

CITY OF DERBY, CONNECTICUT
AUDITED FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Derby, Connecticut, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis pages 5-11 and schedules of employer contributions, funding progress and changes in the City's net pension liability and Related Ratios on page 58-59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statement, the schedule of property taxes levied, collected and outstanding-general fund, schedule of special assessments and the schedule of nationally recognized municipal security information repository are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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 January 30, 2015 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.

Michaud Accavallo Woodbridge & Cusano, LLC

Ansonia, Connecticut
January 30, 2015

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, 2014. 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 \$47,609 (*net position*).
- The government's total net position decreased by \$361.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund deficit of \$5,623, a decrease in the deficiency of \$307 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,717 or 6.44 % of total general fund expenditures.
- The City's governmental funds total debt increased by \$1,386 (6.07%) during the current fiscal year.
- The City's business-type activities total debt decreased by \$255 (18.00%) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements — The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, education, public safety, public works, and human services. The business-type activity of the City includes the Water Pollution Control Authority and the Parking Authority.

The government-wide financial statements can be found on pages 14-15 of this report.

Fund Financial Statements — A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal

requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains twelve individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Middle School Building Project and the School Roof fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary Funds — The City maintains two proprietary funds. These *enterprise funds* are used to report the business-type activities in the government-wide financial statements. The City uses the enterprise funds to account for its Water Pollution Control Authority and its Parking Authority.

The proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Water Pollution Control Authority, which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

Fiduciary Funds — Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 23-24 of this report.

Notes to the Financial Statements — The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-57 of this report.

Required Supplementary Information — In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information can be found on page 58 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 58-66 of this report.

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 \$47,609 (Net position) at the close of the fiscal year ended June 30, 2014.

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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 10,227	\$ 8,255	\$ 1,904	\$ 1,616	\$ 12,131	\$ 9,871
Capital assets	68,766	69,093	5,802	5,658	74,568	74,751
Total assets	78,993	77,348	7,706	7,274	86,699	84,622
Long-term liabilities						
outstanding	\$ 24,208	22,822	1,161	1,416	25,369	24,238
Other liabilities	13,437	12,245	284	169	13,721	12,414
Total liabilities	37,645	35,067	1,445	1,585	39,090	36,652
Net assets:						
Invested in capital assets, net of related debt	49,051	49,864	4,641	4,242	53,692	54,106
Restricted	9	8	-	-	9	8
Unrestricted	(7,712)	(7,591)	1,620	1,447	(6,092)	(6,144)
Total net position	\$ 41,348	\$ 42,281	6,261	\$ 5,689	\$ 47,609	\$ 47,970

At the close of the fiscal year ended June 30, 2014, the City is able to report positive balances in all categories of net position as a whole for its separate governmental and business-type activities. All categories in the prior year were able to report positive net asset numbers.

The government total net position decreased by \$361 in the current fiscal year. The majority of this increase was due to revenues outstripping expenses with the majority of the increase in revenues due to the City receiving more in capital grants and property tax revenues.

Governmental Activities — Governmental activities decreased the City’s net position by \$933, thereby accounting for the majority of the decrease in the net position of City. Key elements of this increase are as follows:

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
REVENUES						
Program revenues:						
Charges for services	\$ 844	\$ 1,884	\$ 2,943	\$ 3,073	\$ 3,787	\$ 4,957
Operating grants and contributions	12,356	12,193	-	-	12,356	12,193
Capital Grants and contributions	641	1,449	-	-	641	1,449
General revenues:						
Property Taxes	26,248	26,567	-	-	26,248	26,567
Grants and contributions not restricted to specific programs	4,785	2,485	-	-	4,785	2,485
Unrestricted investment earnings	79	125	1	2	80	127
TOTAL REVENUES	44,953	44,703	2,944	3,075	47,897	47,778
EXPENSES						
General government	12,633	11,861	-	-	12,633	11,861
Public works	3,599	4,082	2,372	2,241	5,971	6,323
Public safety	4,966	4,627	-	-	4,966	4,627
Culture and recreation	1,229	1,180	-	-	1,229	1,180
Health and welfare	1,078	1,097	-	-	1,078	1,097
Education	21,523	20,220	-	-	21,523	20,220
Capital outlay	482	729	-	-	482	729
Debt service	376	497	-	-	376	497
TOTAL EXPENSES	45,886	44,293	2,372	2,241	48,258	46,534
INCREASE(DECREASE) IN NET ASSETS	(933)	410	572	834	(361)	1,244
Net position at beginning of year	42,281	41,871	5,689	4,855	47,970	46,726
NET POSITION, ending	\$ 41,348	\$ 42,281	\$ 6,261	\$ 5,689	\$47,609	\$ 47,970

Business-type Activities — Business-type activities increased the City’s net position by \$572. The key element of this decrease is as follows.

- The Water Pollution Control Authority revenues were significantly higher than expenses by \$572, due to increased revenues and 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.

Governmental Funds — The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City’s financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City’s governmental funds reported a combined ending fund balance-deficit of \$5,623, a reduction in the deficiency of \$307 in comparison with the prior year. This deficit is primarily caused by the Middle School Building Project fund deficit (\$9,205) which will be eliminated with a future bond issue.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the unassigned fund was \$2,717. 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 \$42,218. Unreserved and total fund balance represents 6.44% of total general fund expenditures.

The general fund balance increased by \$724, during the current fiscal year. Key factors in this incline are as follows:

- A decrease in General Government expenditures of \$132.
- A decrease in public safety of \$118.
- A decrease in public works of \$987.
- A decrease in principal and interest on bonds of \$135.
- An increase in Board of Education expenditures of \$1,383.
- An increase in Capital Outlay of \$343.

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 \$5,548 of which \$4,290 represents an investment in capital assets net of related debt. Net position of the Parking Authority at the end of the year amounted to \$712 of which \$644 represents an investment in capital assets net of related debt. The total increase in net position for the Business-Type Activities- Enterprise Fund was \$572. Other factors concerning the finances of the fund have already been addressed in the discussion of the City’s business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget (\$1,222 increase in appropriations) can be briefly summarized as follows:

- \$245 in increases in public works primarily due to the Hawthorne Avenue street project.
- \$122 in decreases in General Government which was primarily due to reacting to increases in other department’s budgets.
- \$262 in increases in public safety primarily due to overtime wages.
- \$791 in increases in Capital Outlay which was primarily due to appropriating additional grant monies.

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, 2014, amounts to \$74,569 (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 investment in capital assets for the current fiscal year was \$328 an decrease of .47% for governmental activities and a \$144 increase of 2.55% for business-type activities.

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 5,795	\$ 595	\$ 6,390
Buildings and system	39,917	4,273	44,190
Machinery and equipment	1,543	935	2,478
Infrastructure	21,511	-	21,511
	<u>\$ 68,766</u>	<u>\$ 5,803</u>	<u>\$ 74,569</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 outstanding of \$7,983 and \$1,161 (including a capital lease of \$294), respectively. This amount is backed by the full faith and credit of the government.

Net Pension Obligation — At the end of the current fiscal year, the City had total net pension obligation of \$638. This obligation increased \$99 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 \$11,396. This obligation increased \$2,035 during the fiscal year.

City’s Outstanding Debt (\$000)

General Obligation Bonds

	<u>Principal</u>	<u>Interest</u>
Governmental Activities		
Due in one year	\$ 913	\$ 158
Due in 2 to 6 years	3,980	614
Due in 7 to 11 years	2,440	293
Due in 12 to 16 years	650	26
	<u>\$ 7,983</u>	<u>1,091</u>
Business-type Activities		
Due in one year	\$ 169	\$ 20
Due in the next 2 to 6 years	698	38
Due in the next 7 to 10 years	-	-
	<u>\$ 867</u>	<u>\$ 58</u>

The City’s governmental activities total debt increased by \$1,386 (6.07%) and business type activities decreased by \$255 (18%) 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 \$182,614, which is significantly in excess of the City's outstanding general obligation debt. Additional information on the City's long-term debt can be found in Note 9 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- The unemployment rate for the County for the fiscal year decreased to 8.6% vs. 9.2% in the prior year, consistent with the Connecticut unemployment rate.
- The Connecticut state government has been reporting an anticipated surplus for 2014, which will translate into increased 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 2014-2015 fiscal year.

During the current fiscal year, undesignated and unreserved fund balance in the general fund increased to \$2,717. The City has not appropriated any amounts of fund balance for spending in the 2014-2015 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, 2014**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,755,017	\$ 1,139,388	\$ 5,894,405
Investments	975,639	-	975,639
Receivables:			
Property taxes, net of allowance for collection losses of \$220,000	1,893,537	-	1,893,537
Special assessments, net of allowance for collection losses of \$72,917	-	609,364	609,364
Intergovernmental	711,097	-	711,097
Other	1,576,044	157,884	1,733,928
Notes receivable	109,842	-	109,842
Inventories	3,406	-	3,406
Due from other funds	202,732	(2,595)	200,137
Capital assets (net of accumulated depreciation)			
Land	5,794,955	594,858	6,389,813
Buildings	39,917,073	4,272,512	44,189,585
Machinery and equipment	1,543,224	934,590	2,477,814
Construction in progress	-	-	-
Infrastructure	21,510,594	-	21,510,594
TOTAL ASSETS	\$ 78,993,160	\$ 7,706,001	\$ 86,699,161
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 2,299,089	\$ 283,868	\$ 2,582,957
Bonds anticipation notes	10,820,000	-	10,820,000
Notes Payable:			
Due within one year	1,918,075	224,069	2,142,144
Due in more than one year	22,290,316	937,165	23,227,481
TOTAL LIABILITIES	37,327,480	1,445,102	38,772,582
DEFERRED INFLOWS OF RESOURCES			
Grants	317,861	-	317,861
NET POSITION			
Net Investment in capital assets	49,050,907	4,640,726	53,691,633
Restricted for:			
Inventories	8,912	-	8,912
Unrestricted:			
Net position	(7,712,000)	1,620,173	(6,091,827)
TOTAL NET POSITION	41,347,819	6,260,899	47,608,718
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 78,993,160	\$ 7,706,001	\$ 86,699,161

See notes to financial statements.

**CITY OF DERBY, CONNECTICUT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ (12,632,844)	\$ 325,708	\$ 333,932	\$ 269,165	\$ (11,704,039)		\$ (11,704,039)
Public works	(3,599,372)	11,965	-	371,721	(3,215,686)		(3,215,686)
Public safety	(4,965,831)	366,806	-	-	(4,599,025)		(4,599,025)
Culture and recreation	(1,229,361)	-	6	-	(1,229,355)		(1,229,355)
Health and welfare	(1,078,031)	139,145	561,150	-	(377,736)		(377,736)
Education	(21,522,958)	-	11,461,065	-	(10,061,893)		(10,061,893)
Capital outlay	(481,529)	-	235	-	(481,294)		(481,294)
Debt service	(376,253)	-	-	-	(376,253)		(376,253)
TOTAL GOVERNMENTAL ACTIVITIES	(45,886,179)	843,624	12,356,388	640,886	(32,045,281)		(32,045,281)
TOTAL BUSINESS-TYPE ACTIVITIES-							
SEWER AND PARKING AUTHORITY	(2,372,054)	2,943,373	-	-	-	\$ 571,319	571,319
TOTAL PRIMARY GOVERNMENT	\$ (48,258,233)	\$ 3,786,997	\$ 12,356,388	\$ 640,886	(32,045,281)	571,319	(31,473,962)
GENERAL REVENUES							
Property taxes					26,248,288	-	26,248,288
Grants and contributions not restricted to specific programs					4,784,738	-	4,784,738
Unrestricted investment earnings					79,365	784	80,149
							-
					31,112,391	784	31,113,175
					(932,890)	572,103	(360,787)
					42,280,709	5,688,796	47,969,505
					\$ 41,347,819	\$ 6,260,899	\$ 47,608,718

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General</u>	<u>Library Endowment Fund</u>	<u>Middle School Building Project</u>	<u>School Roof</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 2,428,302	\$ 15,679	\$ 27,713	\$ 1,800,000	\$ 483,323	\$ 4,755,017
Investments	-	975,639	-	-	-	975,639
Receivables:						
Property taxes, net of allowance of \$220,000	1,893,537	-	-	-	-	1,893,537
Intergovernmental	177,561	-	-	-	90,718	268,279
Other	1,576,044	-	-	-	109,842	1,685,886
Inventories	-	-	-	-	3,406	3,406
Due from other funds	285,101	-	-	-	236,357	521,458
TOTAL ASSETS	<u>\$ 6,360,545</u>	<u>\$ 991,318</u>	<u>\$ 27,713</u>	<u>\$ 1,800,000</u>	<u>\$ 923,646</u>	<u>\$ 10,103,222</u>
LIABILITIES AND FUND BALANCES						
Accounts payable and accrued liabilities	\$ 1,496,855	\$ -	\$ 184,319	\$ 390,450	\$ 227,466	\$ 2,299,090
Bond anticipation notes payable	-	-	9,020,000	1,800,000	-	10,820,000
Due to other funds	87,532	-	28,675	-	202,519	318,726
TOTAL LIABILITIES	<u>1,584,387</u>	<u>-</u>	<u>9,232,994</u>	<u>2,190,450</u>	<u>429,985</u>	<u>13,437,816</u>
DEFERRED INFLOWS OF RESOURCES						
Taxes	1,970,901	-	-	-	-	1,970,901
Grants	88,258	-	-	-	229,603	317,861
	<u>2,059,159</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>229,603</u>	<u>2,288,762</u>
FUND BALANCES(DEFICITS)						
Nonspendable	-	-	-	-	8,912	8,912
Restricted	-	-	-	(390,450)	255,310	(135,140)
Assigned	-	991,318	-	-	73,921	1,065,239
Unassigned	2,716,999	-	(9,205,281)	-	(74,085)	(6,562,367)
TOTAL FUND BALANCES (DEFICIT)	<u>2,716,999</u>	<u>991,318</u>	<u>(9,205,281)</u>	<u>(390,450)</u>	<u>264,058</u>	<u>(5,623,356)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 6,360,545</u>	<u>\$ 991,318</u>	<u>\$ 27,713</u>	<u>\$ 1,800,000</u>	<u>\$ 923,646</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.	68,765,846
Long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	2,413,720
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(24,208,391)</u>
Net position of governmental activities	<u>\$ 41,347,819</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, 2014

	General	Library Endowment Fund	Middle School Building Project	School Roof	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 25,467,420	\$ -	\$ -	\$ -	\$ -	\$ 25,467,420
Interest and lien fees	307,035	-	-	-	-	307,035
Intergovernmental	13,542,428	-	-	-	811,430	14,353,858
City departments	4,113,769	-	-	-	139,025	4,252,794
Net increase in fair market value of investments	-	(8,551)	-	-	-	(8,551)
Other	-	30,008	-	-	-	30,008
Investment income	39	-	41,245	-	46,875	88,159
TOTAL REVENUES	43,430,691	21,457	41,245	-	997,330	44,490,723
EXPENDITURES						
Current:						
General government	10,275,832	-	-	-	18,267	10,294,099
Public safety	4,220,591	-	-	-	-	4,220,591
Public works	3,220,321	-	-	-	-	3,220,321
Culture and recreation	883,752	9,394	-	-	-	893,146
Health and welfare	352,224	-	-	-	644,320	996,544
Board of education-operations	18,368,414	-	-	-	-	18,368,414
Board of education-grants	2,328,593	-	-	-	-	2,328,593
Capital outlay	1,300,967	-	177,238	390,450	726,456	2,595,111
Debt service:						
Principal retirement	890,600	-	-	-	-	890,600
Interest on bonds	376,253	-	-	-	-	376,253
TOTAL EXPENDITURES	42,217,547	9,394	177,238	390,450	1,389,043	44,183,672
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,213,144	12,063	(135,993)	(390,450)	(391,713)	307,051
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	489,388	-	-	489,388
Operating transfers out	(489,388)	-	-	-	-	(489,388)
TOTAL OTHER FINANCING (USES) SOURCES	(489,388)	-	489,388	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES						
Fund balance(deficit) at July 1, 2013	1,993,243	979,255	(9,558,676)	\$ -	655,771	(5,930,407)
FUND BALANCES (DEFICIT) AT JUNE 30, 2014	\$ 2,716,999	\$ 991,318	\$ (9,205,281)	\$ (390,450)	\$ 264,058	\$ (5,623,356)

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, 2014**

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

Net change in fund balances - total governmental funds \$ 307,051

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. (327,601)

Revenues that are reported as in the year revenues provide current financial resources to governmental funds. 473,834

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. (1,386,174)

Change in Net Position \$ (932,890)

CITY OF DERBY, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
GENERAL FUND
YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-</u>
	<u>Budget</u>	<u>Budget</u>		<u>Favorable</u>
				<u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 25,767,455	\$ 25,767,455	\$ 25,467,420	\$ (300,035)
Interest and lien fees	50,000	87,000	307,033	220,033
Intergovernmental	9,669,237	10,294,986	11,360,180	1,065,194
Investment income	16,000	16,000	39	(15,961)
City departments	<u>1,794,168</u>	<u>2,353,586</u>	<u>4,113,769</u>	<u>1,760,183</u>
TOTAL REVENUES	37,296,860	38,519,027	41,248,441	2,729,414
EXPENDITURES				
Current				
General government	10,363,421	10,241,705	10,275,830	(34,125)
Public safety	3,920,840	4,183,317	4,220,591	(37,274)
Public works	3,129,108	3,374,796	3,220,321	154,475
Culture and recreation	927,749	925,300	883,752	41,548
Health and welfare	317,770	364,858	352,224	12,634
Board of Education-operations	16,163,663	16,163,663	16,186,166	(22,503)
Board of Education-grants	-	-	2,328,593	(2,328,593)
Capital outlay	554,309	1,345,388	1,300,967	44,421
Debt service				
Principal retirements	1,026,682	1,026,682	837,753	188,929
Interest on bonds	<u>446,999</u>	<u>446,999</u>	<u>429,100</u>	<u>17,899</u>
TOTAL EXPENDITURES	<u>36,850,541</u>	<u>38,072,708</u>	<u>40,035,297</u>	<u>(1,962,589)</u>
EXCESS OF REVENUES OVER EXPENDITURES	446,319	446,319	1,213,144	766,825
OTHER FINANCING USES				
Operating transfers out	<u>446,319</u>	<u>446,319</u>	<u>(489,388)</u>	<u>(43,069)</u>
TOTAL OTHER FINANCING USES	<u>446,319</u>	<u>446,319</u>	<u>(489,388)</u>	<u>(43,069)</u>
EXCESS OF REVENUES OVER EXPENDITURES				
AND OTHER FINANCING USES				
	<u>\$ -</u>	<u>\$ -</u>	723,756	<u>\$ 723,756</u>
Fund balance at July 1, 2013			<u>1,993,243</u>	
FUND BALANCE AT JUNE 30, 2014			<u>\$ 2,716,999</u>	

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds		
	Water Pollution Control Authority	Parking Authority	Total
ASSETS			
CURRENT ASSETS			
Cash	\$ 1,087,077	\$ 52,311	\$ 1,139,388
Sewer assessments receivable (net of allowance for uncollectible of \$3232)	609,364	-	609,364
Grant receivable	136,586		136,586
Accounts receivable	-	21,298	21,298
TOTAL CURRENT ASSETS	1,833,027	73,609	1,906,636
CAPITAL ASSETS (net of accumulated depreciation)			
Land	212,500	382,358	594,858
Buildings	4,027,087	245,425	4,272,512
Machinery and equipment	918,026	16,564	934,590
	<u>5,157,613</u>	<u>644,347</u>	<u>5,801,960</u>
TOTAL ASSETS	\$ 6,990,640	\$ 717,956	\$ 7,708,596
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 280,623	3,246	\$ 283,869
Due to other funds	-	2,595	2,595
Capital lease-current portion	54,897	-	54,897
Bonds and loan payable-current portion	169,172	-	169,172
TOTAL CURRENT LIABILITIES	504,692	5,841	510,533
NONCURRENT LIABILITIES			
Capital lease	239,129	-	239,129
Bonds and loan payable	698,036	-	698,036
TOTAL LIABILITIES	1,441,857	5,841	1,447,698
NET POSITION			
Investment in capital assets, net of related debt	3,996,379	644,347	4,640,726
Unrestricted	1,552,404	67,768	1,620,172
TOTAL NET POSITION	5,548,783	712,115	6,260,898
TOTAL LIABILITIES AND NET POSITION	\$ 6,990,640	\$ 717,956	\$ 7,708,596

See notes to financial statements.

**CITY OF DERBY, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014**

	Business Type Activities- Enterprise Funds		
	Water Pollution Control Authority	Parking Authority	Total
OPERATING REVENUES			
Sewer usage fees	\$ 2,372,769	\$ -	\$ 2,372,769
Rental and fees	-	207,603	207,603
Other revenues	63,131	-	63,131
Interest and lien fees	189,236	-	189,236
Total operating revenues	2,625,136	207,603	2,832,739
OPERATING EXPENSES	2,110,516	236,192	2,346,708
OPERATING INCOME(LOSS)	514,620	(28,589)	486,031
NONOPERATING REVENUES (EXPENSES)			
Grant income	110,635	-	110,635
Interest income	497	287	784
Interest expense	(24,673)	(675)	(25,348)
Total nonoperating income(expense)	86,459	(388)	86,071
CHANGE IN NET POSITION	601,079	(28,977)	572,102
Net position at July 1, 2013	4,947,704	741,092	5,688,796
NET POSITION AT JUNE 30, 2014	\$ 5,548,783	\$ 712,115	\$ 6,260,898

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds		
	Water Pollution Control Authority	Parking Authority	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,465,049	\$ 205,673	\$ 2,670,722
Cash payments to suppliers	(1,114,266)	(198,850)	(1,313,116)
Cash payments to employees	(591,616)	(9,391)	(601,007)
NET CASH PROVIDED BY OPERATING ACTIVITIES	759,167	(2,568)	756,599
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental revenues	110,635	-	110,635
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES			
Purchase of capital assets	(392,392)	(70,455)	(462,847)
Payment of principal and interest	(279,517)	(675)	(280,192)
NET CASH USED IN CAPITAL AND FINANCING ACTIVITIES	(671,909)	(71,130)	(743,039)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	497	287	784
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	198,390	(73,411)	124,979
Cash and cash equivalents at July 1, 2013	888,687	125,722	1,014,409
Cash and cash equivalents at June 30, 2014	<u>\$ 1,087,077</u>	<u>\$ 52,311</u>	<u>\$ 1,139,388</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss) from operations	\$ 514,620	\$ (28,589)	\$ 486,031
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	291,764	26,715	318,479
Changes in assets and liabilities:			
Accounts receivable	(160,087)	(1,930)	(162,017)
Accounts payable	112,870	1,236	114,106
Due to other funds	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 759,167</u>	<u>\$ (2,568)</u>	<u>\$ 756,599</u>

See notes to financial statements.

**CITY OF DERBY, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014**

	Pension Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 1,036,539	26,235,192
Investments, at fair value	12,068,675	-
Other receivables	35,524	-
TOTAL ASSETS	\$13,140,738	\$26,235,192
LIABILITIES		
Other liabilities	\$ -	\$26,035,055
Due to general fund	-	200,137
TOTAL LIABILITIES	-	26,235,192
NET POSITION HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES	\$13,140,738	\$ -

See notes to financial statements.

**CITY OF DERBY, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2014**

	Pension Trust Fund
ADDITIONS	
Contributions	
City of Derby	\$ 572,000
Plan members	-
Total contributions	572,000
Investment income	
Net realized/unrealized gain on investments	1,620,746
Interest and dividends	220,255
	1,841,001
Less investment management fees	(91,106)
Net investment income	1,749,895
	TOTAL ADDITIONS 2,321,895
DEDUCTIONS - benefits and other deductions	778,848
	CHANGE IN NET POSITION 1,543,047
Net position held in trust for	
pension benefits at July 1, 2013	11,597,691
NET POSITION HELD IN TRUST FOR PENSION BENEFITS AT JUNE 30, 2014	\$ 13,140,738

See notes to financial statements.

**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

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

Reporting Entity

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

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

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

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

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

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

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

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

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

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

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

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Accounting Estimates

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

Implementation of New Accounting Standards

The City adopted *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*, which was implemented as of July 1, 2013. This statement clarified the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. As a result of the adoption of this standard, deferred amounts on refundings were required to be reclassified to Deferred Outflows of Resources. In addition, amounts previously classified as unavailable revenue were reclassified as deferred inflows of resources.

The City adopted *GASB Statement No. 67, Financial Reporting for Pension Plans an amendment of GASB Statement No. 25*, issued in June 2012, which became effective for the Town as of July 1, 2013. This Statement replaces the requirements of *Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and *Statement No. 50, Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of *Statements 25 and 50* remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The implementation of this statement did not have a material impact on the City's financial statements.

The City adopted *GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which became effective on July 1, 2013. This statement provides guidance to governments that extend and receive nonexchange financial guarantees. The implementation of this statement had no impact on the City's financial statements.

.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.

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The government reports the following major governmental funds:

- (i) *General Fund* — The General Fund is the general operating fund of the City government. All unrestricted resources except those required to be accounted for in another fund are accounted for in this fund. From this fund are paid general operating expenditures, fixed charges, principal and interest on long-term debt, and capital improvement costs of the City, which are not paid through a special fund.
- (ii) *Middle School Building Project* — The Middle School Building Project is a capital project fund used to account for funds which are principally used for construction of a new middle school.
- (iii) *School Roof Fund* — The School Roof Fund is a capital project fund used to account for the improvements to the school roofs.

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

- (i) *Pension Trust Funds* — account for the activities of the City’s Public Employee Retirement System defined benefit pension plans, which accumulate resources for pension, benefit payments to qualified employees.
- (ii) *Agency Funds* — account for monies held as a custodian for outside groups and agencies.
- (iii) *Permanent Funds* — account for monies that are legally restricted to the extent that only earnings and not principal may be used that support programs that benefit the government or its citizens.

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

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

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

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

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

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

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

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

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

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

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

1. Transactions to reimburse the fund for expenditures made by it for the benefit of another fund. These transactions are recorded as expenditures in the disbursing fund and as a reduction of expenditures in the receiving fund.
2. Transactions to shift revenue or contributions from the fund budgeted to receive them to the fund budgeted to expend them. These transactions are recorded as transfers in to and out of the respective

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funds.

3. Transactions to record equity contributions between funds. The receiving fund records such transactions as a transfer in and an addition to fund balance. The disbursement fund records the transaction as a transfer out and a reduction of fund balance.

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

Governmental Activities

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

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

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

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

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

Buildings	20 – 50 years
Sewer System	30 – 50 years

Deferred 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. Also, for governmental funds, the City reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, sewer assessments, grants and charges for services. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available. As of June 30, 2014, no amounts were required to be reported as deferred outflows of resources.

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

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activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

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

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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Pension Accounting

Pension Trust Funds—employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the City has made a formal commitment to make the contributions. Benefits and refunds are recognized when due and payable in accordance with the plan.

NOTE 2 — GOVERNMENT-WIDE FINANCIAL STATEMENTS

Beginning net position for governmental activities was determined as follows:

Fund balances of general, special revenue, capital project funds and permanent fund as of July 1, 2013	\$ (5,930,407)
general fixed assets and infrastructure as of July 1, 2013	103,125,084
Add: school construction grants receivable as of July 1, 2013	442,820
Add: tax revenue receivable as of July 1, 2013	1,497,066
Deduct: accumulated depreciation as of July 1, 2013 on above governmental capital assets	(34,031,637)
Deduct: general obligation bonds payable as of July 1, 2013	(8,873,500)
Deduct: bond premium as of July 1, 2013	(183,745)
Deduct: capital lease payable as of July 1, 2013	(413,709)
Deduct: net pension obligation as of July 1, 2013	(538,266)
Deduct: OPEB obligation as of July 1, 2013	(9,361,808)
Deduct: compensation absences payable and other long-term liabilities as of July 1, 2013	(3,451,189)
NET POSITION AS OF JULY 1, 2013	<u>\$ 42,280,709</u>

NOTE 3 — RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net 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 \$24,208,391 difference are as follows:

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Bonds payable	\$ 7,982,900
Bonds premium	167,040
Compensated absences	3,279,458
Net pension obligation	637,508
Other post-employment obligations	11,396,486
Capital leases	364,050
Post-closure landfill	<u>380,949</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 24,208,391</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 \$327,601 difference are as follows:

Capital outlay	\$ 1,970,234
Depreciation expense	<u>(2,297,835)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds, to arrive at changes in net position of governmental activities	<u>\$ (327,601)</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.” The details of this \$1,386,174 difference are as follows:

Principal repayments:	
General obligation debt	\$ 890,600
Bond premium	16,705
Other miscellaneous long-term liabilities	19,563
Capital leases	49,659
Net pension obligation	(99,242)
Compensated absences	(228,781)
Other post-employment obligations	<u>(2,034,678)</u>
Net adjustment to decrease net position in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (1,386,174)</u>

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NOTE 4 — BUDGETS AND BUDGETARY ACCOUNTING

General Fund

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

Annual budgets are prepared and employed for management control for the General Fund. Appropriations typically lapse at year end, except appropriations for capital projects which continue until completion of the project. Supplemental appropriations in the amount of \$1,222,167 were approved by the Board of Apportionment and Taxation during the fiscal year. The budget for the General Fund is presented on a basis consistent with generally accepted accounting principles.

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

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

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basis (the statement of revenues, expenditures and changes in fund balance-budget and actual-general fund) is as follows:

	Revenues	Expenditures	Fund Balance
Balance, budgetary basis at June 30, 2014	\$ 41,248,441	\$ 40,035,297	\$ 2,716,999
State Teachers' Retirement on-behalf payments, not recognized for budgetary purposes	2,182,250	2,182,250	-
Balance, GAAP basis at June 30, 2014	\$ 43,430,691	\$ 42,217,547	\$ 2,716,999

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, 2014, 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.

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NOTE 5 — DEPOSITS AND INVESTMENTS

Deposits and Investment Balances

Following is a reconciliation of the City's deposit and investment balances as of June 30, 2014:

	Carrying and Fair Values
Deposits	\$ 31,754,881
Money market accounts	202,082
Certificates of Deposit	1,209,173
	\$ 33,166,136
Govt	4,755,017
Business	1,139,388
Fiduciary	27,271,731
	\$ 33,166,136

At June 30, 2014, the carrying amount of the City's deposits was \$33,166,136. The bank balances of funds on deposit totaled \$33,955,514. Of the bank balances, \$815,977 was covered by federal depository insurance, \$3,388,954 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 \$29,750,583 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.

CITY OF DERBY, CONNECTICUT
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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, 2014 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	\$ 975,639	\$ 975,639	N/A	N/A
Pension Trust Fund:				
Fixed income:				
Federal National Mortgage Assoc.	490,606	515,145	AA+	13.40
Federal Home Loan Mortgage Corp.	66,764	62,983	AAA	0.08
United States Bonds	270,902	320,069	AA+	18.99
United States Treasury Notes	478,600	492,708	AAA	5.14
Municipal bonds	70,738	81,457	AA-	15.87
Corporate bonds and notes	1,716,849	1,778,849	BBB+	8.72
Mutual funds-Fixed	379,395	374,852	N/A	N/A
Mutual funds-Equity				
Columbia Acorn Fund	485,919	685,279 *	N/A	N/A
Columbia Select Large Cap Growth Fun	1,190,238	2,094,298 *	N/A	N/A
Columbia Dividend Income Fund	1,228,625	2,069,793 *	N/A	N/A
Mutual funds	2,851,626	3,326,251	N/A	N/A
Mutual funds-Balanced	250,000	266,991	N/A	N/A
	<u>9,480,262</u>	<u>12,068,675</u>		
TOTAL	<u>\$ 10,455,901</u>	<u>\$ 13,044,314</u>		

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

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

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NOTE 6 — INTERFUND ACCOUNTS

As of June 30, 2014, 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	\$ 285,101	\$ 87,532
Enterprise	-	2,595
Middle School Project	-	28,675
Schoolwide	<u>22,254</u>	<u>-</u>
	307,355	118,802
Nonmajor funds:		
School Lunch	70,812	-
Community Development	16,721	-
Library construction	103,282	6,296
Other capital projects	23,288	168,706
Land acquisition	-	27,517
Student activities	<u>-</u>	<u>200,137</u>
	<u>214,103</u>	<u>402,656</u>
Total	<u>\$ 521,458</u>	<u>\$ 521,458</u>

The General Fund interfund receivable is due from the Water Pollution Control Authority for current operating expenses reimbursed monthly and from the Capital Projects Funds for advances from/to the General Fund and interest earned by the Capital Projects Funds. These amounts are not expected to be repaid within one year. Capital Projects Funds interfund receivable and payable represent amounts due from/to the other capital projects for operations, and are being repaid as funds become available.

The interfund transfers for the year ended June 30, 2014 is as follows:

<u>Funds</u>	<u>Transfers from Other Funds</u>	<u>Transfers to Other Funds</u>
Major:		
General	\$ -	\$ 489,388
Middle School Project	<u>489,388</u>	<u>-</u>
	<u>\$ 489,388</u>	<u>\$ 489,388</u>

The purpose of the transfers from general fund to Middle School is for the repayments of bond anticipation notes.

CITY OF DERBY, CONNECTICUT
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NOTE 7 — CAPITAL ASSETS

Governmental activities - capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Disposal/ Transfers	Balance June 30, 2014
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,794,955	\$ -	\$ -	\$ 5,794,955
Construction in progress	-	-	-	-
Total Capital Assets, not being depreciated	5,794,955	-	-	5,794,955
Capital assets, being depreciated:				
Buildings	54,558,896	544,794	-	55,103,690
Property under capital lease	3,083,073	-	-	3,083,073
Rolling equipment	4,207,083	140,832	-	4,347,915
Machinery, vehicles and equipment	3,315,024	106,993	-	3,422,017
Infrastructure	<u>32,166,053</u>	<u>1,177,615</u>	-	<u>33,343,668</u>
	97,330,129	1,970,234	-	99,300,363
Less accumulated depreciation for:				
Buildings	14,071,702	1,114,915	-	15,186,617
Property under capital lease	1,879,210	182,072	-	2,061,282
Rolling equipment	3,948,355	92,639	-	4,040,994
Machinery, vehicles and equipment	3,159,661	47,844	-	3,207,505
Infrastructure	<u>10,972,709</u>	<u>860,365</u>	-	<u>11,833,074</u>
	34,031,637	2,297,835	-	36,329,472
Total capital assets, being depreciated, net	<u>63,298,492</u>	<u>(327,601)</u>	-	<u>62,970,891</u>
Governmental activities capital assets, net	<u>\$ 69,093,447</u>	<u>\$ (327,601)</u>	<u>\$ -</u>	<u>\$ 68,765,846</u>

Depreciation expense by function for the year ended June 30, 2014 is as follows:

Education	\$ 630,960
General	869,032
Public safety	220,440
Public works	331,356
Culture and recreation	<u>246,047</u>
	<u>\$ 2,297,835</u>

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Business-type activities - capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Disposal</u>	<u>Balance June 30, 2014</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 594,858	\$ -	\$ -	\$ 594,858
Capital assets, being depreciated:				
Buildings	12,327,091	70,455	-	12,397,546
Machinery, vehicles and equipment	<u>1,540,851</u>	<u>392,392</u>	-	<u>1,933,243</u>
	13,867,942	462,847	-	14,330,789
Less accumulated depreciation for:				
Buildings	7,798,956	326,078	-	8,125,034
Machinery, vehicles and equipment	<u>1,006,252</u>	<u>(7,599)</u>	-	<u>998,653</u>
	8,805,208	318,479	-	9,123,687
Total capital assets, being depreciated, net	<u>5,062,734</u>	<u>144,368</u>	-	<u>5,207,102</u>
Business-type activities capital assets, net	<u>\$ 5,657,592</u>	<u>\$ 144,368</u>	<u>\$ -</u>	<u>\$ 5,801,960</u>

NOTE 8 – BOND ANTICIPATION NOTES

Bond anticipation note transactions for the year ended June 30, 2014 were as follows:

Outstanding, July 1, 2013	\$ 9,359,000
New Borrowings	19,840,000
Repayments	<u>18,379,000</u>
Outstanding, June 30, 2014	<u>\$ 10,820,000</u>

The outstanding balance at June 30, 2014 consists of one bond anticipation note due March 5, 2015 at an interest rate of 1% per annum.

CITY OF DERBY, CONNECTICUT
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NOTE 9 — LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2014 was as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>One Year</u>
Governmental Activities:					
Refunding-2009	\$ 1,343,500	\$ -	\$ 395,600	\$ 947,900	\$ 243,200
General-2007	4,550,000	-	325,000	4,225,000	325,000
General-2013	<u>2,980,000</u>	<u>-</u>	<u>170,000</u>	<u>2,810,000</u>	<u>345,000</u>
Total	8,873,500	-	890,600	7,982,900	913,200
Bond premium	183,745	-	16,705	167,040	16,705
Capital leases	413,709	59,658	109,317	364,050	230,662
Net pension obligation	538,266	99,242	-	637,508	637,508
OPEB obligation	9,361,808	2,732,653	697,975	11,396,486	-
Compensated absenses	3,050,677	277,345	48,564	3,279,458	100,000
Landfill postclosure care costs	<u>400,512</u>	<u>-</u>	<u>19,563</u>	<u>380,949</u>	<u>20,000</u>
Total governmental activities long-term liabilities	<u>\$ 22,822,217</u>	<u>\$ 3,168,898</u>	<u>\$ 1,782,724</u>	<u>\$ 24,208,391</u>	<u>\$ 1,918,075</u>
Business-type activities:					
Refunding-2009	\$ 286,500	\$ -	\$ 84,400	\$ 202,100	\$ 51,800
Loan payable	<u>782,480</u>	<u>-</u>	<u>117,372</u>	<u>665,108</u>	<u>117,372</u>
Total	1,068,980	-	201,772	867,208	169,172
Capital lease	<u>347,098</u>	<u>-</u>	<u>53,072</u>	<u>294,026</u>	<u>54,897</u>
Total Business-type activities long-term liabilities	<u>\$ 1,416,078</u>	<u>\$ -</u>	<u>\$ 254,844</u>	<u>\$ 1,161,234</u>	<u>\$ 224,069</u>

**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

As of June 30, 2014, the City's outstanding general obligation bonds were as follows:

	Outstanding Amount
Governmental Activities:	
\$2,097,700 serial bond; issue of 2009; due April 2018; effective interest ranging from 3.0%-4.0%	\$ 947,900
\$2,980,000 serial bond; issue of 2013; due September 2023; effective interest 2.20%	2,810,000
\$6,190,000 serial bond; issue of 2006; due September 2026; effective interest ranging from 3.5%-5.0%	4,225,000
	7,982,900
Less current portion	913,200
Long term portion	\$ 7,069,700

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

As of June 30, 2014, the City's outstanding business-type obligation bonds were as follows:

	Outstanding Amount
Business-type activities:	
\$2,097,700 serial bond; issue of 2009; due April 2018; effective interest ranging from 3.0%-4.0%	\$ 202,100
\$2,347,440 note payable in monthly payments of \$9,781 plus interest at 2%, issued February 2001; and due February 2020	665,108
	867,208
Less current portion	169,172
Long term portion	\$ 698,036

The business-type activities outstanding debt is funded through the sewer use collections.

**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

The annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

Governmental Activities:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 913,200	\$ 311,647	\$ 1,224,847
2016	904,000	277,956	1,181,956
2017	894,900	241,702	1,136,602
2018	885,800	205,286	1,091,086
2019	650,000	168,442	818,442
2020	645,000	141,154	786,154
2021	635,000	114,000	749,000
2022	495,000	90,267	585,267
2023	495,000	69,684	564,684
2024	490,000	49,210	539,210
2025	325,000	32,500	357,500
2026	325,000	19,500	344,500
2027	325,000	6,500	331,500
	<u>\$ 7,982,900</u>	<u>\$ 1,727,848</u>	<u>\$ 9,710,748</u>

Business-type activities:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	169,172	19,792	\$ 188,964
2016	168,372	15,891	184,263
2017	167,472	11,503	178,975
2018	166,572	7,151	173,723
2019	117,372	2,837	120,209
2020	78,248	587	78,835
	<u>\$ 867,208</u>	<u>\$ 57,761</u>	<u>\$ 924,969</u>

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

**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

Capital Lease Obligations

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

Year Ended	Governmental Activities Payment	Business-Type Activities Payment
June 30, 2015	\$ 230,662	\$ 65,009
June 30, 2016	75,273	65,009
June 30, 2017	71,086	65,009
June 30, 2018	9,182	65,009
June 30, 2019	2,285	65,009
	388,488	325,045
Less amount representing interest	24,438	31,019
Net present value of lease payments	\$ 364,050	\$ 294,026

Governmental Activities

Property and equipment carried at a cost of \$3,083,073 with accumulated amortization of \$2,061,282 has been acquired under capital lease arrangements. The monthly payments under these leases were \$13,298 at an interest rate ranging from 5.2% to 6.3%. The capital lease obligations are financed by the general fund.

Business-Type Activities

Property and equipment carried at a cost of \$347,098 with accumulated amortization of \$46,280 has been acquired under capital lease arrangement. The annual required payments under these leases were \$65,009 at an interest rate of 3.39%. The capital lease obligation is financed by the Water Pollution Control Authority.

Compensated Absences

There is no accrual for compensated absences that are dependent on the performance of future service by employees, or when payments are dependent on future events that are outside the control of the employer and employee. The liability for compensated absences earned but not yet paid is included in the general long-term debt account group. City employees accumulate a limited amount of sick leave until termination of their employment. These amounts are based on length of employment and/or labor contracts. Sick leave is recognized in a governmental fund in the current year to the extent it is paid or the vested amount is expected to be paid with current available resources.

**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014 (\$182,613,719), 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, 2014,	\$ 25,987,674
Reimbursement for revenue loss:	
Tax Relief for Elderly	<u>100,000</u>
	Base <u>\$ 26,087,674</u>

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Unfunded Pension</u>
Debt Limitation:					
2 ¼ times base	\$ 58,697,267				
4 ½ times base		\$ 117,394,534			
3 ¾ times base			\$ 97,828,778		
3 ¼ times base				\$ 84,784,941	
3 times base	-	-	-	-	\$ 78,263,023
Total debt limitation	<u>58,697,267</u>	<u>117,394,534</u>	<u>97,828,778</u>	<u>84,784,941</u>	<u>78,263,023</u>
Indebtedness:					
Bonds payable	7,115,692	867,208	-	-	-
Bonds authorized and unissued	<u>10,700,000</u>	-	-	-	-
	<u>17,815,692</u>	<u>867,208</u>	-	-	-
Debt Limitation in excess of outstanding and authorized debt	<u>\$ 40,881,575</u>	<u>\$ 116,527,326</u>	<u>\$ 97,828,778</u>	<u>\$ 84,784,941</u>	<u>\$ 78,263,023</u>

**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014 is as follows:

	Water Pollution Control Authority	Parking Authority	Total Enterprise Funds
Operating Revenues	\$ 2,625,136	\$ 207,603	\$ 2,832,739
Operating Expenses	2,110,516	236,192	2,346,708
Operating Income(Loss)	514,620	(28,589)	486,031
Non-Operating(Expenses) Revenues	86,459	(388)	86,071
Change in Net Position	601,079	(28,977)	572,102
Beginning Net Position	4,947,704	741,092	5,688,796
Ending Net Position	5,548,783	712,115	6,260,898
Net Cash Provided By (Used In):			
Operating Activities	759,167	(2,568)	756,599
Capital and Financing Activities	110,635	-	110,635
Noncapital Financing Activities	(671,909)	(71,130)	(743,039)
Investing Activities	497	287	784
Beginning Cash and Equivalents	888,687	125,722	1,014,409
Ending Cash and Equivalents	<u>\$ 1,087,077</u>	<u>\$ 52,311</u>	<u>\$ 1,139,388</u>

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

The following funds had a fund deficit as of June 30, 2014:

Major Funds:	
Middle School Project	<u>\$ 9,205,281</u>
Other Funds:	
-Landfill	<u>\$ 99,674</u>
-Roads – Phase I	<u>\$ 33,096</u>
-School Roof	<u>\$ 390,450</u>
-Community Development	<u>\$ 15,130</u>

These deficits for Landfill and Roads-Phase I Capital Project Funds will be reduced or eliminated through permanent financing or the receipt of grant funds. The Middle School and School Roof Project deficits will be eliminated with bond proceeds.

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

General government	<u>\$ 34,127</u>
Public safety	<u>\$ 37,274</u>
Board of Education-operations	<u>\$ 22,503</u>
Board of Education-grants	<u>\$ 2,328,593</u>

**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 12– PENSION PLAN

Plan Description

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

As of July 1, 2013, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	71
Active plan participants:	
Vested	86
Nonvested	<u>29</u>
Total Active Participants	<u>115</u>
TOTAL	<u>186</u>

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

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

For the year ended June 30, 2014, the City’s total payroll for all employees amounted to \$18,744,183 and the City’s total covered payroll amounted to \$4,593,192. 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.

Summary of Significant Accounting Policies and Plan Asset Matters

The City of Derby Public Employee Retirement System financial statements are prepared on the accrual basis of accounting. Contributions from the City and the City’s employees are recognized as revenue in the period in which employees provide services to the City and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment income is recognized as earned by the pension plan. The net appreciation (depreciation) in the fair value of investments held by the pension plan is recorded as an increase (decrease) to investment income based on the valuation of investments as of July 1, 2013.

**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

Investments in securities and mutual funds are valued at current market prices. Corporate bond securities are assigned a value based on yields currently available on securities of issuers with credit ratings similar to the securities held by the pension plan. Unrestricted capital stock securities are assigned a value based on quoted market prices. The estimated value assigned to restricted capital stock securities is based on a multiple of current earnings less an appropriate discount. The earnings multiple is based on current multiples and earnings for companies similar to the securities held by the pension plan.

The calculation of the Annual Pension Cost (APC) and Net Pension Obligation (NPO) is detailed as follows and is recorded in Governmental Activities:

Actuarially Required Contribution (ARC)	\$	687,000
Interest on NPO		41,716
Adjustment to ARC		(57,474)
Annual Pension Cost (APC)		671,242
Contribution Made		572,000
Decrease in NPO		99,242
NPO beginning of year		538,266
NPO end of year	\$	637,508

**Annual Pension Cost and Net Pension Obligation
Trend Information**

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension (Asset) Obligation	Actual Contribution
June 30, 2002	\$ 256,957	90.1%	\$ (8,525)	\$ 231,500
June 30, 2003	256,240	78.1%	47,715	200,000
June 30, 2004	359,855	55.6%	207,570	200,000
June 30, 2005	355,342	70.4%	312,912	250,000
June 30, 2006	352,368	104.9%	295,780	369,500
June 30, 2007	542,151	68.3%	467,683	370,248
June 30, 2008	537,300	102.5%	454,483	550,500
June 30, 2009	476,473	102.7%	441,656	489,300
June 30, 2010	476,834	115.3%	368,490	550,000
June 30, 2011	595,399	92.4%	413,889	550,000
June 30, 2012	605,800	94.4%	437,288	572,000
June 30, 2013	674,259	84.8%	538,266	572,000
June 30, 2014	671,242	85.2%	637,508	572,000

**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

**Public Employee Retirement System
Schedule of Funding Progress**

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (AAL) (B)	UNFUNDED AAL (UAAL) (B-A)	FUNDED RATIO (A/B)	COVERED PAYROLL (C)	UAAL AS A PERCENT OF COVERED PAYROLL ((B-A)/C)
JULY 1, 2002	N/A	N/A				
JULY 1, 2003	\$7,259,660	\$7,518,625	\$258,965	96.6%	\$3,114,027	8.3%
JULY 1, 2004	N/A	N/A				
JULY 1, 2005	N/A	N/A				
JULY 1, 2006	\$7,249,682	\$9,105,039	\$1,855,357	79.6%	\$3,063,631	60.6%
JULY 1, 2007	\$8,281,124	\$9,359,566	\$1,078,442	90.9%	\$3,506,172	30.8%
JULY 1, 2008	N/A	N/A				
JULY 1, 2009	\$8,968,572	\$10,602,983	\$1,634,411	84.6%	\$4,189,263	39.0%
JULY 1, 2010	N/A	N/A				
JULY 1, 2011	\$9,427,786	\$11,634,282	\$2,206,496	81.0%	\$4,405,936	50.1%
JULY 1, 2012	N/A	N/A				
JULY 1, 2013	\$10,830,382	\$13,948,946	\$3,118,564	77.6%	\$4,593,192	67.9%

The following is a summary of certain actuarial assumptions and other information that were used to calculate the actuarial required contribution:

Valuation date	July 1, 2013
Actuarial cost method	Projected unit credit
Investment rate of return	
Preretirement	7.5%(Prior valuation 7.75%)
Post retirement	7.5%(Prior valuation 7.75%)
Projected salary increases	4.00%
Cost of living adjustment	Ad hoc.
Inflation	2.50%
Retirement	Attainment of age 63.
Mortality	RP-2000 Mortality table with separate male and female rates.(Prior valuation used Scale AA)

**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

**TRUST FUND
STATEMENT OF PLAN NET POSITION
JUNE 30, 2014**

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,036,539
Investments, at fair value	12,068,675
Other receivables	<u>35,524</u>
TOTAL ASSETS	\$ <u>13,140,738</u>
 NET POSITION	
Reserved for employee retirement system	<u>13,140,738</u>
TOTAL NET POSITION	\$ <u>13,140,738</u>

**CITY OF DERBY, CONNECTICUT
STATEMENT OF CHANGES IN PLAN NET POSITION
YEAR ENDED JUNE 30, 2014**

ADDITIONS	
Contributions	
Employer contributions from general fund	\$ 572,000
Employee contributions	<u>-</u>
Total contributions	<u>572,000</u>
Investment income	
Net appreciation in fair value of investments	1,620,746
Interest and dividends	<u>220,255</u>
	1,841,001
Less investment expenses - investment management fees	<u>91,106</u>
Net investment income	<u>1,749,895</u>
Total additions	2,321,895
DEDUCTIONS	
Benefits and other deductions	<u>778,848</u>
Net change in net assets	1,543,047
NET POSITION HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES, Beginning of year	
	<u>11,597,691</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES, End of year	
	\$ <u>13,140,738</u>

**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

Investments:

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, 2014.

Large Cap Equity	30%
Mid/Small Cap Equity	10%
International Equity	20%
High Quality Fixed Income	35%
High Yield Fixed Income	<u>5%</u>
	<u>100%</u>

Rate of Return: For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was as follows. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The money-weighted rate of return for the year ended June 30, 2014 for the City of Derby Retirement System was 16.02%.

Net Pension Liability of the City: The components of the net pension liability of the Town at June 30, 2014 were as follows:

Total pension liability	\$15,757,213
Plan fiduciary net assets	13,140,738
	<hr/>
Net Pension Liability	<u>\$ 2,616,475</u>
Plan fiduciary net position as a percentage of the total pension liability	 83.40%

The City's net pension liability will be required to be recorded on the governmental-wide statement of net position at June 30, 2015.

**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

Actuarial Assumptions (GASB 67): The total pension liability was determined by an actuarial valuation as of July 1, 2013, calculated based on the discount rate and actuarial assumptions below, and then was projected forward to the measurement date June 30, 2014. There have been no significant changes between the valuation date and the fiscal year end except as indicated below.

Valuation date	July 1, 2013
Actuarial cost method	Projected unit credit
Investment rate of return	
Preretirement	7.5%(Prior valuation 7.75%)
Post retirement	7.5%(Prior valuation 7.75%)
Projected salary increases	4.00%
Cost of living adjustment	Ad hoc.
Inflation	2.50%
Retirement	Attainment of age 63.
	RP-2000 Mortality table with separate male and female rates.(Prior valuation used Scale AA)
Mortality	

Concentrations

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

Assumed Rate of Return: 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 (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 pension plan's target asset allocation as of June 30, 2014(see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return*</u>	<u>Weighting</u>
Large Cap Equity	5.07%	1.52%
Mid/Small Cap Equity	5.93%	0.59%
International Equity	7.10%	1.42%
High Quality Fixed Income	0.77%	0.27%
High Yield Fixed Income	3.52%	<u>0.18%</u>
		3.98%
Long-term inflation expectation		<u>2.50%</u>
Long-term expected nominal return		<u>6.48%</u>

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

*Long-term returns are provided by Bernie Wealth Consulting. The returns are geometric means.

Discount Rate: The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Therefore, the long-term expected rates of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate: The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.50%, 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 6.50%	Current Discount Rate 7.5%	1% Increased to 8.5%
<u>Net Pension Liability (Asset)</u>			
City Employees' Retirement	\$ 4,319,196	\$ 2,616,475	\$ 920,418

State Teachers' Retirement Fund

The State Teachers' Retirement System is administered under the provisions of Chapter 167a of the Connecticut General Statutes. Teachers are required by law to contribute 7.25% of their salary to the State of Connecticut Teachers' Retirement Fund Board. Participation in the plan is restricted to certified teachers employed in the public schools of Connecticut and members of the professional staff of the State Department of Education or the Board of Governors of Higher Education and their constituent units. Participation in the plan is mandatory for certified personnel of local Board of Education's who are employed for an average of at least one-half of a school day. A teacher is eligible to receive a normal retirement benefit if the teacher has (1) attained age sixty and has accumulated twenty years of credited service in Connecticut, or (2) attained any age with thirty-five years of credited service, at least twenty-five of which are in Connecticut. The City of Derby is not required to make any contributions to this fund. For the year ended June 30, 2014, the City's total payroll amounted to \$18,744,183 and the City's total covered payroll of teachers amounted to \$8,802,938. The retirement system for teachers is funded by the State of Connecticut. During the year ended June 30, 2014, the City has recorded intergovernmental revenue and education expenditures in the amount of \$2,182,248, representing payments made by the State on behalf of the City of Derby.

State Municipal Employees' Retirement Fund (MERF)

The police employees of the City are covered by the State Municipal Employees Retirement Fund (MERF) with both the City and the police making contributions to this fund. The Municipal Employees' Retirement System (MERF), is a cost sharing multiple-employer, public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, annual cost of living adjustments and death benefits to the employees and beneficiaries of participating municipalities. MERF is considered to be a part of the State's financial reporting entity and is included in the State's financial reports as a pension trust fund. These reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling 860-702-3480.

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
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Plan provisions are set by statute of the State of Connecticut. MERF provides retirement benefits, as well as death and disability benefits. Annual cost of living increases between 3% and 5% are paid to disabled members and non-disabled retired members who have reached age 65. All benefits vest after 10 years of continuous service. Members who retire after age 55 with 10 years of service or after 25 years of service, irrespective of age, are entitled to an annual retirement benefit, payable monthly for life, in an amount for each year of service equal to:

- If covered by social security: 1.5% of the three-year average of earnings not in excess of the year's breakpoint, plus 2% of the three-year average of earnings in excess of the year's breakpoint. The year's breakpoint for 2014 is \$69,200.
- If not covered by social security: 2% of the average of earnings for the three highest paid years of service.

Covered employees are required by state statute to contribute 2 1/4% of earnings upon which social security tax is paid plus 5% of earnings on which no social security tax is paid. Each municipality is required to contribute the amounts necessary to finance the remaining costs of the plan.

The City's required contribution to MERF for the year ended June 30, 2014 amounted to \$652,030.

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, 2012. The post-retirement plan does not issue standalone financial reports. From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the City recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability. The contribution requirements of plan members and the City are established and may be amended by the City. The City determines the required contribution using the Projected Unit Credit Method.

Membership in the plan consisted of the following at July 1, 2012, the date of the last actuarial valuation.

Retirees and beneficiaries receiving benefits	114
Active plan members	<u>269</u>
Total	<u>383</u>

**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

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

Fiscal Year Ending	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Contributed	Net OPEB Obligation
June 30, 2014	\$ 2,732,653	697,975	25.5%	\$ 11,396,486
June 30, 2013	\$ 2,427,060	788,076	32.5%	\$ 9,361,808
June 30, 2012	\$ 2,407,275	764,590	31.8%	\$ 7,722,824

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

Annual required contribution	\$ 2,878,860
Interest on net pension asset	374,472
Adjustment to ARC	<u>(520,679)</u>
Annual OPEB cost	<u>2,732,653</u>
Contributions made	697,975
Increase in net OPEB liability	<u>2,034,678</u>
Net OPEB obligation, beginning of year	<u>9,361,808</u>
Net OPEB obligation, end of year	<u><u>\$ 11,396,486</u></u>

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liability (UAL) (b)-(a)	Funded Ratio (a/b)	Covered payroll (c)	Unfunded UAL as a % of covered payroll ((b-a)/c)
7/1/2012	\$ -	\$ 27,332,100	\$27,332,100	0%	\$14,583,700	187%
7/1/2010	\$ -	\$ 24,088,600	\$24,088,600	0%	\$15,002,000	161%
7/1/2008	\$ -	\$ 28,984,119	\$28,984,119	0%	\$14,840,533	195%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The information

**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

presented was determined as part of the actuarial valuation. Additional information as of the last actuarial valuations follows:

Valuation date	July 01, 2012
Actuarial cost method	Projected Unit Credit
Amortization method	Actuarial accrued liability
Remaining amortization period	30 Year Level Dollar, Open
Asset valuation method	30 Year
Actuarial assumptions	Market Value
Investment rate of return	4.00%
Inflation rate	5.00%

Health cost trend rates

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

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

NOTE 14 –COMMITMENTS AND CONTINGENT LIABILITIES

The City of Derby, Connecticut is contingently liable in a number of lawsuits involving personal injury claims, heart and hypertension, tax appeals, negligence, zoning, personnel, and other miscellaneous suits and unasserted claims. It is the opinion of Corporation Counsel that such pending litigation against the City not covered by insurance amounted to \$675,000 of which is accrued as a liability in the general fund as of June 30, 2014.

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

Construction Commitments

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

NOTE 15 - RISK MANAGEMENT

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

**CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 16 – CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the City of Derby place a final cover on its landfill when it was closed, and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The recognition of these landfill closure and postclosure care costs is based on the amount of landfill used during the year. The estimated remaining cost of the postclosure care is \$380,949, 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, 2014. The actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The landfill closure costs of \$1,100,000 was financed by general obligation bonds of \$300,000 issued during fiscal year ended June 30, 1995, and by State grants estimated at \$800,000. These landfill grants and postclosure costs have been included in Other Governmental Funds.

NOTE 17 – SELF INSURANCE

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

	Year ended	
	June 30, 2014	June 30, 2013
Amount of claims liabilities at the beginning of the fiscal year	\$ 286,460	\$ 263,000
Incurred claims	4,794,204	3,391,571
Payments on claims	4,813,833	3,368,111
Amount of claims liabilities at the end of the fiscal year	\$ 266,831	\$ 286,460

NOTE 18 – SUBSEQUENT EVENTS

Subsequent events were evaluated through January 30, 2015, the date of the financial statements were available to be issued.

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**CITY OF DERBY, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

**PUBLIC EMPLOYEE RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

YEAR ENDED JUNE 30	ANNUAL REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTED	ACTUAL CONTRIBUTION
2002	\$256,000	90%	\$231,500
2003	256,000	78%	200,000
2004	361,200	55%	200,000
2005	361,200	69%	250,000
2006	361,200	102%	369,500
2007	550,500	67%	370,248
2008	550,000	100%	550,500
2009	489,300	100%	489,300
2010	489,300	112%	550,000
2011	605,800	91%	550,000
2012	605,800	94%	572,000
2013	687,000	83%	572,000
2014	687,000	83%	572,000

**PUBLIC EMPLOYEE RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS**

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (AAL) (B)	UNFUNDED AAL (UAAL) (B-A)	FUNDED RATIO (A/B)	COVERED PAYROLL (c)	UAAL AS A PERCENT OF COVERED PAYROLL ((B-A)/C)
JULY 1, 2002	N/A	N/A				
JULY 1, 2003	\$7,259,660	\$7,518,625	\$258,965	96.6%	\$3,114,027	8.3%
JULY 1, 2004	N/A	N/A				
JULY 1, 2005	N/A	N/A				
JULY 1, 2006	\$7,249,682	\$9,105,039	\$1,855,357	79.6%	\$3,063,631	60.6%
JULY 1, 2007	\$8,281,124	\$9,359,566	\$1,078,442	90.9%	\$3,506,172	30.8%
JULY 1, 2008	N/A	N/A				
JULY 1, 2009	\$8,968,572	\$10,602,983	\$1,634,411	84.6%	\$4,189,263	39.0%
JULY 1, 2010	N/A	N/A				
JULY 1, 2011	\$9,427,786	\$11,634,282	\$2,206,496	81.0%	\$4,405,936	50.1%
JULY 1, 2012	N/A	N/A				
JULY 1, 2013	\$10,830,382	\$13,948,946	\$3,118,564	77.6%	\$4,593,192	67.9%

**CITY OF DERBY, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

Total Pension Liability		
Service cost	\$	591,067
Interest on total pension liability		1,127,001
Effect of economic/demographic gains or (losses)		-
Benefit payments		<u>(778,848)</u>
Net change in total pension liability		939,220
Total Pension Liability, beginning		<u>14,817,994</u>
Total pension liability, ending (a)		15,757,214
 Fiduciary Net Position		
Employer contributions	\$	572,000
Member contributions		-
Investment income net of investment expenses		1,841,001
Benefit payments		(778,848)
Administrative expenses		<u>(91,106)</u>
Net change in plan fiduciary net position		1,543,047
Fiduciary Net Position, beginning		11,597,691
Fiduciary net position, ending (b)		<u>13,140,738</u>
Net pension liability, ending (a)-(b)	\$	<u>2,616,476</u>
 Fiduciary net position as a % of total pension liability		83.40%
Covered payroll	\$	4,593,192
Net pension liability as a % of covered payroll		57%

NOTE: As 2014 is the implementation year, only 2014 information is available.

SUPPLEMENTAL INFORMATION
NONMAJOR GOVERNMENTAL FUNDS

**CITY OF DERBY, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

SPECIAL REVENUE FUNDS

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

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

Library Endowment Fund — is used to account for the investments assigned for library operations and improvements.

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

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

CAPITAL PROJECTS FUNDS

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

Library Construction — is used to account for library improvements.

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

Phase III Roadways — is used to account for pavement reconstruction and storm drainage improvements to repairs to certain City streets.

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

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

PERMANENT FUNDS

Permanent Funds — are used to account restricted funds where only the income of those funds is restricted by a donor for a particular purpose.

CITY OF DERBY, CONNECTICUT
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue		
	School Lunch	Community Development	Other Special Revenue Funds
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 67,757	\$ 102,633	\$ 72,507
Receivables - intergovernmental	90,718	-	-
Receivables - other	-	109,842	-
Inventory	3,406	-	-
Due from other funds	70,812	16,721	-
TOTAL ASSETS	\$ 232,693	\$ 229,196	\$ 72,507
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ 196,611	\$ 30,855	\$ -
Deferred revenue	-	213,471	16,132
Bond anticipation note payable	-	-	-
Due to other funds	-	-	-
TOTAL LIABILITIES	196,611	244,326	16,132
FUND BALANCES (DEFICIT)			
Nonspendable	3,406	-	-
Restricted	-	-	-
Assigned	32,676	(15,130)	56,375
Unassigned	-	-	-
Total fund balances (deficits)	36,082	(15,130)	56,375
TOTAL LIABILITIES AND FUND BALANCES	\$ 232,693	\$ 229,196	\$ 72,507

CITY OF DERBY, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

REVENUES			
Federal and State government	\$ 523,388	\$ 288,042	\$ -
Charges for services	139,025	-	-
Other	-	-	-
Interest on investments	-	46,633	1
TOTAL REVENUES	662,413	334,675	1
EXPENDITURES			
General government	-	-	18,267
Culture and recreation	-	-	-
Health and welfare	644,320	-	-
Capital outlay	-	408,020	-
TOTAL EXPENDITURES	644,320	408,020	18,267
EXCESS OF REVENUES			
OVER (UNDER) EXPENDITURES	18,093	(73,345)	(18,266)
OTHER FINANCING SOURCES - Operating transfers in			
	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND			
OTHER FINANCING SOURCES OVER EXPENDITURES			
AND OTHER FINANCING SOURCES (USES)			
	18,093	(73,345)	(18,266)
Fund balance(deficit) at July 1, 2013	17,989	58,215	74,641
FUND BALANCES (DEFICIT)			
AT JUNE 30, 2014	\$ 36,082	\$ (15,130)	\$ 56,375

Capital Projects

<u>Library Construction</u>	<u>Land Acquisitions</u>	<u>Phase III Roadways</u>	<u>System-wide School Capital Improvements</u>	<u>Other Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Total</u>
\$ 9,011	\$ 85,781	\$ 91,049	\$ 5,948	\$ 43,131	\$ 5,506	\$ 483,323
-	-	-	-	-	-	90,718
-	-	-	-	-	-	109,842
-	-	-	-	-	-	3,406
<u>103,282</u>	<u>-</u>	<u>-</u>	<u>22,254</u>	<u>23,288</u>	<u>-</u>	<u>236,357</u>
<u>\$ 112,293</u>	<u>\$ 85,781</u>	<u>\$ 91,049</u>	<u>\$ 28,202</u>	<u>\$ 66,419</u>	<u>\$ 5,506</u>	<u>\$ 923,646</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 227,466
-	-	-	-	-	-	229,603
-	-	-	0	-	-	-
<u>6,296</u>	<u>27,517</u>	<u>-</u>	<u>-</u>	<u>168,706</u>	<u>-</u>	<u>202,519</u>
<u>6,296</u>	<u>27,517</u>	<u>-</u>	<u>-</u>	<u>168,706</u>	<u>-</u>	<u>659,588</u>
-	-	-	-	-	5,506	8,912
105,997	58,264	91,049	-	-	-	255,310
-	-	-	-	-	-	73,921
-	-	-	28,202	(102,287)	-	(74,085)
<u>105,997</u>	<u>58,264</u>	<u>91,049</u>	<u>28,202</u>	<u>(102,287)</u>	<u>5,506</u>	<u>264,058</u>
<u>\$ 112,293</u>	<u>\$ 85,781</u>	<u>\$ 91,049</u>	<u>\$ 28,202</u>	<u>\$ 66,419</u>	<u>\$ 5,506</u>	<u>\$ 923,646</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 811,430
-	-	-	-	-	-	139,025
-	-	-	-	-	-	-
<u>1</u>	<u>197</u>	<u>-</u>	<u>21</u>	<u>16</u>	<u>6</u>	<u>46,875</u>
<u>1</u>	<u>197</u>	<u>-</u>	<u>21</u>	<u>16</u>	<u>6</u>	<u>997,330</u>
-	-	-	-	-	-	18,267
-	-	-	-	-	-	-
-	-	-	-	-	-	644,320
-	-	309,261	9,175	-	-	726,456
-	-	309,261	9,175	-	-	1,389,043
1	197	(309,261)	(9,154)	16	6	(391,713)
-	-	-	-	-	-	-
1	197	(309,261)	(9,154)	16	6	(391,713)
<u>105,996</u>	<u>58,067</u>	<u>400,310</u>	<u>\$ 37,356</u>	<u>(102,303)</u>	<u>5,500</u>	<u>655,771</u>
<u>\$ 105,997</u>	<u>\$ 58,264</u>	<u>\$ 91,049</u>	<u>\$ 28,202</u>	<u>\$ (102,287)</u>	<u>\$ 5,506</u>	<u>\$ 264,058</u>

SUPPLEMENTAL INFORMATION

FIDUCIARY FUNDS

**CITY OF DERBY, CONNECTICUT
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2014**

Trust And Agency Funds are used to account for assets held in a trustee capacity for others, and include Expendable Trusts, Non-Expendable Trusts and Agency Funds.

Agency Funds — utilize the modified accrual basis of accounting. Agency funds are custodial in nature (assets equal liabilities) and are used to account for student activities and school scholarship funds. The City's Agency Funds are listed below:

- Student Scholarship Fund
- Student Activity
- Performance Bonds

**CITY OF DERBY, CONNECTICUT
COMBINING SCHEDULE OF CHANGES IN ASSETS
AND LIABILITIES – AGENCY FUNDS
YEAR ENDED JUNE 30, 2014**

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
STUDENT ACTIVITY FUNDS				
ASSETS				
Cash	\$ 106,114	\$ 492,298	\$ 189,261	\$ 409,151
LIABILITIES				
Due to student groups	\$ 106,114	\$ 292,161	\$ 189,261	\$ 209,014
Due to General Fund	-	200,137	-	200,137
Total Liabilities	<u>\$ 106,114</u>	<u>\$ 492,298</u>	<u>\$ 189,261</u>	<u>\$ 409,151</u>
STUDENT SCHOLARSHIP FUNDS				
ASSETS				
Cash	\$ 48,657	\$ 52,845	\$ 50,556	\$ 50,946
LIABILITIES				
Due to student groups	\$ 48,657	\$ 52,845	\$ 50,556	\$ 50,946
PERFORMANCE BONDS				
ASSETS				
Cash	\$ 25,741,710	\$ 33,385	-	\$ 25,775,095
LIABILITIES				
Due to developers	\$ 25,741,710	\$ 33,385	-	\$ 25,775,095
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash	\$ 25,896,481	\$ 578,528	\$ 239,817	\$ 26,235,192
Total Assets	<u>\$ 25,896,481</u>	<u>\$ 578,528</u>	<u>\$ 239,817</u>	<u>\$ 26,235,192</u>
LIABILITIES				
Due to student groups	\$ 154,771	\$ 345,006	\$ 239,817	\$ 259,960
Due to developers	25,741,710	33,385	-	25,775,095
Due to General Fund	-	200,137	-	200,137
Total Liabilities	<u>\$ 25,896,481</u>	<u>\$ 578,528</u>	<u>\$ 239,817</u>	<u>\$ 26,235,192</u>

OTHER SCHEDULES

**CITY OF DERBY, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED,
COLLECTED AND OUTSTANDING – GENERAL FUND
YEAR ENDED JUNE 30, 2014**

<u>Grand List Year</u>	<u>Uncollected Taxes July 01, 2013 and Current List</u>	<u>Additions/ (Deductions)</u>	<u>Balance to be Collected</u>
1997	\$ 1,002	\$ (1,002)	\$ -
1998	1,238	(1,238)	-
1999	1,276	(608)	668
2000	773	-	773
2001	820	-	820
2002	820	-	820
2003	3,235	-	3,235
2004	6,162	-	6,162
2005	8,428	-	8,428
2006	16,254	-	16,254
2007	52,149	(3,592)	48,557
2008	115,370	(5,389)	109,981
2009	286,427	(13,180)	273,247
2010	531,934	(34,618)	497,316
2011	<u>856,896</u>	<u>(15,393)</u>	<u>841,503</u>
	1,882,784	(75,020)	1,807,764
2012	<u>26,143,614</u>	<u>(132,585)</u>	<u>26,011,029</u>
	<u>\$ 28,026,398</u>	<u>\$ (207,605)</u>	<u>\$ 27,818,793</u>

**CITY OF DERBY, CONNECTICUT
SCHEDULE OF SPECIAL ASSESSMENTS
YEAR ENDED JUNE 30, 2014**

<u>Assessment of:</u>	<u>Uncollected Special Assessments June 30, 2014</u>
1974	
Academy Hill	\$ 1,407
Donna Avenue	1,407
Kindle Lane	3,926
Krakow Street	47,924
Marshall Lane	5,483
Paugassette Road	1,689
Pine Street	3,274
Roosevelt Drive	16,852
Sodom Lane	<u>4,492</u>
	86,454
1976	
David Humphrey's Road	1,626
John Street	<u>3,252</u>
	4,878
1976	
Harrison Avenue	2,700
Water bills	<u>1,716</u>
	4,416
TOTAL	<u>\$ 95,748</u>

	Collections			Total	Taxes
	Taxes	Interest	Lien Fees		Receivable June 30, 2014
\$	-	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-
	-	-	-	-	668
	-	-	-	-	773
	-	-	-	-	820
	-	-	-	-	820
	-	-	-	-	3,235
	-	-	-	-	6,162
	11	32	-	43	8,417
	-	-	-	-	16,254
	8,818	5,379	48	14,245	39,739
	17,553	11,695	213	29,461	92,428
	75,019	39,114	342	114,475	198,228
	108,849	47,282	1,024	157,155	388,467
	325,861	65,693	3,446	395,000	515,642
	536,111	169,195	5,073	710,379	1,271,653
	25,169,145	102,822	5,328	25,277,295	841,884
\$	<u>25,705,256</u>	<u>\$ 272,017</u>	<u>\$ 10,401</u>	<u>\$ 25,987,674</u>	<u>\$ 2,113,537</u>

**CITY OF DERBY, CONNECTICUT
SCHEDULE OF NATIONALLY RECOGNIZED MUNICIPAL
SECURITIES INFORMATION REPOSITORY
YEAR ENDED JUNE 30, 2014**

Gross Grand List-October 1, 2012	\$ 753,331,378
Net Grand List-October 1, 2012	746,601,898

Ten Largest Taxpayers:	<u>Grand List Assessment</u>
Antinozzi, Peter, Concetta & Justine	\$ 10,777,410
United Illuminating Co. 49 Pershing Drive LLC	10,605,970
Home Depot	9,066,050
500 NHA LLC	8,123,850
Natick CT Derby Realty	7,339,430
Walgreen Eastern Co.	5,411,070
Yankee Gas Services Co.	4,301,010
Opuszynski Jean A	4,205,580
500 NHA LLC	4,145,050
	3,644,410

Debt Statement as of June 30, 2014:

Short Term Debt	\$ 10,820,000
Long Term Debt	7,982,900
Total Direct Debt	<u>18,802,900</u>
Less: School construction grants	(442,818)
Water assessments receivable, net of allowance	<u>-</u>
Total Net Direct Debt	<u>\$ 18,360,082</u>

Current Debt Ratios

(Pro Forma)	
Population (2012)*	14,926
Net Grand List(Taxable) - October 1, 2012	\$ 746,601,898
Estimated Full Value (70%)	\$ 753,301,431
Equalized Net Taxable Grand List (2012)**	\$ 943,469,618
Money Income per Capita (2012)*	\$ 54,561

* Connecticut Economic Resource Center, Inc. (Cerc)

** State of Connecticut, Office of Policy and Management

	<u>Total Direct Debt</u>	<u>Total Net Direct Debt</u>
Per Capita	1,260	1,230
Ratio to Net Taxable Grand List	2.52%	2.46%
Ratio to Estimated Full Value	2.50%	2.44%
Ratio to Equalized Net Taxable Grand List	1.99%	1.95%
Per Capita to Money Income per Capita	2.31%	2.25%