBY, CONNECTICUT
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and Taxation during the fiscal year. The budget for the General Fund is presented on a basis consistent with generally accepted accounting principles.

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

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

	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u>
Balance, budgetary basis at June 30, 2024	\$ 57,903,664	\$ 56,060,617	\$ 4,425,021
State Teachers' Retirement on-behalf payments	4,494,653	4,494,653	-
State Teachers' OPEB	518,118	518,118	-
Balance, GAAP basis at June 30, 2024	<u>\$ 62,916,435</u>	<u>\$ 61,073,388</u>	<u>\$ 4,425,021</u>

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, 2024, 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.

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.

CITY OF DERBY, CONNECTICUT
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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, 2024:

	Carrying and Fair Values
Deposits	\$ 7,223,838
Money market accounts	3,182
Certificates of Deposit	698,223
Short-term investment fund	9,730,387
	<u>\$ 17,655,630</u>
 Governmental Funds	 \$ 9,238,824
Business-Type Funds	7,786,345
Fiduciary Fund	630,461
	<u>\$ 17,655,630</u>

At June 30, 2024, the carrying amount of the City's deposits was \$17,655,630, including the short-term investment funds. The bank balance of funds on deposit totaled \$18,739,309, including the short-term investment funds. Of the bank balances, \$2,118,930 was covered by federal depository insurance (up to \$250,000) or Security Investor Protection Corporation (up to \$500,000), \$1,662,048 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 \$14,958,431 was uninsured and uncollateralized.

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

Investments

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

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

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

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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, 2024 are shown below:

	<u>Cost</u>	<u>Carrying and Fair Values</u>	<u>Average Credit Quality Ratings</u>	<u>Weighted Average Maturity (Years)</u>
Library Endowment Fund:				
Mutual funds-Equity	\$ 777,725	1,167,157.91	N/A	N/A
School Scholarship Fund:				
Mutual funds-Equity	40,184	40,184	N/A	N/A
Pension Trust Fund:				
Mutual funds-Equity	5,967,527	11,133,589	N/A	N/A
US Treasury Securities	1,253,500	1,253,500	AA+	<1
Greywolf Containership Offshore Fund LP	156,439	314,996	N/A	N/A
Golden Tree Distresses Fund 2014	142,500	120,387	N/A	N/A
Boyd Watterson-GSA Fund	434,729	1,438,040	N/A	N/A
Boyd Watterson-State Government Fund LP	244,981	378,295	N/A	N/A
Verition Interenational Multi-Strategy Fund LTD.	797,697	1,149,165	N/A	N/A
EntrustPermal Structured Income Fund II-A Ltd.	195,145	534,893	N/A	N/A
Golub Capital Partners Int'l 12, L.P.	491,839	641,138	N/A	N/A
Arsenal Sayari Investor I	100,000	204,433	N/A	N/A
Arsenal Sayari Investor II	100,000	204,406	N/A	N/A
Arsenal III, L.P.	210,657	945,362	N/A	N/A
Arsenal Elevate Investors I LLC	150,000	158,879	N/A	N/A
Arsenal Growth Equity IV, L.P.	315,695	458,636	N/A	N/A
TOTAL	<u>\$ 11,378,618</u>	<u>\$ 20,143,061</u>		

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

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NOTE 5 — RECEIVABLES

As of June 30, 2024, receivables by type for the City's government-wide financial statements were as follows:

	General	Nonmajor governmental Funds	Water Pollution Control Authority	Total
Receivables:				
Taxes and interest	\$ 2,788,512	\$ -	\$ -	\$ 2,788,512
Accounts and Other	3,327,291	60,998	-	3,388,289
Sewer Assessments	-	-	1,808,792	1,808,792
Intergovernmental	<u>458,252</u>	<u>177,923</u>	<u>-</u>	<u>636,175</u>
Gross receivables	6,574,055	238,921	1,808,792	8,621,768
Less allowance for collection losses	<u>220,000</u>	<u>-</u>	<u>20,000</u>	<u>240,000</u>
Net receivables	<u>\$ 6,354,055</u>	<u>\$ 238,921</u>	<u>\$ 1,788,792</u>	<u>\$ 8,381,768</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:

	Unavailable	Unearned
General Fund:		
Delinquent property taxes	\$ 2,342,299	\$ -
Blight receivable	2,661,068	-
Various education grants		50,018
Silo Fund- monies received in advance	-	33,741
ARPA/Roads 2015	-	975
Nonmajor governmental funds:		
Community Development	-	172,733
Police Grant	<u>-</u>	<u>182,117</u>
	<u>\$ 5,003,367</u>	<u>\$ 439,584</u>

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 6 — INTERFUND ACCOUNTS

As of June 30, 2024, interfund receivables and payables that resulted from various interfund transactions were as follows:

<u>Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major:		
General	\$ 609,731	\$ 85,276
Enterprise	<u>-</u>	<u>774,700</u>
	609,731	859,976
Nonmajor funds:		
School Lunch	80,299	-
Board of Education Activity Fund	-	-
Community Development	-	-
Silo Fund	138,241	-
Land acquisition	-	27,517
School Roof	<u>-</u>	<u>124,219</u>
	218,540	151,736
Total	<u><u>\$ 828,271</u></u>	<u><u>\$ 1,011,712</u></u>

The General Fund interfund payable is due to various advances of bond monies received by the General Fund yet to be remitted to their respective Sewer and Road 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.

There were no interfund transfers for the year ended June 30, 2024.

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 — CAPITAL ASSETS

Governmental activities - capital asset activity for the year ended June 30, 2024 was as follows:

	<u>Balance July 1, 2023</u>	<u>Additions/ Transfers</u>	<u>Disposal/ Transfers</u>	<u>Balance June 30, 2024</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,551,792	\$ -	\$ -	\$ 6,551,792
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets, not being depreciated	6,551,792	-	-	6,551,792
Capital assets, being depreciated:				
Buildings	89,459,306	35,592	-	89,494,898
Property under capital lease	5,299,503	-	-	5,299,503
Rolling equipment	5,725,781	75,537	-	5,801,318
Machinery, vehicles and equipment	3,914,902	470,160	-	4,385,062
Infrastructure	38,137,192	2,017,670	-	40,154,862
Right to-Use - Leased Assets	192,719	-	-	192,719
Subscription-based IT Assets	<u>56,876</u>	<u>-</u>	<u>-</u>	<u>56,876</u>
	142,786,279	2,598,959	-	145,135,643
Less accumulated depreciation for:				
Buildings	29,160,914	1,980,144	-	31,141,058
Property under capital lease	3,971,169	228,234	-	4,199,403
Rolling equipment	4,928,565	194,575	-	5,123,140
Machinery, vehicles and equipment	3,707,240	107,871	-	3,815,111
Infrastructure	19,927,927	970,683	-	20,898,610
Right to-Use - Leased Assets	123,839	61,201	-	185,040
Subscription-based IT Assets	<u>56,876</u>	<u>-</u>	<u>-</u>	<u>56,876</u>
	61,876,530	3,542,708	-	65,177,322
Total capital assets, being depreciated, net	<u>80,909,749</u>	<u>(943,749)</u>	<u>-</u>	<u>79,966,000</u>
Governmental activities capital assets, net	<u>\$ 87,461,541</u>	<u>\$ (943,749)</u>	<u>\$ -</u>	<u>\$ 86,517,792</u>

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Depreciation expense by function for the year ended June 30, 2024 is as follows:

Education	\$ 1,501,429
General	1,195,387
Public safety	282,200
Public works	319,145
Culture and recreation	244,547
	<u>\$ 3,542,708</u>

Business-type activities - capital asset activity for the year ended June 30, 2024 was as follows:

	<u>July 1, 2023</u>	<u>Additions/ Transfers</u>	<u>Disposal / Transfers out</u>	<u>June 30, 2024</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 594,858	\$ -	\$ -	\$ 594,858
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	594,858	-	-	594,858
Capital assets, being depreciated:				
Buildings	32,749,018	696,791	-	33,445,809
Machinery, vehicles and equipment	<u>2,230,570</u>	<u>-</u>	<u>-</u>	<u>2,230,570</u>
	34,979,588	696,791	-	35,676,379
Less accumulated depreciation for:				
Buildings	12,658,938	1,162,376	-	13,821,314
Machinery, vehicles and equipment	<u>1,831,688</u>	<u>83,702</u>	<u>-</u>	<u>1,915,390</u>
	14,490,626	1,246,078	-	15,736,704
Total capital assets, being depreciated, net	<u>20,488,962</u>	<u>(549,287)</u>	<u>-</u>	<u>19,939,675</u>
Business-type activities capital assets, net	<u>\$ 21,083,820</u>	<u>\$ (549,287)</u>	<u>\$ -</u>	<u>\$ 20,534,533</u>

NOTE 8 – BOND ANTICIPATION NOTE

Bond anticipation note transaction for the year ended June 30, 2024 was as follows:

Outstanding, July 1, 2023	\$ 5,000,000
New Borrowings	5,000,000
Repayments	<u>5,000,000</u>
Outstanding, June 30, 2024	<u>\$ 5,000,000</u>

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

The \$2,000,000 bond anticipation note was refinanced at 2.74 % due October 2024 and was subsequently refinanced at 4.10% and is maturing October 2025.

A \$3,000,000 bond anticipation note was issued in May 2023 at 6.0% and maturing in August 2023. This bond anticipation note was refinanced at 4.10% on October 2024 maturing October 2025.

NOTE 9 — LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2024 was as follows:

	Balance July 1, 2023	Additions	Decreases	Balance June 30, 2024	Due within One Year
	(as restated)				
Governmental Activities:					
General-2015	\$ 2,130,000	\$ -	\$ -	\$ 2,130,000	\$ -
General-2018	2,090,000	-	-	2,090,000	-
General-2019	11,620,000	-	1,095,000	10,525,000	1,070,000
Note payable	4,855,464	-	230,328	4,625,136	247,162
	<u>20,695,464</u>	<u>-</u>	<u>1,325,328</u>	<u>19,370,136</u>	<u>1,317,162</u>
Bond premium	1,198,113	-	138,976	1,059,137	135,803
Capital leases	409,538	-	209,485	200,053	167,081
Lease Payable - ROU Assets	65,384	-	57,819	7,565	5,306
Net pension liability	12,293,543	900,034	353,637	12,839,940	-
OPEB obligation	29,247,123	1,052,912	-	30,300,035	-
Compensated absences	5,016,041	24,826	284,473	4,756,394	100,000
Landfill postclosure	215,421	-	18,879	196,542	20,000
Total	<u>\$ 69,140,627</u>	<u>\$ 1,977,772</u>	<u>\$ 2,388,597</u>	<u>\$ 68,729,802</u>	<u>\$ 1,745,352</u>
Business-type activities:					
Refunding-2018	\$ 5,890,000	\$ -	\$ 370,000	\$ 5,520,000	\$ 370,000
Bonds-2019	7,485,000	-	445,000	7,040,000	440,000
	<u>13,375,000</u>	<u>-</u>	<u>815,000</u>	<u>12,560,000</u>	<u>810,000</u>
Capital leases	137,225	-	53,613	83,612	36,962
Total	<u>\$ 13,512,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,643,612</u>	<u>\$ 846,962</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.

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

As of June 30, 2024, the City's outstanding general obligation bonds and note payable were as follows:

	Outstanding Amount
Governmental Activities:	
\$5,210,000 serial bond; issue of 2018; due October 2038; effective interest ranging from 3.0%-5.0%	\$ 2,090,000
\$13,870,000 serial bond; issue of 2019; due September 2029; effective interest ranging from 2.05%-5.0%	10,525,000
\$8,580,000 serial B bond; issue of 2015; due September 2035; effective interest ranging from 2.0%-5.0%	2,130,000
\$5,587,362 note payable in monthly payments, including principal and interest at 3.04%, issued April 9,2020; due March 2037	\$ 4,625,136
	19,370,136
Less current portion	1,317,162
Long term portion	<u>\$ 18,052,974</u>

As of June 30, 2024, the City's outstanding business-type obligation bonds were as follows:

	Outstanding Amount
Business-type activities:	
\$7,370,000 serial bond; issue of 2018; due October 2038; effective interest ranging from 3.0%-5.0%	\$ 5,520,000
\$13,870,000 serial bond; issue of 2019; due September 2029; effective interest ranging from 2.05%-5.0%	7,040,000
	12,560,000
Less current portion	810,000
Long term portion	<u>\$ 11,750,000</u>

The annual requirements to amortize all bonded debt outstanding as of June 30, 2024 for governmental activities is as follows:

The annual requirements to amortize all bonded debt outstanding as of June 30, 2024, are as follows:

Governmental Activities:	Principal	Interest	Total
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
	<u>\$ 14,745,000</u>	<u>\$ 3,558,487</u>	<u>\$ 18,303,487</u>

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

The annual requirements to amortize note payable outstanding as of June 30, 2024 for governmental activities is as follows:

Year Ended June 30,	Principal	Interest	Total
2025	\$ 247,162	\$ 140,604	\$ 387,766
2026	264,847	133,090	397,938
2027	283,420	125,039	408,460
2028	302,920	116,423	419,343
2029	323,385	107,214	430,600
2030	344,860	97,383	442,243
2031	367,386	86,900	454,285
2032	391,007	75,731	466,739
2033	415,774	63,845	479,618
2034	441,734	51,205	492,939
2035	419,662	37,776	457,438
2036	447,006	25,019	472,025
2037	375,972	11,430	387,402
	<u>\$ 4,625,136</u>	<u>\$ 1,071,659</u>	<u>\$ 5,696,795</u>

The annual requirements to amortize all bonded debt outstanding as of June 30, 2024 for business-type activities is as follows:

Business-type activities:	Principal	Interest	Total
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>\$ 12,560,000</u>	<u>\$ 3,692,188</u>	<u>\$ 16,252,188</u>

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Lease Obligations

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

Year Ended June 30,	Governmental Activities Payment	Business-Type Activities Payment
2025	\$ 173,937	\$ 40,976
2026	34,140	40,976
2027	-	6,829
	<u>208,077</u>	<u>88,781</u>
Less amount representing interest	8,024	5,588
Net present value of lease payments	<u>\$ 200,053</u>	<u>\$ 83,193</u>

Right-of Use Leases (ROU)

The City leases equipment for various terms under long-term, non-cancellable lease agreements. The lease expires at various dates through 2026.

Total future minimum lease payments under lease agreements are as follows:

2025	5,306	154
2026	<u>2,258</u>	<u>17</u>
Total	<u>\$ 7,564</u>	<u>\$ 171</u>

Right-of-use (ROU) assets acquired through outstanding leases are shown below, by underlying asset class.

Office Equipment	\$ 192,719
Less: Accumulated Amortization	<u>(185,040)</u>
Total	<u>\$ 7,679</u>

Governmental Activities

Property and equipment carried at a cost of \$1,340,458 with accumulated amortization of \$741,192 has been acquired under capital lease arrangements. The annual payments under these leases were \$223,324 with interest rates ranging from 3.6% to 7.4%. The capital lease obligations are financed by the general fund.

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Business-Type Activities

Property and equipment carried at a cost of \$338,151 with accumulated amortization of \$163,834 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.

Subscription-Based Information Technology Arrangements Liability

The City leases subscription based technology arrangements under noncancelable agreements. Those agreements in the current year have expired as of the year ended June 30, 2023. All payments for the leased subscriptions have been made as of June 30, 2023. Subsequent to the year-end numerous subscription based technology arrangements have been signed most of which are single fiscal year terms with one contract being a two year term starting July 1, 2024 resulting in total SBITA lease payments of \$104,585.

Subscription assets are comprised of software purchases.

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.

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024 (\$232,092,326), 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, 2024, \$ 33,156,047
 Reimbursement for revenue loss:
 Tax Relief for Elderly -

Base \$ 33,156,047

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Unfunded Pension</u>
Debt Limitation:					
2 ¼ times base	\$ 74,601,105				
4 ½ times base		\$ 149,202,210			
3 ¾ times base			\$ 124,335,175		
3 ¼ times base				\$ 107,757,151	
3 times base	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 99,468,140</u>
Total debt limitation	74,601,105	149,202,210	124,335,175	107,757,151	99,468,140
Indebtedness:					
Bonds payable	14,745,000	-	12,560,000	-	-
Bonds anticipation	3,000,000	-	2,000,000	-	-
Notes payable	4,625,136	-	-	-	-
Bonds authorized and unissued	<u>-</u>	<u>380,212</u>	<u>12,910,000</u>	<u>-</u>	<u>-</u>
	<u>22,370,136</u>	<u>380,212</u>	<u>27,470,000</u>	<u>-</u>	<u>-</u>
Debt Limitation in excess of outstanding and authorized debt	<u>\$ 52,230,969</u>	<u>\$ 148,821,998</u>	<u>\$ 96,865,175</u>	<u>\$ 107,757,151</u>	<u>\$ 99,468,140</u>

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024 is as follows:

	Water Pollution Control Authority	Parking Authority	Total Enterprise Funds
Operating Revenues	\$ 3,408,147	\$ -	\$ 3,408,147
Operating Expenses	<u>3,269,020</u>	<u>-</u>	<u>3,269,020</u>
Operating Income(Loss)	139,127	-	139,127
Non-Operating(Expenses) Revenues	<u>1,381,234</u>	<u>-</u>	<u>1,381,234</u>
Change in Net Position	1,520,361	-	1,520,361
Beginning Net Position	<u>12,053,236</u>	<u>554,329</u>	<u>12,607,565</u>
Ending Net Position	13,573,597	554,329	14,127,926
Net Cash Provided By (Used In):			
Operating Activities	503,341	-	503,341
Capital and Financing Activities	-	-	-
Noncapital Financing Activities	(463,528)	-	(463,528)
Investing Activities	248,318	-	248,318
Beginning Cash and Equivalents	<u>7,498,212</u>	<u>-</u>	<u>7,498,212</u>
Ending Cash and Equivalents	<u>\$ 7,786,343</u>	<u>\$ -</u>	<u>\$ 7,786,343</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, 2024 are as follows:

	General Fund	Silo Fund	Other Governmental Funds	Total
Nonspendable:				
Inventories	\$ -	\$ -	\$ 3,983	\$ 3,983
	<u>-</u>	<u>-</u>	<u>3,983</u>	<u>3,983</u>
Restricted:				
Capital projects	-	-	109,174	109,174
Education	-	-	671,195	671,195
Library	<u>-</u>	<u>-</u>	<u>1,167,158</u>	<u>1,167,158</u>
	<u>-</u>	<u>-</u>	<u>1,947,527</u>	<u>1,947,527</u>
Assigned:				
Library	<u>-</u>	<u>-</u>	<u>118,329</u>	<u>118,329</u>
Unassigned:	<u>4,425,021</u>	<u>(1,171,690)</u>	<u>76,082</u>	<u>3,329,413</u>
Total	<u>\$ 4,425,021</u>	<u>\$ (1,171,690)</u>	<u>\$ 2,145,921</u>	<u>\$ 5,399,252</u>

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

The following fund had a fund deficit as of June 30, 2024:

School Roof	\$ <u>(124,219)</u>
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The deficits for Community Development and School Roof Funds will be reduced or eliminated through the receipt of grant funds or transfers from the General Fund.

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

Public safety	\$ <u>(708,761)</u>
Board of Education-operations	\$ <u>(112,208)</u>
Board of Education-grants	\$ <u>(7,980,763)</u>
Capital outlay	\$ <u>(33,276)</u>

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

NOTE 12– EMPLOYEE RETIREMENT PLANS

Connecticut Municipal Employees’ Retirement Plan

Organization

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

Plan description

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

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

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Benefit provisions

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

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

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

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

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

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

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

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

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

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

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

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.

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2022. 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, 2024, the City reported a liability of \$8,645,844 for its proportionate share of the CMERS' net pension liability. The net pension liability was measured as of June 30, 2023. 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, 2023, to the measurement date of June 30, 2023. The components of the net pension liability of the City at June 30, 2024 was as follows:

	Derby Police MERS
Total pension liability	\$ 28,384,617
Plan fiduciary net assets	<u>19,738,773</u>
Net Pension Liability	<u>\$ 8,645,844</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>69.54%</u>
Percentage of the total	<u>7.519%</u>

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Pension expense and deferred outflows/inflows of resources

For the year ended June 30, 2024, the City recognized pension expense (income) for their portion of the CMERS of \$1,061,504. At June 30, 2024, the County reported deferred outflows of resources related to pensions from the following sources:

	<u>Derby Police MERS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,020,569	\$ 97,205
Change of assumptions	1,117,973	-
Changes in proportion and difference between employers contributions and proportionate share of contributions	115,658	429,705
Differences between projected and actual investment earnings on plan investments	<u>642,242</u>	<u>-</u>
Total	<u>\$ 2,896,442</u>	<u>\$ 526,910</u>
Percentage of total	<u>7.519%</u>	
Pension Expense	<u>\$ 1,061,504</u>	

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

<u>Year Ending June 30,</u>	<u>Derby Police MERS</u>
2025	\$ 553,313
2026	477,304
2027	970,645
2028	280,245
2029	88,025
Thereafter	<u>-</u>
Total	<u>\$ 2,369,532</u>

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Actuarial Assumptions

The collective total pension liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement period:

Inflation	2.50%
Salary	3.5-9.50%, including inflation
Investment rate of return	7% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Combined Mortality Table for annuitants and non-annuitants (set forward one year for males and set back one year for females).

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

Long-term rate of return

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

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2023 are summarized in the following table:

Asset Class	MERS - Target Allocation	MERS- Long-Term Expected Real Rate of Return
Global Equity	37.0%	6.8%
Public Credit	2.0%	2.9%
Core fixed income	13.0%	0.4%
Liquidity fund	1.0%	-0.4%
Risk Mitigation	5.0%	0.1%
Private equity	15.0%	11.2%
Private Credit	10.0%	6.1%
Real estate	10.0%	6.3%
Infra. & Natural Resources	7.0%	7.7%
	<u>100%</u>	

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
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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:

	1% Decrease	Current	1% Increased
<u>Net Pension Liability (Asset)</u>	<u>to 6%</u>	<u>Discount</u>	<u>to 8%</u>
		<u>Rate 7%</u>	
Derby Police-MERS	<u>\$ 12,096,438</u>	<u>\$ 8,645,844</u>	<u>\$ 5,784,408</u>

Connecticut State Teachers' Retirement Fund

Organization

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

Plan description

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

Benefit provisions

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

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

In addition, amounts derived from the accumulation of 6% contributions made prior to July 1, 1989 and voluntary contributions are payable.

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

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

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

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

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

Contributions-State of Connecticut

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

Employer (School Districts)

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

Employees:

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 \$4,494,653 for the year ended June 30, 2024.

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

At June 30, 2024, 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

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
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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>\$ 46,944,386</u>
Total	<u>\$ 46,944,386</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>58.39%</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2023, 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	3.00%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2022 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.

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
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The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	37%	6.8%
Public Credit	2%	2.9%
Core Fixed Income	13%	0.4%
Liquidity Fund	1%	-0.4%
Risk Mitigation	5%	0.1%
Private Equity	15%	11.2%
Private Credit	10%	6.1%
Real Estate	10%	6.2%
Infrastructure and Natural Resources	7%	7.7%
	<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 5.9%</u>	<u>Current Discount Rate 6.9%</u>	<u>1% Increased to 7.9%</u>
State's share of NPL associated with the City	<u>\$ 61,324,503</u>	<u>\$ 46,944,386</u>	<u>\$ 34,999,370</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
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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, 2023, employee membership data related to the pension plan was as follows:

Inactive plan members or beneficiaries currently receiving benefits	82
Inactive plan members or beneficiaries currently not yet receiving benefits	75
Active plan members	<u>66</u>
	<u>223</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, 2024, the City's total payroll for all employees amounted to \$20,619,375 and the City's total covered payroll amounted to \$3,773,413. 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, 2024**

**STATEMENT OF FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2024**

	<u>Pension Trust Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 630,461
Investments, at fair value	18,935,719
Other receivables	-
TOTAL ASSETS	<u><u>\$ 19,566,180</u></u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Other liabilities	\$ -
TOTAL CURRENT LIABILITIES	-
NET POSITION	
Reserved for employee retirement system	<u>19,566,180</u>
TOTAL NET POSITION	<u><u>19,566,180</u></u>
	TOTAL LIABILITIES AND NET POSITION
	<u><u>\$ 19,566,180</u></u>

**CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2024**

ADDITIONS	
Contributions	
Employer contributions from general fund	\$ 500,000
Employee contributions	124,823
Total contributions	<u>624,823</u>
Investment income	
Net appreciation in fair value of investments	1,616,389
Interest and dividends	37,112
	<u>1,653,501</u>
Less investment expenses - investment management fees	<u>18,541</u>
Net investment income	<u>1,634,960</u>
Total additions	2,259,783
DEDUCTIONS	
Benefits and other deductions	<u>1,251,689</u>
Net change in net assets	1,008,094
Net position held in trust for pension benefits at July 1, 2023	<u>18,558,086</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS AT JUNE 30, 2024	<u><u>\$ 19,566,180</u></u>

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

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		
	Target Allocation	Long-Term Expected Real Rate of Return*	Weighting
US Large Cap (Public)	35.31%	5.25%	1.85%
US Small Cap (Public)	8.23%	5.50%	0.45%
Int'l Large Cap (Public)	5.06%	7.50%	0.38%
Int'l Small Cap (Public)	1.65%	7.75%	0.13%
Emerging Large Cap (Public)	3.16%	8.25%	0.26%
US Fixed Income	5.77%	2.60%	0.15%
Illiquid Equity (VC, Shipping)	11.96%	8.25%	0.99%
Private Real Estate (Leasing)	9.50%	4.80%	0.46%
Illiquid Fixed Income (CLO, Distressed, Private)	6.78%	6.60%	0.45%
Hedge Funds (Multi-Strategy)	6.01%	5.80%	0.35%
Cash	6.57%	2.70%	0.18%
	<u>0.00%</u>	<u>0.56%</u>	<u>0.00%</u>
	<u>100%</u>		5.65%
Long-term inflation expectation			<u>2.40%</u>
Long-term expected nominal return			<u>8.05%</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, 2023, Actuarial Valuation directly calculated the July 1st, 2023 Total Pension Liability (TPL). The July 1, 2023 TPL was increased by service cost and interest and decreased by benefit payments to estimate the TPL as of June 30, 2024. The TPL as of June 30, 2023, 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, 2024

Net Pension Liability of the City

The components of the net pension liability of the City at June 30, 2024 were as follows:

	City Employees' Retirement 2024
Total pension liability	\$ 23,760,275
Plan fiduciary net assets	<u>19,566,179</u>
Net Pension Liability	<u>\$ 4,194,096</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>82.35%</u>
Covered-employee payroll	<u>\$ 3,773,413</u>
Net pension liability as a % of covered payroll	<u>111.15%</u>

The City's net pension liability is recorded on the governmental-wide statement of net position at June 30, 2024.

Actuarial Assumptions (GASB 67)

The actuarial assumptions are as follows:

	City's Retirement Plan
Valuation date	July 1, 2023
Actuarial cost method	Aggregate Actuarial cost method
Actuarial accrued liability	N/A
Remaining amortization period	N/A
Asset valuation method	Expected value
Investment rate of return	6.50%
Inflation	2.40%
Retirement age	65
Mortality	MP-2021

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, 2024

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 6.50%. 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 6.50%, 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	1% Increased to
<u>Net Pension Liability (Asset)</u>	<u>5.50%</u>	<u>Discount Rate</u>	<u>6.50%</u>
			<u>7.50%</u>
City Employees' Retirement	<u>\$ 6,828,581</u>	<u>\$ 4,194,096</u>	<u>\$ 1,956,037</u>

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

For the year ended June 30, 2024, the City recognized pension expense of \$331,156 for the City Pension Plan. The City reported deferred outflows of resources related to pensions from the following sources:

	<u>City Pension</u>	
	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>
Differences between expected and actual experience		\$ (649,241)
Changes in assumptions	\$ 181,846	-
Net difference between projected and actual earnings on investments		(227,094)
Total	<u>\$ 181,846</u>	<u>\$ (876,335)</u>

Actual investment earnings below (or above) projected earnings are amortized over 4 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, 2024

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

<u>Year Ending June 30,</u>	<u>City Pension</u>
2025	(715,995)
2026	250,615
2027	(142,767)
2028	(86,342)
2029	-
Thereafter	-
Total	<u><u>\$ (694,489)</u></u>

NOTE 13 - POST-RETIREMENT BENEFITS

The City provides post-retirement benefits for certain employees for current and future health and life insurance benefit expenses through a single employer defined benefit plan. An annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made July 1, 2023. 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, 2023, the date of the last actuarial valuation.

Active plan members	296
Retirees	47
Spouses of Retirees	-
Total members	<u><u>343</u></u>

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

Total OPEB liability	\$ 30,300,034
Plan fiduciary net position	<u>-</u>
Towns net OPEB liability	<u><u>\$ 30,300,034</u></u>
Covered payroll	<u><u>\$ 20,011,624</u></u>
Total OPEB liability as a % of covered payroll	<u>151.41%</u>

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Valuation Date and Roll Forward Process

The July 1, 2023, Actuarial Valuation directly calculated the July 1, 2023, Total OPEB Liability (TOL). The July 1, 2023, TOL was increased by service cost and interest and decreased by benefit payments to estimate the TOL as of June 30, 2024. The TOL as of June 30, 2024, 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, 2022
Measurement date	June 30, 2024
Actuarial cost method	Entry Age Normal
Inflation	2.40%
Healthcare cost trend rates	7.00% - 4.40% 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 July 1, 2023	\$ 29,247,122
Service cost	1,737,621
Interest on net OPEB liability	1,108,286
Benefit payments	(1,252,698)
Investment gains or losses	
Differences between expected & actual	787,967
Expected assumptions changes or inputs	(1,328,264)
Contributions made	<u>-</u>
Increase in net OPEB liability	<u>1,052,912</u>
Net OPEB liability, ending	<u><u>\$ 30,300,034</u></u>

Sensitivity Analysis

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.65%, 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 (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
Net OPEB liability	<u>\$ 35,433,710</u>	<u>\$ 30,300,034</u>	<u>\$ 26,139,067</u>

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.

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	1% Increase (8.0% decreasing to 5.40%)	Health care cost (7.0% decreasing to 4.40%)	1% Decrease (6.0% decreasing to 3.4%)
Net OPEB liability	\$ 37,315,305	\$ 30,300,034	\$ 24,913,325

OPEB Expense and Deferred outflows and inflows of Resources

The City recognized OPEB expense of \$1,151,497. The City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 980,628	\$ (9,153,409)
Net difference between projected and actual earnings		
Changes of assumptions or other inputs	7,340,724	(6,671,522)
Total	\$ 8,321,352	\$ (15,824,931)

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

<u>Year Ending June 30,</u>	
2025	\$ (1,694,410)
2026	(1,694,410)
2027	(1,694,410)
2028	(1,694,410)
2029	(1,434,457)
Thereafter	708,518
Total	\$ (7,503,579)

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.

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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.

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

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
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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	\$ -
State's proportionate share of the OPEB liability associated with the City	\$ 4,398,044
Total	<u>\$ 4,398,044</u>

The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The City has no proportionate share of the net OPEB liability. The City recognized OPEB expense and revenue of (\$518,118) for on-behalf amounts for the contributions to the plan by the State.

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

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 expense, including inflation
Municipal bond index rate:	Measurement Date 3.65%
	Prior Measurement Date 3.54%
Projected fiduciary net position is projected to be depleted	2028
<u>Single equivalent interest rate:</u>	
Measurement Date	3.65%, net of OPEB plan investment expense, including price inflation
Prior Measurement Date	3.54%, net of OPEB plan investment expense, including price inflation
<u>Healthcare cost trend rates:</u>	
Medicare	Known increases until calendar year 2024, then general trend decreasing to an ultimate rate of 4.5% by 2031.

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, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2014 - June 30, 2019.

Changes in assumptions and inputs

The discount rate was increased from 3.53% to 3.64% 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
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All the plan assets are assumed to be invested in cash equivalents due to the need for liquidity. The expected rate of return is 3.00%.

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 3.65%. 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.

NOTE 14 –COMMITMENTS AND CONTINGENT LIABILITIES

The City of Derby, Connecticut is contingently liable in a number of lawsuits involving personal injury claims, heart and hypertension, tax appeals, negligence, zoning, personnel, and other miscellaneous suits and unasserted claims.

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

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, 2024

NOTE 15 -RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health and medical claims and natural disasters. The City carries commercial insurance for these risks. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the three prior years.

NOTE 16– CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the City of Derby place a final cover on its landfill when it was closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The recognition of these landfill closure and post closure care costs is based on the amount of landfill used during the year. The estimated remaining cost of the post closure care is \$196,542, 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, 2024. The actual cost of closure and post closure 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 post closure costs have been included in Other Governmental Funds.

NOTE 17 – SELF INSURANCE

The City is self-insured for liabilities for most health benefits, third-party claims, and workers' compensation which is accounted for in the general fund. The Risk Management office actively manages risk on behalf of the City, through a combination of loss prevention and control, risk retention and risk transfer. The City continually evaluates its risk management program, including its self-insured retention levels, claims frequency and loss trends. Currently, there is a stop loss limit on claim exceeding \$125,000. A reconciliation of changes in the aggregate liabilities for claims (including IBNR claims) for the current fiscal year and the prior fiscal year is as follows:

	Year ended	
	June 30, 2024	June 30, 2023
Amount of claims liabilities at the beginning of the fiscal year	\$ 2,552,465	\$ 1,695,991
Incurred claims	5,469,591	7,553,360
Payments on claims	<u>6,092,282</u>	<u>6,696,886</u>
Amount of claims liabilities at the end of the fiscal year	<u>\$ 1,929,774</u>	<u>\$ 2,552,465</u>

NOTE 18– SUBSEQUENT EVENTS

Subsequent events were evaluated through June 25, 2025, 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**

	For the Years Ended June 30,							
	2024	2023	2023	2021	2020	2019	2018	2017
Contractually required contribution	\$ 1,081,013	\$ 1,044,457	\$ 1,029,587	\$ 994,770	\$ 840,082	\$ 811,673	\$ 1,003,231	\$ 969,392
Contributions in relation to the contractually required contribution	<u>500,000</u>	<u>1,000,000</u>	<u>700,000</u>	<u>190,000</u>	<u>190,000</u>	<u>190,000</u>	<u>572,000</u>	<u>572,000</u>
Contribution deficiency(excess)	<u>\$ 581,013</u>	<u>\$ 44,457</u>	<u>\$ 329,587</u>	<u>\$ 804,770</u>	<u>\$ 650,082</u>	<u>\$ 621,673</u>	<u>\$ 431,231</u>	<u>\$ 397,392</u>
City's Covered payroll	<u>\$ 3,773,413</u>	<u>\$ 4,615,899</u>	<u>\$ 4,459,806</u>	<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>
Contributions as a percentage of covered payroll	<u>13.25%</u>	<u>21.66%</u>	<u>15.70%</u>	<u>3.81%</u>	<u>3.95%</u>	<u>3.44%</u>	<u>10.72%</u>	<u>11.07%</u>

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

	City's Retirement Plan
Valuation date	July 1, 2023
Actuarial cost method	Aggregate Actuarial cost method
Actuarial accrued liability	N/A
Remaining amortization period	N/A
Asset valuation method	Expected value
Investment rate of return	6.50%
Inflation	2.40%
Retirement age	65
Mortality	MP-2021

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

	Year ending June 30, 2024 City Retirement Plan	Year ending June 30, 2023 City Retirement Plan	Year ending June 30, 2022 City Retirement Plan	Year ending June 30, 2021 City Retirement Plan	Year ending June 30, 2020 City Retirement Plan	Year ending June 30, 2019 City Retirement Plan	Year ending June 30, 2018 City Retirement Plan
Total Pension Liability							
Service cost	\$ 620,314	\$ 599,337	\$ 671,797	\$ 649,080	\$ 676,977	\$ 654,084	\$ 776,874
Interest on total pension liability	1,503,138	1,448,717	1,520,990	1,449,718	1,403,388	1,334,277	1,431,319
Effect of economic/demographic gains or (losses)	(233,349)	-	(1,756,038)	-	(655,805)	-	(526,463)
Change in assumptions	-	-	524,691	-	1,067,879	-	(1,967,488)
Benefit payments	(1,249,770)	(1,214,326)	(1,055,983)	(1,074,958)	(997,055)	(1,049,921)	(908,031)
Net change in total pension liability	640,333	833,728	(94,543)	1,023,840	1,495,384	938,440	(1,193,789)
Total Pension Liability, beginning	23,119,942	22,286,214	22,380,757	21,356,917	19,861,533	18,923,093	20,116,882
Total pension liability, ending (a)	23,760,275	23,119,942	22,286,214	22,380,757	21,356,917	19,861,533	18,923,093
Fiduciary Net Position							
Employer contributions	\$ 500,000	\$ 1,000,000	\$ 700,000	\$ 190,000	\$ 190,000	\$ 190,000	\$ 572,000
Member contributions	124,823	132,383	68,517	54,392	82,229	182,134	91,864
Investment income net of investment expenses	1,618,917	1,401,484	(1,221,124)	4,514,626	212,165	576,865	1,491,886
Benefit payments	(1,249,770)	(1,214,326)	(1,055,983)	(1,074,958)	(997,055)	(1,049,921)	(908,031)
Administrative expenses	-	(16,883)	(1,643)	(77,548)	(20,929)	(44,105)	(61,928)
Net change in plan fiduciary net position	993,970	1,302,658	(1,510,233)	3,606,512	(533,590)	(145,027)	1,185,791
Fiduciary Net Position, beginning	18,572,209	17,269,551	18,779,784	15,173,272	15,706,862	15,851,889	14,666,098
Fiduciary net position, ending (b)	19,566,179	18,572,209	17,269,551	18,779,784	15,173,272	15,706,862	15,851,889
Net pension liability, ending (a)-(b)	\$ 4,194,096	\$ 4,547,733	\$ 5,016,663	\$ 3,600,973	\$ 6,183,645	\$ 4,154,671	\$ 3,071,204
Fiduciary net position as a % of total pension liability	<u>82.35%</u>	<u>80.33%</u>	<u>77.49%</u>	<u>83.91%</u>	<u>71.05%</u>	<u>79.08%</u>	<u>83.77%</u>
Covered payroll	\$ 3,773,413	\$ 4,615,899	\$ 4,459,806	\$ 4,984,176	\$ 4,815,629	\$ 5,523,439	\$ 5,336,656
Net pension liability as a % of covered payroll	<u>111.15%</u>	<u>98.52%</u>	<u>112.49%</u>	<u>72.25%</u>	<u>128.41%</u>	<u>75.22%</u>	<u>57.55%</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**

	For the Years Ended June 30,					
	2024	2023	2022	2021	2020	2019
Contractually required contribution	\$ 1,152,563	\$ 889,933	\$ 999,459	\$ 853,292	\$ 753,664	\$ 606,612
Contributions in relation to the contractually required contribution	<u>1,152,563</u>	<u>889,933</u>	<u>999,459</u>	<u>853,292</u>	<u>753,664</u>	<u>606,612</u>
Contribution deficiency(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered payroll	<u>\$ 3,773,413</u>	<u>\$ 3,884,933</u>	<u>\$ 3,975,436</u>	<u>\$ 3,424,096</u>	<u>\$ 3,424,096</u>	<u>\$ 3,424,096</u>
Contributions as a percentage of covered payroll	<u>30.54%</u>	<u>22.91%</u>	<u>25.14%</u>	<u>24.92%</u>	<u>22.01%</u>	<u>17.72%</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

	Years Ending June 30,			
Total OPEB liability	2024	2023	2022	2021
Service cost	\$ 1,737,621	\$ 1,564,520	\$ 2,169,693	\$ 2,567,845
Interest on net OPEB liability	1,108,286	987,090	720,685	936,850
Changes in benefit terms	-	-	-	-
Differences between expected & actual	787,967	(706,740)	294,526	(11,402,728)
Expected assumptions changes or inputs	(1,328,264)	1,709,188	(7,132,230)	(35,195)
Benefit payments	<u>(1,252,698)</u>	<u>(1,241,853)</u>	<u>(622,896)</u>	<u>(766,204)</u>
	1,052,912	2,312,205	(4,570,222)	(8,699,432)
Total OPEB Liability - beginning	<u>29,247,122</u>	<u>26,934,917</u>	<u>31,505,139</u>	<u>40,204,571</u>
Total OPEB Liability - ending	<u>\$ 30,300,034</u>	<u>\$ 29,247,122</u>	<u>\$ 26,934,917</u>	<u>\$ 31,505,139</u>
 Covered Payroll	 <u>\$ 20,011,624</u>	 <u>\$ 19,542,602</u>	 <u>\$ 18,292,287</u>	 <u>\$ 17,863,562</u>
 Total OPEB liability as a % of covered payroll	 <u>151.41%</u>	 <u>149.66%</u>	 <u>147.25%</u>	 <u>176.37%</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,					
	2024	2023	2022	2021	2020	2019
City's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the City	\$ 46,944,386	\$ 48,739,412	\$ 35,710,636	\$ 45,088,705	\$ 39,111,989	\$ 30,157,616
Total	<u>\$ 46,944,386</u>	<u>\$ 48,739,412</u>	<u>\$ 35,710,636</u>	<u>\$ 45,088,705</u>	<u>\$ 39,111,989</u>	<u>\$ 30,157,616</u>
City's covered-employee payroll	<u>\$ -</u>	<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>	<u>0%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>58.39%</u>	<u>54.06%</u>	<u>60.77%</u>	<u>49.24%</u>	<u>52.00%</u>	<u>57.69%</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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
City's proportionate share of the net OPEB liability		\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the City		<u>\$ 4,398,044</u>	<u>\$ 4,268,455</u>	<u>\$ 3,890,608</u>	<u>\$ 6,099,737</u>
Total		<u>\$ 4,398,044</u>	<u>\$ 4,268,455</u>	<u>\$ 3,890,608</u>	<u>\$ 6,099,737</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>0.28%</u>	<u>0.27%</u>	<u>0.24%</u>	<u>0.33%</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, 2024**

	Special Revenue Fund	Capital Projects Fund	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 939,924	\$ 260,910	\$ 1,200,834
Investments	1,207,342		1,207,342
Receivables - intergovernmental	177,923	-	177,923
Receivables - other	60,998	-	60,998
Inventory	3,983	-	3,983
Due from other funds	80,299	-	80,299
TOTAL ASSETS	<u>\$ 2,470,469</u>	<u>\$ 260,910</u>	<u>\$ 2,731,379</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 28,783	\$ -	\$ 28,783
Deferred revenue	354,850	-	354,850
Due to other funds	50,089	151,736	201,825
TOTAL LIABILITIES	<u>433,722</u>	<u>151,736</u>	<u>585,458</u>
FUND BALANCES			
Nonspendable	3,983	-	3,983
Restricted	1,838,353	109,174	1,947,527
Assigned	118,329	-	118,329
Unassigned	76,082	-	76,082
Total fund balances	<u>2,036,747</u>	<u>109,174</u>	<u>2,145,921</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,470,469</u>	<u>\$ 260,910</u>	<u>\$ 2,731,379</u>

CITY OF DERBY, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
REVENUES			
Federal and State government	\$ 1,135,075	\$ -	\$ 1,135,075
Charges for services	351,536	-	351,536
Other	505,160	-	505,160
Interest on investments	<u>43,414</u>	<u>1,125</u>	<u>44,539</u>
TOTAL REVENUES	2,035,185	1,125	2,036,310
EXPENDITURES			
General government	3,159	-	3,159
Board of Education	463,344	-	463,344
Health and welfare	1,300,563	-	1,300,563
Capital outlay	<u>-</u>	<u>35,592</u>	<u>35,592</u>
TOTAL EXPENDITURES	<u>1,767,066</u>	<u>35,592</u>	<u>1,802,658</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	268,119	(34,467)	233,652
Fund balance at July 1, 2023	<u>1,768,628</u>	<u>143,641</u>	<u>1,912,269</u>
FUND BALANCES AT JUNE 30, 2024	<u>\$ 2,036,747</u>	<u>\$ 109,174</u>	<u>\$ 2,145,921</u>

CITY OF ANSONIA, CONNECTICUT
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2024

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.

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.

CITY OF DERBY, CONNECTICUT
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2024

	<u>School Lunch</u>	<u>Community Development</u>	<u>Board of Education Activity Fund</u>	<u>Police Grant Fund</u>	<u>Library Endowment Fund</u>	<u>Total</u>
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 161,242	\$ 187,817	\$ 290,419	\$ 182,117	\$ 118,329	\$ 939,924
Investments	-	-	40,184	-	1,167,158	1,207,342
Receivables - intergovernmental	177,923	-	-	-	-	177,923
Receivables - other	-	60,998	-	-	-	60,998
Inventory	3,983	-	-	-	-	3,983
Due from other funds	80,299	-	-	-	-	80,299
TOTAL ASSETS	<u>\$ 423,447</u>	<u>\$ 248,815</u>	<u>\$ 330,603</u>	<u>\$ 182,117</u>	<u>\$ 1,285,487</u>	<u>\$ 2,470,469</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 25,601	\$ -	\$ 3,182	\$ -	\$ -	\$ 28,783
Deferred revenue	-	172,733	-	182,117	-	354,850
Due to other funds	-	-	50,089	-	-	50,089
Long-term debt	-	-	-	-	-	-
TOTAL LIABILITIES	<u>25,601</u>	<u>172,733</u>	<u>53,271</u>	<u>182,117</u>	<u>-</u>	<u>433,722</u>
FUND BALANCES						
Nonspendable	3,983	-	-	-	-	3,983
Restricted	393,863	-	277,332	-	1,167,158	1,838,353
Committed	-	-	-	-	118,329	118,329
Unassigned	-	76,082	-	-	-	76,082
Total fund balances	<u>397,846</u>	<u>76,082</u>	<u>277,332</u>	<u>-</u>	<u>1,285,487</u>	<u>2,036,747</u>

CITY OF DERBY, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICITS)– NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2024

	<u>School Lunch</u>	<u>Community Development</u>	<u>Board of Education Activity Fund</u>	<u>Police Grant Fund</u>	<u>Library Endowment Fund</u>	<u>Total</u>
REVENUES						
Federal and State government	\$ 1,102,407	\$ -	\$ -	\$ 32,668	\$ -	\$ 1,135,075
Charges for services	39,494	-	304,238	-	7,804	351,536
Other	-	406,426	-	-	98,734	505,160
Investment income	-	-	11,710	-	31,704	43,414
TOTAL REVENUES	<u>1,141,901</u>	<u>406,426</u>	<u>315,948</u>	<u>32,668</u>	<u>138,242</u>	<u>2,035,185</u>
EXPENDITURES						
General government	-	3,159	-	-	-	3,159
Board of Education	-	-	463,344	-	-	463,344
Health and welfare	<u>1,202,975</u>	<u>-</u>	<u>-</u>	<u>32,668</u>	<u>64,920</u>	<u>1,300,563</u>
TOTAL EXPENDITURES	<u>1,202,975</u>	<u>3,159</u>	<u>463,344</u>	<u>32,668</u>	<u>64,920</u>	<u>1,767,066</u>
EXCESS OF REVENUES						
OVER (UNDER) EXPENDITURES	(61,074)	403,267	(147,396)	-	73,322	268,119
EXCESS (DEFICIENCY) OF REVENUES AND						
OTHER FINANCING SOURCES OVER EXPENDITURES						
AND OTHER FINANCING SOURCES (USES)	(61,074)	403,267	(147,396)	-	73,322	268,119
Fund balance at July 1, 2023	<u>458,920</u>	<u>(327,185)</u>	<u>424,728</u>	<u>-</u>	<u>1,212,165</u>	<u>1,768,628</u>
FUND BALANCES						
AT JUNE 30, 2024	<u>\$ 397,846</u>	<u>\$ 76,082</u>	<u>\$ 277,332</u>	<u>\$ -</u>	<u>\$ 1,285,487</u>	<u>\$ 2,036,747</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.

Land Acquisition — is used to account for acquisition of land designated by the City for conservation

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

School Roof Project — are used to account for the school roof replacement expenditures.

CITY OF DERBY, CONNECTICUT
COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2024

	<u>Middle School Project</u>	<u>Field House Project</u>	<u>Land Acquisitions</u>	<u>System-wide School Capital Improvements</u>	<u>School Roof</u>	<u>Total</u>
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 168,466	\$ 24,681	\$ 61,250	\$ 6,513	\$ -	\$ 260,910
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,517</u>	<u>\$ -</u>	<u>\$ 124,219</u>	<u>\$ 151,736</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>27,517</u>	<u>-</u>	<u>124,219</u>	<u>151,736</u>
FUND BALANCES						
Restricted	<u>168,466</u>	<u>24,681</u>	<u>33,733</u>	<u>6,513</u>	<u>(124,219)</u>	<u>109,174</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 168,466</u>	<u>\$ 24,681</u>	<u>\$ 61,250</u>	<u>\$ 6,513</u>	<u>\$ -</u>	<u>\$ 260,910</u>

CITY OF DERBY, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICITS)– NONMAJOR CAPITAL PROJECT FUNDS
YEAR ENDED JUNE 30, 2024

	<u>Middle School Project</u>	<u>Field House Project</u>	<u>Land Acquisitions</u>	<u>System-wide School Capital Improvements</u>	<u>School Roof</u>	<u>Total</u>
REVENUES						
Interest on investments	\$ -	\$ 966	\$ -	\$ 159	\$ -	\$ 1,125
TOTAL REVENUES	-	966	-	159	-	1,125
EXPENDITURES						
Capital outlay	-	35,592	-	-	-	35,592
TOTAL EXPENDITURES	-	35,592	-	-	-	35,592
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(34,626)	-	159	-	(34,467)
Fund balance at July 1, 2023,	168,466	59,307	33,733	\$ 6,354	(124,219)	143,641
FUND BALANCES (DEFICITS)						
AT JUNE 30, 2024	<u>\$ 168,466</u>	<u>\$ 24,681</u>	<u>\$ 33,733</u>	<u>\$ 6,513</u>	<u>\$ (124,219)</u>	<u>\$ 109,174</u>

SUPPLEMENTAL INFORMATION

OTHER SCHEDULES

**CITY OF DERBY, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED,
COLLECTED AND OUTSTANDING – GENERAL FUND
YEAR ENDED JUNE 30, 2024**

Grand List Year	Uncollected Taxes July 01, 2023 and Current List	Additions/ (Deductions)	Balance to be Collected	Collections				Taxes Receivable June 30, 2024
				Taxes	Interest	Lien Fees	Total	
2007	\$ 6,415	\$ (6,415)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2008	3,776	(139)	3,637	10	24	-	34	3,627
2009	5,902	42,760	48,662	4,446	10,735	24	15,205	44,216
2010	4,006	45,599	49,605	3,982	8,957	24	12,963	45,623
2011	(13,156)	58,957	45,801	4,732	10,219	70	15,020	41,069
2012	(7,226)	49,556	42,330	7,027	13,147	84	20,259	35,302
2013	5,182	59,671	64,853	6,791	12,831	112	19,735	58,061
2014	15,853	43,208	59,062	7,184	13,098	1,921	22,203	51,878
2015	7,541	41,517	49,058	6,037	11,928	30	17,995	43,021
2016	39,193	44,815	84,008	10,358	14,293	30	24,680	73,650
2017	74,660	33,719	108,378	13,746	18,010	(1,719)	30,036	94,633
2018	112,026	19,807	131,833	24,627	22,131	(942)	45,815	107,206
2019	242,756	(4,212)	238,544	46,726	51,231	(336)	97,621	191,818
2020	400,936	(5,982)	394,954	132,698	180,656	2,353	315,707	262,256
2021	987,086	(5,340)	981,746	420,116	198,058	1,342	619,516	561,630
	1,884,950	417,521	2,302,471	688,480	565,318	2,993	1,256,790	1,613,991
2022	33,069,577	(97,094)	32,972,483	31,797,963	100,306	987	31,899,256	1,174,520
	<u>\$ 34,954,527</u>	<u>\$ 320,427</u>	<u>\$ 35,274,954</u>	<u>\$ 32,486,442</u>	<u>\$ 665,624</u>	<u>\$ 3,980</u>	<u>\$ 33,156,047</u>	<u>\$ 2,788,511</u>

**CITY OF DERBY, CONNECTICUT
SCHEDULE OF NATIONALLY RECOGNIZED MUNICIPAL
SECURITIES INFORMATION REPOSITORY
YEAR ENDED JUNE 30, 2024**

Gross Grand List-October 1, 2022	\$ 1,034,907,111
Net Grand List-October 1, 2022	\$ 866,179,119

	Grand List Assessment
Ten Largest Taxpayers:	
United Illuminating Co	\$ 25,500,145
Yankee Gas Services Co	13,049,940
500 Nha LLC	9,517,100
Home Depot Usa Inc	7,937,891
Antinozzi Peter (33.3), Justine (33.3)	7,857,234
49 Pershing Dr LLC	7,396,830
UB Derby I, LLC	6,800,000
Realty Income Trust 1	5,211,437
Red Raider Derby LLC	4,838,260
Gms Brother And Sons LLC	3,377,840

Debt Statement as of June 30, 2024:

Short Term Debt	\$ 2,294,243
Long Term Debt	32,130,189
Total Direct Debt	34,424,432
Less: School construction grants	-
Total Net Direct Debt	\$ 34,424,432

Current Debt Ratios

(Pro Forma)

Population (2024)*	12,373
Net Grand List(Taxable) - October 1, 2022	\$ 866,179,119
Estimated Full Value (70%)	\$ 1,034,907,111
Equalized Net Taxable Grand List (2022)*	\$ 1,738,863,626
Money Income per Capita (2023)*	\$ 69,835

* Connecticut Economic Resource Center, Inc. (Cerc)

** State of Connecticut, Office of Policy and Management

	Total Direct Debt	Total Net Direct Debt
Per Capita	\$ 2,782	\$ 2,782
Ratio to Net Taxable Grand List	3.97%	3.97%
Ratio to Estimated Full Value	3.33%	3.33%
Ratio to Equalized Net Taxable Grand List	1.98%	1.98%
Per Capita to Money Income per Capita	3.98%	3.98%

**FEDERAL SINGLE AUDIT
AND
STATE SINGLE AUDIT REPORTS
CITY OF DERBY, CONNECTICUT
YEAR ENDED JUNE 30, 2024**

**FEDERAL SINGLE AUDIT AND STATE SINGLE AUDIT REPORTS
CITY OF DERBY, CONNECTICUT
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**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, 2024, 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 June 25, 2025.

Report on 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 24-01 to 24-05.

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* as items 24-06 to be significant deficiencies.

Report on 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*.

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.

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 entity City of Derby, Connecticut's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accavallo & Company, LLC

Shelton, Connecticut
June 25, 2025

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

Opinion on 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 June 30, 2024. City of Derby, Connecticut's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 24-06, to be a significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on City of Derby, Connecticut's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. City of Derby, Connecticut's response was not subjected to the other 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 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, 2024, and the related notes to the financial statements, which collectively comprise City of Derby, Connecticut's basic financial statements. We issued our report there on dated June 25, 2025, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Accavallo Company, LLC

Shelton, Connecticut
June 25, 2025

CITY OF DERBY, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Federal Expenditures
<u>Department of Agriculture:</u>				
Passed through the Connecticut Department of Education:				
National School Lunch Program	10.555	12060-SDE64370-20560	\$ -	\$ 712,711
National School Lunch Program	10.555	Noncash	-	23,316
School Breakfast	10.553	12060-SDE64370-20508	-	273,900
Summer Food Program	10.559	12060-SDE64370-20540	-	29,171
Summer Food Program	10.559	12060-SDE64370-20548	-	3,010
		Child Nutrition Cluster	-	1,042,108
Supply Chain Assistance	10.560	12060-SDE64370-23126	-	34,739
P-EBT Local Admin	10.649	12060-SDE64370-29802	-	2,612
Total U.S. Department of Agriculture			-	1,079,459
<u>Department of Education:</u>				
Passed through the Connecticut Department of Education:				
Title I, Part A	84.010	12060-SDE64370-20679-2024-82070	-	556,963
Title I, Part A	84.010	12060-SDE64370-20679-2023-82070	-	27,049
Opportunity District ESSA SIG - Cohort 2	84.010	12060-SDE64370-20679-2024-82071	-	189,773
Opportunity District ESSA SIG - Cohort 2	84.010	12060-SDE64370-20679-2023-82071	-	42,081
Opportunity District ESSA SIG - Cohort 2	84.010	12060-SDE64370-20679-2022-82071	-	31,027
		Title I, Part A Cluster	-	846,893
ARP IDEA Part B Section 611	83.027X	12060-SDE64370-23083-2023-82032	-	7,480
IDEA Part B Section 611	84.027	12060-SDE64370-20977-2024-82032	-	401,729
IDEA Part B Section 611	84.027	12060-SDE64370-20977-2023-82032	-	76,189
ARP IDEA Part B Section 619	84.173X	12060-SDE64370-20984-2024-82032	-	17,433
		Special Education Cluster	-	502,831
Carl D. Perkins Vocational and Applied Technology	84.048	12060-SDE64370-20742-2024-84010	-	30,599
Improving Teacher Quality	84.367	12060-SDE64370-20858-2024-84131	-	24,458
Improving Teacher Quality	84.367	12060-SDE64370-20858-2023-84131	-	5,274
			-	29,732
Title III-English	84.365	12060-SDE64370-20868-2022-82075	-	7,171
Title IV Part A Student Support Grant	84.424	12060-SDE64370-22854-2024-82079	-	28,379
Title IV Part A Student Support Grant	84.424	12060-SDE64370-22854-2023-82079	-	19,112
			-	47,491
ARP ESSER III Funds	84.425U	12060-SDE64370-29636-2021-82079	-	1,487,179
ARP ESSER HCY	84.425W	12060-SDE64370-29650-2021-82079	-	18,663
			-	1,505,842
Total Department of Education			-	2,970,559
<u>Department of the Treasury:</u>				
Passed Through the State of Connecticut Department of Education:				
COVID 19-CSLFRF Right to Read	21.027	12060-SDE64370-29732	-	47,118
COVID 19-CSLFRF Priority School Districts and Faith Acts	21.027	12060-SDE64370-29733	-	76,761
Passed through the Connecticut Office of Early Childhood Development:				
School Readiness - Priority Enrollment-based	21.027	12060-OEC00013-28227	-	5,040
Passed through the Connecticut Office of Policy & Management:				
American Rescue Plan Act- Local Fiscal Recovery Fund	21.027	12060-OPM20600-29669	-	2,153,092
			-	2,282,011
TOTAL FEDERAL FINANCIAL AWARD EXPENDITURES			\$ -	\$ 6,332,029

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, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2024. 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.

Basis of Accounting

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 2- NONCASH AWARDS

Donated commodities in the amount of \$23,316 are included in the Department of Agriculture's National Scholl Lunch Program, Assistance Listing #10.555. The amount represents the market value of commodities received.

NOTE 3- 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, 2024**

SUMMARY STATEMENT

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? X Yes No
- Significant Deficiencies identified that are not considered to be material weaknesses? X Yes None reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant Deficiencies identified that are not considered to be material weakness(es)? Yes X 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)?

 X Yes No

Identification of major programs:

<u>Federal Grantor and Program</u>	<u>Federal Assistance Listing Numbers</u>	<u>Expenditure</u>
Department of Agriculture	10.553, 10.555, 10.558, 10.559 and 10.649	\$ 1,042,108
American Rescue Plan Act- Local Fiscal Recovery Fund	21.027	2,153,092
ESSERF K-12 Fund and Title I, Part A Cluster	84.010	846,893
American Rescue Plan	84.425D / 84.425U/84.425W	1,505,842
	Total	<u>\$ 5,547,935</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, 2024**

II. FINANCIAL STATEMENT FINDINGS

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

***24-01 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 BOE Operations, Grant, and Student Activity Funds don't utilize double-entry accounting. The BOE utilizes different accounting software and a different chart of accounts. There are no plans to consolidate financial systems and charts of accounts. The BOE will attempt to utilize double-entry accounting on their system and create a functional balance sheet for the 24-25 FY with the assistance of a consultant. The City implemented new accounting software for the 23-24 FY. The utilization of this software to track fixed assets and long-term debt is something that will be researched during the 25-26 FY.

***24-02 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 personnel 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.

**CITY OF DERBY, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Effect: Possible material errors could occur and not be detected in a timely manner.

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: We agree with the recommendation. Staffing challenges within the finance department forced the finance director to prepare many of the bank reconciliations, which were not done in a timely manner. The lack of an accurate balance sheet on the BOE accounting system has made the bank reconciliations at the BOE inaccurate. Staffing challenges still exist, and due to the audit timing, numerous 23-24 closing entries will need to be done; however, I expect that the finance department can begin preparing bank reconciliations for the finance director to review in a timely manner starting in the 25-26 FY. The BOE is attempting to create a balance sheet in their system for the 24-25 FY with the assistance of a consultant. This should allow them to produce proper bank reconciliations in a timely manner for the 25-26 FY.

***24-03 Availability of financial information**

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

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.

Management's Response: The City's continued late audits have created a cyclical problem whereby the preparation of the information related to financial statements needed for the following year's audit continues to be delayed, resulting in continued audit timings delays. Our goal is to reduce the delays for the 24-25 FY audit so that we can be compliant for the 25-26 FY audit.

**CITY OF DERBY, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

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

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

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

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: We agree with the recommendation, however until the BOE implements a double-entry accounting process and creates better financial processes, we expect that the reconciliation process between the BOE and the City will continue to be delayed and flawed. However, if the BOE can better utilize their accounting systems starting in 24-25 FY, then this finding may be able to be remediated for the 25-26 FY audit.

***24-05 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 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: Until the bank reconciliation process is implemented that was detailed in *24-02, we would

**CITY OF DERBY, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

expect that there will continue to be challenges with the recording of cash transactions. If the bank reconciliation process can be fixed in 25-26, then we would expect that the recording for cash transactions will be remedied as well.

***24-06 Comingling of Funds**

Finding:	The Board of Education maintains one cash account for operations and grants. The comingling of operational and grant monies makes it difficult if not impossible to reconcile with the City.
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 24-01, 24-04 to 24-05.
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:	Completed - As of July 1, 2023, the Board of Education separated Operating and Grant check runs to hit the respective bank accounts. This also includes the payroll account. Grant payroll totals are transferred to the payroll account from the Grant account.

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

**CITY OF DERBY, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Findings or questioned costs relating to Federal Award Programs are as follows: Item 24-06 (page 15).

**CITY OF DERBY, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

***23-01 Double-Entry Accounting System**

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

Disposition: Repeated as item 24-01.

***23-02 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 24-02.

***23-03 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, 2022, did not start until October 2022. In addition, some schedules and required information were not available for audit until May 2023.

Disposition: Repeated as item 24-03.

***23-04 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 October 2022 related to June 30, 2022.

Disposition: This finding has been corrected.

***23-05 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.

Disposition: Repeated as item 24-04.

***23-06 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.

Disposition: Repeated as item 24-05.

**CITY OF DERBY, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

***23-07 Compensated Absences-City and Board of Education**

Finding: There is no formal reconciliation of compensated absences.

Disposition: This finding has been corrected.

***23-08 Comingling of Funds**

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

Disposition: Repeated as item 24-06.

***23-09 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, 2024. 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: This finding has been corrected.

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



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**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
Opinion on Each Major State Program

We have audited City of Derby, Connecticut's compliance with the types of compliance requirements identified as subject to audit 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, 2024. City of Derby, Connecticut's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, 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, 2024.

Basis of Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Derby, Connecticut's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Derby, Connecticut's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act, we:

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

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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, as discussed below, we identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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, in 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.

We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 24-06, to be significant deficiency.

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

Governmental Auditing Standards required the auditor to perform limited procedures on City of Derby, Connecticut's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. City of Derby, Connecticut's response was not subjected to the other 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 State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Derby, Connecticut, and the related notes to the financial statements, which collectively comprise the City of Derby, Connecticut's basic financial statements as of and for the year ended June 30, 2024, and have issued our report thereon dated June 25, 2025, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for the 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 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 awards is fairly stated in all material respects in relation to the financial statements as a whole.

Accavallo & Company, LLC

Shelton, Connecticut
June 25, 2025

**CITY OF DERBY, CONNECTICUT
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2024**

State Grantor/Pass-Through Grantor/Program Title	State Grant Program Identification Number	Pass-Through to Subrecipients	Expenditures
<u>Department of Education:</u>			
Commissioner's Network	11000-SDE64370-12547	\$ -	\$ 381,157
Healthy Foods	11000-SDE64370-16212	-	14,977
Child Nutrition State Match	11000-SDE64370-16211	-	7,950
Breakfast Program	12060-SDE64370-20508	-	10,609
Adult Education	11000-SDE64370-17030	-	129,165
Alliance Grant	11000-SDE64370-17041	-	2,885,001
Health and Welfare - Private Schools	11000-SDE64370-17034	-	19,066
Low Performing Schools	12052-SDE64370-43728	-	300,000
Extended School Hours	11000-SDE64370-17108	-	18,109
PSD - Summer School	11000-SDE64370-17109	-	30,044
Priority School Districts	11000-SDE64370-17043	-	816,934
		-	4,613,012
<u>Office of Early Childhood:</u>			
School Readiness	11000-OEC64845-16274-83014	-	75,705
School Readiness	11000-OEC64845-16274-83014	-	5,455
Smart Start	11000-OEC64845-16279-83004	-	150,000
Smart Start Recovery	11000-OEC64845-16274-83004	-	75,000
Child Care Quality Enhancement	11000-OEC64845-16158-82079	-	3,881
		-	310,041
<u>Department of Children and Families</u>			
Community Based Prevent Prog	11000-DCF91141-16092	-	3,728
Youth Service Bureaus	11000-DCF91141-17052	-	14,103
Youth Service Bureau Enhancement	11000-DCF91141-17107	-	8,604
		-	26,435
<u>Office of the Secretary of State</u>			
Early Voting	11000-SOS12500-12651	-	10,500
<u>Office of Policy and Management:</u>			
Reimburse Prop Tax-Disability Exemption	11000-OPM20600-17011	-	2,016
Property Tax Relief for Veterans	11000-OPM20600-17024	-	10,654
Tiered PILOT	11000-OPM20600-17111	-	1,414,327
Local Capital Improvement Program	12050-OPM20600-40254	-	934,040
Distressed Municipalities	12052-OPM20600-43750	-	16,889
Municipal Purposes & Projects	12052-OPM20600-43587	-	14,728
		-	2,392,654
<u>Department of Transportation:</u>			
Town Aid Road Grant-STO	12052-DOT57131-43459	-	130,424
Town Aid Road Grants muni	12052-DOT57131-43455	-	130,424
		-	260,848

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, 2024**

State Grantor/Pass-Through Grantor/Program Title	State Grant Program Identification Number	Pass-Through to Subrecipients	Expenditures
<u>Department of Public Safety:</u>			
Fire Foam	11000-DPS32251-10020	-	12,278
Volunteer Firefighter Training	11000-DPS32251-17110	-	6,364
		-	18,642
<u>Connecticut State Library:</u>			
Connecticard	11000-CSL66051-17010	-	1,113
Historic Document Preservation Grant	11000-CLS66094-35150	-	6,000
Public Incentive Grant FY 24	11000-CSL66051-10020	-	1,442
CT Education Network	12060-CSL66011-43649	-	60,792
		-	69,347
<u>Office of the State Treasurer:</u>			
Nitrogen Credit Exchange Program	21016-OTT14230-42407	-	2,618
TOTAL STATE FINANCIAL ASSISTANCE BEFORE EXEMPT PROGRAMS		-	7,704,097
<u>EXEMPT PROGRAMS</u>			
<u>Department of Education:</u>			
Education Cost Sharing	11000-SDE64370-17041	-	6,871,164
Special Education-Excess Costs	11000-SDE64370-17047	-	740,299
		-	7,611,463
<u>Office of Policy and Management:</u>			
Municipal Revenue Sharing	11000-OPM20600-17103	-	712,455
Municipal Revenue Sharing	12060-OPM20600-35458	-	335,110
Municipal Stabilization Grant	11000-OPM20600-17102	-	205,327
Grants To Town	12009-OPM20600-17005	-	207,304
		-	1,460,196
TOTAL EXEMPT PROGRAMS		-	9,071,659
TOTAL STATE FINANCIAL ASSISTANCE		\$ -	\$ 16,775,756

The accompanying notes are an integral part of this schedule.

**CITY OF DERBY, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

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.

**CITY OF DERBY, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

2. SUMMARY OF AUDIT 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? | <u> X </u> | Yes | <u> </u> | No |
| • Noncompliance material to financial statements noted? | <u> </u> | Yes | <u> X </u> | No |

State Financial Assistance

Internal control over major programs:

- | | | | | |
|--|---------------|-----|--------------|----|
| • Material weakness(es) identified? | <u> </u> | Yes | <u> X </u> | No |
| • Significant deficiencies identified? | <u> </u> | Yes | <u> X </u> | 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>Department of Education:</u>		
Commissioner's Network	11000-SDE64370-12547	\$ 381,157
Alliance Grant	11000-SDE64370-17041	2,885,001
Low Performing Schools	12052-SDE64370-43728	300,000
Priority School Districts	11000-SDE64370-17043	816,934
<u>Office of the Policy and Management:</u>		
Tiered PILOT	11000-OPM20600-17111	1,414,327
Local Capital Improvement Program	12050-OPM20600-40254	934,040
<u>Department of Transportation:</u>		
Town Aid Road Grant-STO	12052-DOT57131-43459	130,424
Town Aid Road Grants muni	12052-DOT57131-43455	130,424
Total		<u>\$ 6,992,307</u>

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

\$200,000

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

- We issued reports, dated June 25, 2025, 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 24-01 to 24-06 (page 12 to 15) of which we consider items 24-01 to 24-05 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 24-06 (page 15).

DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES:

The dispositions of prior year's significant deficiencies are reported as items 23-01 to 23-09 (pages 17 to 19).



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SIGNIFICANT DEFICIENCIES OR MATERIAL WEAKNESSES RECOMMENDATIONS

II. FINANCIAL STATEMENT FINDINGS

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

***24-01 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 BOE Operations, Grant, and Student Activity Funds don't utilize double-entry accounting. The BOE utilizes different accounting software and a different chart of accounts. There are no plans to consolidate financial systems and charts of accounts. The BOE will attempt to utilize double-entry accounting on their system and create a functional balance sheet for the 24-25 FY with the assistance of a consultant. The City implemented new accounting software for the 23-24 FY. The utilization of this software to track fixed assets and long-term debt is something that will be researched during the 25-26 FY.



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***24-02 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 personnel 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 in a timely manner.

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: We agree with the recommendation. Staffing challenges within the finance department forced the finance director to prepare many of the bank reconciliations, which were not done in a timely manner. The lack of an accurate balance sheet on the BOE accounting system has made the bank reconciliations at the BOE inaccurate. Staffing challenges still exist, and due to the audit timing, numerous 23-24 closing entries will need to be done; however, I expect that the finance department can begin preparing bank reconciliations for the finance director to review in a timely manner starting in the 25-26 FY. The BOE is attempting to create a balance sheet in their system for the 24-25 FY with the assistance of a consultant. This should allow them to produce proper bank reconciliations in a timely manner for the 25-26 FY.

***24-03 Availability of financial information**

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

Criteria: Information related to financial statements should be presented at the close of the fiscal year or at a reasonable time thereafter.



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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.

Management's

Response: The City's continued late audits have created a cyclical problem whereby the preparation of the information related to financial statements needed for the following year's audit continues to be delayed, resulting in continued audit timings delays. Our goal is to reduce the delays for the 24-25 FY audit so that we can be compliant for the 25-26 FY audit.

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

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

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

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



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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: We agree with the recommendation, however until the BOE implements a double-entry accounting process and creates better financial processes, we expect that the reconciliation process between the BOE and the City will continue to be delayed and flawed. However, if the BOE can better utilize their accounting systems starting in 24-25 FY, then this finding may be able to be remediated for the 25-26 FY audit.

***24-05 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 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: Until the bank reconciliation process is implemented that was detailed in *24-02, we would expect that there will continue to be challenges with the recording of cash transactions. If the bank reconciliation process can be fixed in 25-26, then we would expect that the recording for cash transactions will be remedied as well.

***24-06 Comingling of Funds**

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



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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 24-01, 24-04 and 24-05.

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: The Board of Education will need to improve its understanding of their financial system and financial processes before this finding will be remediated. The Board of Education has hired a consultant to help them remediate this finding, however the expected time to fix this issue will be 25-26 FY at the earliest.

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

Signed: _____

Title: Mayor

Signed: _____

Title: Finance Director

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